Release Immedials McKay Oil Corporation.

ROY L. MCKAY, PRESIDENT HOME OFFICE, P.O. BOX 2014 ROSWELL, N.M. 88202 . TELEPHONE 505/623-4735

(DFW) OFFICE FIRST CITY TOWER, SUITE 590

OIL

201 E. ABRAM, ARLINGTON, TX 76010 817-265-5515

ÁUE-104 F(E)

August 25, 1986

Remmek Federal Com No. 7

West Acos Slope Abo Gas Pool

160 Acres dedicated. SE/4 Sector 24

Oil Conservation Division New Mexico State Land Office P.O. Box 2088

Santa Fe, Ne

Attention: | Dave Catanac AUG 2 8 1986 OIL CONSERVATION DIVISION

RE: Well Location

SE/4 Sec. 24-6S-22E

Chaves County, New Mexico

Gentlemen:

McKay Oil Corporation desires to drill a Federal lease in the SE/4 of Section 24, Township 6 South, Range 22 East, NMPM. Attachment "A) Due to topography and geological problems, McKay Oil is requesting an unorthodox location.

The well was originally staked at 660' feet from the South line and 660' feet from the East line. Due to the terrain, the BLM would not approve this location or any other normal location within this particular drilling spacing unit. (See Attachment "B")

The Southern half of this quarter section was chosen because of geological data on wells to the South, East and West. much is know about the area to the North and an unorthox location would also be required anywhere in the north half of this quarter section. Therefore, it is our opinion that this location would be the only economical and productive location to drill. attachment "C")

All minerals surrounding this proration unit are leased to McKay Oil Corporation. (See Attachment "A")

Therefore, McKay Oil requests that the O.C.D. approve the unorthodox location located at 599' feet from the East line and 576' feet from the South line Section 24, Township 6 South, Range 22 East, NMPM, which has been approved by the BLM and the Eastern New Mexico Archological Service.

page 2 of 2 O.C.D. August 25, 1986

McKay Oil Corporation would request and appreciate your immediate attention to this matter. Thank you for your cooperation and assistance.

Very truly yours,

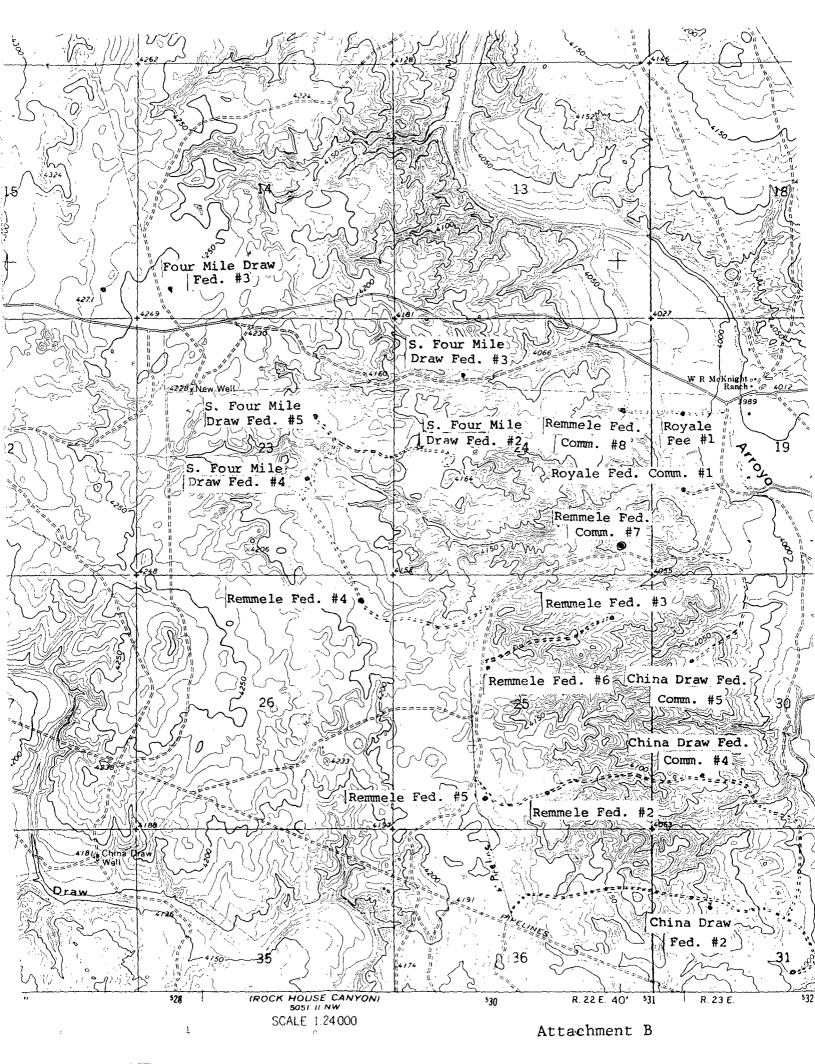
McKAY OIL CORPORATION

James L. Schultz Contracts & Land

Attachements

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Attachment C (1)

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OIL & GAS LEASE

BOOK 287 PAGE 972

THIS AGREEMENT made this	, January	₁₉ 86	, between	
•		and incorporated herein		
			of	(Post Office Address)
nerein called lessor (whether one or more) and	McKay Oil	Corporation, P.O. Box	2014, Roswell,	
Lessor, in consideration of TEN AND OT nerein contained, hereby grants, leases and le	HER DOLLARS in hand p	aid, receipt of which is here acknowledged, and e for the purpose of Investigating, exploring, pr lines, storing oil, building tanks, roadways, tele	ospecting, drilling, and oper	vided and of the agreements of the lessee ating for and producing oil and gas, injec-
ake care of, treat, process, store and transport	said minerals, the follow	ring described land in Chaves		County, New Mexico, to-wit:
	Township 6 S	South, Range 23 East, N	мРм	
	Section 19:	Lots 1,2, E/2NW/4, NE/N/2SE/4, SE/4SE/4	4SW/4	
	Section 30:	S/2NE/4, NE/4SE/4, S/2 NW/4SE/4, E/2SW/4	SE/4, SE/4NW/4	
	Section 31:	NW/4NE/4	•	
Said land is estimated to comprise 1,3	,	other It actually comprises more or less. Imain in force for a term of	years fro	m this date (called "primary term") and as

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of One (1) years from this date (c. long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

2. The remaining the provisions herein contained and the provision of the pr

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 1/4 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced

from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of $\frac{1/4}{}$ of the gas used,

- 4. This is a paid-up lease and leasee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions or Paragraph 3 hereof.
- 5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production non said unit.
- 6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long therafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producting for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.
- 7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tenks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lesaee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land without essor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land without essor's consent. Lessor shall have
- 8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee: and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee or part or parts hereof shall fall or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fall to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.
- 9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmentmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.
- 10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.
- 11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and therafter the shut-in royally payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

See items 1-4 Addendum to Lease of McKnight Heirs with McKay Oil Corporation attached hereto and incorporated herein for all purposes.

