



JIM BACA
COMMISSIONER

State of New Mexico

OFFICE OF THE

Commissioner of Public Lands

Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

April 14, 1993

McKay Oil Corporation
P. O. Box 2423
Roswell, New Mexico 88201

Attention: Mr. Bill Milstead

Re: Termination
Charolette State Unit
Chaves County, New Mexico

Dear Mr. Milstead:

By our letter of October 7, 1992 approval was granted to begin drilling the Charolette State Unit Well No. 2. Our approval was given with the understanding that if the above mentioned well was not timely spudded by November 25, 1992 and completed on or before January 5, 1993, the unit agreement would be terminated.

On March 3, 1993, a certified letter was sent from this office requesting the drilling and completion reports for the Charolette State Unit Well No. 2.

On April 7, 1993 Pete Martinez of this office contacted you at McKay Oil Corp. and you advised Mr. Martinez that "the Charolette State Unit Well No. 2 was never drilled".

In view of the above, please be advised that the Charolette State Unit Agreement has this date been terminated effective November 25, 1992.

Please advise all interested parties of this action.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.

cc: Reader File
OCD
TRD
BLM- Roswell

10321

REPORT TO DEPARTMENTS

UNIT NAME Charlotte State Unit

OPERATOR McKay Oil Corporation

COUNTY Chaves County, New Mexico

TERMINATED

EFFECTIVE DATE 11/25/42

APPROVAL DATE 4/14/43

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION	TERM
APPROVED	OCC ORDER NO.						CLAUSE	
8-28-91	Case No. 10321	8-28-91	13,946.73	12,575.07	360	1,011.66	modified	5yrs/or prod
	Order No. R-9566							

UNIT AREA

Township 5 South, Range 20 East, NMPM

Section 14: S/2

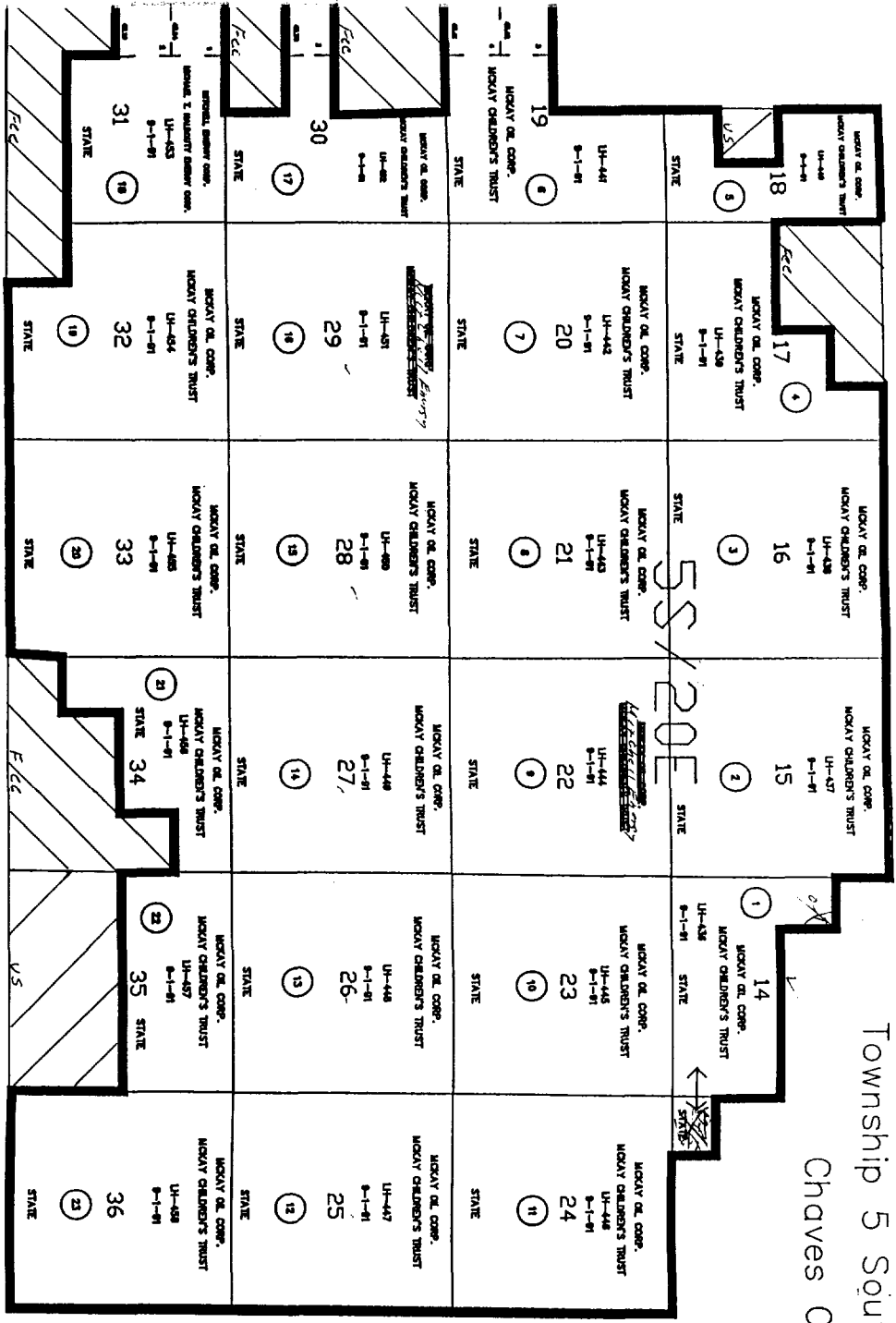
Sections 15 through 17: All

Section 18: E/2

Section 19: E/2 and SW/4

Sections 20 through 36: All

CHARLOTTE STATE UNIT Township 5 South, Range 20 East, NMPM Chaves County, New Mexico



Unit Outline
 ① Tract Number

~~12,655.25~~ TOTAL ACRES
 Federal lands
 360.00 Acres, 2.58/96
 State of New Mexico lands
 12,575.07 Acres, 90.165/96
 Fec (Anticline) lands
 1,011.66 Acres, 7.254/96
 13,946.73 Acres, 100.00/96

McKay Oil Corporation
 Roswell, New Mexico

TERMINATED
 EFFECTIVE DATE 11/25/92
 APPROVAL DATE 4/14/93

SCALE IN MILES



EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TERMINATED

EFFECTIVE DATE 11/25/92

Page 1

APPROVAL DATE 4/14/93

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MT-OWNER & PERCENTAGE
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FEDERAL LANDS

1. TSS-R20E
Section 18: NW/4SE 40.00 None Open Not Under Oil and Gas Lease

4. TSS-R20E
Section 35: SW 320.00 None Open Not Under Oil and Gas Lease

TOTAL: 360.00 Acres Federal Lands 2.581% of Unit Area

STATE OF NEW MEXICO LANDS

3. TSS-R20E
Section 14: SW 320.00 LH-436-2 State of N.M.-12.5% McKay Oil Corporation 75%
09/01/91 CS McKay Children's Trust 25%
C. Richard Overly--083025% McKay Oil Corporation 75.00%
William C. Longquist, Jr.-- Sanders Petroleum Corporation 25.00%
.083025

