



BP
Permian Performance Unit
501 Westlake Park Blvd.
WL1 - Room 6.199
Houston, Texas 77079

November 18, 2002

Mr. Jerry A. Weant
Trilogy Operating, Inc..
731 West Wadley, Suite L-200
Midland, Texas 79705

RE: Little Box State
Township 20 South, Range 21 East
Section 30: All (645.91 acres)
Eddy County, New Mexico

Dear Jerry,

Enclosed is a copy of the Original Division Order Title Opinion covering the Little Box State #5 Well. Please review Title Requirement #3, page 8, and supply me with the following:

1. Documentation that Trilogy Operating, Inc. became successor in title to Stevens & Tull, Inc.
2. A letter verifying that the overriding royalty interest transferred to Atlantic Richfield Company (Assignment No. 12) should be assigned to Roy S. Peugh, Jr., JPAK, Wesley K. Noe and Tonjua Metcalf in the percentages listed under said requirement.

Upon receipt of the above, we will prepare the proper transfer documents and forward them to you for review prior to distribution.

Very truly yours,

Lee M. Scarborough
Landman

Assignment #24

cc: Mr. David A. Sutter
Stubberman, McRae, Sealy, Laughlin & Browder, Inc.
P. O. Box 1540
Midland, Texas 79702-1540

Thomas L. Killelea
IBM
South 1237A
Tulsa, OK

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Case Nos. 12967 and 12968 Exhibit No. 12
Submitted by: Trilogy Operating Inc.
Hearing Date: January 9, 2003

STUBBEMAN, McRAE, SEALY, LAUGHLIN & BROWDER, INC.

ATTORNEYS AT LAW

MIDLAND, TEXAS

FASKEN CENTER • TOWER TWO
550 WEST TEXAS AVENUE, SUITE 800 • 79701
P.O. BOX 1540 • 79702
915/682-1616
FACSIMILE 915/682-1351
FACSIMILE 915/682-4884

DAVID A. SUTTER
LICENSED IN TEXAS, NEW MEXICO AND NEBRASKA
DIRECT DIAL 688-0270
dsutter@stubbemanlawfirm.com

April 29, 2002

ORIGINAL DIVISION ORDER TITLE OPINION

BP America Production Company
501 Westlake Park Blvd. (WL1-6.199)
Houston, TX 77079

Attn: Mr. Lee M. Scarborough

Re: The oil and gas producible from the Morrow formation underlying the following lands in Township 20 South, Range 21 East, N.M.P.M., **EDDY COUNTY, NEW MEXICO**, save and except the oil and gas producible from the Little Box #3 Wellbore:

State of New Mexico Lease VA-1541 covering the following:

Section 36: Lots 1, 2, W/2 NE/4 and NW/4,

said lands comprising the N/2 of Section 36 containing 324.19 acres, more or less.

(Your Little Box State No. 5 Well)

Gentlemen:

For division order purposes, we have examined the following:

PRIOR TITLE OPINION

Our Original Drilling Title Opinion dated June 7, 2001 addressed to you covering captioned land based upon an examination of abstracts and instruments together covering the period from inception of the records to February 26, 2001 at 8:00 a.m. as to the records of the Offices of the Commissioner of Public Lands of the State of New Mexico and March 30, 2001 at 8:00 a.m. as to the records of Eddy County, New Mexico.

ABSTRACT

Abstract No. 7764 certified by Schutz Abstract Company as covering the records of the Offices of the Commissioner of Public Lands of the State of New Mexico as to the oil, gas and mineral rights under captioned lease pertaining to captioned land for the period from February 26, 2001 at 8:00 a.m. to April 18, 2002 at 8:00 a.m., containing 13 pages.

EXAMINATION OF THE RECORDS

We have examined the records of Eddy County, New Mexico pertaining to captioned land for the period from March 30, 2001 at 8:00 a.m. to April 12, 2002 at 7:00 a.m. based upon the indices of Guaranty Title Company, Carlsbad, New Mexico.

