

1 for the purpose of determining any benefits accruing under this agree- 1
 2 ment, each such tract of unitized land shall have allocated to it such 2
 3 percentage of said production as the number of acres of such tract in- 3
 4 cluded in said participating area bears to the total acres of unitized 4
 5 land in said participating area, except that allocation of production 5
 6 hereunder for purposes other than for settlement of the royalty, over- 6
 7 riding royalty, or payment out of production obligations of the respec- 7
 8 tive working interest owners, shall be on the basis prescribed in the 8
 9 unit operating agreement whether in conformity with the basis of allo- 9
 10 cation herein set forth or otherwise. It is hereby agreed that produc- 10
 11 tion of unitized substances from a participating area shall be allocated 11
 12 as provided herein regardless of whether any wells are drilled on any 12
 13 particular part or tract of said participating area. If any gas pro- 13
 14 duced from one participating area is used for repressuring or recycling 14
 15 purposes in another participating area, the first gas withdrawn from 15
 16 such last-mentioned participating area for sale during the life of this 16
 17 agreement shall be considered to be the gas so transferred until an 17
 18 amount equal to that transferred shall be so produced for sale and such 18
 19 gas shall be allocated to the participating area from which initially 19
 20 produced as constituted at the time of such final production. 20

21 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR 21
 22 FORMATIONS. Any party hereto owning or controlling the working interest 22
 23 in any unitized land having thereon a regular well location may with the 23
 24 approval of the Supervisor, at such party's sole risk, costs, and expense, 24
 25 drill a well to test any formation for which a participating area has not 25
 26 been established or to test any formation for which a participating area 26
 27 has been established if such location is not within said participating 27
 28 area, unless within 90 days of receipt of notice from said party of his 28
 29 intention to drill the well the Unit Operator elects and commences to 29
 30 drill such a well in like manner as other wells are drilled by the Unit 30
 31 Operator under this agreement. 31

32 If any well drilled as aforesaid by a working interest owner re- 32
 33 sults in production such that the land upon which it is situated may 33
 34 properly be included in a participating area, such participating area 34
 35 shall be established or enlarged as provided in this agreement and the 35
 36 well shall thereafter be operated by the Unit Operator in accordance 36
 37 with the terms of this agreement and the unit operating agreement. 37

38 If any well drilled as aforesaid by a working interest owner 38
 39 obtains production in quantities insufficient to justify the inclusion 39
 40 in a participating area of the land upon which such well is situated, 40
 41 such well may be operated and produced by the party drilling the same 41
 42 subject to the conservation requirements of this agreement. The roy- 42
 43 alties in amount or value of production from any such well shall be 43
 44 paid as specified in the underlying lease and agreements affected. 44

45 14. ROYALTY SETTLEMENT. The United States and any State and 45
 46 all royalty owners who, under existing contract, are entitled to take 46
 47 in kind a share of the substances now unitized hereunder produced from 47
 48 any tract, shall hereafter be entitled to the right to take in kind 48
 49 their share of the unitized substances allocated to such tract, and 49
 50 Unit Operator, or in case of the operation of a well by a working in- 50
 51 terest owner as herein in special cases provided for, such working 51
 52 interest owner, shall make deliveries of such royalty share taken in 52
 53 kind in conformity with the applicable contracts, laws, and regula- 53
 54 tions. Settlement for royalty interest not taken in kind shall be 54
 55 made by working interest owners responsible therefor under existing 55
 56 contracts, laws and regulations on or before the last day of each 56
 57 month for unitized substances produced during the preceding calendar 57
 58 month; provided, however, that nothing herein contained shall operate 58
 59 to relieve the lessees of any land from their respective lease obli- 59
 60 gations for the payment of any royalties due under their leases. 60

61 If gas obtained from lands not subject to this agreement is 61
 62 introduced into any participating area hereunder, for use in repres- 62
 63 suring, stimulation of production, or increasing ultimate recovery, 63
 64 which shall be in conformity with a plan first approved by the Super- 64
 65 visor, a like amount of gas, after settlement as herein provided for 65