Dec Release Insued illuverer Mc Kay Oil Corporation ROY L. MCKAY, PRESIDENT HOME OFFICE, P.O. BOX 2014 ROSWELL, N.M. 88202 . TELEPHONE 505/623-4735 (DFW) OFFICE FIRST CITY TOWER, SUITE 590 201 E. ABRAM, ARLINGTON, TX 76010 817-265-5515 OIL & GAS January 20, 1986 t i jing g NSI-2225 RULE-184 F(Z) Discio Oil Conservation Division JAN 23 1986 New Mexico State Land Office OIL CONSERVATION DIVISION Wed Peros Slope Also Cas Pool 160 Acro del Sculf Sect 30 P.O. Box 2088 Santa Fe, New Mexico 87501 Attention: Dave Catanach China Com Federal No. 4 China Course Federal de 4 RE: Well Location SW/4 Sec. 30-6S-23E Chaves County, New Mexico Gentlemen:

McKay Oil Corporation desires to drill a Federal lease in the SW/4 of Section 30, Township 6 South, Range 23 East, NMPM. (See Attachment "A) Due to topography and geological problems, McKay Oil is requesting an unorthodox location.

The well was originally staked at 960' feet from the South line and 960' feet from the West line. This appeared to be the only legal location on federal land and on the West half of the quarter section that could be accessable. However, due to the terrain, no legal location would have been approved by the BLM, because of the amount of cut and fill required. This condition has necessated to location of this well to be unorthodox. (See Attachment "B")

The Southwest portion of this quarter section was chosen because of geological data on wells to the South, East and West. Not much is know about the area to the North and an unorthodox location would also be required anywhere in the north half of this quarter section. Therefore, it is our opinion that this location may be the only economical and productive location to drill. (See attachment "C")

All proration units surrounding this location, are leased to McKay Oil Corporation except for Sun Exploration to the Southwest. (See Attachment "A" and enclosed leases) A copy of Sun Exploration's waiver and consent will be forward to you upon our receipt.

Therefore, McKay Oil requests that the O.C.D. approve the unorthodox location located at 1057' feet from the West line and

LEASES

PRODUCTION

INVESTMENTS

page 2 of 2 Oil Conservation Division January 20, 1986

1107' feet from the South line Section 30, Township 6 South, (Range 23 East, NMPM, which has been approved by the BLM and the Eastern New Mexico Archological Service.

McKay Oil Corporation would request and appreciate your immediate attention to this matter. We desire to spud this well on or about the 1st day of February, 1986. Thank you for your cooperation and assistance.

Very truly yours,

MCKAY OIL CORPORATION

James L. Schultz

Contracts & Land

Attachements

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<text></text>	 Lessor, in consideration of TEl rein contained, hereby grants, lea ig gas, waters, other fluids, and air 	AND OTHER DOLLARS in hand paid, receipt of sea and late exclusively up to lease for the pure	of which is here acknowledged, and o	14, Roswell, NM	88201 , lessee: nd of the agreements of the lessee		
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	 Subject to the other provisions ig thereafter as oil or gas is prod 	herein contained, this lease shall remain in force uced from said land or from land with which sa	id land is pooled. 1/		date (called "primary term") and as		
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<pre>e items 1-4 Addendum to Lease of McKnight Heirs with McKay Oil Corporation attached reto and incorporated herein for all purposes. Accuted the day and year first above written. See Exhibit "C" attached hereto and incorporated herein by reference. </pre>	Control of the second sector of the second secon	English we base to the input of a provide the relaxitiest of a provide the second agrees, to shoke the second agrees, to source the second of the second	Fig. 1.5 that lessee at its option may discharg to apply royalties and shutter royalties in all or any part of said fand than the ascrung from any part as to which in a bit undivided fee simple estate ther encouling time same. I bit unrender this leave, in whele of in one outber with the addition is there of the one outber with the addition.	pe any tar, mortgage or other lier payable hereunder toward satist entite and undvided tee simple s is laate covers less than such ful rein. Should any one or more of th n part to lessor or his heirs, succ of those noor liers en stall ha neur	n upon said land, and in the even bing sama. Without impairment of state (whether lessor's interest is di interest, snall to ba 3 doily in the he parties named above as lessors cessors, and assigns by derivering more from 400 bits states or the	· · · · · ·	
See Exhibit "C" attached hereto and incorporated herein by reference.	e items 1-4 Adde	ndum to Lease of McKnig	ht Heirs with McKaj	educed in the proticition that the	n golenije oprojed "Arsprije (i 275)		
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MCKNIGHT LEASE