INSTRUMENT

Copy of April 25, 2002 e-mail message from you indicating that the captioned well was completed on September 1, 2001 in the Morrow formation.

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find that as of April 18, 2002 at 8:00 a.m. as to the records of the Offices of the Commissioner of Public Lands of the State of New Mexico and April 12, 2002 at 7:00 a.m. as to the records of Eddy County, New Mexico, the oil and gas producible from the Morrow formation underlying captioned land, save and except the oil and gas producible from the Little Box #3 Wellbore, are owned as follows:

DIVISION OF INTEREST

State of New Mexico	1/8	.1250000 RI
Calmetto II, Ltd., a Texas limited partnership	5.4807692% x 65%	.0356250 ORI
The "S" Family Partners, Ltd., a Texas limited partnership	5.4807692% x 65%	.0356250 ORI
Nadel and Gussman Permian, L.L.C.	15% x 80%	.1200000 WI
D & D Partnership, a California partnership	4% x 75%	.0300000 WI
Doralex Energy, Inc.	2% x 75%	.0150000 WI
George W. Knox, a married man	1.041855% x 75%	.0078139 WI
Scott E. Muehlbrad, a married man	1% x 75%	.0075000 WI
Sutherland Family, LLC, a Texas limited liability company *	5.209275% x 75%	.0390695 WI
Westwood Lake Village, Inc.	2.604637% x 75%	.0195348 WI
Bob Stevens, d/b/a SOCO, whose wife is Susan Stevens	.868213% x 75%	.0065116 WI
Doug Tull, whose wife is Marcy Tull	.434106% x 75%	.0032558 WI
C. C. Tull, Jr., a married man	.434106% x 75%	.0032558 WI
Jerry A. Weant, d/b/a BEVOIL, as his separate property	.434106% x 75%	.0032558 WI
Wesley K. Noe, a married man	.434106% x 75%	.0032558 WI
Cannon Exploration Co.	2% x 80%	.0160000 WI
David J. Andrews, whose marital status is unknown	2% x 87.5%	.0175000 WI
Corkran Energy, LP, c/o Hummingbird Investments LLC, its general partner	2% x 87.5%	.0175000 WI
BP America Production Company	1.5384615% x 65% plus 7.5% x 17%	.0227500 ORI
	46.539596% x 75% plus 14% x 87.50%	.4715470 WI

* The operating rights of Sutherland Family, LLC, are subject to a 95% net profits interest owned by Strathaven Insurance, Ltd.

EXISTING OIL AND GAS LEASE

Serial No.: VA-1541.
Date: January 1, 1997.
Lessor: State of New Mexico acting by and through the Commissioner of Public Lands.
Lessee: Stevens & Tull, Inc.

Land Covered: Township 20 South, Range 21 East, N.M.P.M.
Section 36: Lots 1, 2, 3, 4, W/2 NE/4, W/2 SE/4, W/2 (All)
containing 645.91 acres, more or less.

Primary Term: Five years from date.

Royalties: 1/8 on oil and gas.

Shut-in Gas
Well Royalties: On or before the annual rental paying date next ensuing
after the expiration of 90 days from the date the well is shut-
in and annually thereafter, lessee may pay a shut-in gas
royalty equal to the annual rental payable under the terms
of the lease, but not less than \$320.00 per well per year and
provided, however, any such annual royalty for any year
beginning on or after 10 years from the date of the lease
shall equal four times the annual rental due by the lessee
under the terms of the lease but not less than \$2,000.00 per
well per year. This lease shall not be continued after five
years from the date hereof for any period of more than 10
years by the payment of said annual shut-in gas royalty.

Annual Rentals: Annual Rentals in the amount of \$1.00 per acre are due and
payable on or before January 1, 1998 and annually
thereafter regardless of drilling operations or production
from the lease premises.

Lease Form: Five year exploratory form.

