

1 land having thereon a regular well location may with the approval of the 1
2 Supervisor, at such party's sole risk, costs, and expense, drill a well to test 2
3 any formation for which a participating area has not been established or to test 3
4 any formation for which a participating area has been established if such loca- 4
5 tion is not within said participating area, unless within 90 days of receipt of 5
6 notice from said party of his intention to drill the well the Unit Operator 6
7 elects and commences to drill such a well in like manner as other wells are 7
8 drilled by the Unit Operator under this agreement. 8

9 If any well drilled as aforesaid by a working interest owner results in 9
10 production such that the land upon which it is situated may properly be in- 10
11 cluded in a participating area, such participating area shall be established 11
12 or enlarged as provided in this agreement and the well shall thereafter be 12
13 operated by the Unit Operator in accordance with the terms of this agreement 13
14 and the unit operating agreement. 14

15 If any well drilled as aforesaid by a working interest owner obtains 15
16 production in quantities insufficient to justify the inclusion in a partici- 16
17 pating area of the land upon which such well is situated, such well may be 17
18 operated and produced by the party drilling the same subject to the conser- 18
19 vation requirements of this agreement. The royalties in amount or value of 19
20 production from any such well shall be paid as specified in the underlying 20
21 lease and agreements affected. 21

22 14. ROYALTY SETTLEMENT. The United States and any State and all 22
23 royalty owners who, under existing contract, are entitled to take in kind a 23
24 share of the substances now unitized hereunder produced from any tract, shall 24
25 hereafter be entitled to the right to take in kind their share of the unitized 25
26 substances allocated to such tract, and Unit Operator, or in case of the 26
27 operation of a well by a working interest owner as herein in special cases 27
28 provided for, such working interest owner, shall make deliveries of such 28
29 royalty share taken in kind in conformity with the applicable contracts, laws, 29
30 and regulations. Settlement for royalty interest not taken in kind shall be 30
31 made by working interest owners responsible therefor under existing contracts, 31
32 laws and regulations on or before the last day of each month for unitized sub- 32
33 stances produced during the preceding calendar month; provided, however, that 33
34 nothing herein contained shall operate to relieve the lessees of any land from 34