

LYNCH, CHAPPELL & ALSUP

A PROFESSIONAL CORPORATION

ATTORNEYS

THE SUMMIT, SUITE 700

300 NORTH MARIENFELD

MIDLAND, TEXAS 79701

(915) 683-3351

TELECOPIER (915) 683-2587

Jeffrey D. Hewett

3

January 9, 2001

**IN RE: OPINION OF TITLE §
TO THE FOLLOWING §
TRACTS OF LAND LOCATED §
IN LEA COUNTY, §
NEW MEXICO: §**

Tract 1:

Section 23: W½E½ §

No. 25,484

Tract 2:

Section 23: E½E½ §

Said two tracts of land collectively composing §
E½ Section 23, Township 20 South, Range 35 East, §
N. M. P.M., Lea County, New Mexico, §
320 acres, more or less. §

BWB Partners I
Post Office Box 51407
Midland, Texas 79710

Attention: Mr. William H. Bennett

**BEFORE THE
OIL CONSERVATION DIVISION**

Case No. 12571 Exhibit No. **3**

Submitted By:

BWB Partners

Hearing Date: January 11, 2001

Gentlemen:

To ascertain title to the captioned lands (the "Property"), for drilling purposes, at your request, we have conducted an independent examination of the following materials (the "Examined Materials"):

- a. Drilling Title Opinion prepared by Steven C. Hofer, Attorney at Law of Midland, Texas, dated October 2, 1986, addressed to BTA Oil Producers, covering title to the Property, based upon an examination of prior title opinions and other materials collectively certified from the inception of the records to September 24, 1986, at 7:00 a.m.;
- b. Division Title Opinion prepared by Steven C. Hofer, Attorney at Law of Midland, Texas, dated February 2, 1987, addressed to BTA Oil Producers, covering title to the Property, based upon an examination of prior title opinions and other materials collectively certified from the inception of the records to January 15, 1987, at 7:00 a.m.;
- c. Supplemental Division Order Title Opinion prepared by Steven C. Hofer, Attorney at Law of Midland, Texas, dated June 17, 1987, addressed to BTA Oil Producers, covering title to the Property, based upon an examination of prior title opinions and other materials collectively certified from the inception of the records to June 9, 1987, at 7:00 a.m.; and
- d. Our review of the public records of Lea County, New Mexico maintained by the County Clerk, the District Court Clerk, and other filing authorities of that county, based upon runsheets prepared by Elliott & Waldron Title & Abstract Co., Inc. of Lovington, New Mexico, certified from June 9, 1987, at 7:00 a.m. to October 30, 2000, at 7:00 a.m.

From our examination of the Examined Materials, and based solely thereon, we now report title to the Property, for drilling purposes, as of October 30, 2000, at 7:00 a.m., as follows:

| | | |
|---|----|------------|
| Linda Nixon Seeligson, as her separate property | 12 | 1/8 |
| Polly Nixon Pater, as her separate property | 13 | 1/8 |
| TOTAL | | ALL |

* Leases 9 through 13 provide for royalty interests of 1/4.

II. TITLE TO THE WORKING INTEREST IN THOSE CERTAIN OIL AND GAS LEASES DESCRIBED HEREINBELOW (THE "LEASES"), INsofar AS THEY COVER THE PROPERTY:

A. Tract 1 (W½ E½ Section 23):

| <u>Interest Owner</u> | <u>Lease No.</u> | <u>Gross Working Interest</u> | | <u>Net Revenue Interest</u> |
|--|------------------|---|---|-----------------------------|
| | | <u>As to costs of Drilling Completion And Equipping Each Well</u> | <u>As to costs of Operating Each Well</u> | |
| BWB Partners, I | 1-5 | 1.000000% | 1.000000% | .00800000 |
| Hayes Land Corporation | 1-5 | 6.000000% | 6.000000% | 0.04800000 |
| Hayes Land and Production Company | 1-5 | 6.000000% | 6.000000% | 0.04800000 |
| M. Brad Bennett, whose wife is Linda Bennett | 1-5 | 12.000000% | 12.000000% | 0.09600000 |
| Alby Associates | 1-5 | 0.600000% | 0.300000% | 0.00240000 |
| Lloyd Alpern Trust | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Bernard E. Alpern Trust | 1-5 | 1.800000% | 0.942857% | 0.00754285 |
| BTA Oil Producers | 1-5 | 0.300000% | 0.150000% | 0.00120000 |

