

1 shall be discovered which can be produced in paying quantities (to wit: 1
 2 quantities sufficient to repay the costs of drilling, and producing oper- 2
 3 ations, with a reasonable profit) or the Unit Operator shall at any time 3
 4 establish to the satisfaction of the Supervisor that further drilling of 4
 5 said well would be unwarranted or impracticable, provided, however, that 5
 6 Unit Operator shall not in any event be required to drill said well to a 6
 7 depth in excess of 6,000 feet. Until the dis- 7
 8 covery of a deposit of unitized substances capable of being produced in 8
 9 paying quantities, the Unit Operator shall continue drilling diligently 9
 10 one well at a time, allowing not more than 6 months between the comple- 10
 11 tion of one well and the beginning of the next well, until a well capa- 11
 12 ble of producing unitized substances in paying quantities is completed 12
 13 to the satisfaction of said Supervisor or until it is reasonably proved 13
 14 that the unitized land is incapable of producing unitized substances in 14
 15 paying quantities in the formations drilled hereunder. Nothing in this 15
 16 section shall be deemed to limit the right of the Unit Operator to re- 16
 17 sign as provided in Section 5 hereof, or as requiring Unit Operator to 17
 18 commence or continue any drilling during the period pending such resig- 18
 19 nation becoming effective in order to comply with the requirements of 19
 20 this section. The Director may modify the drilling requirements of this 20
 21 section by granting reasonable extensions of time when, in his opinion, 21
 22 such action is warranted. 22

23 Upon failure to comply with the drilling provisions of this sec- 23
 24 tion, the Director may, after reasonable notice to the Unit Operator, 24
 25 and each working interest owner, lessee, and lessor at their last known 25
 26 addresses, declare this unit agreement terminated. (Continued on page 5A) 26

27 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months 27
 28 after completion of a well capable of producing unitized substances in 28
 29 paying quantities, the Unit Operator shall submit for the approval of 29
 30 the Supervisor an acceptable plan of development and operation for the 30
 31 unitized land which, when approved by the Supervisor, shall constitute 31
 32 the further drilling and operating obligations of the Unit Operator 32
 33 under this agreement for the period specified therein. Thereafter, 33
 34 from time to time before the expiration of any existing plan, the Unit 34
 35 Operator shall submit for the approval of the Supervisor a plan for an 35
 36 additional specified period for the development and operation of the 36
 37 unitized land. Any plan submitted pursuant to this section shall pro- 37
 38 vide for the exploration of the unitized area and for the diligent 38
 39 drilling necessary for determination of the area or areas thereof cap- 39
 40 able of producing unitized substances in paying quantities in each and 40
 41 every productive formation and shall be as complete and adequate as the 41
 42 Supervisor may determine to be necessary for timely development and 42
 43 proper conservation of the oil and gas resources of the unitized area 43
 44 and shall 44

45 (a) specify the number and locations of any wells to be 45
 46 drilled and the proposed order and time for such drilling; 46
 47 and 47

48 (b) to the extent practicable specify the operating prac- 48
 49 tices regarded as necessary and advisable for proper con- 49
 50 servation of natural resources. Separate plans may be sub- 50
 51 mitted for separate productive zones, subject to the approval 51
 52 of the Supervisor. Said plan or plans shall be modified or 52
 53 supplemented when necessary to meet changed conditions or to 53
 54 protect the interests of all parties to this agreement. Rea- 54
 55 sonable diligence shall be exercised in complying with the 55
 56 obligations of the approved plan of development. The Super- 56
 57 visor is authorized to grant a reasonable extension of the 57
 58 6-month period herein prescribed for submission of an ini- 58
 59 tial plan of development where such action is justified be- 59
 60 cause of unusual conditions or circumstances. After com- 60
 61 pletion hereunder of a well capable of producing any uni- 61
 62 tized substance in paying quantities, no further wells, 62
 63 except such as may be necessary to afford protection against 63
 64 operations not under this agreement or such as may be spe- 64
 65 cifically approved by the Supervisor, shall be drilled except 65
 66 in accordance with a plan of development approved as herein 66
 67 provided. 67