Lease Status: Annual rentals in the amount of \$645.91 have been paid to
January 1, 2003.

ASSIGNMENTS

1. By Assignment dated January 27, 1997, recorded in Book 273, page 57, Eddy County Records, Stevens & Tull, Inc. assigned an undivided 35% interest in the lease to the following parties in the stated percentages:

Scott E. Wilson	15.5%
Richard K. Barr	15.5%
David J. Andrews	2.0%
Dennis Corkran	2.0%

2. By Assignment dated February 3, 1997, recorded in Book 273, page 239, Eddy County Records, Scott E. Wilson and wife, Cynthia M. Wilson and Richard K. Barr and wife, Beverly Barr, assigned to Nadel and Gussman Permian, L.L.C. an undivided 15% interest in the lease.

3. By Assignment dated February 7, 1997, recorded in Book 273, page 243, Eddy County Records, Nadel and Gussman Permian, L.L.C. assigned to Scott E. Wilson and Richard K. Barr a 7.5% overriding royalty interest, proportionately reduced, in Section 36.

4. By Assignment dated February 14, 1997, recorded in Book 274, page 753, Eddy County Records, Scott E. Wilson and wife, Cynthia M. Wilson and Richard K. Barr and wife, Beverly Barr, assigned to James R. Bartel an undivided 1% interest in the Lease. The assignor reserved in this assignment a 7.5% overriding royalty interest, proportionately reduced.

5. By Assignment dated August 25, 1997, recorded in Book 298, page 925, Eddy County Records, Scott E. Wilson and wife, Cynthia M. Wilson and Richard K. Barr and wife, Beverly Barr, assigned an undivided 3% interest in the lease to the following parties in the stated percentages:

James R. Bartel	1%
Cannon Exploration Co.	2%

The assignors reserved in this assignment a 7.5% overriding royalty interest, proportionately reduced.

6. By Assignment dated January 14, 1999, effective January 1, 1999, recorded in Book 374, page 1063, Eddy County Records, Patrick N. Wardlaw assigned an undivided 2.604637% interest in Section 36 to Westwood Lake Village, Inc. This assignment was made subject to the Trade/Prospect Summary Agreement with Stevens & Tull, Inc. and the January 1, 1996 Operating Agreement.

7. By Assignment dated effective February 1, 1999, recorded in Book 345, page 182, Eddy County Records, Stevens & Tull Development, LLC assigned to Atlantic Richfield Company all the assignor's right, title and interest in State of New Mexico Lease VA-1541 insofar as it covers all of Section 36. This assignment was made subject to the Little Box Working Interest Unit Operating Agreement dated January 1, 1997 as amended between Stevens & Tull, Inc., as operator and Scott E. Wilson, et al, as non-operators and the Little Box Working Interest Unit Operating Agreement dated January 1, 1996, as amended between Stevens & Tull, Inc., as operator and Avalon Oil Company, et al, as non-operators. According to this assignment the assignor owned a 46.539596% working interest and a 34.904697% net revenue interest in the lease assigned. This assignment was also made subject to that certain Purchase and Sale Agreement dated January 29, 1999 between the assignor and assignee.

8. By Assignment dated February 5, 1999, effective February 1, 1997, recorded in Book 342, page 1127, Eddy County Records, Stevens & Tull, Inc. assigned a 12 1/2% overriding royalty interest, proportionately reduced; in Section 36 to the following parties in the stated percentages:

Bob Stevens, a married man, d/b/a SOCO	5.4807692%
Doug Tull, a married man	5.4807692%
Stevens & Tull, Inc.	1.5384615%

9. By Assignment dated February 5, 1999, effective March 1, 1997, recorded in Book 342, page 1128, Eddy County Records, Stevens & Tull, Inc. assigned an undivided 65% working interest in State Lease VA-1541 to the following parties in the stated percentages:

Jack Britain, a married man	2.604637%
D & D Partnership, a California partnership	4.000000%
Doralex Energy, Inc.	2.000000%
George W. Knox, a married man dealing in his sole and separate property	1.041855%
Scott E. Muehlbrad, a married man	1.000000%
Sutherland Family, LLC, a Texas Limited Liability Company	5.209275%
Pat N. Wardlaw, a married man	2.604637%
Stevens & Tull Development, LLC, a Texas Limited Liability Company	46.539596%

This assignment was made subject to that certain unrecorded Trade/Prospect Summary Agreement titled Stevens & Tull, Inc.'s Little Box Prospect and an unrecorded Operating Agreement dated January 1, 1996.