| | | | | |
|---|-----|-----------|-----------|------------|
| Blank Living Investment Trust dated July 24, 1989 | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Jane C. Gottschalk, as her separate property | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| James R. Currie, whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Robert M. Davenport, whose wife is Eloise Davenport | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Thurston Dean M.D., whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Forman Energy Corporation | 1-5 | 0.900000% | 0.450000% | 0.00360000 |
| Morgan Guaranty Trust Company of New York, Trustee under the Last Will and Testament of Gerald N. Frank for the benefit of Peter Frank | 1-5 | 0.450000% | 0.235714% | 0.00188571 |
| Morgan Guaranty Trust Company of New York, Trustee under the Will of Gerald N. Frank for the benefit of Lynn Brettmann | 1-5 | 0.450000% | 0.235714% | 0.00188571 |
| Ann M. Gallop, whose marital status | | | | |

| | | | | |
|--|-----|-----------|-----------|------------|
| is unknown | 1-5 | 0.105000% | 0.052500% | 0.00042000 |
| Barbara G. Gilbert, as her separate property | 1-5 | 0.127500% | 0.063750% | 0.00051000 |
| Karlene Beal Garber, Trustee of the Karlene Beal Garber Trust under Agreement dated June 8, 1993 | 1-5 | 0.421387% | 0.293887% | 0.00235110 |
| Harlan Richard Garber, Trustee of the Harlan Richard Garber Living Trust | 1-5 | 0.074362% | 0.051862% | 0.00041490 |
| Barbara G. Gilbert, Trustee of the Barbara G. Gilbert 1997 Revocable Trust | 1-5 | 0.067500% | 0.033750% | 0.00027000 |
| Salvatore Giordano, Sr., whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Stanley Glickman, whose marital status is unknown | 1-5 | 0.900000% | 0.450000% | 0.00360000 |
| Patricia M. Booth, as her separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Jonathan Gould, as his separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Judson Gould, as his separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Elena J. Atlas, as her separate property | 1-5 | 0.150000% | 0.075000% | 0.00060000 |
| L. Keith Steiner, III, as | | | | |

| | | | | |
|---|-----|-----------|-----------|------------|
| his separate property | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Dorothy S. Schott, as her separate property | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Bank of America, N.A., as Trustee for Trust No. 1430-1-09 | 1-5 | 0.690000% | 0.480000% | 0.00384000 |
| Bank of America, N.A., as Trustee for Trust No. 1430-2-09 | 1-5 | 1.768500% | 1.228500% | 0.00982800 |
| Bank of America, N.A., as Trustee for Trust No. 1430-3-09 | 1-5 | 1.480500% | 1.030500% | 0.00824400 |
| Bank of America, N.A., as Trustee for Trust No. 1430-4-09 | 1-5 | 1.480500% | 1.030500% | 0.00824400 |
| Bank of America, N.A., as Trustee for Trust No. 1430-5-09 | 1-5 | 1.480500% | 1.030500% | 0.00824400 |
| Oxnard Investors | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Roger P. Palma, whose marital status is unknown | 1-5 | 0.600000% | 0.353572% | 0.00282858 |
| William Spiegelman, as his separate property | 1-5 | 0.240000% | 0.120000% | 0.00096000 |
| Scharffenbarger Living Trust | 1-5 | 1.200000% | 0.600000% | 0.00480000 |
| Patricia A. Shea Ryan, as her separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Victor L. Anfuso and Kathy S. Anfuso, Trustees of The Anfuso Family Trust under Agreement dated | | | | |

