

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
432/682-1618
FACSIMILE 432/682-1351
FACSIMILE 432/682-4884

ALLEN G. HARVEY
LICENSED IN TEXAS AND NEW MEXICO
DIRECT DIAL 688-0260
aharvey@stubbemanlawfirm.com

August 15, 2003

SUPPLEMENTAL DRILLING TITLE OPINION

David H. Arrington Oil & Gas, Inc.
214 W. Texas, Suite 400
P. O. Box 2071
Midland, TX 79702

Attn: Mr. David H. Arrington

Re: June Danglede Speight, et al. oil and gas leases covering the following land in LEA COUNTY, NEW MEXICO:

Township 15 South, Range 34 East, N.M.P.M.
Section 26: S/2,

containing 320 acres, more or less.

W. Slaty Dog
Green Eyed Squely Worm

Gentlemen:

Reference is made to our Original Drilling Title Opinion dated January 6, 2003 addressed to you covering captioned land based upon an abstract covering captioned land for the period from inception of the records to November 13, 2002 at 7:00 a.m. We have now examined the records of Lea County, New Mexico pertaining to captioned land for the period from November 13, 2002 at 7:00 a.m. to July 31, 2003 at 7:00 a.m. based upon the indices and copy of the records maintained by Caprock Title Company, Inc.

Based upon examination of the foregoing and subject to the title requirements contained in our Original Drilling Title Opinion, which remain unsatisfied, and the additional title requirements hereinafter made, we find that as of July 31, 2003 at 7:00 a.m., title to captioned land is vested as follows:

FEE TITLE

Surface Estate:

Not reported; however, the surface and mineral estates were completely severed on July 28, 1937.

Mineral Estate:

S/2 SE/4 of Section 26:

June Danglede Speight, as her separate property Lease No. 1 All

N/2 SE/4 of Section 26:

Marshall & Winston, Inc. Lease No. 2 3/4

Winston Partners, Ltd. Lease No. 3 1/4

NE/4 SW/4 of Section 26:

Bank of America, N.A., Trustee of the Gay Crabb Karger Trust Lease No. 4 57.50%

MFW
Oil Conservation Commission
Case No.
Exhibit No. 2

Bank of America, N.A., Trustee of the
Lawrence E. Karger Trust Lease No. 4 17.50%

Bank of America, N.A., Trustee of the
Billy Easley Trust Lease No. 4 25.00%

100

W/2 SW/4 of Section 26:

H-D Mineral Properties, a partnership Lease No. 5 1/2

Bobby V. Bell and wife, Christine Jane Bell,
as joint tenants Lease No. 6 1/2

100%

SE/4 SW/4 of Section 26:

Don C. Dennis, Trustee of the
J.M. Dennis Trust Lease No. 7 1/16

Don C. Dennis, as his separate property Lease No. 7 1/48

The heirs or devisees of Barron Duff Dennis Lease No. 8 1/48

JoAnn DeNitto, as her separate property Lease No. 9 1/48

✓ Angela McAlpin, Personal Representative
of the Estate of G. T. McAlpin, deceased Lease No. 10 1/16 ✓

✓ Lora B. McAlpin, as her separate property Lease No. 11 1/16 ✓

* The royalty attributable to this interest is owned by Lora B. McAlpin, Trustee of the Lora B. McAlpin Trust
dated July 23, 1991.

Sandra Lee Ponder Joy, as her separate property Lease No. 12 1/8

Western Commerce Bank, Trustee of the Frances J.
Freeman Revocable Living Trust u/t/a dated 9/1/92 Lease No. 13 1/8

Bert Ronald Wright, as his separate property Lease No. 14 1/8

Barbara Wright Seward, as her separate property Lease No. 14 3/40

Paul D. Seward and Barbara Wright Seward, Trustees
of the Seward Family Trust u/t/a dated 6/26/03 Lease No. 14 1/20

The heirs or devisees of W. E. Gore ^{dece} Unleased 1/8

Chartsie E. Savage, whose marital status is unknown Lease No. 15 1/16

G. G. Gore, whose marital status is unknown Lease No. 16 1/16

100%

OIL AND GAS LEASEHOLD ESTATE

S/2 SE/4 of Section 26:

David H. Arrington Oil & Gas, Inc. Lease No. 1 1/2 x 3/4 WI

Devon Energy Production Company, L.P. Lease No. 1 1/4 x 3/4 WI

Chesapeake Exploration Limited Partnership Lease No. 1 1/4 x 3/4 WI

N/2 SE/4 of Section 26:

David H. Arrington Oil & Gas, Inc. Lease Nos. 2 & 3 1/2 x 3/4 WI

Devon Energy Production Company, L.P. Lease Nos. 2 & 3 1/4 x 3/4 WI

Chesapeake Exploration Limited Partnership Lease Nos. 2 & 3 1/4 x 3/4 WI
NE/4 SW/4 of Section 26:

OGI extended through 4-1-04 1244/836 NM 21-7-0

David H. Arrington Oil & Gas, Inc. Lease No. 4 1/2 x 3/4 WI
Devon Energy Production Company, L.P. Lease No. 4 1/4 x 3/4 WI
Chesapeake Exploration Limited Partnership Lease No. 4 1/4 x 3/4 WI

W/2 SW/4 of Section 26:

David H. Arrington Oil & Gas, Inc. Lease No. 5 1/2 x 1/2 x 3/4 WI
..... Lease No. 6 plus 1/2 x 1/2 x 13/16 WI *
Devon Energy Production Company, L.P. Lease No. 5 1/4 x 1/2 x 3/4 WI
..... Lease No. 6 plus 1/4 x 1/2 x 13/16 WI *
Chesapeake Exploration Limited Partnership Lease No. 5 1/4 x 1/2 x 3/4 WI
..... Lease No. 6 plus 1/4 x 1/2 x 13/16 WI *

* These interests are subject proportionately to a 1/16 overriding royalty interest owned as follows:

Dale Douglas, whose wife is Renee Douglas	1.00%
Alpine Petroleum, Inc.	1.00%
John R. McRae	1.00%
The Monument Abo Company	3.25%

SE/4 SW/4 of Section 26:

David H. Arrington Oil & Gas, Inc. Lease Nos. 7, 8 & 9 3/4 x 1/8 x 3/4 WI
..... Lease No. 10 plus 1/2 x 1/16 x 4/5 WI *
..... Lease Nos. 11, 14, 15 & 16 plus 1/2 x 7/16 x 3/4 WI
Devon Energy Production Company, L.P. Lease No. 10 1/4 x 1/16 x 4/5 WI *
..... Lease Nos. 11, 14, 15 & 16 plus 1/4 x 7/16 x 3/4 WI
Chesapeake Exploration Limited Partnership. Lease Nos. 7, 8 & 9 1/4 x 1/8 x 3/4 WI
..... Lease No. 10 plus 1/4 x 1/16 x 4/5 WI *
..... Lease Nos. 11, 14, 15 & 16 plus 1/4 x 7/16 x 3/4 WI
David Petroleum Corp. Lease No. 12 1/8 x 3/4 WI
..... Lease No. 13. plus 1/8 x 25/32 WI
Unleased 1/8 ULM

Notes: * These interests are subject proportionately to a 5% overriding royalty interest owned as follows:

Dale Douglas, whose wife is Renee Douglas	1.00%
Alpine Petroleum, Inc.	1.00%
John R. McRae	1.00%
The Monument Abo Company	2.00%

EXISTING OIL AND GAS LEASES

Unchanged except as follows:

✓ Lease No. 1: NM-21-6-0

By Amendment dated January 19, 2003, recorded in Book 1204, page 803, Lea County Records, the primary term of the lease was amended to be for a term of four years from March 16, 2000.

✓ Lease No. 2: NM-21-3-1

By Amendment dated December 9, 2002, recorded in Book 1205, page 816, Lea County Records, the lease was amended to be for a primary term of four years from March 30, 2000 with regard to the N/2 SE/4 of Section 26. By Amendment dated March 21, 2003, recorded in Book 1217, page 456, Lea County Records, the lease was amended so that the primary term was extended to six years from March 30, 2000 with regard to the remainder of the lands covered by the lease.

✓ Lease No. 3: NM-21-3-2

By Amendment dated January 10, 2003, recorded in Book 1204, page 801, Lea County Records, the lease was amended so that the primary term is for a term of four years from March 30, 2000.