Willis H. Oakes--010935%
Gayle A. Dalton--003645%
Milton R. Fry--021870%

4. TSS-R20E
Section 15: ALL 640.00 LH-437-2 State of N.M.-12.5% McKay Oil Corporation 75%
09/01/91 CS McKay Children's Trust 25%
C. Richard Overly--083025% McKay Oil Corporation 75.00%
William C. Longquist, Jr.-- Sanders Petroleum Corporation 25.00%
.083025

Willis H. Oakes--010935%
Gayle A. Dalton--003645%
Milton R. Fry--021870%

5. TSS-R20E
Section 16: ALL 640.00 LH-438-2 State of N.M.-12.5% McKay Oil Corporation 75%
09/01/91 CS McKay Children's Trust 25%
C. Richard Overly--083025% McKay Oil Corporation 75.00%
William C. Longquist, Jr.-- Sanders Petroleum Corporation 25.00%
.083025

Willis H. Oakes--010935%
Gayle A. Dalton--003645%
Milton R. Fry--021870%

EXHIBIT "B"

Schedule of lands and leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
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STATE OF NEW MEXICO LANDS

6. T5S-R20E
Section 17: NE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ 440.00 LH-439 - 2 State of N.M.-12.5% McKay 011 Corporation 75%
09/01/91 McKay Children's Trust 25%

C. Richard Overly-.083025% McKay 011 Corporation 75.00%
William C. Longquist, Jr. Sanders Petroleum Corporation 25.00%
-083025%
Mittis H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

7. T5S-R20E
Section 18: NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ 280.00 LH-440 - 2 State of N.M.-12.5% McKay 011 Corporation 75%
09/01/91 McKay Children's Trust 25%

C. Richard Overly-.083025% McKay 011 Corporation 75.00%
William C. Longquist, Jr. Sanders Petroleum Corporation 25.00%
-083025%
Mittis H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

8. T5S-R20E
Section 19: Lots 3,4, NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ 486.65 LH-441 - 2 State of N.M.-12.5% McKay 011 Corporation 75%
09/01/91 McKay Children's Trust 25%

C. Richard Overly-.083025% McKay 011 Corporation 75.00%
William C. Longquist, Jr. Sanders Petroleum Corporation 25.00%
-083025%
Mittis H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

9. T5S-R20E
Section 20: ALL 640.00 LH-442 - 2 State of N.M.-12.5% McKay 011 Corporation 75%
09/01/91 McKay Children's Trust 25%

C. Richard Overly-.083025% McKay 011 Corporation 75.00%
William C. Longquist, Jr. Sanders Petroleum Corporation 25.00%
-083025%
Mittis H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
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NEW MEXICO STATE LANDS

10.	TSS-R20E Section 21: ALL	640.00	LH-443-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.538125% William C. Lonquist, Jr.- .538125% Mills H. Oakes-.070875% Gayle A. Dalton-.023625% Milton R. Fry-.14175%	McKay Oil Corporation Sanders Petroleum Corporation Fuller Petroleum Corporation	71.7857175% 23.9285725% 4.28571%
11.	TSS-R20E Section 22: ALL	640.00	LH-444 09/01/91	State of N.M.-12.5% Company	Mitchell Energy Corp. Michael T. Halbouty	50% 50%	NONE	Mitchell Energy Corporation Michael T. Halbouty Energy Company	50.00% 50.00%
12.	TSS-R20E Section 23: ALL	640.00	LH-445-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.538125% William C. Lonquist, Jr.- .538125% Mills H. Oakes-.070875% Gayle A. Dalton-.023625% Milton R. Fry-.14175%	McKay Oil Corporation Sanders Petroleum Corporation Fuller Petroleum Corporation	71.7857175% 23.9285725% 4.28571%
13.	TSS-R20E Section 24: ALL	640.00	LH-446-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.538125% William C. Lonquist, Jr.- .538125% Mills H. Oakes-.070875% Gayle A. Dalton-.023625% Milton R. Fry-.14175%	McKay Oil Corporation Sanders Petroleum Corporation Fuller Petroleum Corporation	71.7857175% 23.9285725% 4.28571%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORR PERCENTAGE	MI OWNER & PERCENTAGE
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STATE OF NEW MEXICO LANDS

4. TSS-R20E Section 25: ALL 640.00 LH-447-a State of N.M.-12.5% McKay Oil Corporation 75% C Richard Overly-.083025% McKay Oil Corporation 75.00% William C. Longquist, Jr. Sanders Petroleum Corporation 25.00% .083025% Gayle A. Dalton-.003645% Milton R. Fry-.021870%

5. TSS-R20E Section 26: ALL 640.00 LH-448-a State of N.M.-12.5% McKay Oil Corporation 75% C Richard Overly-.083025% McKay Oil Corporation 75.00% William C. Longquist, Jr. Sanders Petroleum Corporation 25.00% .083025% Willis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%

5. TSS-R20E Section 27: ALL 640.00 LH-449-a State of N.M.-12.5% McKay Oil Corporation 75% C Richard Overly-.083025% McKay Oil Corporation 75.00% William C. Longquist, Jr. Sanders Petroleum Corporation 25.00% .083025% Willis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%

7. TSS-R20E Section 28: ALL 640.00 LH-450-a State of N.M.-12.5% McKay Oil Corporation 75% C Richard Overly-.083025% McKay Oil Corporation 75.00% William C. Longquist, Jr. Sanders Petroleum Corporation 25.00% .083025% Willis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	VI OWNER & PERCENTAGE
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STATE OF NEW MEXICO LANDS

18.	T5S-R20E Section 29: ALL	640.00	LH-451 09/01/91	State of N.M.-12.5% CS	Mitchell Energy Corp. Michael T. Halbouty Energy Company	50% 50%	NONE	Mitchell Energy Corporation Michael T. Halbouty Energy Company	50.00% 50.00%
19.	T5S-R20E Section 30: Lot 3, E½, NE¼SW¼	403.38	LH-452-2 09/01/91	State of N.M.-12.5% CS	Mckay Oil Corporation Mckay Children's Trust	75% 25%	C. Richard Overly-.538125% William C. Lonquist, Jr.-.538125% Mills H. Oakes-.070875% Gayle A. Dalton-.023625% Milton R. Fry-.14175%	Mckay Oil Corporation Sanders Petroleum Corporation Fuller Petroleum Corporation	71.7857175% 23.9285725% 4.28571%
20.	T5S-R20E Section 31: Lots 1,2, NE¼, E½NW¼, NE¼SE¼, NE¼SW¼	445.04	LH-453 09/01/91	State of N.M.-12.5% CS	Mitchell Energy Corp. Michael T. Halbouty Energy Company	50% 50%	NONE	Mitchell Energy Corporation Michael T. Halbouty Energy Company	50.00% 50.00%
21.	T5S-R20E Section 32: NW¼, NE¼SW¼, SE¼SW¼, S½SE¼	600.00	LH-454-2 09/01/91	State of N.M.-12.5% CS	Mckay Oil Corporation Mckay Children's Trust	75% 25%	C. Richard Overly-.9148125% William C. Lonquist, Jr.-.9148125% Mills H. Oakes-.1204875% Gayle A. Dalton-.0401625% Milton R. Fry-.240975%	Mckay Oil Corporation Sanders Petroleum Corporation Fuller Petroleum Corporation	71.7857175% 23.9285725% 4.28571%