10. By Assignment dated February 22, 1999, effective January 1, 1999, recorded in Book 345, page 192, Eddy County Records, James R. Bartel and wife, Robin L. Bartel assigned to Atlantic Richfield Company all of the assignor's right, title and interest in Section 36, among other lands. This assignment was made subject to that certain Purchase and Sale Agreement dated February 1, 1999 by and between Scott E. Wilson and Richard K. Barr collectively, as seller and Atlantic Richfield Company, as buyer. This assignment was also made subject to the January 1, 1997 Operating Agreement.

11. By Assignment dated February 24, 1999, effective January 1, 1999, recorded in Book 345, page 196, Eddy County Records, Scott E. Wilson and wife, Cynthia M. Wilson and Richard K. Barr and wife, Beverly Barr assigned to Atlantic Richfield Company all of the assignor's right, title and interest in Section 36, among other lands. This assignment was made subject to that certain Purchase and Sale Agreement dated February 1, 1999 by and between the assignors and assignee and the January 1, 1997 Operating Agreement.

12. By Assignment dated March 17, 1999, approved by the Commissioner of Public Lands effective June 29, 1999, Stevens & Tull, Inc. assigned to Atlantic Richfield Company all of the record title interest of the assignor in the lease.

13. By Assignment of Overriding Royalty Interest dated March 31, 1999, effective February 1, 1999, recorded in Book 348, page 464, Eddy County Records, Stevens & Tull, Inc. assigned to Roy S. Peugh, Jr. an undivided 20.2835% of the overriding royalty interest owned by Stevens & Tull, Inc. in Section 36, among other lands.

23. By instrument dated December 31, 2001, recorded in Book 443, page 467, Eddy County Records, Amoco Production Company changed its name to BP America Production Company effective December 31, 2001.

24. By Assignment of Overriding Royalty Interest dated January 7, 2002, effective January 1, 2002, recorded in Book 446, page 1183, Eddy County Records, Trilogy Operating, Inc., as the purported successor in title to Stevens & Tull, Inc., assigned all of the assignor's overriding royalty interest in captioned land, among other lands, to the following parties in the stated percentages:

JPAK, LP, a Texas limited partnership	40.951810%
Wesley K. Noe, a married man	39.712057%
Tonjua Metcalf, a married woman	19.336133%

OPERATING AGREEMENT

Captioned land is subject to an Operating Agreement dated January 1, 1997 by and between Stevens & Tull, Inc., as operator and Nadel and Gussman Permian, L.L.C., et al, as non-operators. This Operating Agreement was prepared on AAPL Form 610-1982 and covers all of Section 36, among other lands. This Operating Agreement provides that the parties shall be individually responsible for their leasehold burdens in excess of the usual 1/8 royalty. Attached to this Operating Agreement is an unexecuted Exhibit "A" revised effective January 1, 2000. This revised Exhibit "A" sets forth the contractual interests of the parties in Section 36, excluding the producing formations for the Little Box State Nos. 2, 3 and 4 Wells, as follows:

Atlantic Richfield Company	60.539596%
Nadel and Gussman Permian, L.L.C.	15.000000%
Sutherland Family, LLC, a Texas Limited Liability Company	5.209275%
D & D Partnership, a California Partnership	4.000000%
Westwood Lake Village, Inc.	2.604637%
David J. Andrews	2.000000%
Dennis Corkran	2.000000%
Cannon Exploration Company	2.000000%
Doralex Energy, Inc.	2.000000%
George W. Knox	1.041855%
Scott E. Muehlbrad	1.000000%
Bob Stevens d/b/a SOCO	.868213%
Jerry A. Weant d/b/a BEVOIL	.434106%
Wesley K. Noe	.434106%
Doug Tull	.434106%
C. C. Tull, Jr.	.434106%

The revised Exhibit "A" sets forth the contractual interests of the parties in Section 36 insofar as they include the producing formations for the Little Box State Nos. 2, 3 and 4 Wells, as follows:

Atlantic Richfield Company	60.539596%
Nadel and Gussman Permian, L.L.C.	15.000000%
Sutherland Family, LLC, a Texas Limited Liability Company	5.209275%
D & D Partnership, a California Partnership	4.000000%
Westwood Lake Village, Inc.	2.604637%
David J. Andrews	2.000000%
Dennis Corkran	2.000000%
Cannon Exploration Company	2.000000%
Doralex Energy, Inc.	2.000000%
George W. Knox	1.041855%
Scott E. Muehlbrad	1.000000%
Jack Britain	2.604637%

This agreement is to remain in full force and effect as long as any well or wells located within the contract area are producing or are capable of producing in paying quantities and for an additional period of 180 days from cessation of all production. The preferential right to purchase provision of this agreement has been deleted, as well as portions of the maintenance of uniform interest provision. While this Operating Agreement covers a number of other sections, Exhibit "A" to the agreement sets forth the ownership percentage of the parties as to each individual tract covered therein.

PATENT INFORMATION

Captioned land has not been patented by the State of New Mexico.

EASEMENTS

The abstract examined indicates the existence of the following easements issued by the State of New Mexico affecting captioned land:

1. R/W 26622 issued to Agave Energy Company for a right-of-way crossing portions of Lot Nos. 2 and 3, the SE/4 SW/4 and W/2 SE/4 of Section 36. This right-of-way will expire on June 12, 2033.
2. R/W 26864 issued to Yates Petroleum Corporation for a right-of-way crossing Lot Nos. 2 and 3, the SE/4 SW/4 and W/2 SE/4 of Section 36. This right-of-way will expire on March 22, 2034.

AGRICULTURAL LEASE

According to the abstract examined, captioned land is subject to State of New Mexico Agricultural Lease No. GR-1836 issued to Corrales Livestock Corporation, P. O. Box 1591, Carlsbad, New Mexico 88221. This Grazing Lease will expire on September 30, 2006. Subject to applicable bonding requirements the oil and gas lessee has the absolute right to enter upon the surface estate of captioned land to conduct its operations thereon, but, pursuant to Paragraph No. 11 of the Oil and Gas Lease, the oil and gas lessee shall be liable and agrees to pay for all damages to the range, livestock, growing crops or improvements caused by its operations on said lands.