EXHIBIT "A"

 William David McKnight Dunlap Star Route Box 1140 Roswell, New Mexico 88201

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- Elwin Miller and Maryln Miller, his wife 909 S. Michigan Roswell, New Mexico 88201
- Sue Schwab formerly Sue Miller Burks 2527 Salida Irving, TX 75062
- Donald Miller
 P.O. Box 2448
 Santa Fe, New Mexico 87501
- Marianne Rankin 3250 Primrose Abiline, TX 79606
- Pauline M. Tomlinson 706 W. Fourth Street Roswell, New Mexico 88201
- Gladys McKnight c/o Pauline M. Tomlinson 706 W. Fourth Street Roswell, New Mexico 88201
- J.M. McKnight and Mary M. McKnight, his wife 1000 West Mathews Roswell, New Mexico 88201
- 9. James Mikell McKnight, III Rural Route 2, Box 17 Afton, Iowa 50830
- Albert J. Dye Glade Springs Danlels, WV 25832
- 11. Dorothy Marilyn Dye Barbour
 2511 N. Montana
 Roswell, New Mexico 88201





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EXHIBIT "B" '

ADDENDUM TO LEASE OF MCKNIGHT HEIRS

WITH MCKAY OIL CORPORATION

DATED: December 6, 1985

1. Lessee shall commence the drilling of at least one well, on a legal location of its choice, on this acreage within 60 days from the execution of this lease. The well shall be drilled to a depth sufficient to test the Abo formation. For the purpose of this lease the term "on this acreage" shall mean acreage which would be included in a drilling proration unit as defined by the New Mexico Oil Conversation Commission and acreage communitized. In the event that said well is not drilled within 60 days from the execution of this lease, this lease shall be null and void as to all acreage included herein.

2. Upon the official completion of the initial well as a dry hole or a producer, Lessee shall have the option, but not the obligation, for a period of 180 days, to commence a continuous drilling program on this acreage. For the purpose of this lease, the term "continuous drilling program" shall mean that no more than one hundred eighty (180) consecutive days shall expire between the official completion of one well as a dry hole or a producer and the commencement of drilling operations of another well on this acreage of a legal location of Lessee's choice. Further, for the purpose of this lease, time between wells shall be cumulative. (For example, if two or more wells are drilled within less than 180 days, the unexpired days shall be added to the next 180 day drilling requirement.) In the event that the time for the continuous drilling program has elapsed, this lease shall expire as to all acreage covered hereby, save and except producing proration units defined by the New Mexico Oil Conservation Commission.

3. Payment of shut-in royalties as provided in Paragraph 3 hereof shall not extend this lease more than three (3) years beyond the primary term.

 This lease may be executed in any number of counterparts, each of which shall be considered an original for all purposes.



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ATTACHED AND	D HEREBY MA	DE APART	OF THAT C	CERTAIN OIL	AND GAS LEASE
DATED DECEME	BER 6, 1985	BY AND B	ETWEEN MC	KNIGHT HEI	RS AND MCKAY
OIL CORPORAT	CION.				

Kinglit D.

Elwin Miller

Maryln Miller

Sue Schwab

Donald Miller

Marianne Rankin

Pauline M. Tomlinson

Gladys McKnight by:

J.M. McKnight

Mary M. McKnight

James Mikell McKnight, III

Albert J. Dye

Dorothy Marilyn Dye Barbour

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

This instrument was acknowledged before me this <u>1076</u> day of December, 1985, by William D. McKnight.

MY COMMISSION EXPIRES:

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

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

MY COMMISSION EXPIRES:

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

William D. McKnight	· · ·
8.1 11:10	
Elwin Miller	
Maryln Miller	
Sue Schwab	
Donald Miller	
Marianne Rankin	
Pauline M. Tomlinson	
Gladys McKnight by:	
J.M. McKnight	
Mary M. McKnight	
James Mikell McKnight, III	
Albert J. Dye	
Dorothy Marilyn Dye Barbour	\Diamond
STATE OF NEW MEXICO)) ss:	
COUNTY OF CHAVES)	
This instrument was acknow December, 1985, by William D.	ledged before me this day of McKnight.
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO)	
) ss: County of Chaves)	
This instrument was acknow December, 1985, by Elwin Mille	ledged before me this $\frac{26}{26}$ day of r and Maryln Miller, his wife.
MY COMMISSION EXPIRES:	
2-14-86	Notary Public