ADDENDUM TO LEASE OF MCKNIGHT HEIRS

WITH MCKAY OIL CORPORATION

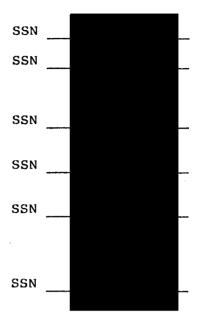
DATED: _Jan. 10 1986

- l. Lessee shall commence the drilling of at least one well, on a legal location of its choice, on this acreage within 60 days from the execution of this lease. The well shall be drilled to a depth sufficient to test the Abo formation. For the purpose of this lease the term "on this acreage" shall mean acreage which would be included in a drilling proration unit as defined by the New Mexico Oil Conversation Commission and acreage communitized. In the event that said well is not drilled within 60 days from the execution of this lease, this lease shall be null and void as to all acreage included herein. (This lease shall be limited to all depths down to 100' below the deepest deepth drilled in the initial test well.)
- 2. Upon the official completion of the initial well as a dry hole or a producer, Lessee shall have the option, but not the obligation, for a period of 180 days, to commence a continuous drilling program on this acreage. For the purpose of this lease, the term "continuous drilling program" shall mean that no more than one hundred eighty (180) consecutive days shall expire between the official completion of one well as a dry hole or a producer and the commencement of drilling operations of another well on this acreage of a legal location of Lessee's choice. Further, for the purpose of this lease, time between wells shall be cumulative. (For example, if two or more wells are drilled within less than 180 days, the unexpired days shall be added to the next 180 day drilling requirement.) In the event that the time for the continuous drilling program has elapsed, this lease shall expire as to all acreage covered hereby, save and except producing proration units defined by the New Mexico Oil Conservation Commission. Further, this lease shall expire and be null and void as to all provisions after the primary term of one (1) year but may be renewed upon written concent of the Lessors.
- 3. Payment of shut-in royalties as provided in Paragraph 3 hereof shall not extend this lease more than three (3) years beyond the primary term.
- 4. This lease may be executed in any number of counter-parts, each of which shall be considered an original for all purposes.

MCKNIGHT LEASE

EXHIBIT "A"

- Frank M. Remmele
 aka Fritz Remmele and
 Ladye Dee Remmele, his wife
 300 S. Kentucky
 Roswell, New Mexico 88201
- 2. Ladye Dee Remmele, II aka Eta Remmele
- 3. F. Michelle Storey aka Mickey Remmele
- 4. Mrs. Brian Elizabeth Williams aka Beth Remmele 2360 Village Circle Road Atwater, CA 95301
- 5. Ruby Remmele
 Camlu Retirement Apt. #309
 12101 Lomas, N.E.
 Albuquerque, New Mexico 87112



DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY
OIL CORPORATION.
Frank M. Remmele
Ladye Dee Remmele
Ladye Dee Remmele, II
Frank M. Remmele, Co-Conservator
for F. Michelle Storey
Lange Da Ksmmele
Ladye Dee Remmele, Co-Conservator for F. Michelle Storey
Mrs. Brian Elizabeth Williams
Ruby Remmele
to be made of
Frank M. Remmele, Attorney- in-Fact for Ruby Remmele
In fact for Kuby Kenniere
STATE OF NEW MEXICO)
COUPTY:OF CHAVES)
January 1986, by Frank M. Remmele and Ladye Dee Remmele, his wife UCLAC
MY COMMISSION EXPIRES:
7-9-88 Notary Public
STATE OF)
COUNTY OF) ss:
This instrument was acknowledged before me this day of
, 1986, by Ladye Dee Remmele, II., aka Eta Remmele., dealing in her sole and separate property.
MY COMMISSION EXPIRES:

Notary Public

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE

DATED DECEMBER 6, 1985 BY AND BETWEEN OIL CORPORATION.	MCKNIGHT HEIRS AND MCKAY
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Frank M. Remmele	
Do a A de 1	
Ladye Dee Remmele	
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Ladye Dee Remmele, II	
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Frank M. Remmele, Co-Conservator	
for F. Michelle Storey	
La Carlemaste	:
Ladye Dee Remmele, Co-Conservator	
for F. Michelle Storey	
Mrs. Brigallizabeth Williams	
Mrs. Brian Elizabeth Williams	
Ruby Remmele	
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frank M. Remmele, Attorney- in-Fact for Ruby Remmele	
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STATE OF NEW MEXICO)	•-
) ss:	
COUNTY OF CHAVES)	
This instrument was acknowledged b	
January, 1986, by Frank M. Remmele and wife.	l Ladye Dee Remmele, his
MY COMMISSION EXPIRES:	;
7-9-88	May 1 5/1 1/1
	Notary Public
	<i></i>
STATE OF) ss:	
COUNTY OF)	
This instrument was acknowledged b	pefore me this day of
, 1986, by Ladye Dee Remmele,	II., aka Eta Remmele.,
dealing in her sole and separate prope	erty.
MY COMMISSION EXPIRES:	
	Notary Public

	DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY
	OIL CORPORATION.
_	Trank in Kanada
	Frank M. Remmele
	Ladye Dee Remmele
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	Ladye Dee Remmele, II
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	for F. Michelle Storey
	La Da Kemmele
	Ladye Dee Remmele, Co-Conservator for F. Michelle Storey
	Tor F. Michelle Scorey
	Mrs. Brian Elizabeth Williams
· /	Duby M Ramarel
X	Ruby Remmele,
	A link Co
_	Frank M. Remmele, Attorney-
	in-Fact for Ruby Remmele
	CTATE OF NEW MEYICO
	STATE OF NEW MEXICO) ss:
	COUNTY OF CHAVES)
	This instrument was acknowledged before me this 10th day of
	January, 1986, by Frank M. Remmele and Ladye Dee Remmele, his wife.
	MY COMMISSION EXPIRES:
	$\frac{1}{2}$
	7-9-88 Notary Public
	STATE OF)
	COUNTY OF)
	This instrument was acknowledged before me thisday of, 1986, by Ladye Dee Remmele, II., aka Eta Remmele.,
	dealing in her sole and separate property.
	MY COMMISSION EXPIRES:

Notary Public

EXHIBIT "C' CONTINUED

STATE OF CALIFORNIA)	
COUNTY OF Nerced) ss	. .
This instrument was acl Tanuacus 1986, by Mrs. Br Remmele, dealing in her so	knowledged before me this and day of ian Elizabeth Williams, aka Beth le and separate property.
MY COMMISSION EXPIRES:	
9-110-86	and and
	Notary Rublic OFFICIAL SEAL JOY L. BECKER NOTARY PUBLIC - CALIFORNIA
STATE OF NEW MEXICO) COUNTY OF CHAVES)	MERCED COUNTY My Comm. Expires Sept. 16, 1986
January, 1986, by Frank M.	knowledged before me this <u>10th</u> day of Remmele and Ladye Dee Remmele, helle Storey aka Mickey Remmele.
MY COMMISSION EXPIRES:	. 3
7-9-88	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	:
This instrument was acl January, 1986, by Frank M. Remmele.	knowledged before me this 10th day of Remmele, Attorney-in-Fact for Ruby
MY COMMISSION EXPIRES:	1
7-9-88	Notary Public
STATE OF NEW MEXICO)	· · · · · · · · · · · · · · · · · · ·
COUNTY OF) ss:	:
This instrument was act , 1986, by Ruby Re separate property.	knowledged before me thisday of emmele, dealing in her sole and
MY COMMISSION EXPIRES:	
	Notary Public

EXHIBIT "C" CONTINUED

STATE OF CALIFORNIA)	ss:
COUNTY OF)	33.
, 1986, by Mrs.	acknowledged before me this day of Brian Elizabeth Williams, aka Beth sole and separate property.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	ss:
odilaciji ispejijej izanik	acknowledged before me this 10th day of M. Remmele and Ladye Dee Remmele, Michelle Storey aka Mickey Remmele. Annu L. Shully Notary Public
STATE OF NEW MEXICO)	ss:
This instrument was January 1986, by Frank Remmele.	acknowledged before me this 10th day of M. Remmele, Attorney-in-Fact for Ruby
MY COMMISSION EXPIRES:	Notary Public
STATE OF NEW MEXICO)	er en
COUNTY OF)	ss:
This instrument was, 1986, by Rub separate property.	acknowledged before me this day of y Remmele, dealing in her sole and
MY COMMISSION EXPIRES:	
	Notary Public

EXHIBIT "C" CONTINUED

STATE OF CALIFORNIA) COUNTY OF)	ss:
, 1986, by Mrs.	acknowledged before me this day of Brian Elizabeth Williams, aka Beth sole and separate property.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	ss:
January, 1986, by Frank	acknowledged before me this <u>10th</u> day of M. Remmele and Ladye Dee Remmele, Michelle Storey aka Mickey Remmele.
MY COMMISSION EXPIRES: 7-9-88	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	ss:
	acknowledged before me this 10th day of M. Remmele, Attorney-in-Fact for Ruby
MY COMMISSION EXPIRES: 7-9-88	Notary Public
STATE OF NEW MEXICO) COUNTY OF Bernalillo	ss:
Separate property.	acknowledged before me this day of Remmele, dealing in her sole and
Marches 1989	Notary Public

State of New Mexico. 3 ss County of Chaves 3 ss FILED FOR RECORD

OIL & GAS LEASE

800K 287 PARE 882

1				DCON C	J' INCL GGIG
; THIS AGREEMENT made this 6th	day of December		19_85 , between		•
See Exhibit		hereto and inc		in by referen	ce
			· · · · · · · · · · · · · · · · · · ·		
· ·_ ·_ ·		· · · · · · · · · · · · · · · · · · ·	, , , , , , , , , , , , , , , , , , , 	of(Post Offi	ce Address)
erein called lessor (whether one or more)	and McKay Oil Co	orporation, P.	O. Box 2014, R	oswell, NM 88	201 lesse
1. Leasor, in consideration of TEN AND brein contained, hereby grants, leases at ng gas, waters, other fluids, and air into t	OTHER DOLLARS In hand pa	id, receipt of which is here a	cknowledged, and of the roya	alties herein provided and o	the agreements of the less
ke care of, freat, process, store and trans	port sald minerals, the following	ng described land in	Chaves		_ Poul 885 w Mexico, 10-w
	· · · · · · · · · · · · · · · · · · ·	s	Chaves East, NMPNEE	-WED DEC	()
•	Township 6 Se	outh, Range 23	East, NMPNOF	CEILE	N.
		:		•	
	Section 19:	Lots 1,2, E/2	NW/4, NE/4SW/4	•	
		N/2SE/4, $SE/4$	SE/4		
	Section 30:		SE/4, S/2SE/4,	SE/4NW/4,	•
		NW/4SE/4, E/2	SW/4		
	Section 31:	NW/4NE/4			
	·	•			
Said land is estimated to comprise	1,360.00 acres, whether	her it actually comprises mo	re or less.		•
The royalties to be paid by lessee are time to be delivered at the wells or to the om said land and used off the premises of	credit of lessor in the pipeline	a to which the wells may be o		of that producing casinghead gas or other	gaseous substance produc-
ovided that on gas sold on or off the pre-	•	1/4		dized from such sale: (c) and	at any time when this lease
at validated by other provisions hereof a full tin, either before or after production to qual to \$1.00 per net acre of lessor's gas hall not terminate and it shall be opnside the party or parties who at the time of inder of royalties and shut-in royalties me hich is erroneous in whole or in part as to ade if lessee shall correct such error wit ritten instruments (or certified copies the tablished by the gas sales contract ente at amount received by lessee after giving e event lessee compresses, treats, pur steunder may deduct from such price a	nerefrom, then on or before 90. acreage then held under this li- red under all clauses hereof the such payment would be entitle ay be made by check or draft. or parties or amounts, shall never hin 30 days after lessee has rec- ereof) as are necessary to enab- ered into in good faith by lessee effect to applicable regulatory iftes, or dehydrates such gas reasonable charge for each of	days after said well is shut in ease by the party making such that gas is being produced from do to receive the royalities who Any timely payment or tende entheless be sufficient to pre- ceived written notice thereoft le lessee to make proper pay and gas purchaser for such to orders and after application (whether on or off the leasi such functions performed.)	d pooled therewith, but gas or, and thereafter at annual inte th payment or tender, and so little the leased premises in paying little would be paid under this er of shut-in royalty which is ment termination of this lease by certified mail from the party ment. The amount realized from the party ment and under such condition of any applicable price adjusted premises) or transports or	r condensate is not being st rwafs, lessee may pay or ten long as said shut-in royalty quantities. Each such pay is lease if the well were in 1a nade in a bona fide attempt in the same manner as thou y or parties entitled to receive m the sate of gas on or off t is as are customary in the in the ments specified in such co as off the leased premises	o sold or used and such well der an advance shut-in royal is paid or tendered, this leas ment shall be paid or tendere of producing. The payment to make proper payment, by ghap roper payment had bee a payment together with such premises shalf be the pricustry. "Price" shall mean thintract or regulatory orders. It lessee in computing royalts.
 This is a paid-up lease and lessee si reunder in order to maintain this lease if ant to the provisions or Paragraph 3 he 	n force during the primary term	e primary term hereof to con if however, this provision is n	imence or continue any opera of intended to relleve lessee o	ations of whatsoever character the obligation to pay roya	iter or to make any paymen ties on actual production pu
5. Lessee is hereby granted the right astates or parts thereof for the production inerials Department of the State of New hit designations in the county in which the or production from any part of any such tease. There shall be allocated to the lead in lease or unit operations, which the located shall be considered for all purposed in cald unit in the same meaner a sace by recording an appropriate Instru	of oil or gas. Units pooled here Mexico or by any other lawful a he premises are located and su h unit shall be considered for a and covered by this lease inclus net oil or gas acreage in the la ses, including the payment or a though produced from said I ment in the County where the	eunder shall not exceed the significant of the pool or area such units may be designated all purposes, except the paymed din any such unit that port and covered by this lease include the livery of royalty, to be the eand under the terms or this land is situated at any time.	tandard projetion unit fixed by in which said land is situated from time to time and either b tent of royalty, as operations of join of the total production of pu- uded in the unit bears to the to ntire production of posted min tease. Any pooled unit design after the completion of a ciry	I law or by the Oil Conservat, plus a tolerance of ten per selore or after the completic conducted upon or product tocled minerals from wells i stall number of surface acros nerals from the portion of sa hole or the cessation of pi hole or the cessation of pi	ion Division of the Energy acont. Lessee shall file writte in of wells. Drilling operation for from the land described in the unit, ofter deducting aring the unit. The productions ad land covered hereby and I discovered, may be dissolved to oduction on said unit.
 If at the expiration of the primary terr all remain in force so long as operation (I) or wells, and if they result in the pro- ould become incapable of producing for illing, additional drilling, or reworking or 	s are prosecuted with no cessa faction of oil or gas, so long th r any cause, this lease shall no	ation of more than 60 consec- terafter as oil or gas is produ at terminate if lessee comme	utive days, whether such open load from said land. If, after the noes operations for additional	rations be on the same well ne expiration of the primary I drilling or for reworking w	or on a different or addition term, all wells upon said la: thin 60 days thereafter, if all
 Lessee shall have free use of oil, gas any so used. Lessee shall have the ri aw and remove all casing. When require any residence or barn now on said land that in the sincipal dwelling thereon. 	and water from said land, except at any time during or after to by lessor, lesses will bury alty without lessor's consent. Less ut of any surplus gas not need to fany surplus gas not need.	ept water from lessor's wells the expiration of this lease to pipe lines on cultivated lands for shall have the privilege, at led for operations hereunder	and tanks, for all operations ho remove all property and fixts below ordinary plow depth, a this risk and expense, of us his.	nereunder, and the royalty sures placed by lessee on sand no well shall be drilled wiggs sometimes on s	hall be computed after dedu sid land, is steding the right ithin two hungred feet (200 f said land har stoves and insi-
 The rights of either party hereunder reasons in the camership of the land or in 	na, he assigned in whole or in i	part and the provisions berea	if shall extend to their helps, a.	recutors, administrators, su dishall operate to enlarge ti	ccessors and assigns, but re-obligations of diminish t