ENCUMBRANCES

1. The interest of David J. Andrews in captioned land is subject to that certain Mortgage and Deed of Trust dated March 29, 2000, recorded in Book 380, page 695, Eddy County Records, from David J. Andrews, as mortgagor to Scott A. Lovett, as Trustee for the benefit of Western National Bank, issued to secure a promissory note in the amount of \$1,139,000.00 which is due and payable on or before March 1, 2004 and a revolving line of credit promissory note in the amount of \$3,000,000.00 which is due and payable on or before July 15, 2001.
2. The interest of David J. Andrews in captioned land is subject to that certain Mortgage and Deed of Trust dated December 29, 2000, recorded in Book 403, page 447, Eddy County Records, from David J. Andrews, as mortgagor to Scott A. Lovett, Trustee on behalf of Western National Bank, issued to secure a promissory note in the amount of \$464,000.00 which is due and payable on or before April 1, 2004 and a revolving line of credit promissory note in the amount of \$1,500,000.00 which is due and payable on or before January 1, 2003.
3. The interest of Dennis Corkran and wife, Peggy Corkran, and now Corkran Energy, LP in captioned land is subject to that certain Mortgage and Deed of Trust dated March 28, 2000, recorded in Book 380, page 730, Eddy County Records, from Dennis Corkran and Peggy Corkran, as mortgagors to Scott A. Lovett, Trustee for the benefit of Western National Bank, issued to secure a promissory note in the amount of \$1,139,000.00 due and payable on or before March 1, 2004 and a revolving line of credit promissory note in the amount of \$3,000,000.00 due and payable on or before July 15, 2001.
4. The interest of Sutherland Family, LLC in captioned land is subject to that certain Mortgage and Deed of Trust dated November 21, 2001, recorded in Book 439, page 1153, Eddy County Records, issued to Randolph C. Henson, Trustee for the benefit of Washington Mutual Bank, F.A., issued to secure a promissory note in the amount of \$100,000 due and payable on or before February 1, 2002.
5. The interest of Corkran Energy, LP, a Texas limited partnership, in captioned land is subject to that certain Mortgage and Deed of Trust dated February 13, 2002, recorded in Book 448, page 572, Eddy County Records issued to Ron Mullins, Trustee for the benefit of Wells Fargo Bank Texas, N.A. issued to secure a revolving line of credit note dated February 13, 2002 in the amount of \$5,000,000 due and payable on or before January 15, 2003.

TAXES

Taxes are not assessed against lands owned by the State of New Mexico.

TITLE REQUIREMENTS

1.

The primary term of the captioned lease has expired.

REQUIREMENT: You must satisfy yourself that the lease has been maintained in full force and effect since the expiration of its primary term by production or operations on the lands covered by the lease or lands communitized therewith.

2.

We call your attention to the necessity of paying annual rentals to the State of New Mexico on the captioned lease regardless of drilling operations or production from the leased premises.

REQUIREMENT: Advisory.

3.

By Assignment No. 8 above, dated February 5, 1999, but effective February 1, 1997, Stevens & Tull, Inc. reserved a 1.5384615% of 65% overriding royalty interest in the lease. By Assignment No. 9 above, dated February 5, 1999, but effective March 1, 1997, Stevens & Tull, Inc. assigned all of its operating rights in the lease to Jack Britain, et al. By Assignment No. 12 above, dated March 17, 1999, Stevens & Tull, Inc. assigned all the record title in the lease to Atlantic Richfield Company. By Assignment No. 13 above, dated March 31, 1999, but effective February 1, 1999, Stevens & Tull, Inc. assigned 20.2825% of its interest in the overriding royalty interest in Section 36 to Roy S. Peugh, Jr., a married man. By Assignment No. 24 above, Trilogy Operating, Inc., successor in title to Stevens & Tull, Inc., assigned all of the overriding royalty interest of Stevens & Tull, Inc. to JPAK, LP, a Texas limited partnership, Wesley K. Noe, a married man, and Tonjua Metcalf, a married woman. There is nothing in the materials examined to indicate how Trilogy Operating, Inc. became successor in title to Stevens & Tull, Inc.

Since Stevens & Tull, Inc. assigned all of its right, title and interest in the lease by Assignment No. 12 above to Atlantic Richfield Company, we have credited all of the overriding royalty interest formally owned by Stevens & Tull, Inc. in the lease to Atlantic Richfield Company, even though Stevens & Tull, Inc. subsequently assigned all of its overriding royalty interest in Section 36 to Roy S. Peugh, Jr., JPAK, LP, a Texas limited partnership, Wesley K. Noe and Tonjua Metcalf.