| | | | | |
|--|-----|------------|------------|------------|
| February 16, 1995 | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| William Andrew Shea and Francis Scott Shea, Trustees under the Will of May Nora Shea for the benefit of William A. Shea, Jr. | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Robert G. Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Pamela Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Gary R. Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Mary R. Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Robert J. Strassenburgh, II, whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Trobaugh Properties | 1-5 | 1.200000% | 0.600000% | 0.00480000 |
| Elizabeth Wolff, whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Morris Radmin and Babette S. Goldman, Co-Trustees, under the Will of Ilsa B. Wolff for the benefit of Eva Trent | 1-5 | 1.200000% | 0.600000% | 0.00480001 |
| HRK Equity Corporation | 1-5 | 0.000000% | 0.016072% | 0.00012857 |
| Trust under the Will of Samuel Klau | 1-5 | 0.000000% | 0.016071% | 0.00012857 |
| Keleen H. Beal, a widow, as separate property | 1-5 | 12.758865% | 13.608870% | 0.10887095 |

| | | | | |
|---|-----|------------|------------|------------|
| Barry A. Beal, Spencer E. Beal, Keleen H. Beal, and Carlton Beal, Jr., as Co-Trustees for the Carlton Beal Family Trust for Carlton Beal, Jr. | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry Beal, Spencer E. Beal, and Keleen H. Beal, as Co-Trustees for Carlton Beal Family Trust for Barry Beal | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry A. Beal, Spencer E. Beal, and Keleen H. Beal, as Co-Trustees for Carlton Beal Family Trust for Spencer Beal | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry A. Beal, Spencer E. Beal, and Keleen H. Beal, and Kelly Beal, as Co-Trustees of the Carlton Beal Family Trust for Kelly Beal | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry A. Beal, Spencer E. Beal, Keleen H. Beal, and Karlene Garber, as Co-Trustees for the Carlton Beal Family Trust for Karlene Garber | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Carlton Beal, Jr., whose wife is Lynda Beal | 1-5 | 10.474444% | 12.041597% | 0.09633278 |
| Barry A. Beal, whose wife is Nancy Beal | 1-5 | 10.474444% | 12.041597% | 0.09633278 |
| Spencer E. Beal, whose wife is Karen Beal | 1-5 | 4.014694% | 5.581847% | 0.04465477 |
| Kelly Beal, whose wife is Chrys Beal | 1-5 | 1.935694% | 3.502847% | 0.02802279 |

| | | | | |
|---|-----|-------------------|-------------------|-------------------|
| Barry Beal, Jr., whose wife is Cliffy Beal | 1-5 | 0.315815% | 1.882907% | 0.01506327 |
| Stuart E. Beal, whose wife is Kathryn L Beal | 1-5 | 0.265715% | 0.132858% | 0.00106286 |
| Robert M. Davenport, Jr., whose wife is Elizabeth Davenport | 1-5 | <u>0.265715%</u> | <u>0.132858%</u> | <u>0.00106286</u> |
| Totals | | 100.00000% | 100.00000% | 0.80000000 |

B. Tract 2 (E½E½ Section 23)

- As to all depths from the surface to a subsurface depth of 11,920 feet:

| <u>Interest Owner</u> | <u>Lease No.</u> | <u>Gross Working Interest</u> | | <u>Net Revenue Interest</u> |
|--|------------------|---|---|-----------------------------|
| | | <u>As to costs of Drilling Completion And Equipping Each Well</u> | <u>As to costs of Operating Each Well</u> | |
| BWB Partners, I | 1-5 | 1.000000% | 1.000000% | .00800000 |
| Hayes Land Corporation | 1-5 | 6.000000% | 6.000000% | 0.04800000 |
| Hayes Land and Production Company | 1-5 | 6.000000% | 6.000000% | 0.04800000 |
| M. Brad Bennett, whose wife is Linda Bennett | 1-5 | 12.000000% | 12.000000% | 0.09600000 |
| Alby Associates | 1-5 | 0.600000% | 0.300000% | 0.00240000 |
| Lloyd Alpern Trust | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Bernard E. Alpern Trust | 1-5 | 1.800000% | 0.942857% | 0.00754285 |
| BTA Oil Producers | 1-5 | 0.300000% | 0.150000% | 0.00120000 |