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

William D. McKnight					
Elwin Miller					
MaryIn Miller Jun Schwad	 /.				
Sue Schwab	<u> </u>				
Donald Miller	<u></u>				
Marianne Rank in					
Pauline M. Tomlinson	******				
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J.M. McKnight					
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James Mikell McKnight	., τιι				
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Dorothy Marilyn Dye B	arbour				Ę
STALF OF NEW MENICO)) ss:)				
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MY COMMISSION EXPIRES	:				
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STATE OF NEW MEXICO					
) ss:)				
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MY COMMISSION EXPIRES	:				

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

· e		Notary Public
MY COMMISSION EXPIRES:		1
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COUNTY OF CHAVES)		
STATE OF NEW MEXICO)		
		Notary Public
MY COMMISSION EXPIRES:		
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) COUNTY OF CHAVES)		
STATE OF NEW MEXICO)		
Dorothy Marilyn Dye Ba	rbour	
Albert J. Dye		
James Mikell McKnight,	TII	
Nary M. McKnight		
J.M. McKnight		
Gladys McKnight by:		
Pauline M. Tomlinson		-
Marianne Rankin		-
Sue Schwab		-
Maryln Miller		-
Elwin Miller		-
William D. McKnight		-
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ATTACHED AND HEREBY MADE APART OF THAT CERTAIN OIL AND GAS LEASE DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION.

MY COMMISSION EXPIRES:	
AN CONNECTON EVELOPEC.	
This instrument was acknowle December, 1985, by Elwin Miller	dged before me this day of and Maryln Miller, his wife.
COUNTY OF CHAVES)	
STATE OF NEW MEXICO)) ss:	
	Notary Public
MY COMMISSION EXPIRES:	2
This instrument was acknowle December, 1985, by William D. Mc	dged before me this day of Knight.
) ss: County of chaves)	
STATE OF NEW MEXICO)	
Dorothy Marilyn Dye Barbour	
Albert J. Dye	
Jamos Mikell McKnight, III	
Mary M. McKnight	
J.M. McKnight	
Gladys McKnight by:	
Pauline M. Tomlinson	
Marianne Rankin	
Donald Miller	
Sue Schwab	
Maryln Miller	
Elwin Miller	

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

William D. McKnight	-
Elwin Miller	-
Maryln Miller	-
Sue Schwab	-
Donald Miller	-
Marianne Rankin <u>Muliae</u> Bauline M. Tomlinson	
Gladys McKnight by:	
J.H. NcKnight	-
Hary M. McKnight	
James Hikell McKnight, III	
Allest M. Sys	
Dorothy Marilyn Dye Barbour	
STARE OF NEW MEXICO)) ss:	
COUNTY OF CHAVES)	
This instrument was acknow December, 1985, by William D.	ledged before me this day of McKnight.
MY COMMISSION EXPIRES:	
	Notary Public
STAFE OF NEW MEXICO)	
) ss: COUNTY OF CHAVES)	
This instrument was acknow December, 1985, by Elwin Mille	ledged before me this day of r and Marvin Miller, his wife.
MY COMMISSION EXPIRES:	- and mary in million / mis will.
	Notary Public

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

	Notary Public
MY COMMISSION EXPIRES:	
December, 1985, by Elwin Mille	ledged before me this day of r and Maryln Miller, his wife.
COUNTY OF CHAVES)	ledged before no this
STATE OF NEW MEXICO)) ss:	
	Notary Public)
	Notary Public
MY COMMISSION EXPIRES:	-
This instrument was acknow December, 1985, by William D.	ledged before me this day of McKnight.
) ss: County of Chaves)	
STATE OF NEW HULLFOO)	
Dorothy Marilyn Dye Barbour	
Albert J. bye	
James Mikell McKnight, III	
Mary M. McKnight	
J.M. McKnight	
Gradys McKnight by:	
Gladys McKnight by:	ut tentingen
Pauline M. Tomlinson	
Marianne Rankin	
Donald Miller	-
Sue Schwab	-
Maryln Miller	-
Elwin Miller	-
William D. McKnight	-

