

DICKERSON, FISK & VANDIVER

ATTORNEYS AT LAW

SEVENTH & MAHONE / SUITE E

ARTESIA, NEW MEXICO 88210

(505) 746-9841

CHAD DICKERSON  
JOHN FISK  
DAVID R. VANDIVER  
REBECCA REESE DICKERSON

March 1, 1985

IN RE DRILLING OPINION OF TITLE TO: United States :  
Oil and Gas Lease NM 40452, insofar as the same :  
covers all horizons below a depth of 4,825 feet, :  
underlying: :

Township 18 South, Range 32 East, N.M.P.M. :

Section 26: NW/4 :

No. 16

containing 160 acres, more or less, :

in Lea County, New Mexico. :

TXO Production Corp.  
900 Wilco Building  
Midland, Texas 79701

OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. <u>8555</u>	Exhibit No. <u>3</u>
Submitted by <u>TXO</u>	
Hearing Date <u>2-26-86</u>	

Gentlemen:

In connection with the title to the oil and gas lease covering the lands and horizons described in the caption hereof, for drilling purposes, we have examined the following:

1. Abstract of Title No. 39362, compiled by Federal Abstract Company, Santa Fe, New Mexico, containing 231 pages, and tracing title to the captioned lease and lands, and other lands, from the Plat Book Records, Historical Index Records, Serial Record and Case File in the United States Department of the Interior, Bureau of Land Management, State Office at Santa Fe, New Mexico, from the inception of the records to February 4, 1985 at 9:00 A.M.
2. Abstract of Title No. 85-207, compiled by Elliott & Waldron Title & Abstract Co., Inc., Lovington, New Mexico, containing 176 pages, and tracing title to the minerals only in the captioned lands, and other lands, as reflected by the records in the Offices of the County Clerk and Clerk of the District Court of Lea County, New Mexico, from the inception of the records to February 12, 1985 at 7:00 A.M.

From our examination of the foregoing, we report as follows:

I. TITLE:

A. Minerals.

United States . . . . . All

B. Oil and Gas Leasehold Estate, Only Below a Depth of 4,825 Feet.

United States . . . . .	.1250000	RI
Thomas Curran, whose wife is Sally Curran . . . . .	.0050000	ORI
Joseph S. Sprinkle, whose wife is Mary B. Sprinkle [.3125 of .87] . . . . .	.2718750	WI
Frank L. Shogrin, whose wife is Carolyn L. Shogrin [.3125 of .87] . . . . .	.2718750	WI
C. Daniel Walker [.109375 of .87] . . . . .	.0951563	WI
O. H. Berry [.0130208 of .87] . . . . .	.0113281	WI
Jack Huff, whose wife is Joan E. Huff [.0130208 of .87] . . . . .	.0113281	WI
J. Cecil Rhodes [.0390625 of .87] . . . . .	.0339844	WI



given Serial No. NM 40452. The segregated lease was extended for a period of two years from January 31, 1980, and so long thereafter as oil or gas is produced in paying quantities. Annual rentals on the segregated lease in the amount of \$2,724.00 are shown as paid through December 31, 1982. A U.S.G.S. Memorandum notes the completion on March 24, 1982 of the Amoco Production Company Federal "BS" No. 1 Well, located in NE/4 SW/4 Section 11. The completion of this well served to place the lease in a producing status, and the royalty account is maintained by Minerals Management Service. The federal abstract examined reflects that the royalty account for this lease was not reported by the Minerals Management Service to be delinquent as of October 31, 1984.

### III. COMMENTS:

1. Pipeline Right-of-Way. The Historical Index reflects that on May 11, 1983, the United States issued Pipeline Right-of-Way NM 55567, crossing NW/4 NW/4 Section 26. Your oil and gas operations should not interfere with this easement.

2. Shallow Operating Rights. You have advised that you are not interested in the title to the operating rights above 4,825 feet, and this opinion is limited to horizons beneath this depth. If you would like to have an opinion on the shallow rights, the abstracts should be resubmitted to us for examination.

