

474

1                   II. PARTICIPATION AFTER DISCOVERY. Upon completion of a well           1  
2 capable of producing unitized substances in paying quantities or as soon           2  
3 thereafter as required by the Supervisor, the Unit Operator shall sub-           3  
4 mit for approval by the Director a schedule, based on subdivisions of           4  
5 the public land survey or aliquot parts thereof, of all unitized land then           5  
6 regarded as reasonably proved to be productive of unitized substances in           6  
7 paying quantities; all lands in said schedule on approval of the Director           7  
8 to constitute a participating area, effective as of the date of completion           8  
9 of such well or the effective date of the unit agreement, whichever is           9  
10 later. The acreages of both Federal and non-Federal lands shall be based           10  
11 upon appropriate computations from the courses and distances shown on the           11  
12 last approved public-land survey as of the effective date of the initial           12  
13 participating area. Said schedule also shall set forth the percentage of           13  
14 unitized substances to be allocated as herein provided to each unitized           14  
15 tract in the participating area so established, and shall govern the           15  
16 allocation of production from and after the date the participating area           16  
17 becomes effective. A separate participating area shall be established           17  
18 in like manner for each separate pool or deposit of unitized substances           18  
19 or for any group thereof produced as a single pool or zone, and any two           19  
20 or more participating areas so established may be combined into one with           20  
21 the consent of the owners of all working interests in the lands within           21  
22 the participating areas so to be combined, on approval of the Director.           22  
23 The participating area or areas so established shall be revised from time           23  
24 to time, subject to like approval, whenever such action appears proper as           24  
25 a result of further drilling operations or otherwise, to include addition-           25  
26 al land then regarded as reasonably proved to be productive in paying           26  
27 quantities, or to exclude land then regarded as reasonably proved not to           27  
28 be productive in paying quantities and the percentage of allocation shall           28  
29 also be revised accordingly. The effective date of any revision shall be           29  
30 the first of the month in which is obtained the knowledge or information           30  
31 on which such revision is predicated, provided, however, that a more ap-           31  
32 propriate effective date may be used if justified by the Unit Operator           32  
33 and approved by the Director. No land shall be excluded from a parti-           33  
34 cipating area on account of depletion of the unitized substances.           34  
35

36                   It is the intent of this section that a participating area shall           36  
37 represent the area known or reasonably estimated to be productive in           37  
38 paying quantities; but, regardless of any revision of the participating           38  
39 area, nothing herein contained shall be construed as requiring any retro-           39  
40 active adjustment for production obtained prior to the effective date of           40  
41 the revision of the participating area.           41

42                   In the absence of agreement at any time between the Unit Operator           42  
43 and the Director as to the proper definition or redefinition of a parti-           43  
44 cipating area, or until a participating area has, or areas have, been           44  
45 established as provided herein, the portion of all payments affected           45  
46 thereby may be impounded in a manner mutually acceptable to the owners of           46  
47 working interests, except royalties due the United States, which shall be           47  
48 determined by the Supervisor and the amount thereof deposited, as directed           48  
49 by the Supervisor, to be held as unearned money until a participating           49  
50 area is finally approved and then applied as earned or returned in accor-           50  
51 dance with a determination of the sum due as Federal royalty on the basis           51  
52 of such approved participating area.           52

53                   Whenever it is determined, subject to the approval of the Super-           53  
54 visor, that a well drilled under this agreement is not capable of pro-           54  
55 duction in paying quantities and inclusion of the land on which it is           55  
56 situated in a participating area is unwarranted, production from such well           56  
57 shall, for the purposes of settlement among all parties other than working           57  
58 interest owners, be allocated to the land on which the well is located so           58  
59 long as such land is not within a participating area established for the           59  
60 pool or deposit from which such production is obtained. Settlement for           60  
61 working interest benefits from such a well shall be made as provided in           61  
62 the unit operating agreement.           62

63                   12. ALLOCATION OF PRODUCTION. All unitized substances produced           63  
64 from each participating area established under this agreement, except any           64  
65 part thereof used in conformity with good operating practices within the           65  
66 unitized area for drilling, operating, camp and other production or devel-           66  
67 opment purposes, for repressuring or recycling in accordance with a plan           67  
68 of development approved by the Supervisor, or unavoidably lost, shall be deem-           68  
69 ed to be produced equally on an acreage basis from the several tracts of           69  
70 unitized land of the participating area established for such production and           70  
71                   71