

...production unit is now or hereafter owned, leased, or otherwise controlled by the lessee, the lessee shall be responsible for the protection of the same. The lessee shall not be released from the obligation to protect said well or wells by any act or acts which may be drilled offsite or by any act or acts which may be drilled on the leased premises hereinafter mentioned and the lessee shall not be released by this agreement except as may be herein otherwise provided.

It is further agreed that the commencement, continuation, maintenance, completion, and abandonment of a well or wells for dry gas and associated liquid hydrocarbons on the pooled production unit shall be subject to and considered as the commencement, completion, continued operation or abandonment of a well or wells within and comprising said pooled production unit, and the operations of production pursuant to this agreement shall be deemed to be operations of production as to each lease commencing thereon.

It is the intention of the parties hereto that the agreement shall include and affect only dry gas and associated liquid hydrocarbons produced from a well or gas wells as defined by and the Bureau of Land Management located on the pooled acreage and shall not include or affect in any manner whatsoever any of the operations of hydrocarbon production from any well located on the pooled acreage or any of the operations of production from other than the pooled acreage.

It is further agreed that all production of dry gas and associated liquid hydrocarbons and disposal thereof shall be subject to allocation made by the New Mexico Oil Conservation Commission or any duly authorized person or persons, singly or jointly under applicable Federal or State statute. The provisions of this agreement shall not conflict with any applicable Federal and State law, rule, order, regulation, or any other law, order, rule or regulation, and no party hereto shall suffer any loss or damage by reason of the failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such compliance is made in compliance with any such law, order, rule or regulation.

This agreement shall be effective as of the date hereof and shall remain in force and effect for a period of ten (10) years and so long thereafter as dry gas, with or without associated liquid hydrocarbons, is produced from any part of said pooled production unit in paying quantities. It is further provided that after the expiration of said one-year period should the unit well or wells be recompleted by the New Mexico Oil Conservation Commission, or should the pooled production unit cease to produce gas in paying quantities from any well or wells, the lease shall terminate, if within six (6) months after the date of any such recompletion or cessation of such production, (operator shall commence operations for the purpose of restoring gas production from the unit, in which event this agreement shall remain in full force and effect during the period such operations are being diligently prosecuted. If during the period such operations are being diligently prosecuted, the pooled production unit shall be deemed to be producing gas in paying quantities.