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. EXHIB	IT "C"	OFC
EXHIB ATTACHED AND HEREBY MADE APART O DATED DECEMBER 6, 1985 BY AND BE OIL CORPORATION. William D. McKnight	DF THAT CERTAIN ETWEEN MCKNIGHT	OIL ANO GAS LEASE HEIRE AND MCKAY
William D. McKnight		
Elwin Miller		
Maryln Miller		
Sue Schwab		
Donald Miller		
Marianne Rankin		
Pauline M. Tomlinson		
Gladys McKnight by: J.M. McKnight J.M. McKnight	¢ fit	
J.M. McKnight J.M.M.C.K. Meg	let	
Hary M. McKnight		
James Mikell McKnight, III		
Albert J. Dyc		
Dorothy Marilyn Dye Barbour		
STATE OF HEW MEXICO)) ss:		
COUNTY OF CHAVES)		
This instrument was acknowle December, 1985, by William D. Mc	dged before me Knight.	this day of
MY COMMISSION EMPIRES:		
	Notary P	ublic
STATE OF HEW MEXICO)) ss: County of chaves)		
This instrument was acknowle December, 1985, by Elwin Miller	dged before me and Maryln Mill	this day of er, his wife.
MY COMMISSION EXPIRES:		
	Notary P	ublic

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

William	n	McKnight
WITTIGH	υ.	nekitane

Elwin Miller

Maryln Miller

Sue Schwab

Donald Miller

Marianne Rankin

Pauline M. Tomlinson

Gladys McKnight by:

J.M. McKnight

Щаху 11. AcKnic amames Mikell McKn

Albert J. Dye

Dorothy Marilyn Dye Barbour

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

This instrument was acknowledged before me this _____ day of December, 1985, by William D. McKnight.

MY COMMISSION EXPIRES:

Notary Public

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

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

MY COMMISSION EXPIRES:

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

William D. McKnight

Elwin Miller

Maryln Miller

Sue Schwab

Donald Miller

Marianne Rankin

Pauline M. Tomlinson

Gladys McKnight by:

J.M. McKnicht

Mary M. McKnight

James Mikell McKNight 7.165

Dorothy Marilyn Dye Barbour

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

This instrument was acknowledged before me this _____ day of December, 1985, by William D. McKnight.

MY COMMISSION EXPIRES:

Notary Public

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

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

MY COMMISSION EXPIRES:

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

William D. McKnight Elwin Miller Maryln Miller Sue Schwab Donald Miller Marianne Rankin Pauline M. Tomlinson Gladys McKnight by: J.M. McKnight Mary M. McKnight James Mikell McKnight, III TELLE A. Bre - Marilyn Baryour Dorothy ́Dye STATE OF NEW MEXICO.)) ss: COUNTY OF CHAVES) This instrument was acknowledged before me this _____ day of December, 1985, by William D. McKnight. enc. BY CONSISSION ENPIRES:

Charles, ++ Call

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-1 ATR OF NEW MEXICO) ss:) COUNTY OF CHAVES)

9-30-86

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

MY COMMISSION EXPIRES:

a success to the de-

Notary Public	

STATE OF TEXAS)	
COUNTY OF L'Allas) \	ss:
COUNTI OF A-MILAS	,	

This instrument was acknowledged before me this $\underline{\mathcal{I}}^{(K)}$ day of December, 1985, by Sue Schwab, formerly Sue Miller Burks, a married women dealing in her sole and separate property.

ΜY	COMMISSION	EXPIRES:

10 31.55

A MARTINA PLANCE CA. Hotsey (1997) (A) in and for the feats of taxes. Me Chartenal (1) aphoa (Re2033)

STATE	OF	NEW	MEXICO)		
)	ss:	
COUNTY	OF	·)		

This instrument was acknowledged before me this _____ day of December, 1985, by Donald Miller dealing in his sole and separate property.

MY COMMISSION EXPIRES:

Notary Public

STATE OF TEXAS)	
)	ss:
CONTLA OF)	

This instrument was acknowledged before me this _____ day of December, 1985, by Marianne Rankin dealing in her sole and separate property.

MY COMMISSION EXPIRES:

Notary Public

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

This instrument was acknowledged before me this _____ day of December, 1985, by Pauline M. Tomlinson dealing in her sole and separate property.

MY COUMISSION EXPIRES:

Notary Public

STATE OF HEW MEXICO)) SS: COUNTY OF CHAVES)

This instrument was acknowledged before me this _____ day of December, 1985, by ______ for Gladys McKnight.