| | | | | |
|---|-----|-----------|-----------|------------|
| Blank Living Investment Trust dated July 24, 1989 | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Jane C. Gottschalk, as her separate property | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| James R. Currie, whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Robert M. Davenport, whose wife is Eloise Davenport | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Thurston Dean M.D., whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Forman Energy Corporation | 1-5 | 0.900000% | 0.450000% | 0.00360000 |
| Morgan Guaranty Trust Company of New York, Trustee under the Last Will and Testament of Gerald N. Frank for the benefit of Peter Frank | 1-5 | 0.450000% | 0.235714% | 0.00188571 |
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| Ann M. Gallop, whose marital status | | | | |

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| is unknown | 1-5 | 0.105000% | 0.052500% | 0.00042000 |
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| Harlan Richard Garber, Trustee of the Harlan Richard Garber Living Trust | 1-5 | 0.074362% | 0.051862% | 0.00041490 |
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| Salvatore Giordano, Sr., whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Stanley Glickman, whose marital status is unknown | 1-5 | 0.900000% | 0.450000% | 0.00360000 |
| Patricia M. Booth, as her separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Jonathan Gould, as his separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Judson Gould, as his separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Elena J. Atlas, as her separate property | 1-5 | 0.150000% | 0.075000% | 0.00060000 |
| L. Keith Steiner, III, as | | | | |

BWB Partners I

January 9, 2001

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| | | | | |
|---|-----|-----------|-----------|------------|
| his separate property | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Dorothy S. Schott, as her separate property | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
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| Bank of America, N.A., as Trustee for Trust No. 1430-2-09 | 1-5 | 1.768500% | 1.228500% | 0.00982800 |
| Bank of America, N.A., as Trustee for Trust No. 1430-3-09 | 1-5 | 1.480500% | 1.030500% | 0.00824400 |
| Bank of America, N.A., as Trustee for Trust No. 1430-4-09 | 1-5 | 1.480500% | 1.030500% | 0.00824400 |
| Bank of America, N.A., as Trustee for Trust No. 1430-5-09 | 1-5 | 1.480500% | 1.030500% | 0.00824400 |
| Oxnard Investors | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Roger P. Palma, whose marital status is unknown | 1-5 | 0.600000% | 0.353572% | 0.00282858 |
| William Spiegelman, as his separate property | 1-5 | 0.240000% | 0.120000% | 0.00096000 |
| Scharffenbarger Living Trust | 1-5 | 1.200000% | 0.600000% | 0.00480000 |
| Patricia A. Shea Ryan, as her separate property | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Victor L. Anfuso and Kathy S. Anfuso, Trustees of The Anfuso Family Trust under Agreement dated | | | | |

| | | | | |
|--|-----|------------|------------|------------|
| February 16, 1995 | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| William Andrew Shea and Francis Scott Shea, Trustees under the Will of May Nora Shea for the benefit of William A. Shea, Jr. | 1-5 | 0.100000% | 0.050000% | 0.00040000 |
| Robert G. Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Pamela Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Gary R. Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Mary R. Stone, whose marital status is unknown | 1-5 | 0.075000% | 0.037500% | 0.00030000 |
| Robert J. Strassenburgh, II, whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Trobaugh Properties | 1-5 | 1.200000% | 0.600000% | 0.00480000 |
| Elizabeth Wolff, whose marital status is unknown | 1-5 | 0.300000% | 0.150000% | 0.00120000 |
| Morris Radmin and Babette S. Goldman, Co-Trustees, under the Will of Ilsa B. Wolff for the benefit of Eva Trent | 1-5 | 1.200000% | 0.600000% | 0.00480001 |
| HRK Equity Corporation | 1-5 | 0.000000% | 0.016072% | 0.00012857 |
| Trust under the Will of Samuel Klau | 1-5 | 0.000000% | 0.016071% | 0.00012857 |
| Keleen H. Beal, a widow, as separate property | 1-5 | 12.758865% | 13.608870% | 0.10887095 |