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	Oil PERCENTAGE	WI OWNER & PERCENTAGE
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STATE OF NEW MEXICO LANDS

22.	TSS-R20E Section 33: ALL	640.00	LH-455-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
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C. Richard Overly-.083025%
William C. Lonquist, Jr.-
.083025%
Mills H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

23.	TSS-R20E Section 34: N½N½, S½N½, N½S½, N½SW¼	320.00	LH-456-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
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C. Richard Overly-.083025%
William C. Lonquist, Jr.-
.083025%
Mills H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

24.	TSS-R20E Section 35: N½	320.00	LH-457-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
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C. Richard Overly-.083025%
William C. Lonquist, Jr.-
.083025%
Mills H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

25.	TSS-R20E Section 36: ALL	640.00	LH-458-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
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C. Richard Overly-.083025%
William C. Lonquist, Jr.-
.083025%
Mills H. Oakes-.010935%
Gayle A. Dalton-.003645%
Milton R. Fry-.021870%

TOTAL:	12,575.07 Acres	State of New Mexico Lands: 90.165% of Unit Area
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Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORIG. PERCENTAGE	HI OWNER & PERCENTAGE
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PATENTED FEE LANDS

26.	TSS-R20E Section 17: NM/MEX, NM/M	200.00		Nancy Ann Brooks Genevieve Yoder Richardson Pierce Living Trust	25% 25% 50%		Nancy Ann Brooks Genevieve Yoder Richardson Pierce Living Trust 25.00% 25.00% 50.00%
	TSS-R20E Section 30: Lots 1,2, E&NM/M	166.79		Eunice K. Johnson H.M. "Bud" Eppers	50% 50%		Eunice K. Johnson H.M. "Bud" Eppers 50.00% 50.00%
28.	TSS-R20E Section 30: Lot 4, SE&NM/M	83.37		Eunice K. Johnson H.M. "Bud" Eppers	50% 50%		Eunice K. Johnson H.M. "Bud" Eppers 50.00% 50.00%
29.	TSS-R20E Section 31: Lots 3,4, SE&NM/M, S&SE&NM/M Section 32: S&NM/M	241.50		Eunice K. Johnson H.M. "Bud" Eppers	50% 50%		Eunice K. Johnson H.M. "Bud" Eppers 50.00% 50.00%
30.	TSS-R20E Section 34: S&NM/M, E&NM/M, W&SE&NM/M	200.00		H.M. McDaniell, Jr. Ora McDaniell	50% 50%		H.M. McDaniell, Jr. Ora McDaniell 50.00% 50.00%
31.	TSS-R20E Section 34: E&SE&NM/M, SE&NM/M	120.00		Pierce Living Trust	100%		Pierce Living Trust 100.00%

TOTAL: 1,011.66 Acres Fee Lands - 7.254% of Unit Area

RECAPITULATION

360.00 Acres Federal Lands	2.581%
12,575.07 Acres State of New Mexico Lands	90.165%
1,011.66 Acres Fee (Patented) Lands	7.254%
13,946.73	100.000%

7410321



JIM BACA
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

October 7, 1992

McKay Oil Corporation
P. O. Box 2014
Roswell, New Mexico 88202

Attn: Mr. James L. Schultz

Re: Charolette State Unit Well Nos. 1 and 2
Chaves County, New Mexico

Dear Mr. Schultz:

This office is in receipt of your letter of October 1, 1992, wherein you have advised this office that the Charolette State Unit Well No. 1 will be plugged and abandoned on or about October 14, 1992. Your letter also informs this office that you anticipate spudding the Charolette State Unit Well No. 2 on November 25, 1992 and completing said well on January 5, 1992.

Please be advised that the Commissioner of Public Lands hereby grants you approval to begin drilling the Charolette State Unit Well No. 2. Our approval is given with the understanding that if the above mentioned well is not timely spudded by November 25, 1992 and completed on or before January 5, 1992, the Charolette State Unit will be terminated. Please submit copies of all well records and keep this office informed as to the drilling status of the Well No. 2.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
encls.

cc: Reader File
BLM-Roswell
CCB - SANTA FE



State of New Mexico

OFFICE OF THE

Commissioner of Public Lands

Santa Fe

JIM BACA
COMMISSIONER

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

#10321

July 25, 1991

Randolph M. Richardson
Oil & Gas Land & Unit Consultant
P.O. Box 2423
Roswell, New Mexico 88202-2423

Re: McKay Oil Corporation
Charolette State Unit
Chaves County, New Mexico

Dear Mr. Richardson:

This office has reviewed the proposed agreement and we find that the general requirements of the Commissioner of Public Lands are present.

Preliminary Approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date have been given.

When submitting your agreement for final approval, please include the following items:

1. Application for final approval by the Commissioner of Public Lands setting forth the tracts that have been committed and those that are not committed.
2. All ratification from the Lessee of Record and Working Interest Owners, all signatures should be acknowledged by a Notary Public and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be contingent upon subsequent favorable approval by the New Mexico Oil Conservation Division.
4. An original and one copy of both the Unit Agreement and the Unit Operating Agreement for our files. Again, the original set must contain original signatures.

We received your filing fee in the amount of \$720.00 and understand that filing fee amount due for the proposed Charolette State Unit is \$30.00 less than what you have paid. You will be receiving a refund shortly in the amount of \$30.00.

July 25, 1991
Page 2

If you have any questions regarding final unit approval, please contact our office (505) 827-5744.

Sincerely,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

By: 

Floyd O. Prando, Director
Oil, Gas & Minerals Division

JB/FOP/jsw



JIM BACA
COMMISSIONER

State of New Mexico

OFFICE OF THE

Commissioner of Public Lands

Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

August 28, 1991

Oil & Gas Land & Unit Consultant
P.O. Box 2423
Roswell, New Mexico 88202-2423

Attn: Randolph M. Richardson

Re: McKay Oil Corporation
Charolette State Unit
Chaves County, New Mexico
Final Approval

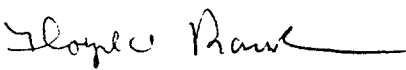
Dear Mr. Richardson:

Please be advised that the Commissioner of Public Lands this date has granted final approval for the Charolette State Unit in Chaves County, New Mexico. The Effective Date has been approved to be August 28, 1991. Enclosed are five (5) original Certificates of Approval. Your filing fee in the amount of seven hundred twenty dollars (\$720.00) was received. The amount due for this unit was 23 sections @ \$30.00 each = Six hundred ninety dollars (\$690.00). Therefore, a refund has been processed by our office in the amount of thirty dollars (\$30.00).

If you have any questions regarding this matter, please contact our office at (505) 827-5744.

