

1 11. 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 submit 3
 4 for approval by the Director a schedule, based on subdivisions of the 4
 5 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 allo- 15
 16 cation of production from and after the date the participating area be- 16
 17 comes effective. A separate participating area shall be established in 17
 18 like manner for each separate pool or deposit of unitized substances or for 18
 19 any group thereof produced as a single pool or zone, and any two or more 19
 20 participating areas so established may be combined into one with the con- 20
 21 sent of the owners of all working interests in the lands within the partici- 21
 22 pating areas so to be combined, on approval of the Director. The partici- 22
 23 pating area or areas so established shall be revised from time to time, sub- 23
 24 ject to like approval, whenever such action appears proper as a result of 24
 25 further drilling operations or otherwise, to include additional land then 25
 26 regarded as reasonably proved to be productive in paying quantities, or to 26
 27 exclude land then regarded as reasonably proved not to be productive in 27
 28 paying quantities and the percentage of allocation shall also be revised 28
 29 accordingly. The effective date of any revision shall be the first of the 29
 30 month in which is obtained the knowledge or information on which such re- 30
 31 vision is predicated, provided, however, that a more appropriate effective 31
 32 date may be used if justified by the Unit Operator and approved by the 32
 33 Director. No land shall be excluded from a participating area on account 33
 34 of depletion of the unitized substances. 34

35 It is the intent of this section that a participating area shall rep- 35
 36 resent the area known or reasonably estimated to be productive in paying 36
 37 quantities; but, regardless of any revision of the participating area, 37
 38 nothing herein contained shall be construed as requiring any retroactive 38
 39 adjustment for production obtained prior to the effective date of the revis- 39
 40 ion of the participating area. 40

41 In the absence of agreement at any time between the Unit Operator 41
 42 and the Director as to the proper definition or redefinition of a partici- 42
 43 pating area, or until a participating area has, or areas have, been estab- 43
 44 lished as provided herein, the portion of all payments affected thereby 44
 45 may be impounded in a manner mutually acceptable to the owners of working 45
 46 interests, except royalties due the United States, which shall be deter- 46
 47 mined by the Supervisor and the amount thereof deposited, as directed by 47
 48 the Supervisor, to be held as unearned money until a participating area 48
 49 is finally approved and then applied as earned or returned in accordance 49
 50 with a determination of the sum due as Federal royalty on the basis of 50
 51 such approved participating area. 51

52 Whenever it is determined, subject to the approval of the Supervisor 52
 53 that a well drilled under this agreement is not capable of production in 53
 54 paying quantities and inclusion of the land on which it is situated in a 54
 55 participating area is unwarranted, production from such well shall, for the 55
 56 purposes of settlement among all parties other than working interest owners, 56
 57 be allocated to the land on which the well is located so long as such land 57
 58 is not within a participating area established for the pool or deposit from 58
 59 which such production is obtained. Settlement for working interest benefits 59
 60 from such a well shall be made as provided in the unit operating agreement. 60

61 12. ALLOCATION OF PRODUCTION. All unitized substances produced 61
 62 from each participating area established under this agreement, except any 62
 63 part thereof used in conformity with good operating practices within the 63
 64 unitized area for drilling, operating, camp and other production or devel- 64
 65 opment purposes, for repressuring or recycling in accordance with a plan of 65
 66 development approved by the Supervisor, or unavoidably lost, shall be deem- 66
 67 ed to be produced equally on an acreage basis from the several tracts of 67
 68 unitized land of the participating area established for such production and 68