✓ Lease No. 5: NM-21-5-2

By Amendment dated January 28, 2003, recorded in Book 1204, page 799, Lea County Records, the lease was amended so that the primary term was for a term of four years from June 21, 2000.

✓ Lease No. 6: NM-21-5-1

By Amendment dated December 3, 2002, recorded in Book 1193, page 143, Lea County Records, the lease was amended so that the primary term was for a term of four years from March 28, 2000.

Lease No. 10:

Lease No. 10, described in our Original Drilling Title Opinion, dated April 10, 2000, recorded in Book 1023, page 636, Lea County Records, has apparently expired. Lease No. 10 is now described as follows:

NM-21-3-11

Date: May 9, 2003. 5-9-06

Recorded: Book 1232, page 800, Lea County Records.

Lessor: Angela McAlpin for life by and through her attorney-in-fact, Roger Davidson.

Lessee: David H. Arrington Oil & Gas, Inc.

Land Covered: SE/4 SW/4 of Section 26, containing 40 acres, more or less.

Interest Covered: Apparently a 1/16 interest. See Requirement No. 22 below.

Primary Term: Three years from date.

Royalties: 1/5 on oil and gas.

Shut-In Gas Well Royalties: On or before ninety days after a well is shut-in and annually thereafter, Lessee may pay an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under the lease.

Delay Rentals: None provided. This is a paid-up lease.

Depository: All payments are to be made to the Lessor at 665 Lincoln Court, Grand Junction, CO 81503.

Unusual Provisions: None.

Lease Form: Producers Revised 1981 New Mexico Form 342P - Paid-Up.

Pooling ?
Z

Lease No. 12:

Pooling

Lease No. 12, described in our Original Drilling Title Opinion, dated March 16, 2000, recorded in Book 1013, page 729, Lea County Records, has apparently expired. Lease No. 12 is now described as follows:

Date: January 22, 2003, effective March 17, 2003.

Recorded: Book 1205, page 432, Lea County Records.

Lessor: Sandra Lee Ponder Joy.

Lessee: David Petroleum Corp. *DHAOG no interest*

Land Covered: SE/4 SW/4 of Section 26, containing 40 acres, more or less.

Interest Covered: 1/8 interest.

Primary Term: Three years from March 17, 2003.

Royalties: 1/4 on oil and gas.

Shut-In Gas Well Royalties: On or before 180 days after a well is shut-in and annually thereafter, Lessee may pay an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under the lease.

Delay Rentals: None provided. This is a paid-up lease.

Depository: All payments are to be made to the Lessor at 17421 E. State Highway 22, Cranfills Gap, TX 78637.

Unusual Provisions: None.

Lease Form: Producers 88 Paid-Up.

Lease No. 13:

Lease No. 13, described in our Original Drilling Title Opinion, dated February 16, 2000, recorded in Book 1013, page 155, Lea County Records, has apparently expired. Lease No. 13 is now described as follows:

Date: March 16, 2003.

Recorded: Book 1213, page 653, Lea County Records.

Lessor: Western Commerce Bank, Trustee of the Frances J. Freeman Revocable Trust.

Lessee: David Petroleum Corp. *DHAOG no interest*

Land Covered: SE/4 SW/4 of Section 26, containing 40 acres, more or less.

Interest Covered: 1/8 interest.

Primary Term: Three years from date.

Royalties: 7/32 on oil and gas.

Shut-In Gas Well Royalties: On or before ninety days after a well is shut-in and annually thereafter, Lessee may pay an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under the lease. According to Paragraph

No. 14 of the lease, Lessee's right to continue the lease beyond the primary term by a payment of shut-in gas royalty shall be limited to a maximum period of two years from the expiration of the primary term of the lease.

Delay Rentals: None provided. This is a paid-up lease.

Depository: All payments are to be made to the Lessor at P. O. Box 1627, Lovington, NM 88260.

Unusual Provisions: 13. Although Lessee has the right hereunder to use the surface estate of the above described lands, Lessee shall nevertheless pay to the surface owner reasonable sums for damages to the surface estate, including reasonable sums for damages to improvements and for the damages to livestock and grazing lands. Surface damage payments to the surface owner shall be at least the customary or going rate.