Sincerely,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

By: 
Floyd O. Prando, Director
Oil, Gas & Minerals Division

JB/FOP/jsw

cc: TRD - Oil & Gas Accounting Division
OCD - Santa Fe
BLM - Roswell
SLO - Royalty Management

REPORT TO DEPARTMENTS

UNIT NAME Charlotte State Unit

OPERATOR McKay Oil Corporation

COUNTY Chaves County, New Mexico

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
8-28-91	Case No. 10321 Order No. R-9566	8-28-91	13,946.73	12,575.07	360	1,011.66	modified	5yrs/or prod

UNIT AREA

Township 5 South, Range 20 East, NMPM

Section 14: S/2

Sections 15 through 17: All

Section 18: E/2

Section 19: E/2 and SW/4

Sections 20 through 36: All

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 2423

ROSWELL, NEW MEXICO 88202-2423

September 11, 1991

ATTORNEY AT LAW
NEW MEXICO - TEXAS

OFFICE 505 622-8801
HOME 505 622-7985

In Re: McKay Oil Corporation
Charolette State Unit Agreement
Chaves County, New Mexico

New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

DEC
CASE FILE 16321

Gentlemen:

Pursuant to your Order No. R-9566 in connection with the captioned Charolette State Unit, I am enclosing fully executed copy of Unit Agreement to which is attached copy of your Order #R-9566, as well as Certificate of Approval executed by the Commissioner of Public Lands.

Please advise if you need any additional information, or if all is not in order.

Thank you.

Yours truly,



R. M. Richardson

RMR/lrs

Encls.

cc: McKay Oil Corporation

COPY

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

CHAROLETTE STATE UNIT AREA
CHAVES COUNTY, NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 20th day of MAY
19 91 by and between the parties subscribing, ratifying or consenting hereto, and
herein referred to as the "parties hereto";

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other
oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec 3, Chap. 88, Laws 1943) as amended
by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N. M. Statutes
1978 Annot.), to consent to and approve the development or operation of State Lands
under agreements made by lessees of State Land jointly or severally with other lessees
where such agreements provide for the unit operation or development of part of or all
of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap.
19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of
lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil
and gas lease embracing State Lands so that the length of the term of said lease may
coincide with the term of such agreements for the unit operation and development of
part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Depart-
ment of the State of New Mexico (hereinafter referred to as the "Division"), is
authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being
Section 70-2-1 et seq. New Mexico Statutes Annotated, 1978 Compilation) to approve
this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the CHAROLETTE
STATE Unit Area covering the land hereinafter described to give reasonably
effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 5 South, Range 20 East, N.M.P.M.
Section 14: S $\frac{1}{2}$ Section 19: E $\frac{1}{2}$, SW $\frac{1}{4}$
Section 15,16,17: All Section 20 thru 36: All
Section 18: E $\frac{1}{2}$

Containing 13,946.73 acres, more or less, in Chaves County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: McKAY OIL CORPORATION, whose address is P.O. Box 2014, Roswell, New Mexico 88202-2014 Is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an

owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election, with notice to the Division, may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to attain the base of the ABO formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 3600' feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances

in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event, the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by (Sec. 19-10-20 N.M. Statutes 1978 Annotated,) of intention to cancel on account of any alleged breach of said covenant for reasonable development and any

decision entered hereunder shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes 1978 Annotated), and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination with- in which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries embracing lands of the State of New Mexico shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this Agreement unless at the expiration of five years (5) after the first day of the month following the effective date of this Agreement diligent drilling operations are in progress on said tracts.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to

the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due to the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:

The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same

conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offset to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico of which only a portion is committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as two separate leases as to such segregated portions, commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced within the unitized area and committed to this agreement, in accordance with the terms of this agreement. If oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease which part is committed to this agreement at the expiration of the secondary term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands

committed hereto, in which oil and gas, or either of them, has been discovered is discovered upon a portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the primary term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder to the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in five (5) years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to Division. Likewise, the failure to comply with the

drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby, before the Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands, or statements required hereunder to be given or rendered to the parties hereto, shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses, set forth in connection with the signatures hereto or to the ratification or consent hereof, or to such other address as any such party may have furnished in writing to party sending the notice, demand, or statement.

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement, shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary material in open market, or other matters beyond the reasonable control of the unit operator, whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized

substances involved on account thereof, without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

24. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

McKAY OIL CORPORATION
OPERATOR

DATE: May 20, 1991

By James L. Schultz
Vice-President Land & Legal, James L. Schultz

ATTEST

BY Monica Lightfoot
Monica Lightfoot, Assistant Sec.

Trs 3 thru 10
12 thru 17
19
21 thru 25

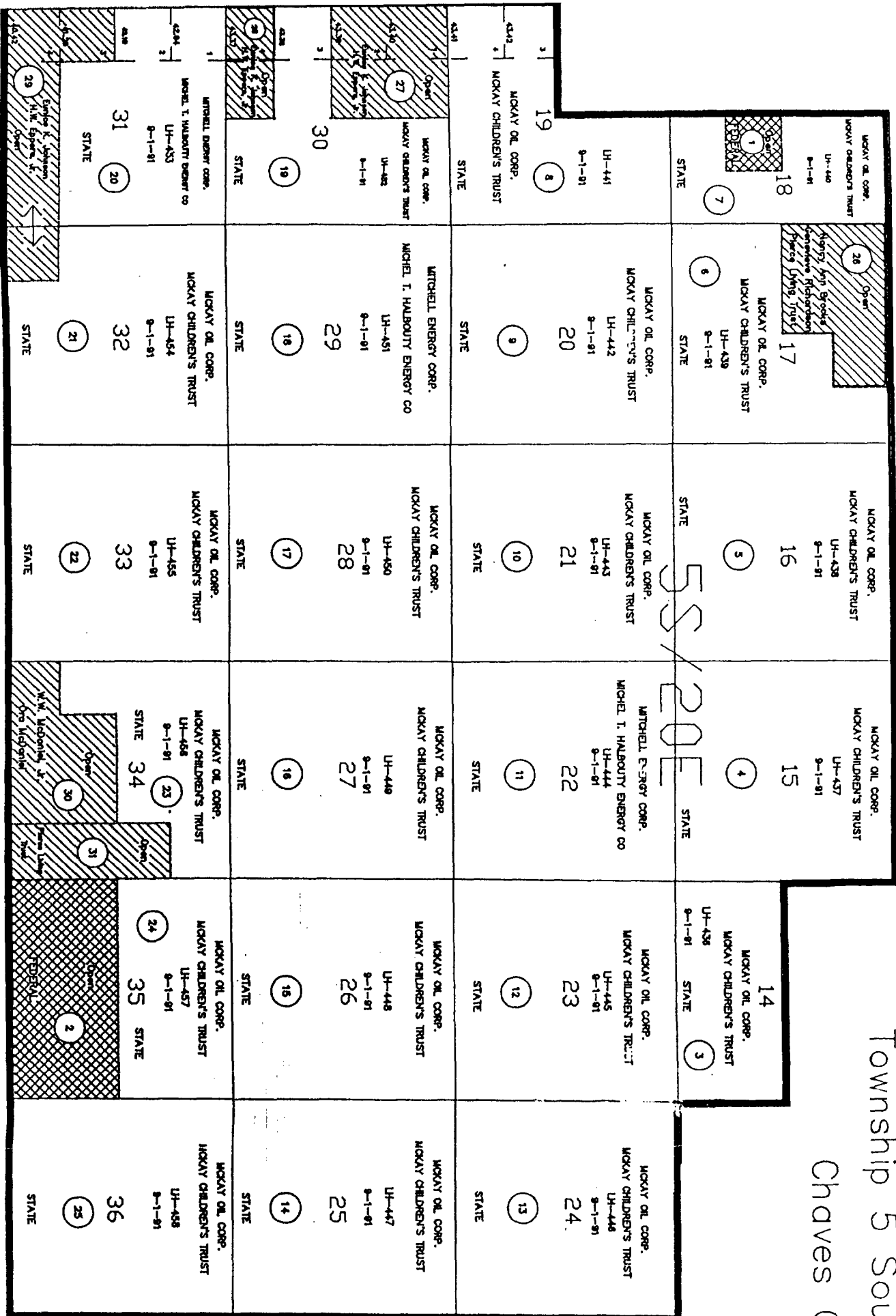
STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 20th day of May, 1991, by James L. Schultz, Vice-President of McKay Oil Corporation, a New Mexico corporation, on behalf of said corporation.