MY COMMISSION EXPIRES:

<i>,</i>		EXHIBIT "C"
STATE OF TEXAS	}	, · ·
COUNTY OF		55:
This instrument December, 1985, by S	sue s	acknowledged before me this day of Schwab, formerly Sue Miller Burks, a n her sole and separate property.
	-	n ner sole and separate property.
MY COMMISSION EXPIRE	:5:	
		Notary Public
STATE OF NEW MEXICO)	
COUNTY OF Source -1	, (م_	SS:
This instrument December, 1985, by D	ona	acknowledged before me this μZ day of ld Miller dealing in his sole and separat
and Controlled States	Γ,	
NOT COMMISSION EXPILE NY COMMISSION EXPILE ROTER PARTY OF A COLLEGE		
ly Commission Results 5-5-8		Notary Public
STATE OF TEXAS	,)	ل. (
COURTY OF)	55:
This instrument December, 1985, by M separate property.	was Mari	acknowledged before me thisday of anne Rankin dealing in her sole and
MY COMMISSION EXPIRE	::	
		Notary Public
STATE OF NEW MEXICO)	
COUNTY OF CHAVES)	95:
		acknowledged before me this day of ine M. Tomlinson dealing in her sole and
MY COMMISSION EXPIRE	:s:	
		Notary Public
STATE OF NEW HERICO		
COUNTY OF CHAVES))	SS:
	was	acknowledged before me this day of
This instrument December, 1985, by _ for Gladys McKnight.		
December, 1985, by		

, **1**9 .

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STATE OF TEXAS)	
COUNTY OF))	SS:

This instrument was acknowledged before me this _____ day of December, 1985, by Sue Schwab, formerly Sue Miller Burks, a married women dealing in her sole and separate property.

MY COMMISSION EXPIRES:

Notary Public

STATE	OF	NEW	MEXICO)	
)	ss:
COUNTY	OF	•)	

This instrument was acknowledged before me this _____ day of December, 1985, by Donald Miller dealing in his sole and separate property.

MY COMMISSION EXPIRES:

Notary Public

STATE OF TEXAS ss:) CODMEN OF JO

This instrument was acknowledged before we this \underline{Guh} day of December, 1985, by Marianne Rankin dealing in her sole and separate property.

MY COMMISSION EXPIRES:

9-9-89

tary Public

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and the second second

STATE	OF	NEW	MEXICO)	
)	SB
COURTY	OF	° CH/	VES -)	

This instrument was acknowledged before me this _____ day of December, 1985, by Pauline M. Tomlinson dealing in her sole and separate property.

:

MY COMMISSION EXPIRES:

Notary Public

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

This instrument was acknowledged before me this _____ day of December, 1985, by ______ for Gladys McKnight.

MY COMMISSION EXPIRES:

STATE OF TEXAS)	
)	SS:
COUNTY OF)	

This instrument was acknowledged before me this _____ day of December, 1985, by Sue Schwab, formerly Sue Miller Burks, a married women dealing in her sole and separate property.

MY COMMISSION EXPIRES:

Notary Public

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STATE	OF	NEW	MEXICO)	
)	ss:
COUNTY	OF	2)	

This instrument was acknowledged before me this _____ day of December, 1985, by Donald Miller dealing in his sole and separate property.

MY COMMISSION EXPIRES:

Notary Public

STATE OF 1	TEXAS)
) ss:
CODIALA OF)

.....

This instrument was acknowledged before me this _____ day of December, 1985, by Marianne Rankin dealing in her sole and separate property.

MY COMMISSION EXPIRES:

Notary Public

STATE	OP	NEW	MEXICO)	
)	ss:
COUNTY	OF	CH/	VES)	

This instrument was acknowledged before me this <u>9th</u> day of December, 1985, by Pauline M. Tomlinson dealing in her sole and separate property.

MY COMMISSION EXPIRES:

May 26, 1986

Ollin U Notary Public

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STATE OF NEW MEXICO) ss: COUNTY OF CHAVES

This instrument was acknowledged before me this _____ day of December, 1985, by ______ for Gladys McKnight.