rights of lease a long and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessee has been furnished by certified mail at lessee's principal place of businesses, in acceptable instruments or certified copies thereof constituting the chain of title from the original lessee. If any such change in ownership occurs through the death or the consideration of the place of t

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmentmental authority, then while so prevented, lessee's duty shall be suspensed, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary not withstanding.

not be counted against lessed, anything in this fease to the Comery norwhistancing.

10. Essor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does to it shall be subregated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, it this lesse covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest, if any, covered by this lease covers less than such full interest, shall be paid only in the proportion when the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors that he proportion when the lease it is shall nevertheless be binding upon the native or parties executing the same.

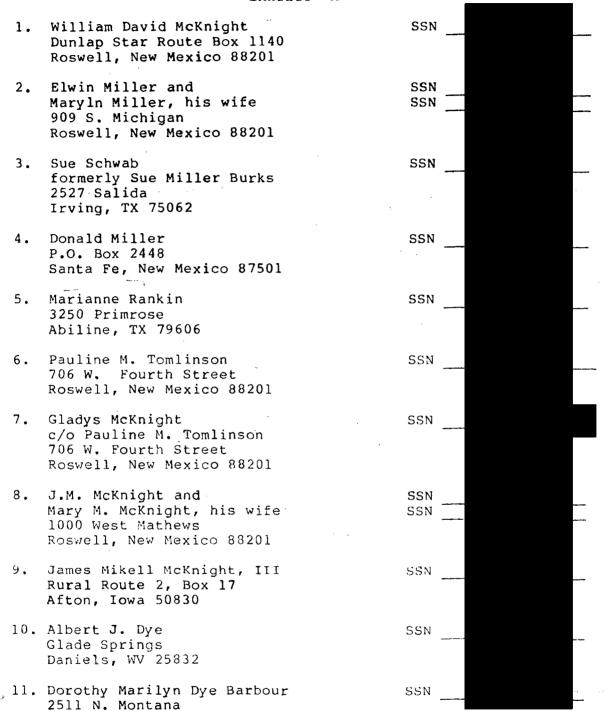
programment the interest therein, it any, covered by this lease, bears to the whole and undivided tee simple estate therein. Should any one or more of the parties named above as fessors feit to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Leases, its or his successors, heirs and assigns, shall have the right at any time to currender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a revease thereof to the lessor, or by placing a release thereof to the lessor, or by placing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated thereupon lessee shall be relieved from all obligations, expressing or interest or releases.

See items 1-4 Addendum to Lease of McKnight Heirs with McKay Oil Corporation attached hereto and incorporated herein for all purposes.

MCKNIGHT LEASE

EXHIBIT "A"



Roswell, New Mexico 88201

EXHIBIT "B" '