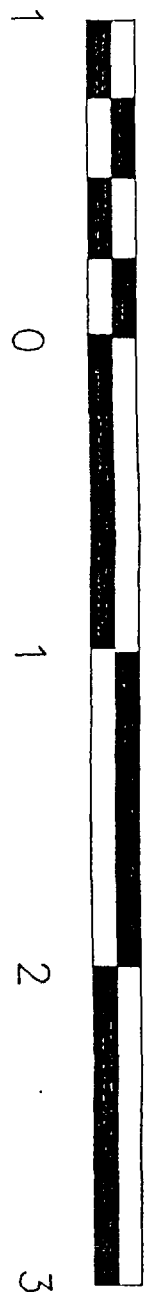
My Commission Expires: 8/9/91

Ornela
Notary Public

CHAROLETTE STATE UNIT Township 5 South, Range 20 East, NMPM Chaves County, New Mexico



SCALE IN MILES



- Unit Outline
- Tract Number
- FEDERAL LANDS
- STATE LANDS
- FEE LANDS
- 360.00 FEDERAL ACRES
- 12,575.07 STATE ACRES
- 1,011.66 FEE ACRES
- 13,946.73 TOTAL UNIT ACRES

McKay Oil Corporation
 Roswell, New Mexico

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Page 1

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
<u>FEDERAL LANDS</u>							
1. T5S-R20E Section 18: NW/4SE/4		40.00	None	Open	Not Under Oil and Gas Lease		
2. T5S-R20E Section 35: S/4		320.00	None	Open	Not Under Oil and Gas Lease		
TOTAL:		360.00 Acres	Federal Lands 2.581% of Unit Area				

STATE OF NEW MEXICO LANDS

3. T5S-R20E Section 14: S/4	320.00	LH-436-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.083025% William C. Lonquist, Jr.- .083025% Mittis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
4. T5S-R20E Section 15: ALL	640.00	LH-437-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.083025% William C. Lonquist, Jr.- .083025% Mittis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
5. T5S-R20E Section 16: ALL	640.00	LH-438-2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.083025% William C. Lonquist, Jr.- .083025% Mittis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
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STATE OF NEW MEXICO LANDS

6.	T5S-R20E Section 17: NE X NE X ,S X NE X ,S X	440.00	LH-439 - 2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.083025% William C. Lonquist, Jr. .083025% Mittis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
7.	T5S-R20E Section 18: NE X ,NE X SE X ,S X SE X	280.00	LH-440 - 2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.083025% William C. Lonquist, Jr. .083025% Mittis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
8.	T5S-R20E Section 19: Lots 3,4,NE X ,E X SW X ,SE X	486.65	LH-441 - 2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.083025% William C. Lonquist, Jr. .083025% Mittis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%
9.	T5S-R20E Section 20: ALL	640.00	LH-442 - 2 09/01/91	State of N.M.-12.5% CS	McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.083025% William C. Lonquist, Jr.- .083025% Mittis H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870%	McKay Oil Corporation Sanders Petroleum Corporation	75.00% 25.00%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
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NEW MEXICO STATE LANDS

10. T5S-R20E 640.00 LH-443-2 State of N.M.-12.5% McKay Oil Corporation 75% C. Richard Overly-.538125% McKay Oil Corporation 71.7857175%
 Section 21: ALL 09/01/91 CS McKay Children's Trust 25% William C. Longquist, Jr.-.538125% Sanders Petroleum Corporation 23.9285725%
 Willis H. Oakes-.070875% Fuller Petroleum Corporation 4.28571%
 Gayle A. Dalton-.023625%
 Milton R. Fry-.14175%

11. T5S-R20E 640.00 LH-444 State of N.M.-12.5% Mitchell Energy Corp. 50% NONE Mitchell Energy Corporation 50.00%
 Section 22: ALL 09/01/91 Michael T. Halbouty 50% Company Michael T. Halbouty Energy Company 50.00%

12. T5S-R20E 640.00 LH-445-2 State of N.M.-12.5% McKay Oil Corporation 75% C. Richard Overly-.538125% McKay Oil Corporation 71.7857175%
 Section 23: ALL 09/01/91 CS McKay Children's Trust 25% William C. Longquist, Jr.-.538125% Sanders Petroleum Corporation 23.9285725%
 Willis H. Oakes-.070875% Fuller Petroleum Corporation 4.28571%
 Gayle A. Dalton-.023625%
 Milton R. Fry-.14175%

13. T5S-R20E 640.00 LH-446-2 State of N.M.-12.5% McKay Oil Corporation 75% C. Richard Overly-.538125% McKay Oil Corporation 71.7857175%
 Section 24: ALL 09/01/91 CS McKay Children's Trust 25% William C. Longquist, Jr.-.538125% Sanders Petroleum Corporation 23.9285725%
 Willis H. Oakes-.070875% Fuller Petroleum Corporation 4.28571%
 Gayle A. Dalton-.023625%
 Milton R. Fry-.14175%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
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STATE OF NEW MEXICO LANDS

14. TSS-R20E 640.00 LH-447 - 2 State of N.M.-12.5% McKay Oil Corporation 75% C. Richard Overly-.083025% McKay Oil Corporation 75.00%
 Section 25: ALL 09/01/91 CS McKay Children's Trust 25% William C. Lonquist, Jr. Sanders Petroleum Corporation 25.00%
 .083025%
 Mills H. Oakes-.010935%
 Gayle A. Dalton-.003645%
 Milton R. Fry-.021870%