MY COMMISSION EXPIRES:

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	EXHIBIT "C"
,	ss:
COUNTY OF)	
December, 1985, by Sue	s acknowledged before me this day of Schwab, formerly Sue Miller Burks, a in her sole and separate property.
MY COMMISSION EXPIRES:	
	Notary Public
	-
STATE OF NEW MEXICO) COUNTY OF)	
	s acknowledged before me this day of
December, 1985, by Dona property.	ald Miller dealing in his sole and separate
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF TEXAS)	53:
COURTY OF	
This instrument was	s acknowledged before me this day of ianne Rankin dealing in her sole and
MY COMMISSION EXPIRES:	
	Notary Public
	NOCALY PUBLIC
STATE OF NEW MEXICO)	
COUNTY OF CHAVES)	86:
	acknowledged before me this day of
December, 1985, by Paul separate property.	line M. Tomlinson dealing in her sole and
MY COMMISSION EXPIRES:	
	Notary Public
STATE OF NEW MEXICO)	
COUNTY OF CHAVES)	55:
This instrument was December, 1985, by <u>J.</u> for Gladys McKnight.	s acknowledged before me this <u>9th</u> day of M. McKnight / Pauline Tomlinson
MY COMMISSION EXPIRES:	2
May 26, 1986	Ollin 2 Potterson
	Notary Public
	4. Og 1

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

This instrument was acknowledged before me this <u>9th</u> day of December, 1985, by J.M. McKnight and Mary M. McKnight, his wife.

MY COMMISSION EXPIRES:

<u>May 26, 1986</u>

Notary Public

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STATE OF IOWA ss: COUNTY OF

This instrument was acknowledged before me this ______ day of December, 1985, by James Mikell McKnight, HII dealing in his sole and separate property.

MY COMMISSION EXPIRES:

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

This instrument was acknowledged before me this _____ day of December, 1985, by J.M. McKnight and Mary M. McKnight, his wife.

MY COMMISSION EXPIRES:

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Notary Public

STATE OF	IOWA)	
COUNTY OF	Union)	ss:

This instrument was acknowledged before me this $\underline{Q}^{+\underline{h}}$ day of December, 1985, by James Mikell McKnight, III dealing in his sole and separate property.

MY COMMISSION EXPIRES:

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Notary Publi

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• EXHIBIT "C"		
STATE OF NEW MEXICO)) ss: COUNTY OF CHAVES)		
This instrument was acknowledged before me this day of December, 1985, by J.M. McKnight and Mary M. McKnight, his wife		
MY COMMISSION EXPIRES:	•	,
Notary Public		
STATE OF IOWA)) ss: COUNTY OF)	:	
This instrument was acknowledged before me this day of December, 1985, by James Mikell McKnight, III dealing in his soland separate property.	le	an di sana ang Sana ang sana a Sana ang sana ang san
MY COMMISSION EXPIRES:		
Notary Public		
STATE OF WEST VIRGINIA)) ss: COUNTY OF RALEIGH)		
This instrument was acknowledged before me this $\frac{164h_1}{164h_1}$ day of December, 1985, by Albert J. Dye, dealing in his sole and separate property.		an a
MY COMMISSION EXPIRES: <u>Bonnel Shumot</u> May 15, 1990		
OFRICAL SEAL PROVACY PUBLIC PROVACY PUBLIC PROVACY PUBLIC PROVACY PUBLIC PROVACY BRI BRI Detter A WY 05801 Bry Control Septer 51590		
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Praducer's 83	– Producer's Revised 1981 New Mexico Form 342P, Paid-up	Printed and for sale by Hall-Poorbaugh Press, Roswell, N.M
1	OIL & GAS LE	EASE

1 ... Dus AGREEMENT made this 10th day of January 1986 between See Exhibit "A" attached heretoand incorporated herein by reference

of ... (Post Office Address) McKay Oil Corporation, P.O. Box 2014, Roswell, NM 88202 herein called lessor (whether one or more) and _

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royattles herein provided and of the agreements of the lessee herein considered, hereby grants, leases and lots exclusively unto lessee for the purpose of Investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injec-ting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, tolephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in _____ Chaves County, New Mexico, to-wit:

Township 6 South, Range 23 East, NMPM

Section 19: Lots 1,2, E/2NW/4, NE/4SW/4 N/2SE/4, SE/4SE/4 Section 30: S/2NE/4, NE/4SE/4, S/2SE/4, SE/4NW/4, NW/4SE/4, E/2SW/4 Section 31: NW/4NE/4

Said land is estimated to comprise 1,360.00 acres, whether it actually comprises more or less.