REQUIREMENT: If it was not the intent of Stevens & Tull, Inc. to assign its overriding royalty interest in the lease to you by Assignment No. 12 above, you will need to assign 1.5384615% of 65% overriding royalty interest in the lease to Roy S. Peugh, Jr. (20.2835%), and assuming appropriate documentation can be provided to show that Trilogy Operating, Inc. is the successor in title to Stevens & Tull, Inc., you will need to assign the remaining portion of the overriding royalty interest (79.7165%) to the following parties in the stated percentages:

JPAK, a Texas limited partnership	40.951810%
Wesley K. Noe, a married man	39.712057%
Tonjua Metcalf, a married woman	19.336133%

4.

Jack Britain, a married man, at one time owned a 2.604637% interest in the lease. By Assignment No. 14 above, Jack Britain, a widower, assigned a 2.604637% interest in captioned land, to Bob Stevens, Doug Tull, Jerry A. Weant, and Wesley K. Noe. We cannot determine from the materials examined what happened to the community property interest of Jack Britain's spouse in captioned land and whether it was included in her estate at the time of her death.

REQUIREMENT: Submit for our examination a transcript of the probate proceedings, if any, conducted for the estate of the spouse of Jack Britain. According to the materials examined, Jack Britain's most recent address is 2519 Woodale Circle, Waco, Texas 76710. We reserve further possible requirement.

5.

Assignment No. 10 above from James and Robin Bartel to Atlantic Richfield Company and Assignment No. 11 above from Scott E. Wilson, et ux and Richard K. Barr, et ux to Atlantic Richfield Company were made subject to that certain Purchase and Sale Agreement dated February 1, 1999 by and between Scott E. Wilson and Richard K. Barr and Atlantic Richfield Company. A copy of this Purchase and Sale Agreement was not included in the materials examined.

REQUIREMENT: Since you are a party to this agreement, we leave it to your discretion whether it is important for us to examine this agreement.

6.

Assignment No. 9 above from Stevens & Tull, Inc. to Jack Britain, et al and Assignment No. 7 above from Stevens & Tull Development, LLC to Atlantic Richfield Company were made subject to that certain Operating Agreement dated January 1, 1996, as amended between Stevens & Tull, Inc., as operator and Avalon Oil Company, et al, as non-operators. A copy of this Operating Agreement was not included in the materials examined.

REQUIREMENT: Submit for our examination a copy of the January 1, 1996 Operating Agreement between Stevens & Tull, Inc., as operator and Avalon Oil Company, et al, as non-operators. We reserve further possible requirement.

7.

Assignment No. 7 above from Stevens & Tull Development, LLC to Atlantic Richfield Company was made subject to that certain Purchase and Sale Agreement dated January 29, 1999 by and between the assignor and assignee, a copy of which was not included in materials examined.

REQUIREMENT: Since you are party to this agreement, we leave it to your discretion whether it is important for us to examine a copy of the January 29, 1999 Purchase and Sale Agreement.

8.

Assignment No. 9 above from Stevens & Tull, Inc. to Jack Britain, et al, Assignment No. 14 above from Jack Britain to Bob Stevens, et al, Assignment No. 17 above from Doug Tull et ux to C. C. Tull, Jr., Assignment No. 6 above from Patrick N. Wardlaw to Westwood Lake Village, Inc., and Assignment No. 18 above from Patrick N. Wardlaw et ux to Westwood Lake Village, Inc. were all made subject to that certain undated Trade/Prospect Summary Agreement with Stevens & Tull, Inc., a copy of which was not included in materials examined.

REQUIREMENT: Submit for our examination a copy of the Trade/Prospect Summary Agreement with Stevens & Tull, Inc. We reserve further possible requirement.

9.

By Assignment No. 16 above Sutherland Family, LLC assigned to Strathaven Insurance, Ltd. a 95% net profits interest in the lease, among other lands. The assignment was made subject to that certain Net Profits Overriding Royalty Agreement dated January 1, 2000, a copy of which was not included in materials examined. Notwithstanding the provisions of the Letter Agreement, Sutherland Family, LLC is to receive all direct payments for the leases and lands subject thereto and shall be responsible for the accounting to Strathaven Insurance, Ltd. for its share of the net profits interest.