15. TSS-R20E 640.00 LH-448 2 State of N.M.-12.5% McKay Oil Corporation 75% C. Richard Overly-.083025% McKay Oil Corporation 75.00%
 Section 26: ALL 09/01/91 CS McKay Children's Trust 25% William C. Lonquist, Jr. Sanders Petroleum Corporation 25.00%
 .083025%
 Mills H. Oakes-.010935%
 Gayle A. Dalton-.003645%
 Milton R. Fry-.021870%

16. TSS-R20E 640.00 LH-449 - 2 State of N.M.-12.5% McKay Oil Corporation 75% C. Richard Overly-.083025% McKay Oil Corporation 75.00%
 Section 27: ALL 09/01/91 CS McKay Children's Trust 25% William C. Lonquist, Jr. Sanders Petroleum Corporation 25.00%
 .083025%
 Mills H. Oakes-.010935%
 Gayle A. Dalton-.003645%
 Milton R. Fry-.021870%

17. TSS-R20E 640.00 LH-450 2 State of N.M.-12.5% McKay Oil Corporation 75% C. Richard Overly-.083025% McKay Oil Corporation 75.00%
 Section 28: ALL 09/01/91 CS McKay Children's Trust 25% William C. Lonquist, Jr. Sanders Petroleum Corporation 25.00%
 .083025%
 Mills H. Oakes-.010935%
 Gayle A. Dalton-.003645%
 Milton R. Fry-.021870%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
STATE OF NEW MEXICO LANDS							
18. T5S-R20E Section 29: ALL		640.00	LH-451 09/01/91	State of N.M.-12.5% Michael T. Halbouty Energy Company	50% 50%	NONE	Mitchell Energy Corporation Michael T. Halbouty Energy Company 50.00% 50.00%
19. T5S-R20E Section 30: Lot 3, E½, NE¼SW¼		403.38	LH-452 - 3 09/01/91	State of N.M.-12.5% C S McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.538125% William C. Lonquist, Jr.-.538125% Mittis H. Oakes-.070875% Gayle A. Dalton-.023625% Milton R. Fry-.14175%	McKay Oil Corporation Sanders Petroleum Corporation Fuller Petroleum Corporation 71.7857175% 23.9285725% 4.28571%
20. T5S-R20E Section 31: Lots 1,2, NE¼, E½NW¼, NE¼SE¼, NE¼SW¼		445.04	LH-453 09/01/91	State of N.M.-12.5% C S Mitchell Energy Corp. Michael T. Halbouty Energy Company	50% 50%	NONE	Mitchell Energy Corporation Michael T. Halbouty Energy Company 50.00% 50.00%
21. T5S-R20E Section 32: N¼, NE¼S¼, SE¼SW¼, S¼SE¼		600.00	LH-454 - 2 09/01/91	State of N.M.-12.5% C S McKay Oil Corporation McKay Children's Trust	75% 25%	C. Richard Overly-.9148125% William C. Lonquist, Jr.-.9148125% Mittis H. Oakes-.1204875% Gayle A. Dalton-.0401625% Milton R. Fry-.240975%	McKay Oil Corporation Sanders Petroleum Corporation Fuller Petroleum Corporation 71.7857175% 23.9285725% 4.28571%

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	MI OWNER & PERCENTAGE
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STATE OF NEW MEXICO LANDS

22. T5S-R20E Section 33: ALL 640.00 LH-455 09/01/91 State of N.M.-12.5% McKay Oil Corporation 75% McKay Children's Trust 25% C. Richard Overly-.083025% William C. Lonquist, Jr.-.083025% Mills H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870% McKay Oil Corporation 75.00% Sanders Petroleum Corporation 25.00%

23. T5S-R20E Section 34: N½NE½, SW½NE½, NW½, NW½SW½ 320.00 LH-456 09/01/91 State of N.M.-12.5% McKay Oil Corporation 75% McKay Children's Trust 25% C. Richard Overly-.083025% William C. Lonquist, Jr.-.083025% Mills H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870% McKay Oil Corporation 75.00% Sanders Petroleum Corporation 25.00%

24. T5S-R20E Section 35: N½ 320.00 LH-457 09/01/91 State of N.M.-12.5% McKay Oil Corporation 75% McKay Children's Trust 25% C. Richard Overly-.083025% William C. Lonquist, Jr.-.083025% Mills H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870% McKay Oil Corporation 75.00% Sanders Petroleum Corporation 25.00%

25. T5S-R20E Section 36: ALL 640.00 LH-458 09/01/91 State of N.M.-12.5% McKay Oil Corporation 75% McKay Children's Trust 25% C. Richard Overly-.083025% William C. Lonquist, Jr.-.083025% Mills H. Oakes-.010935% Gayle A. Dalton-.003645% Milton R. Fry-.021870% McKay Oil Corporation 75.00% Sanders Petroleum Corporation 25.00%

TOTAL: 12,575.07 Acres State of New Mexico Lands: 90.165% of Unit Area

EXHIBIT "B"

Schedule of Lands and Leases lying within the Charlotte State Unit Area, Chaves County, New Mexico

Township 5 South, Range 20 East, N.M.P.M.

TRACT NO.	LAND DESCRIPTION	NO. OF ACRES	SERIAL NO. & EXPIRATION	BASIC ROYALTY & OWNERSHIP	LESSEE OF RECORD & PERCENTAGE	ORI PERCENTAGE	WI OWNER & PERCENTAGE
PATENTED FEE LANDS							
26.	T5S-R20E Section 17: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$	200.00		Nancy Ann Brooks Genevieve Yoder Richardson Pierce Living Trust	25% 25% 50%		Nancy Ann Brooks Genevieve Yoder Richardson Pierce Living Trust 25.00% 25.00% 50.00%
27.	T5S-R20E Section 30: Lots 1,2,E $\frac{1}{2}$ NW $\frac{1}{4}$	166.79		Eunice K. Johnson H.W. "Bud" Eppers	50% 50%		Eunice K. Johnson H.W. "Bud" Eppers 50.00% 50.00%
28.	T5S-R20E Section 30: Lot 4,SE $\frac{1}{2}$ SW $\frac{1}{4}$	83.37		Eunice K. Johnson H.W. "Bud" Eppers	50% 50%		Eunice K. Johnson H.W. "Bud" Eppers 50.00% 50.00%
29.	T5S-R20E Section 31: Lots 3,4,SE $\frac{1}{2}$ SW $\frac{1}{4}$,S $\frac{1}{2}$ SE $\frac{1}{4}$ Section 32: SW $\frac{1}{2}$ SW $\frac{1}{4}$	241.50		Eunice K. Johnson H.W. "Bud" Eppers	50% 50%		Eunice K. Johnson H.W. "Bud" Eppers 50.00% 50.00%
30.	T5S-R20E Section 34: SW $\frac{1}{2}$ SW $\frac{1}{4}$,E $\frac{1}{2}$ SW $\frac{1}{4}$,W $\frac{1}{2}$ SE $\frac{1}{4}$	200.00		W.M. McDaniel, Jr. Ora McDaniel	50% 50%		W.M. McDaniel, Jr. Ora McDaniel 50.00% 50.00%
31.	T5S-R20E Section 34: E $\frac{1}{2}$ SE $\frac{1}{4}$,SE $\frac{1}{2}$ NE $\frac{1}{4}$	120.00		Pierce Living Trust	100%		Pierce Living Trust 100.00%
TOTAL:		1,011.66 Acres	Fee Lands - 7.254% of Unit Area				

RECAPITULATION			
360.00 Acres Federal Lands		2.581%	
12,575.07 Acres State of New Mexico Lands		90.165%	
1,011.66 Acres Fee (Patented) Lands		7.254%	
13,946.73		100.000%	

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ _____ _____	MCKAY CHILDREN'S TRUST By: <u><i>Gary Richburg</i></u> Gary Richburg, Trustee
-------------------------	---

STATE OF _____)	INDIVIDUAL	see - TRO. 3 thru 10 12 thru 14 19 21 thru 25
COUNTY OF _____) ss.		