The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, ______1/4_______of that produced and saved from said land, e to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced

said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/4_ of the gas used,

from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/4 of the gas used, provided that on gas sold on or off the promises, the royalities shall be 1/4 of the amount realized from such sale; (c) and at any time whon this lease is not validated by other provisions hered on there is a gas and/or condensato well on said land, or land pooled threwith, but gas or condensato is not obling as sold or used and such well is not validated by other provisions hered on there is a gas and/or condensato well on said land, or land pooled threwith, but gas or condensato is not obling as sold or used and such well is shull method there is a gas and/or condensato well on said land, or land pooled threwith, but gas or condensato is not obling as sold or used and such well is shull method there is a gas and/or condensato well on said there, and so long as sold shull royalt is paid or reader at advance shull-in royalty equal to \$1.00 per net acce of lessor's gas acreage then held under this lease by the party maning such payment or ender, and so long as sold shull royalt is paid or rendered to the party or caprises who at the time of such apprent would be entitled to receive the royalties which would be paid under this lease if the well wave in hact proper payment, but which is erroneous in whole or in part as to parties or amounts, shull nevertheires be sufficient to prevent termination of this is ease in the same manner as though a pay or part as to parties or amounts, shull nevertheires be sufficient to prevent termination of this ease of the same strong as the part or part is samilate be prevent estimate and it shull be considered on the prevent estimation and under such condition were the prevent estimated to receive payment for of the prevent estimate and it shull be considered on the prevent estimate and its prevent estimate and its prevent estimate and its prevent estimate and its and the same farter atheol payment or endere of such in royali

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereol to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to railove lessee of the obligation to pay royalities on actual production pursuant to the provisions or Paragraph 3 hereol.

nergoder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalities on actual production pursuant to the provisions or Paragraph 3 hereol.
5. Lesse is hereby granted the right and power, from time to time, to pool or combine the lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral distributions or the production of oli or gas. Unlis pooled horeunder shall not exceed the standard profal on unit fixed by lews to by the OII Conservation Division of the Energy and Minerais Department of the postance of ten procent. Lessee shall fill ewrithen unit designations in the county of which the pay other land, leaves, minerail and elistic bolice or after the completion of wells. Drilling operations in the county of merils in the distribution of the foll process. except the payment of the total production of our or production from the land described in the using all be considered for all purposes, except the payment of the total production of sould part of surface acres in the unit. After deducting any using in lease or unit operations, which the net oli or gas acreage in the land evered by this lease included in the unit bears to the total production of a surface acres in the unit. After deduction any time at the experiation of the payment of elivery of royality, to be the entire production of a pooled mineral is from the portion of said land covered by this lease included in the unit bease. Any pooled unit designated by lessee, as provided horein, may be dissolved by wells, but the same finance acres and wells on the unit. After deduction and unit, for executing any surface acres in the unit. The ardouction said unit in force solid as a provided horein, may be dissolved by the wells. The unit operations are prosecuted with no creasation of more diving of cryasily, bo as the same has commenced operations for drilling or reworking thereon, this lease well or one as a prov

bit any residence of daminus of status within tessor's contraint, tessor and have the phriting a ministrate experse, or camples that that yes were or status that the content tessor's contraint tessor's contraintes tessor's contraint tessor's

not be counted against lessee, anything in this lease to the contrary notwithstanding. 10. Lessor hereby warrants and agrees to defend the tille to said land and agrees that lossed at its option may discharge any tax, mortgage or other lien upon said land, and in the event 10. Lessor hereby warrants and agrees to defend the tille to said land and agrees that lossed at its option may discharge any tax, mortgage or other lien upon said land, and in the event 10. Lessor hereby warrants and agrees to defend the tille to said land and agrees that lossed at its option may discharge any tax, mortgage or other lien upon said land, and in the event 10. Lessor is shall be subtogated to such lien with the right to enforce same and to apply royalties and shurt-in royalties payable hereunder toward satisfying same. Without imparts interest is a stail of any pay part of said land than the entire and undivided foe simple estate (whether / wsor's interest) is here n specified or not then to royalties, shurt-in royalty, and othor payments, if any, accruing from any part of said land than the entire and undivided foe simple estate (whether / wsor's interest) is here no whoth the interest therein. It any, covered by this lease, bears to the whole and undivided les simple estate therein. Should any one or more of the parties named above as lessors tail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same. 11. Lesser, it is on his successors, heris and assigns, shall have thereign that any time to surrender this lease, in whole or in part, to lessor or his heris, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a rolease thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, express-ed or implicer, of this agreement as to acreage so surrendered, and therafter the shut-in royalty payable herounder shall be reduced in the proportion that the acreage covered heroby

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

Executed the day and year first above written.

