

1 of the Geological Survey, hereinafter referred to as "Director," after pre-
2 liminary concurrence by the Director, shall prepare a notice of proposed
3 expansion or contraction describing the contemplated changes in the boundaries
4 of the unit area, the reasons therefor, and the proposed effective date thereof,
5 preferably the first day of a month subsequent to the date of notice.

6 (b) Said notice shall be delivered to the Supervisor, and copies
7 thereof mailed to the last known address of each working interest owner, lessee,
8 and lessor whose interests are affected, advising that thirty days will be
9 allowed for submission to the Unit Operator of any objections.

10 (c) Upon expiration of the thirty-day period provided in the pre-
11 ceding item (b) hereof, Unit Operator shall file with the Supervisor evidence
12 of mailing of the notice of expansion or contraction and a copy of any objections
13 thereto which have been filed with the Unit Operator, together with an application
14 in sufficient number, for approval of such expansion or contraction and with
15 appropriate joinders.

16 (d) After due consideration of all pertinent information, the
17 expansion or contraction shall, upon approval by the Director, become effective
18 as of the date prescribed in the notice thereof.

19 (e) Notwithstanding any prior elimination under Section 9, Drilling
20 to Discovery, all legal subdivisions of unitized lands (i.e., 40 acres by
21 Government survey or its nearest lot or tract equivalent in instances of
22 irregular surveys, however, unusually large lots or tracts shall be considered
23 in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the
24 purpose of elimination under this subsection), no parts of which are entitled
25 to be in a participating area within five years after the first day of the
26 month following the effective date of the first initial participating area
27 established under this unit agreement, shall be eliminated automatically from
28 this agreement, effective as of the first day thereafter, and such lands shall
29 no longer be a part of the unit area and shall no longer be subject to this
30 agreement, unless at the expiration of said five-year period diligent drilling
31 operations are in progress on unitized lands not entitled to participation, in
32 which event all such lands shall remain subject hereto for so long as such
33 drilling operations are continued diligently, with not more than ninety days'
34 time elapsing between the completion of one such well and the commencement of