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires:

Notary Public

CORPORATE

STATE OF NEW MEXICO)
) ss.
 COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 15th day of July, 19 91, by Gary Richburg who is Trustee of MCKAY CHILDREN'S TRUST, a New Mexico Trust corporation, for and on behalf of said corporation.

My Commission Expires:

9-1-92

 Notary Public *James F. Schultz*

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

SANDERS PETROLEUM CORPORATION
By: Gary Richburg
Gary Richburg, Pres.

STATE OF _____)
COUNTY OF _____) ss.
INDIVIDUAL WT TRS 3 thru 10
12 thru 17
19
21 thru 25

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires:

Notary Public

CORPORATE

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 15th day of July, 1991, by Gary Richburg who is President of SANDERS PETROLEUM CORP., a New Mexico corporation, for and on behalf of said corporation.

My Commission Expires:

9-1-92

Notary Public James L. Schultz

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

Charles A. Cludius
Charles A. Cludius, Secretary

FULLER PETROLEUM, INC.

BY: R. L. Bowen
R. L. Bowen, President

INDIVIDUAL Txs 10-12-13-19-21

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires:

Notary Public

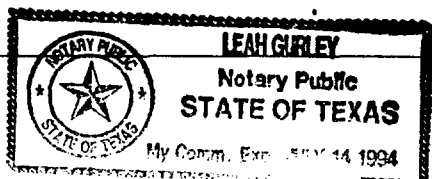
CORPORATE

STATE OF TEXAS)
COUNTY OF TARRANT) ss.

The foregoing instrument was acknowledged before me this 20th day of August, 1991, by R. L. Bowen who is President of Fuller Petroleum, Inc., a Texas corporation, for and on behalf of said corporation.

My Commission Expires:

Leah Hurley
Notary Public



CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

MITCHELL ENERGY CORPORATION
By [Signature]
Jack J. Yovanovich
Senior Vice President

INDIVIDUAL Trs. 11-18-20

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires:

Notary Public

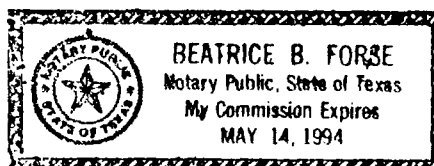
CORPORATE

STATE OF Texas)
) ss.
COUNTY OF Montgomery)

The foregoing instrument was acknowledged before me this 25th day of June, 1991, by Jack J. Yovanovich who is Senior Vice President of Mitchell Energy Corporation a Delaware corporation, for and on behalf of said corporation.

My Commission Expires:

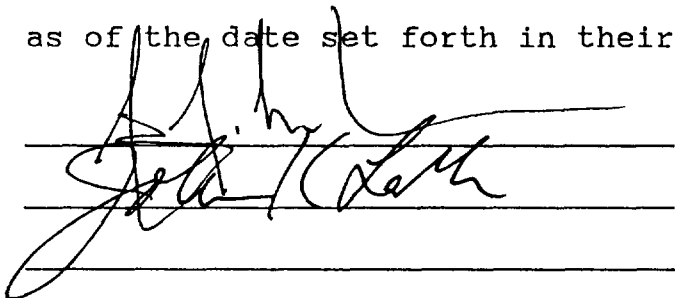
5-14-94
Beatrice B. Forse
Notary Public

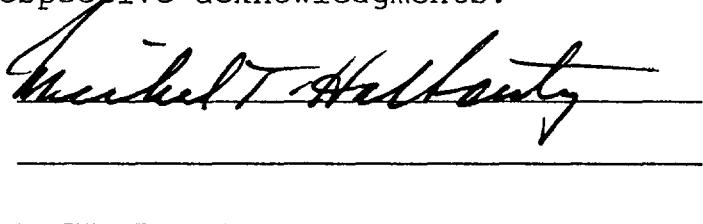


CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.





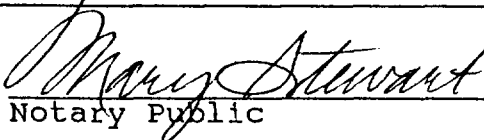
INDIVIDUAL Lessee TRS. 11-18-20

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 25th day of July, 1991, by MICHEL T. HALBOUTY.

My Commission Expires:

3-31-93


Notary Public

CORPORATE

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Elizabeth T. Overly
Widow of C. Richard Overly, deceased

INDIVIDUAL ORR TRS. 3 thru 10
12 thru 19
19
21 thru 25
STATE OF Texas)
COUNTY OF Lewis) ss. 523-54-3062

The foregoing instrument was acknowledged before me this 8th day of August, 1991, by Elizabeth T. Overly, a widow.

My Commission Expires: 12-05-92
Gayle Dalton
Notary Public

CORPORATE
STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires: _____

Notary Public

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

William Longquist Jr.

STATE OF Texas)
COUNTY OF Harris) ss.
INDIVIDUAL ORR Trs. 3 thru 10
12 thru 19
21 thru 25

The foregoing instrument was acknowledged before me this 5th day of August, 1991, by W.C. Longquist, Jr.

My Commission Expires: 5-28-95
Cynthia D. Fazen
Notary Public

CORPORATE
STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires: _____

Notary Public

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Willis H. Oakes

INDIVIDUAL ORR TRS. 3 thru 10
12 thru 17
19
21 thru 25

STATE OF Texas)
COUNTY OF Harris) ss.

The foregoing instrument was acknowledged before me this 5th day of August, 1991, by Willis H. Oakes.

My Commission Expires:

5-28-95

Cynthia D. Lazin
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ Gayle A. Dalton

STATE OF Texas)
COUNTY OF Harris) ss.
INDIVIDUAL ORR TRS. 3 thru 10
12 thru 19
19
21 thru 25
The foregoing instrument was acknowledged before me this 5th
day of August, 1991, by Gayle A. Dalton.
My Commission Expires:
5-28-95 Cynthia D. Jazin
Notary Public

CORPORATE
STATE OF _____)
COUNTY OF _____) ss.
The foregoing instrument was acknowledged before me this _____
day of _____, 19____, by _____ who is
_____ of _____, a
_____ corporation, for and on behalf of said
corporation.
My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
CHAROLETTE STATE UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Charolette State Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 20th day of May, 1991, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Charolette State Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Witness:
Cynthia D. Lizon

Milton R. Fry
MILTON R. Fry

STATE OF NM)
COUNTY OF Chaves) ss. 523-54-3062

INDIVIDUAL ORR TRG. 3 thru 10
12 thru 17
19
21 thru 25

The foregoing instrument was acknowledged before me this 5th day of _____, 1991, by Milton R. Fry.