| | | | | |
|---|-----|------------|------------|------------|
| Barry A. Beal, Spencer E. Beal, Keleen H. Beal, and Carlton Beal, Jr., as Co-Trustees for the Carlton Beal Family Trust for Carlton Beal, Jr. | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry Beal, Spencer E. Beal, and Keleen H. Beal, as Co-Trustees for Carlton Beal Family Trust for Barry Beal | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry A. Beal, Spencer E. Beal, and Keleen H. Beal, as Co-Trustees for Carlton Beal Family Trust for Spencer Beal | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry A. Beal, Spencer E. Beal, and Keleen H. Beal, and Kelly Beal, as Co-Trustees of the Carlton Beal Family Trust for Kelly Beal | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Barry A. Beal, Spencer E. Beal, Keleen H. Beal, and Karlene Garber, as Co-Trustees for the Carlton Beal Family Trust for Karlene Garber | 1-5 | 2.551773% | 2.721774% | 0.02177419 |
| Carlton Beal, Jr., whose wife is Lynda Beal | 1-5 | 10.474444% | 12.041597% | 0.09633278 |
| Barry A. Beal, whose wife is Nancy Beal | 1-5 | 10.474444% | 12.041597% | 0.09633278 |
| Spencer E. Beal, whose wife is Karen Beal | 1-5 | 4.014694% | 5.581847% | 0.04465477 |
| Kelly Beal, whose wife is Chrys Beal | 1-5 | 1.935694% | 3.502847% | 0.02802279 |

| | | | | |
|---|-----|-------------------|-------------------|-------------------|
| Barry Beal, Jr., whose wife is Cliffy Beal | 1-5 | 0.315815% | 1.882907% | 0.01506327 |
| Stuart E. Beal, whose wife is Kathryn L Beal | 1-5 | 0.265715% | 0.132858% | 0.00106286 |
| Robert M. Davenport, Jr., whose wife is Elizabeth Davenport | 1-5 | <u>0.265715%</u> | <u>0.132858%</u> | <u>0.00106286</u> |
| Totals | | 100.00000% | 100.00000% | 0.80000000 |

2. As to all depths below a subsurface depth of 11,920 feet:

| <u>Interest Owner</u> | <u>Lease No.</u> | <u>Gross Working Interest</u> <u>As to costs of</u> <u>Drilling Completion</u> <u>And Equipping Each</u> <u>Well</u> | <u>As to costs of</u> <u>Operating</u> <u>Each Well</u> | <u>Net Revenue</u> <u>Interest</u> |
|-----------------------|------------------|--|---|---------------------------------------|
| BWB Partners, I | 1-5 | 100.000000% | 100.000000% | .75000000 |

III. TITLE TO OVERRIDING ROYALTY INTERESTS IN THE LEASES, INSOFAR AS THEY COVER THE PROPERTY:

A. **Tract 1 (W $\frac{1}{2}$ E $\frac{1}{2}$ Section 23): Title to an Overriding Royalty Interest of 1.25% in all depths:**

| <u>Interest Owner</u> | <u>Lease No.</u> | <u>Interest Owned</u> |
|---|------------------|-----------------------|
| M. Brad Bennett, whose wife is Linda Bennett | 1-5 | 0.9375000% |
| William H. Bennett, as his separate property | 1-5 | <u>0.3125000%</u> |
| Total | | 1.2500000% |