See Exhibit "C" attached hereto and incorporated herein by reference.

lessaa:

ADDENDUM TO LEASE OF MCKNIGHT HEIRS

WITH MCKAY OIL CORPORATION

DATED: ______ 10 1986

1. Lessee shall commence the drilling of at least one well, on a legal location of its choice, on this acreage within 60 days from the execution of this lease. The well shall be drilled to a depth sufficient to test the Abo formation. For the purpose of this lease the term "on this acreage" shall mean acreage which would be included in a drilling proration unit as defined by the New Mexico Oil Conversation Commission and acreage communitized. In the event that said well is not drilled within 60 days from the execution of this lease, this lease shall be null and void as to all acreage included herein. (This lease shall be limited to all depths down to 100' below the deepest deepth drilled in the initial test well.)

Upon the official completion of the initial well as a 2. dry hole or a producer, Lessee shall have the option, but not the obligation, for a period of 180 days, to commence a continuous drilling program on this acreage. For the purpose of this lease, the term "continuous drilling program" shall mean that no more than one hundred eighty (180) consecutive days shall expire between the official completion of one well as a dry hole or a producer and the commencement of drilling operations of another well on this acreage of a legal location of Lessee's choice. Further, for the purpose of this lease, time between wells shall be cumulative. (For example, if two or more wells are drilled within less than 180 days, the unexpired days shall be added to the next 180 day drilling requirement.) In the event that the time for the continuous drilling program has elapsed, this lease shall expire as to all acreage covered hereby, save and except producing proration units defined by the New Mexico Oil Conservation Commission. Further, this lease shall expire and be null and void as to all provisions after the primary term of one (1) year but may be renewed upon written concent of the Lessors.

3. Payment of shut-in royalties as provided in Paragraph 3 hereof shall not extend this lease more than three (3) years beyond the primary term.

4. This lease may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

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MCKNIGHT LEASE

EXHIBIT "A"

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



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

DATED DECEMBER 6, 1985 BY AND BETWEEN MCKNIGHT HEIRS AND MCKAY OIL CORPORATION. k n fr In Frank M. Remmele Jadys His (main Ladye Dee Remmele Ladye Dee Remmele, II ه h m Ka In Frank M. Remmele, Co-Conservator for F. Michelle Storey general and Ladye Dee Remmele, Co-Conservator for F. Michelle Storey Mrs. Brian Elizabeth Williams Ruby Remmele k ME ~e a da antirank M. Remmele, Attorneyin-Fact for Ruby Remmele STATE OF NEW MEXICO) ss:) COUNTY OF CHAVES) This instrument was acknowledged before me this 10th day of January, 1986, by Frank M. Remmele and Ladye Dee Remmele, his wife. MY COMMISSION EXPIRES: 7-9-88 Public STATE OF ss: COUNTY OF This instrument was acknowledged before me this day of , 1986, by Ladye Dee Remmele, II., aka Eta Remmele., dealing in her sole and separate property. MY COMMISSION EXPIRES: Notary Public

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EXHIBIT "C" CONTINUED

STATE OF CALIFORNIA) ss: COUNTY OF day of This instrument was acknowledged before me this , 1986, by Mrs. Brian Elizabeth Williams, aka Beth Remmele, dealing in her sole and separate property. MY COMMISSION EXPIRES: Notary Public STATE OF NEW MEXICO ١ ss:) COUNTY OF CHAVES This instrument was acknowledged before me this 10th day of January, 1986, by Frank M. Remmele and Ladye Dee Remmele, Co-Conservators for F. Michelle Storey aka Mickey Remmele. property. MY COMMISSION EXPIRES: 7-9-88 Notary STATE OF NEW MEXICO ì ss: COUNTY OF CHAVES) This instrument was acknowledged before me this 10th day of January, 1986, by Frank M. Remmele, Attorney-in-Fact for Ruby Remmele. MY COMMISSION EXPIRES: 7-9-88 Public STATE OF NEW MEXICO)) ss: COUNTY OF This instrument was acknowledged before me this day of _, 1986, by Ruby Remmele, dealing in her sole and separate property. MY COMMISSION EXPIRES:

Notary Public

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