ADDENDUM TO LEASE OF MCKNIGHT HEIRS

WITH MCKAY OIL CORPORATION

DATED: December 6, 1985

- l. Lessee shall commence the drilling of at least one well, on a legal location of its choice, on this acreage within 60 days from the execution of this lease. The well shall be drilled to a depth sufficient to test the Abo formation. For the purpose of this lease the term "on this acreage" shall mean acreage which would be included in a drilling proration unit as defined by the New Mexico Oil Conversation Commission and acreage communitized. In the event that said well is not drilled within 60 days from the execution of this lease, this lease shall be null and void as to all acreage included herein.
- 2. Upon the official completion of the initial well as a dry hole or a producer, Lessee shall have the option, but not the obligation, for a period of 180 days, to commence a continuous drilling program on this acreage. For the purpose of this lease, the term "continuous drilling program" shall mean that no more than one hundred eighty (180) consecutive days shall expire between the official completion of one well as a dry hole or a producer and the commencement of drilling operations of another well on this acreage of a legal location of Lessee's choice. Further, for the purpose of this lease, time between wells shall be cumulative. (For example, if two or more wells are drilled within less than 180 days, the unexpired days shall be added to the next 180 day drilling requirement.) In the event that the time for the continuous drilling program has elapsed, this lease shall expire as to all acreage covered hereby, save and except producing proration units defined by the New Mexico Oil Conservation Commission.
- 3. Payment of shut-in royalties as provided in Paragraph 3 hereof shall not extend this lease more than three (3) years beyond the primary term.
- 4. This lease may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight				
William D. McKnight				
Elwin Miller				
Maryln Miller	•			
Sue Schwab	•			
Donald Miller	.			. •
Marianne Rankin,			:	
Pauline M. Tomlinson				
Gladys McKnight by:				
J.M. McKnight				
Mary M. McKnight				
James Mikell McKnight, III				
Albert J. Dye	•			
Dorothy Marilyn Dye Barbour				
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)				
This instrument was acknow December() 1985, by William D. 1	ledged bef McKnight.	ore me thi	is <u>1674</u> day	of
Telining 1986	N	Mylle Molotary Publ	2 Chilips Tic	<u>v</u>
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)				

This instrument was acknowledged before me this day of

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight	
Elin Mid.	
Elwin Miller	
maryln Miller	

Sue Schwab	
Donald Miller	
Marianne Rankin	
Pauline M. Tomlinson	·
Gladys McKnight by:	
J.M. McKnight	· ·
Mary M. McKnight	
James Mikell McKnight, III	
Albert J. Dye	
Dorothy Marilyn Dye Barbou	r
STATE OF NEW MEXICO)) ss	:
COUNTY OF CHAVES)	
This instrument was ac December, 1985, by William	knowledged before me this day of D. McKnight.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO) ss	
COUNTY OF CHAVES)	

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight	
Elwin Miller	
Maryln Miller Sue Schwale Sue Schwab	
Donald Miller	
Marianne Rankin	
Pauline M. Tomlinson	
Gladys McKnight by:	
J.M. McKnight	
Mary M. McKnight	
James Mikell McKnight, III	
Albert J. Dye	
Dorothy Marilyn Dye Barbour	
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)	
P	dged before me this day of Knight.
MY COMMISSION EXPIRES:	3
	Notary Public
STATE OF NEW MEXICO)	
COUNTY OF CHAVES)	
This instrument was acknowle December, 1985, by Elwin Miller	dged before me this day of and Marvln Miller, his wife

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight	-
	_
Elwin Miller	
	-
Maryln Miller	
	- .
Sue Schwab	
Donald Miller	-
Marianne Rankin	
Pauline M. Tomlinson	-
Gladys McKnight by:	•
J.M. McKnight	
Mary M. McKnight	-
James Mikell McKnight, III	-
Albert J. Dye	
Dorothy Marilyn Dye Barbour	
poroting marriage parson	
STATE OF NEW MEXICO)	
) ss:	
COUNTY OF CHAVES)	
This instrument was acknow December, 1985, by William D.	<pre>ledged before me this day of McKnight.</pre>
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO)	
) 55:	

This instrument was acknowledged before me this day of December, 1985, by Elwin Miller and Maryln Miller, his wife.

COUNTY OF CHAVES

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight	
Elwin Miller	
Maryln Miller	
Sue Schwab	·
Marianne Rankin	·
Pauline M. Tomlinson	
Gladys McKnight by:	
J.M. McKnight	
Mary M. McKnight	
James Mikell McKnight, III	
Albert J. Dye	
Dorothy Marilyn Dye Barbour	
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)	
This instrument was acknowledged before me this	_day of
MY COMMISSION EXPIRES:	
Notary Public	*
STATE OF NEW MEXICO) State of New Mexico) State of New Mexico) State of New Mexico)	

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight						
Elwin Miller						
Maryln Miller	· .					
Sue Schwab						•
Donald Miller	· · · · · · · · · · · · · · · · · · ·					
Marianne Rankin Mulul Book Pauline M. Tomlinson	ujou				:	
Gladys McKnight by:						
J.M. McKnight						
Mary M. McKnight						
James Mikell McKnight,	III)				
Albert J. Dye						
Dorothy Marilyn Dye Bar	bour					
STATE OF NEW MEXICO)	s s:					
COUNTY OF CHAVES)						
This instrument was December, 1985, by Will	acknowle	edged be Knight.	fore me	this	day o	of
MY COMMISSION EXPIRES:						
			Notary P	ublic		
STATE OF NEW MEXICO)						
COUNTY OF CHAVES)	ss:					

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight	
Elwin Miller	
Maryln Miller	
Sue Schwab	
Donald Miller	
Marianne Rankin	
Pauline M. Tomlinson Jam Grush Haulinet	L'Entirpu
Glady's McKnight by:	
J.M. McKnight	
Mary M. McKnight	
James Mikell McKnight, III	
Albert J. Dye	
Dorothy Marilyn Dye Barbour	
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)	
This instrument was acknowled December, 1985, by William D. McK	ged before me this day of night.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)	

EXHIBIT "C"

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRE AND MCKAY OIL CORPORATION.

William D. McKnight		-			
Elwin Miller					
Maryln Miller					
Sue Schwab					
			*		
Donald Miller					
Marianne Rankin	and the second			;	
Pauline M. Tomlinson					
Gladys McKnight by:	4 MM R	eight			
J.M. McKnight Mary M. McKnight	Mickne	ist			
James Mikell McKnigh	t, III				
Albert J. Dye		1			
Dorothy Marilyn Dye	Barbour				
STATE OF NEW MEXICO)) ss:				
COUNTY OF CHAVES)			•	
This instrument of December, 1985, by W	was acknow illiam D.	ledged be: McKnight.	fore me this	day	of
MY COMMISSION EXPIRE	S:				
		Ĩ	Notary Public	;	
STATE OF NEW MEXICO)) ss:				
COUNTY OF CHAVES)				

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight								
•			. ,					
Elwin Miller								
Maryln Miller								
Mary In Milier		*						
Sue Schwab								•
Donald Miller								
					•			
Marianne Rankin							:	
energy and a second of the sec								
Pauline M. Tomlinson								
Gladys McKnight by:				•				
,								
	•							
J.M. McKnight								
-								
Mary M. McKnight	by le	wall	111	· .				
James Mikell McKnigh	t., :	114						
Albert J. Dye		The service and a service and						
			<u> </u>					
Dorothy Marilyn Dye 1	Bar	our						
STATE OF NEW MEXICO)							
COUNTY OF CHAVES)	55:						
>.		_			_			******
This instrument of December, 1985, by W	was illi	ackno iam D.	wledg McKn	ed be ight.	fore me	this	da	y of
MY COMMISSION EXPIRES	S:							
					Notary	Public		
					1	_~_10		
STATE OF NEW MEXICO)							
)	ss:						
COUNTY OF CHAVES)							

This instrument was acknowledged before me this day of

December, 1985, by Elwin Miller and Maryln Miller, his wife.