The interest of Sutherland Family, LLC in captioned land is also subject to that certain Mortgage and Deed of Trust dated November 21, 2001 issued to Washington Mutual Bank, F.A. This mortgage was issued to secure a promissory note in the amount of \$100,000 due and payable on or before February 1, 2002. The materials examined did not include a release of this mortgage.

REQUIREMENT A: Advisory as to the 95% net profits interest of Strathaven Insurance, Ltd.

REQUIREMENT B: Since the maturity date of the promissory note (February 1, 2002) has expired, Washington Mutual Bank, F. A. should execute a release of this mortgage and the fully executed and acknowledged release should be recorded in Eddy County, New Mexico. If this

mortgage was renewed, then Washington Mutual Bank, F. A. should join Sutherland Family, LLC in executing your usual division order.

10.

The interest of David J. Andrews in captioned land is subject to a series of mortgages and deeds of trust issued to Western National Bank described as Encumbrances Nos. 1 and 2 above.

REQUIREMENT: Western National Bank should join David J. Andrews in executing your usual division order.

11.

The interest of Corkran Energy, LP is subject to that certain Mortgage and Deed of Trust dated March 28, 2000 by and between Dennis Corkran and Peggy Corkran, as mortgagors, and Scott E. Lovett, as Trustee for the benefit of Western National Bank. The due date on the promissory note for this mortgage is March 1, 2004; however, the maturity date on the revolving line of credit note expired on July 15, 2001. Dennis Corkran and wife, Peggy Corkran, entered into a subsequent Mortgage with Western National Bank dated December 29, 2000, recorded in Book 402, page 985, Eddy County Records. The December 29, 2000 Mortgage was released by Western National Bank by instrument dated February 14, 2002, recorded in Book 448, page 571, Eddy County Records; however, the March 28, 2000 Mortgage has never been released.

REQUIREMENT: Western National Bank should execute a release of the March 28, 2000 Mortgage, recorded in Book 380, page 730, Eddy County Records, and the fully executed and acknowledged release should be recorded in Eddy County, New Mexico.

12.

The interest of Corkran Energy, LP is subject to that certain Mortgage and Deed of Trust dated February 13, 2002 issued to Wells Fargo Bank Texas, N.A.

REQUIREMENT: Wells Fargo Bank Texas, N.A. should join Corkran Energy, LP in executing your usual division order.

13.

We call your attention to the fact that the N/2 of Section 36 is an irregular section containing the following irregular tracts:

Lot 1 (NE/4 NE/4)	42.22 acres
Lot 2 (SE/4 NE/4)	41.97 acres

REQUIREMENT: Advisory.

14.

According to information you have provided, the captioned well was placed on production on September 1, 2001.

REQUIREMENT: Advisory.

15.

All parties credited with an interest above should execute your usual division order.

REQUIREMENT: Advisory.

COMMENTS

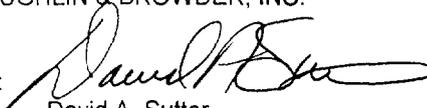
1. This opinion cannot cover such matters as area, boundaries, location on the ground, or other matters which can be determined only by an actual ground survey.

2. We do not cover questions of boundary or area, inchoate liens, unrecorded instruments or production purchase contracts, prior dedication of gas reserves, errors or omissions of abstracters or public officials, compliance with or enforcement of any regulations or orders of governmental authorities having jurisdiction, the existence on the premises of contaminants or hazardous materials, naturally occurring or otherwise, environmental matters or any other matters not covered by the materials examined or which could be determined only by an investigation upon the ground or by a survey of the land. This opinion is rendered solely and exclusively for the use and benefit of **BP AMERICA PRODUCTION COMPANY** and for no other party and may be relied upon only by it.

Respectfully submitted,

STUBBEMAN, McRAE, SEALY,
LAUGHLIN & BROWDER, INC.

By:


David A. Sutter

DAS:sab
The abstract examined
is returned herewith.