My Commission Expires:



Gayle D. Dalton
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10321
ORDER NO. R-9566

APPLICATION OF MCKAY OIL CORPORATION
FOR A UNIT AGREEMENT, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 8, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of August, 1991, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, McKay Oil Corporation, seeks approval of the Charolette State Unit Agreement for all oil and gas in any and all formations underlying the following described 13,946.73 acres, more or less, of State, Federal, and Fee Lands in Chaves County, New Mexico:

TOWNSHIP 5 SOUTH, RANGE 20 EAST, NMPM

Section 14: S/2

Sections 15 through 17: All

Section 18: E/2

Section 19: E/2 and SW/4

Sections 20 through 36: All

(3) No interested party appeared and objected to the proposed unit area.

CASE NO. 10321

Order No. R-9566

-2-

(4) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

(5) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Charolette State Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 13,946.73 acres, more or less, of State, Federal, and Fee Lands in Chaves County, New Mexico:

TOWNSHIP 5 SOUTH, RANGE 20 EAST, NMPM

Section 14: S/2

Sections 15 through 17: All

Section 18: E/2

Section 19: E/2 and SW/4

Sections 20 through 36: All

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

CASE NO. 10321

Order No. R-9566

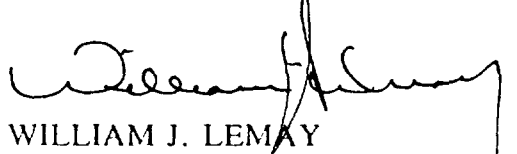
-3-

(5) This order shall become effective upon the approval of said unit agreement by the Director of the appropriate agency of the United States Department of the Interior and the Commissioner of Public Lands for the State of New Mexico; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
Charolette State Unit
McKay Oil Corporation
Chaves County, New Mexico

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated May 20, 1991, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 28th day of August, 19 91

Effective Date is August 28, 1991.

Jim Baca
COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



BRUCE KING
GOVERNOR

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

August 16, 1991

Mr. Randy Richardson
P. O. Box 2423
Roswell, New Mexico 87202

RE: CASE NO. 10321
ORDER NO. R-9566

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script that reads "Florene Davidson".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Roswell Office

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 2423

ROSWELL, NEW MEXICO 88202-2423

July 11, 1991

ATTORNEY AT LAW
NEW MEXICO - TEXAS

OFFICE 505 622-8801
HOME 505 622-7985

In Re: Case #10321
McKay Oil Corporation
Charolette State Unit Agreement
Chaves County, New Mexico

Mr. Robert G. Stovall
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

Dear Mr. Stovall:

I noticed that publication advising of the hearing covering the captioned Charolette State Unit appeared in the Roswell paper yesterday, July 10, 1991. The publication was a re-advertisement and gave notice that the hearing was to be held July 25, 1991.

I am assuming that the examiner will announce at the July 25th hearing that this case is continued to the hearing scheduled for August 8, 1991.

It is also noted that the publication recites that there is 13,946.73 acres of State lands included in the Unit. The State Land Office, when requesting a realignment of the Unit Outline, necessitated the inclusion of Fee lands and Federal lands. The revised Unit Area includes 360.00 acres of Federal lands and 1011.66 acres of Fee lands.

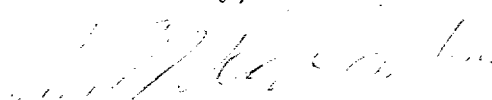
We have checked both Federal and State records and will give actual notice to all of the Fee mineral owners as well as the BLM advising of the Unit hearing and that it will be heard August 8th.

In my opinion, the fact that the advertisement mentioned only State land would not be critical, however if you believe that the case should be re-advertised to include Fee and Federal acreage, please do so.

The rules provide that the published advertisements are at State expense, however if you believe that the case should be re-advertised, I will be glad to pay for such advertisement.

Please advise if you need anything additional. Thank you.

Yours truly,


R. M. Richardson

RMR/lrs
cc: McKay Oil Corporation

Legal Notices



Legal Notices



Publish July 10, 1991

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

The State of New Mexico by its Oil Conservation Division hereby gives notice pursuant to law and Rules and Regulations of said Division promulgated thereunder of the following public hearing to be held at 8:15 A.M. on July 25, 1991, at the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico, before Michael E. Stogner, Examiner or David R. Catanach or Jim Morrow, Alternate Examiners, all duly appointed for said hearing as provided by law.

STATE OF NEW MEXICO TO:

All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.

NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 10321: (Readvertised)

Application of McKay Oil Corporation for a unit agreement, Chaves County New Mexico.

Applicant, in the above-styled cause, seeks approval of the Charlotte State Unit Agreement for an area comprising 13,946.73 acres, more or less, of State lands in portions of Township 5 South, Range 20 East, which is located approximately 13 miles southwest of Mesa, New Mexico.

CASE 10351:

Application of Steven Operating Corporation for an unorthodox oil well location, Chaves County, New Mexico.

Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its McClellan Federal Well No. 3 to be drilled 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 28, Township 13 South, Range 29 East, Undesignated South Lone Wolf-Devonian Pool, the SE/4 of said Section 28 to be dedicated to said well forming a standard 160-acre oil spacing and proration unit for said pool. Said unit is located approximately 17.5 miles east by north of Hagerman, New Mexico.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 3rd day of July, 1991

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

William J. Lemay by FD
WILLIAM J. LEMAY, Director

SEAL

State 12, 525.07 Ac.
Federal 300.00
Fee 1,011.66
13,946.73 Ac.

Handwritten notes and stamps on the right side of the page, including "APPROVED" and "RECEIVED" stamps.

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 2423

ROSWELL, NEW MEXICO 88202-2423

June 6, 1991

RECEIVED
OIL CONSERVATION DIVISION
JUN 13 1991 9 00

ATTORNEY AT LAW
NEW MEXICO - TEXAS

OFFICE 505 622-8801
HOME 505 622-7985

In Re: McKay Oil Corporation
April Unit, Case No. 10320
June 13, 1991 Hearing

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Gentlemen,

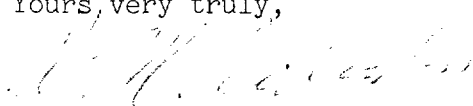
Pursuant to Memorandum I am enclosing two copies of Pre-Hearing Statement in connection with the captioned April Unit, Case No. 10320, to be heard June 13th.

Case No. 10321 is also a McKay Oil Corporation Unit; Charlotte Unit Agreement, Chaves County, N. M., 12,655.25 acres.

Due to circumstances beyond our control, we respectfully request that this case be continued to the second hearing in July, which I believe will be July 25th. Please continue Case No. 10321-Charlotte Unit.

I would very much appreciate your letting me know if there is any problem or if all is not in order.

Yours, very truly,


R.M. Richardson

CC: McKay Oil Corp.