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

William D. McKnight					
Elwin Miller					
Maryln Miller					
Sue Schwab		,	v		
Donald Miller					
Marianne Rankin					
Pauline M. Tomlinson					
Gladys McKnight by:					
J.M. McKnight					
Mary M. McKnight					
James Mikell Mokrigh Albert J. Dye	± III				
Dorothy Marilyn Dye	Barbour				
STATE OF NEW MEXICO)) ss:)			·	
This instrument of December, 1985, by W	was acknowl illiam D. M	edged befor cKnight.	e me this	day	of
MY COMMISSION EXPIRE	S:				
	-	Not	ary Public		
STATE OF NEW MEXICO) ss:				

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

Warrataba				
William D. McKnight				
Elwin Miller				
Maryln Miller				
Sue Schwab		:		
Donald Miller				
		•		
Marianne Rankin		•		
Pauline M. Tomlinson				
Gladys McKnight by:				
J.M. McKnight				
Mary M. McKnight				
James Mikell McKnight, III				
Albert J. Dye Mench Dy Baryour Dorothy Marily of Dye Baryour	hur)		
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)				
This instrument was acknowl December, 1985, by William D. To Dorothy (Fame My GOMMISSION EXPIRES:	ledged be TCKnight.	eux BARISONZ E		
COTARD TO	ata .	Chan Notary Pub	lest - C	
COUNTY OF CHAVES)				

STATE OF TEXAS)	
COUNTY OF Lallace		
December, 1985, by Sue	as acknowledged before me this $\frac{\sqrt{2}}{\sqrt{2}}$ day of Schwab, formerly Sue Miller Burks, a in her sole and separate property.	of
MY COMMISSION EXPIRES		2
10-31-88	Martha Jancoa Notary Public	<u>k</u>
STATE OF NEW MEXICO	MARTHA HANCOCK, Notary Public in and for the State of Texas My Commission Expires 10/31/33	
		· -
	as acknowledged before me this day of a separ	
MY COMMISSION EXPIRES:		
	Notary Public	
STATE OF TEXAS		
COUNTY OF	ss:	
	as acknowledged before me this day or in the cole and)f
MY COMMISSION EXPIRES:		
	Notary Public	P-000-000-00
STATE OF NEW MEXICO		
COUNTY OF CHAVES)	
	as acknowledged before me this day oulline M. Tomlinson dealing in her sole an	
MY COMMISSION EXPIRES:		
	Notary Public	
STATE OF NEW MEXICO		
COUNTY OF CHAVES	ss:	
This instrument was December, 1985, by	as acknowledged before me this day o	f

STATE OF TEXAS
COUNTY OF) ss:
This instrument was acknowledged before me this day of December, 1985, by Sue Schwab, formerly Sue Miller Burks, a married women dealing in her sole and separate property.
MY COMMISSION EXPIRES:
Notary Public
STATE OF NEW MEXICO)
COUNTY OF <u>bure-Je</u>) ss:
This instrument was acknowledged before me this 1122 day of December, 1985, by Donald Miller dealing in his sole and separate
Troperty. CETICIAL SEAL
MY COMMISSION EXPINES:
COMMISSION Expires Ex 5-26 Notary Public Notary Public
Commission Expires 55-86 Notary Public
STATE OF TEXAS)
) ss: COUNTY OF
This instrument was acknowledged before me this day of
December, 1985, by Marianne Rankin dealing in her sole and separate property.
MY COMMISSION EXPIRES:
Notary Public
Notary rubite
STATE OF NEW MEXICO)
COUNTY OF CHAVES)
This instrument was acknowledged before me this day of December, 1985, by Pauline M. Tomlinson dealing in her sole and separate property.
MY COMMISSION EXPIRES:
Notary Public
STATE OF NEW MEXICO)
COUNTY OF CHAVES)
This instrument was acknowledged before me this day of

STATE OF TEXAS) COUNTY OF)	ss:
December, 1985, by Sue S	acknowledged before me this day of Schwab, formerly Sue Miller Burks, a her sole and separate property.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO)	ss:
COUNTY OF)	
	acknowledged before me this day of ld Miller dealing in his sole and separate
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF TEXAS)	
COUNTY OF Youler)	ss:
	acknowledged before me this Ath day of anne Rankin dealing in her sole and
MY COMMISSION EXPIRES:	
9-9-89	Notary Public o
	34 XA4704
STATE OF NEW MEXICO)	
COUNTY OF CHAVES)	ss:
	acknowledged before me this day of ine M. Tomlinson dealing in her sole and
MY COMMISSION EXPIRES:	
1	
	Notary Public
STATE OF NEW MEXICO)	
COUNTY OF CHAVES	SS:
This instrument was December, 1985, by	acknowledged before me this day of

STATE OF TEXAS	
COUNTY OF	ss:
December, 1985, by Sue	s acknowledged before me this day of Schwab, formerly Sue Miller Burks, a n her sole and separate property.
MY COMMISSION EXPIRES:	·
	Notary Public
STATE OF NEW MEXICO)	ss:
COUNTY OF)	
This instrument was December, 1985, by Dona property.	acknowledged before me this day of ld Miller dealing in his sole and separate
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF TEXAS	
COUNTY OF)	ss:
This instrument was December, 1985, by Mari separate property.	acknowledged before me this day of anne Rankin dealing in her sole and
MY COMMISSION EXPIRES:	
	Not year Dublic
	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	SS:
December, 1985, by Paul separate property.	acknowledged before me this <u>9th</u> day of ine M. Tomlinson dealing in her sole and
MY COMMISSION EXPIRES:	Λ
May 26, 1986	Notary Public
The Marine of Marine St.	
STATE OF NEW MEXICO	
COUNTY OF CHAVES)	SS:

This instrument was acknowledged before me this ____ day of December, 1985, by

STATE OF TEXAS) COUNTY OF)	ss:
This instrument was December, 1985, by Sue	s acknowledged before me this day of Schwab, formerly Sue Miller Burks, a in her sole and separate property.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO): COUNTY OF)	ss:
This instrument was December, 1985, by Dona property.	acknowledged before me this day of ald Miller dealing in his sole and separate
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF TEXAS) COUNTY OF)	ss:
This instrument was December, 1985, by Mari separate property.	acknowledged before me this day of anne Rankin dealing in her sole and
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO)	\$S:
COUNTY OF CHAVES)	
This instrument was December, 1985, by Paul separate property.	acknowledged before me this day of ine M. Tomlinson dealing in her sole and
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	ss:
This instrument was	acknowledged before me this 9th day of

