

12. PARTICIPATION AND ALLOCATION OF PRODUCTION. The tract participation set forth opposite each tract in Exhibit "C" represents the portion of Unitized Substances which, if all tracts are qualified for unit participation, will be allocated to each such tract as of the effective date of this agreement based on the following formula:

$$\begin{aligned} \text{Tract Participation} &= \text{Percentage of Remaining Primary Oil} \times .0530 \\ &+ \text{Percentage of Remaining Solution Gas} \times .0306 \\ &+ \text{Percentage of Remaining Gas Cap Gas} \times .0933 \\ &+ \text{Percentage of Secondary Oil} \times .8231 \end{aligned}$$

(Secondary Oil = Average of percentage of oil acre feet / percentage of ultimate primary.)

Promptly after approval of the Unit Agreement, if all Tracts are not qualified for participation hereunder, subject to the Supervisor's approval, Unit Operator shall revise Exhibit "C" to show all qualified Tracts by setting forth opposite each Tract revised Participation Percentages therefor, which shall be calculated by using the same Tract factors and formula which were used to arrive at Tract Participation Percentages of each Tract as set out in the original Exhibit "C" but applying the same only to those Tracts which are qualified as of the effective date of the Unit Agreement.

If, after the effective date of this agreement there is any Tract or Tracts subsequently qualified for participation hereunder because of expansion of the unit under Section 3, Expansion of Unit Area, or any Tract or Tracts within the Unit Area not qualified as of the effective date hereof but which are subsequently qualified through the provisions of Section 34, Subsequent Joinder and Section 5, Tracts Qualified for Unit Participation, or if any Tract is eliminated from participation under this Unit Agreement as provided in Section 33, Loss of Title, the schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator to show the new tract participation percentages of all the then qualified Tracts, and the revised Exhibit "C", upon approval by the Supervisor under Section 33 and the Director under Sections 3 and 34, shall govern the allocation of production from and after the effective date thereof until a new schedule is so approved. In any such revised Exhibit "C", pursuant to this paragraph the Tract Participation Percentages of the previously qualified Tracts shall remain in the same ratio one to the other.