### IV. REQUIREMENTS:

1. Unrecorded Assignments. The following assignments covering the captioned lease and lands have not been recorded in the county records:

(a) Assignment dated August 28, 1973, approved effective September 1, 1973, corrected by Assignment dated July 14, 1980, approved effective August 1, 1982, by Joseph S. Sprinkle and Mary B. Sprinkle, his wife, to James L. Hardin, covering 6.25% record title interest.

(b) Assignment dated July 29, 1983, approved effective August 1, 1984, by James L. Hardin to C. Daniel Walker, covering 10.9375% record title interest.

(c) Assignment dated July 29, 1983, approved effective September 1, 1983, by James L. Hardin to O. H. Berry, covering 1.30208% record title interest.

(d) Assignment dated July 29, 1983, approved effective January 1, 1985, by James L. Hardin to J. Cecil Rhodes, covering 3.90625% record title interest.

(e) Assignment dated July 29, 1983, approved effective September 1, 1983, by James L. Hardin to Lewis Burleson, covering 1.30208% record title interest.

(f) Assignment dated July 29, 1983, approved effective July 1, 1984, by James L. Hardin to Petro Atlas Corporation, covering 18.75% record title interest.

Executed and acknowledged copies of the foregoing assignments, or copies certified by an official of the Bureau of Land Management, should be recorded in the county records so that you may have the benefit of the constructive notice provisions of our recording statutes.

2. James L. Hardin Marital Status. James L. Hardin acquired title to 31.25% record title interest in the captioned lease and lands by assignment dated October 15, 1972, recorded Book 334, Page 364, Oil and Gas Records, and an additional 6.25% record

title interest by assignment dated August 28, 1973, unrecorded. By various assignments dated July 29, 1983, described in Requirement 1 above, James L. Hardin, without indication of his marital status, assigned certain interests in this lease to C. Daniel Walker, et al. Instruments in the abstracts reflect that James L. Hardin was a single man on the date he executed these assignments, but we are unable to determine his marital status on the dates he acquired his interest in this lease. If James L. Hardin was a married man on the dates he acquired his interest, he is presumed to have acquired the same as community property, with his wife owning a 1/2 community property interest. If he was subsequently divorced, his wife may have retained an interest in the lease, or if his wife died, her estate may own an interest therein.

We should be furnished with an affidavit by a disinterested party tracing the marital status of James L. Hardin from October 15, 1972 through July 29, 1983, and we reserve further requirements.

3. TXO Production Corp. Interest. We have not been furnished with any assignment or farmout agreement whereby you will acquire the right to drill and operate for oil and gas on the captioned lease and lands.

We leave to your discretion whether you would like for us to examine this instrument.

When the requirements hereinabove set forth have been satisfied, we will approve title, for drilling purposes, to the oil and gas lease covering the lands described in the caption hereof, on the dates to which the abstracts were last certified, in accordance with this opinion.

Respectfully submitted,

DICKERSON, FISK & VANDIVER

  
David R. Vandiver

DRV:paf

Abstracts returned herewith

DICKERSON, FISK & VANDIVER  
ATTORNEYS AT LAW

SEVENTH & MAHONE / SUITE E  
ARTESIA, NEW MEXICO 88210  
(505) 746-9841

CHAD DICKERSON  
JOHN FISK  
DAVID R. VANDIVER  
REBECCA REESE DICKERSON

September 17, 1985

IN RE SUPPLEMENTAL DRILLING OPINION OF TITLE TO: :  
United States Oil and Gas Lease NM 40452, insofar :  
as the same covers all horizons below a depth of :  
4,825 feet, underlying: :  
: :  
Township 18 South, Range 32 East, N.M.P.M. :  
: :  
Section 26: NW/4 : No. 16  
: :  
containing 160 acres, more or less, :  
: :  
in Lea County, New Mexico. :  
:

TXO Production Corp.  
900 Wilco Building  
Midland, Texas 79701

Gentlemen:

Supplementing our original opinion dated March 1, 1985, we have been furnished with the curative materials hereinafter described and report with respect to the status of Requirement 2 as follows:

IV. REQUIREMENTS:

2. James L. Harden Marital Status. We have been furnished with an Affidavit dated May 8, 1985, by Robert H. Calkins, which reflects that James L. Harden (erroneously spelled "Hardin" in our original opinion) was married to Mary Susan Harden until the date of her death on July 27, 1982. The Affidavit reflects that Mary Susan Harden died intestate and left her husband, James L. Harden, and children, James L. Harden, III and Emily Susan Harden, surviving her. Under 45-2-102 N.M.S.A. (1978), when a person dies intestate, the 1/2 of the community property as to which the decedent could have exercised the power of testamentary disposition passes to the surviving spouse. Accordingly, upon her death, Mary Susan Harden's interest in the captioned lease and lands passed to James L. Harden, and the assignments described in our original opinion were valid. We have returned the Affidavit to Mr. Calkins in order to have it acknowledged, and we will record the same after it has been returned to us. Requirement 2 is satisfied.

When the remaining requirements set forth in our original opinion have been satisfied, we will approved title, for drilling purposes, to the oil and gas lease covering the lands and horizons described in the caption hereof, on the dates to which the abstracts were last certified, in accordance with this opinion.

Respectfully submitted,

DICKERSON, FISK & VANDIVER

David R. Vandiver

DRV:paf

DICKERSON, FISK & VANDIVER

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SEVENTH & MAHONE / SUITE E

ARTESIA, NEW MEXICO 88210

(505) 746-9841

CHAD DICKERSON  
JOHN FISK  
DAVID R. VANDIVER  
REBECCA REESE DICKERSON

March 1, 1985

IN RE DRILLING OPINION OF TITLE TO: United States :  
Oil and Gas Lease NM 14000, covering: :  
: :  
Township 18 South, Range 32 East, N.M.P.M. :  
: :  
Section 26: NE/4 : No. 15  
: :  
containing 160 acres, more or less, :  
: :  
in Lea County, New Mexico. :  
:

TXO Production Corp.  
900 Wilco Building  
Midland, Texas 79701

Gentlemen:

In connection with the title to the oil and gas lease covering the lands described in the caption hereof, for drilling purposes, we have examined the following:

1. Abstract of Title No. 39362, compiled by Federal Abstract Company, Santa Fe, New Mexico, containing 231 pages, and tracing title to the captioned lease and lands, and other lands, from the Plat Book Records, Historical Index Records, Serial Record and Case File in the United States Department of the Interior, Bureau of Land Management, State Office at Santa Fe, New Mexico, from the inception of the records to February 4, 1985 at 9:00 A.M.
2. Abstract of Title No. 85-207, compiled by Elliott & Waldron Title & Abstract Co., Inc., Lovington, New Mexico, containing 176 pages, and tracing title to the minerals only in the captioned lands, and other lands, as reflected by the records in the Offices of the County Clerk and Clerk of the District Court of Lea County, New Mexico, from the inception of the records to February 12, 1985 at 7:00 A.M.

From our examination of the foregoing, we report as follows:

I. TITLE:

A. Minerals.

United States . . . . . All

B. Oil and Gas Leasehold Estate.

United States . . . . . .1250000 RI  
Panos Investment Company, a partnership . . . . .0500000 ORI  
Lewis B. Burleson, whose wife is  
Kathryn K. Burleson [.166665 of .825] . . . . .1374986 WI  
Jack Huff, whose wife is Joan E. Huff  
[.166665 of .825] . . . . .1374986 WI  
Courtney C. Johnson [.07407 of .825] . . . . .0611078 WI  
Susie Crews [.07407 of .825] . . . . .0611077 WI  
Katherine D. Crews [.07407 of .825] . . . . .0611078 WI  
Jimmie Cole [.11112 of .825] . . . . .0916740 WI  
James J. Cole [.11112 of .825] . . . . .0916740 WI  
O. H. Berry [.22222 of .825] . . . . .1833315 WI

II. OIL AND GAS LEASE: The principal features of the oil and gas lease covering the lands described in the caption hereof are as follows:

Date: July 1, 1971

Serial No.: NM 14000

Recorded: Book 277, Page 186, Oil and Gas  
Records

Lessor: United States

Original Lessee: Tom Panos

Present Lessees: Lewis B. Burluson (16.6665%), Jack Huff (16.6665%), Courtney C. Johnson (7.407%), Susie Crews (7.407%), Katherine D. Crews (7.407%), Jimmie Cole (11.112%), James J. Cole (11.112%) and O. H. Berry (22.222%)

Lands Covered: Captioned lands and other lands totaling 520 acres, more or less

Term: Ten years and as long thereafter as oil or gas is produced in paying quantities

Rental: If the lands are wholly outside the known geologic structure of a producing oil or gas field, 50¢ per acre or fraction of an acre for each lease year. If the lands are wholly or partly within a known geologic structure of an oil or gas field, then beginning with the first lease year after 30 days' notice and for each year thereafter, prior to a discovery, \$2.00 per acre or fraction of an acre.

Minimum Royalty: Commencing with the lease year beginning on or after a discovery on the leased lands, in lieu of rental, a minimum royalty of \$1.00 per acre or fraction thereof, at the expiration of each lease year.

Royalty: 12-1/2% on the production removed or sold from the leased lands computed in accordance with 30 CFR 221.

A portion of the leased lands were determined to be within a known geologic structure effective July 24, 1973, and annual rentals were increased to \$2.00 per acre. Annual rentals in the amount of \$1,040.00 are shown as paid through June 30, 1982. By decision dated October 6, 1981, the term of the lease was extended to June 30, 1983, and so long thereafter as oil or gas is produced in paying quantities as provided under 43 CFR 3107.2-3. A U.S.G.S. Memorandum notes the completion on October 19, 1981, of the William E. Hendon, Jr. New Mexico Federal "35" No. 1 Well, located in NW/4 NE/4 Section 35. The completion of this well served to place the lease in a producing status, and the royalty account is maintained by Minerals Management Service. The federal abstract examined reflects that the royalty account for this lease was not reported by the Minerals Management Service to be delinquent as of October 31, 1984.

III. COMMENT:

Judgment and Lien Search. Although not reflected in the county abstract examined, Elliott & Waldron Title & Abstract Co., Inc. has advised us by telephone that there are no unreleased judgments or liens of record against Kathryn K. Burluson, Courtney C.

Johnson, Susie Crews, Katherine D. Crews, Jimmie Cole or James J. Cole.

IV. REQUIREMENTS:

1. Right of Reassignment. By assignment dated July 21, 1972, approved effective September 1, 1972, recorded Book 285, Page 392, Oil and Gas Records, Panos Investment Company conveyed the captioned lease and lands to Jack Huff and reserved 5% overriding royalty interest. In this assignment, the assignee agreed not to surrender the lease without tendering a reassignment to assignor at least 30 days before the next rental due date. Assignee shall not be liable for failure to comply with the reassignment obligation.

You should set up your records to comply with the foregoing reassignment obligation.

2. Unrecorded Assignments. By six separate assignments dated April 19, 1982, approved effective June 1, 1982, Lewis B. Burleson and Kathryn K. Burleson, his wife, and Jack Huff and Joan E. Huff, his wife, conveyed certain record title interests in the captioned lease and lands to Courtney C. Johnson, Susie Crews, Katherine D. Crews, Jimmie Cole, James J. Cole and O. H. Berry. These assignments have not been recorded in the county records.

Executed and acknowledged copies of the foregoing assignments, or copies certified by an official of the Bureau of Land Management, should be recorded in the county records so that you may have the benefit of the constructive notice provisions of our recording statutes.

3. TXO Production Corp. Interest. We have not been furnished with any assignment or farmout agreement whereby you will acquire the right to drill and operate for oil and gas on the captioned lease and lands.

We leave to your discretion whether you would like for us to examine this instrument.

When the requirements hereinabove set forth have been satisfied, we will approve title, for drilling purposes, to the oil and gas lease covering the lands described in the caption hereof, on the dates to which the abstracts were last certified, in accordance with this opinion.

Respectfully submitted,

DICKERSON, FISK & VANDIVER



David R. Vandiver

DRV:paf

Abstracts returned herewith