

1 any gas transferred from any other participating area and with due allow- 1
 2 ance for loss or depletion from any cause, may be withdrawn from the 2
 3 formation into which the gas was introduced, royalty free as to dry gas, 3
 4 but not as to the products extracted therefrom; provided that such with- 4
 5 drawal shall be at such time as may be provided in the plan of operations 5
 6 or as may otherwise be consented to by the Supervisor as conforming to 6
 7 good petroleum engineering practice; and provided further, that such 7
 8 right of withdrawal shall terminate on the termination of this unit agree- 8
 9 ment. 9

10 Royalty due the United States shall be computed as provided in 10
 11 the operating regulations and paid in value or delivered in kind as to 11
 12 all unitized substances on the basis of the amounts thereof allocated 12
 13 to unitized Federal land as provided herein at the rates specified in 13
 14 the respective Federal leases, or at such lower rate or rates as may be 14
 15 authorized by law or regulation; provided, that for leases on which the 15
 16 royalty rate depends on the daily average production per well, said aver- 16
 17 age production shall be determined in accordance with the operating reg- 17
 18 ulations as though each participating area were a single consolidated 18
 19 lease. 19

20 15. RENTAL SETTLEMENT. Rental or minimum royalties due on 20
 21 leases committed hereto shall be paid by working interest owners respon- 21
 22 sible therefore under existing contracts, laws, and regulations, provided 22
 23 that nothing herein contained shall operate to relieve the lessees of any 23
 24 land from their respective lease obligations for the payment of any rental 24
 25 or minimum royalty in lieu thereof due under their leases. Rental or min- 25
 26 imum royalty for lands of the United States subject to this agreement 26
 27 shall be paid at the rate specified in the respective leases from the 27
 28 United States unless such rental or minimum royalty is waived, suspended 28
 29 or reduced by law or by approval of the Secretary or his duly authorized 29
 30 representative. 30

31 With respect to any lease on non-Federal land containing provis- 31
 32 ions which would terminate such lease unless drilling operations were 32
 33 within the time therein specified commenced upon the land covered there- 33
 34 by or rentals paid for the privilege of deferring such drilling opera- 34
 35 tions, the rentals required thereby shall, notwithstanding any other pro- 35
 36 vision of this agreement, be deemed to accrue and become payable during 36
 37 the term thereof as extended by this agreement and until the required 37
 38 drilling operations are commenced upon the land covered thereby or some 38
 39 portion of such land is included within a participating area. 39

40 16. CONSERVATION. Operations hereunder and production of uni- 40
 41 tized substances shall be conducted to provide for the most economical 41
 42 and efficient recovery of said substances without waste, as defined by or 42
 43 pursuant to State or Federal law or regulation. 43

44 17. DRAINAGE. The Unit Operator shall take appropriate and 44
 45 adequate measures to prevent drainage of unitized substances from unitiz- 45
 46 ed land by wells on land not subject to this agreement, or with prior 46
 47 consent of the Director, pursuant to applicable regulations pay a fair 47
 48 and reasonable compensatory royalty as determined by the Supervisor. 48

49 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, 49
 50 conditions, and provisions of all leases, subleases, and other contracts 50
 51 relating to exploration, drilling, development, or operation for oil or 51
 52 gas of lands committed to this agreement are hereby expressly modified 52
 53 and amended to the extent necessary to make the same conform to the pro- 53
 54 visions hereof, but otherwise to remain in full force and effect; and 54
 55 the parties hereto hereby consent that the Secretary shall and by his 55
 56 approval hereof, or by the approval hereof by his duly authorized repre- 56
 57 sentative, does hereby establish, alter, change, or revoke the drilling, 57
 58 producing, rental, minimum royalty, and royalty requirements of Federal 58
 59 leases committed hereto and the regulations in respect thereto to conform 59
 60 said requirements to the provisions of this agreement, and, without limit- 60
 61 ing the generality of the foregoing, all leases, subleases, and contracts 61
 62 are particularly modified in accordance with the following: 62

63 (a) The development and operation of lands subject to this 63
 64 agreement under the terms hereof shall be deemed full performance 64