BOOK 287 PACE GODES

EXHIBIT "C"

STATE OF NEW MEXICO) COUNTY OF CHAVES)	ss:
This instrument was December, 1985, by J.M.	acknowledged before me this 9th day of McKnight and Mary M. McKnight, his wife.
MY COMMISSION EXPIRES:	
May 26, 1986	Notary Public
STATE OF IOWA) COUNTY OF)	ss:
This instrument was	acknowledged before me this day of Mikell McKnight, III dealing in his sole
MY COMMISSION EXPIRES:	
	Notary Public

STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)	
This instrument was acknowledged before me this day of December, 1985, by J.M. McKnight and Mary M. McKnight, his wife	E ∍•
MY COMMISSION EXPIRES:	
Notary Public	
STATE OF IOWA) COUNTY OF (MO) ss:	
This instrument was acknowledged before me this $\frac{Q+h}{h}$ day of December, 1985, by James Mikell McKnight, III dealing in his so and separate property.	le
MY COMMISSION EXPIRES: 930/86 Notary Public	

STATE OF NEW MEXICO)) ss:
COUNTY OF CHAVES)
This instrument was acknowledged before me this day of December, 1985, by J.M. McKnight and Mary M. McKnight, his wife.
MY COMMISSION EXPIRES:
Notary Public
STATE OF IOWA)) ss:
COUNTY OF)
This instrument was acknowledged before me this day of December, 1985, by James Mikell McKnight, III dealing in his sole and separate property.
MY COMMISSION EXPIRES:
Naham Dubbi.
Notary Public
STATE OF WEST VIRGINIA) Ounty of Raleigh)
STATE OF WEST VIRGINIA)) ss:
STATE OF WEST VIRGINIA)) ss: COUNTY OF RALEIGH This instrument was acknowledged before me this 10th day of December, 1985, by Albert J. Dye, dealing in his sole and separate
STATE OF WEST VIRGINIA)) ss: COUNTY OF RALEIGH) This instrument was acknowledged before me this 10th day of December, 1985, by Albert J. Dye, dealing in his sole and separate property.

State of New Mexico, County of Chaves } 45
FILED FOR RECORD

FEB 6 - 1986

STATE OF CALIFORNIA)	ss:
COUNTY OF)	
, 1986, by Mrs.	acknowledged before me this day of Brian Elizabeth Williams, aka Beth sole and separate property.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO)	ss:
COUNTY OF CHAVES)	
January, 1986, by Frank	acknowledged before me this <u>10th</u> day of M. Remmele and Ladye Dee Remmele, Michelle Storey aka Mickey Remmele.
MY COMMISSION EXPIRES:	
7-9-88	Notary Public
	e de la companya de
STATE OF NEW MEXICO)	
COUNTY OF CHAVES	ss:
This instrument was	acknowledged before me this 10th day of M. Remmele, Attorney-in-Fact for Ruby
MY COMMISSION EXPIRES:	71
7-9-88	Notary Public
STATE OF NEW MEXICO)	
COUNTY OF Bernalillo	ss:
This instrument was MUCLUY 1986, by Ruby separate property.	acknowledged before me this // day of Remmele, dealing in her sole and
MY COMMISSION EXPIRES:	
March 25,1989	Notary Public

State of New Mexicu, 3 ss County of Chaves 3 ss FILED FOR RECORD

1.

THE REPORT OF THE PARTY OF THE

9 Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmentmental authority, then while so prevented, lessee's adulty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

to. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge at / tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable harounder toward satisfying same. Without impairment of iessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors to execute this lease, it shall neverthelass be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and therafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

See items 1-4 Addendum to Lease of McKnight Heirs with McKay Oil Corporation attached hereto and incorporated herein for all purposes.

ADDENDUM TO LEASE OF MCKNIGHT HEIRS

WITH MCKAY OIL CORPORATION

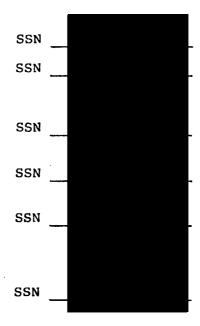
			1001	
DATED:	-Jan.	10	1986	

- l. Lessee shall commence the drilling of at least one well, on a legal location of its choice, on this acreage within 60 days from the execution of this lease. The well shall be drilled to a depth sufficient to test the Abo formation. For the purpose of this lease the term "on this acreage" shall mean acreage which would be included in a drilling proration unit as defined by the New Mexico Oil Conversation Commission and acreage communitized. In the event that said well is not drilled within 60 days from the execution of this lease, this lease shall be null and void as to all acreage included herein. (This lease shall be limited to all depths down to 100' below the deepest deepth drilled in the initial test well.)
- Upon the official completion of the initial well as a dry hole or a producer, Lessee shall have the option, but not the obligation, for a period of 180 days, to commence a continuous drilling program on this acreage. For the purpose of this lease, the term "continuous drilling program" shall mean that no more than one hundred eighty (180) consecutive days shall expire between the official completion of one well as a dry hole or a producer and the commencement of drilling operations of another well on this acreage of a legal location of Lessee's choice. Further, for the purpose of this lease, time between wells shall be cumulative. (For example, if two or more wells are drilled within less than 180 days, the unexpired days shall be added to the next 180 day drilling requirement.) In the event that the time for the continuous drilling program has elapsed, this lease shall expire as to all acreage covered hereby, save and except producing proration units defined by the New Mexico Oil Conservation Commission. Further, this lease shall expire and be null and void as to all provisions after the primary term of one (1) year but may be renewed upon written concent of the Lessors.
- 3. Payment of shut-in royalties as provided in Paragraph 3 hereof shall not extend this lease more than three (3) years beyond the primary term.
- 4. This lease may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

MCKNIGHT LEASE

EXHIBIT "A"

- Frank M. Remmele aka Fritz Remmele and Ladye Dee Remmele, his wife 300 S. Kentucky Roswell, New Mexico 88201
- Ladye Dee Remmele, II. aka Eta Remmele
- 3. F. Michelle Storey aka Mickey Remmele
- Mrs. Brian Elizabeth Williams aka Beth Remmele
 2360 Village Circle Road Atwater, CA 95301
- 5. Ruby Remmele
 Camlu Retirement Apt. #309
 12101 Lomas, N.E.
 Albuquerque, New Mexico 87112



DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY
OIL CORPORATION.
Inde in financia
Frank M. Remmele
Ledis Die Romande
Ladye Dee Remmele
Sadye Dee Remmete II
Ladye Dee Remmele, II
Trank m Kennal
Frank M. Remmele, Co-Conservator
for F. Michelle Storey
Lad Da Kemmele
Ladye Dee Remmele, Co-Conservator for F. Michelle Storey
Tot 1
Mrs. Brian Elizabeth Williams
MIS. Brian Elizabeth Williams
Ruby Remmele
hank M Rommela
Frank M. Remmele, Attorney- in-Fact for Ruby Remmele
O .
STATE OF NEW MEXICO)
) ss:
COUNTY OF CHAVES)
This instrument was acknowledged before me this 10th day of
January, 1986, by Frank M. Remmele and Ladye Dee Remmele, his
wife.
MY COMMISSION EXPIRES:
7-9-88
Notary Public
, = 2
STATE OF New Mebier)
STATE OF New Mexica) COUNTY OF Obitate) ss:
COUNTY OF Obrtafe)
This instrument was acknowledged before me this day of
COUNTY OF Obrtafe)

DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION. Frank M. Remmele Ladye Dee Remmele Ladye Dee Remmele, III Frank M. Remmele, Co-Conservator for F. Michelle Storey Ladye Dee Remmele, Co-Conservator	
Frank M. Remmele Ladye Dee Remmele Ladye Dee Remmele, IN Ladye Dee Remmele, IN Frank M. Remmele, Co-Conservator for F. Michelle Storey The Manual Comments of the Manual Comments of the Michelle Storey	
Ladye Dee Remmele Ladye Dee Remmele, IN Ladye Dee Remmele, IN Frank M. Remmele, Co-Conservator for F. Michelle Storey Can Da Amarile	
Ladye Dee Remmele Ladye Dee Remmele, IN Ladye Dee Remmele, IN Frank M. Remmele, Co-Conservator for F. Michelle Storey Can Da Amarile	
Ladye Dee Remmele, IV Ladye Dee Remmele, IV Frank M. Remmele, Co-Conservator for F. Michelle Storey Can Day R. Manuel	
Ladye Dee Remmele, IV Ladye Dee Remmele, IV Frank M. Remmele, Co-Conservator for F. Michelle Storey Can Day R. Manuel	
Ladye Dee Remmele, IV Ladye Dee Remmele, IV Frank M. Remmele, Co-Conservator for F. Michelle Storey Can Day R. Manuel	
Frank M. Remmele, Co-Conservator for F. Michelle Storey	
Frank M. Remmele, Co-Conservator for F. Michelle Storey	
Frank M. Remmele, Co-Conservator for F. Michelle Storey	
for F. Michelle Storey	
for F. Michelle Storey	
La Da Kimmile	
bady's bes remained of some of value	
for F. Michelle Storey	
a de la desta de la companya della companya della companya de la companya della c	
Mrs. Brian Elizabeth Williams	
HIS: DEIGH BIIZADECH WILLIAMS	
Ruby Remmele,	
A 1 mA C	
Frank M. Remmele, Attorney-	
in-Fact for Ruby Remmele	
STATE OF NEW MEXICO)	
COUNTY OF CHAVES)	
7	
This instrument was acknowledged before me this 10th day of	
January, 1986, by Frank M. Remmele and Ladye Dee Remmele, his	
wife.	
MY COMMISSION EXPIRES:	
· · · · · · · · · · · · · · · · · · ·	
7-9-88 Notary Public	
Notary Public /	-
STATE OF)	
) ss:	
COUNTY OF)	
This instrument was acknowledged before me this day of	
day of the sole and separate property.	
and beparate property.	
MY COMMISSION EXPIRES:	
1 1 (a) A	
1) One U. Hubry	
Nøtary Public	

ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.
Frank on Roman
Frank M. Remmele
Ladye Dee Remmele
Ladye Dee Remnele, II
trank m Kannal
Frank M. Remmele, Co-Conservator for F. Michelle Storey
Ladye Dee Remmele, Co-Conservator for F. Michelle Storey
Mrs. Brian Elizabeth Williams Ruby Remmere,
t b m to Co
Frank M. Remmele, Attorney- in-Fact for Ruby Remmele
STATE OF NEW MEXICO)
COUNTY OF CHAVES)
This instrument was acknowledged before me this $\underline{10th}$ day of January, 1986, by Frank M. Remmele and Ladye Dee Remmele, his wife.
MY COMMISSION EXPIRES:
7-9-88 Notary Public
STATE OF 11. 741
COUNTY OF Santale) ss:
This instrument was acknowledged before me this 4 day of dealing in her sole and separate property.
MY COMMISSION EXPIRES:
Aug 1, 1986 De Probert

EXHIBIT "C" CONTINUED

STATE OF CALIFORNIA)	
COUNTY OF Merced	ss:
This instrument was Tanuacus 1986, by Mrs. Remmele dealing in her	acknowledged before me this and day of Brian Elizabeth Williams, aka Beth sole and separate property.
MY COMMISSION EXPIRES:	
9-16-86	Jan Jan
STATE OF NEW MEXICO) COUNTY OF CHAVES)	OFFICIAL SEAL JOY L. BECKER NOTARY PUBLIC - CALIFORNIA MERCED COUNTY My Comm. Expires Sept. 16, 1986
January, 1986, by Frank	acknowledged before me this 10th day of M. Remmele and Ladye Dee Remmele, Michelle Storey aka Mickey Remmele.
MY COMMISSION EXPIRES:	2.1
7-9-88	Notary Public /
	Notary Public /
STATE OF NEW MEXICO)	•
COUNTY OF CHAVES)	SS:
This instrument was January, 1986, by Frank Remmele.	acknowledged before me this 10th day of M. Remmele, Attorney-in-Fact for Ruby
MY COMMISSION EXPIRES:	$\cdot \hat{i}$
7-9-88	
	Notary Public
STATE OF NEW MEXICO)	
COUNTY OF)	SS:
This instrument was , 1986, by Ruby separate property.	acknowledged before me this day of Remmele, dealing in her sole and
MY COMMISSION EXPIRES:	
	Notary Public

EXHIBIT "C" CONTINUED

STATE OF CALIFORNIA)	ss:
COUNTY OF	
, 1986, by Mrs.	acknowledged before me this day of Brian Elizabeth Williams, aka Beth sole and separate property.
MY COMMISSION EXPIRES:	
:	
	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	ss:
January, 1986, by Frank	acknowledged before me this <u>10th</u> day of M. Remmele and Ladye Dee Remmele, Michelle Storey aka Mickey Remmele.
MY COMMISSION EXPIRES:	1.
7-9-88	Notary Public
STATE OF NEW MEXICO) COUNTY OF CHAVES)	ss:
This instrument was January, 1986, by Frank Remmele.	acknowledged before me this 10th day of M. Remmele, Attorney-in-Fact for Ruby
MY COMMISSION EXPIRES:	4
7-9-88	Notary Publication
	young rubile
STATE OF NEW MEXICO)	·
COUNTY OF)	SS:
This instrument was , 1986, by Ruby Separate property.	acknowledged before me this day of Remmele, dealing in her sole and
Y COMMISSION EXPIRES:	
	No.
	Notary Dublic