15. At the expiration of the primary term hereof, Lessee agrees to commence a continuous drilling program on "said land" and thereafter continue such program until all the New Mexico Oil Conservation Commission or other governing state or federal regulatory authority proration units have been drilled, allowing not more than 180 days to elapse between the completion or abandonment of one well and commencement operations for the drilling of another well. Should Lessee fail to commence this program or subsequently default in the performance thereof, then in either event, this lease shall terminate as to all lands covered hereby, save and except the New Mexico Oil Conservation Commission or other governing state or federal regulatory agency proration unit for each producing well or shut-in well. There shall be no liability on the continuous drilling program, save and except for the termination of this lease as to non-productive proration units as above provided. All rights below 100 feet below the deepest producing formation will revert to the Lessor at the expiration of the primary term or termination of the continuous development program herein provided, whichever is later.

16. Notwithstanding anything to the contrary elsewhere in this lease, this lease is made by Lessor without warranty of any kind, express or implied.

18. Lessee agrees that all royalties accruing to Lessor under this lease shall be without deduction for cost of marketing, producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and otherwise making the oil, gas and other products hereunder ready for sale.

19. No division order shall be required prior to any payment of Lessor hereunder, but Lessee may require an agreement of division from Lessor containing the following only: Lessor's name, address, tax identification number and Lessor's interest. Lessee agrees that such an agreement of division shall constitute a customary and reasonable division order.

ADDITIONAL ASSIGNMENTS

6. By Certificate dated October 31, 2002, recorded in Book 1188, page 306, Lea County Records, Devon SFS Operating, Inc. merged with and into Devon Energy Production Company, L.P.

POOLING DESIGNATION

The materials examined include a Designation of Pooled Unit, in counterpart, all effective January 27, 2003, recorded in Book 1211, page 838, Book 1211, page 843 and Book 1211, page 848, Lea County Records, whereby David H. Arrington Oil & Gas, Inc., Devon Energy Production Company, L.P. and Chesapeake Exploration Limited Partnership designate the S/2 of Section 26 as a pooled unit for production from the proposed Green Eyed Squealy Worm Well No. 1. The exhibit to the counterparts describes Lease Nos. 1-16 as described in our Original Drilling Title Opinion. The exhibit does not describe new Lease Nos. 10, 12 and 13 described in this supplemental title opinion.

*Need to Amend Pooling
Locate copy of Pooling*

STATUS OF TITLE REQUIREMENTS

1.

A and B. Nothing submitted.

2.

Nothing submitted.

3.

Nothing submitted.

4.

Nothing submitted. Due to the fact new Lease No. 13 was executed by Western Commerce Bank, Trustee of the Frances J. Freeman Revocable Trust, you must investigate this matter to determine whether the Frances J. Freeman Revocable Living Trust u/va dated September 1, 1992 is one and the same as the Frances J. Freeman Revocable Trust dated February 8, 1983, as amended. In addition, we should be submitted a copy of the trust agreement pursuant to which the bank executed new Lease No. 13.

5.

Nothing submitted.

6.

Nothing submitted.

7.

A and B. Nothing submitted.

8.

Nothing submitted.

9.

A. Advisory.

B. Nothing submitted.

10.

Nothing submitted.

11.

Nothing submitted.

12.

Nothing submitted.

13.

A, B, C and D. Nothing submitted.

14.

A and B. Nothing submitted.

15.

Nothing submitted.

16.

Partially satisfied. Under the heading "Pooling Designation" above, we have described a Designation of Pooled Unit which was executed by the then working interest owners of Lease Nos. 1-16 described in our Original Drilling Title Opinion. Lease Nos. 10, 12 and 13 described in this supplemental title opinion are new and were not described in the exhibit to the Designation of Pooled Unit. In addition, the designation was not executed by David Petroleum Corp. Accordingly, David H. Arrington Oil & Gas, Inc., Devon Energy Production Company, L.P., Chesapeake Exploration Limited Partnership and David Petroleum Corp. should amend the Designation of Pooled Unit described above to include Lease Nos. 10, 12 and 13. The amended designation should be recorded in Lea County, New Mexico.

17.

Nothing submitted.

18.

Nothing submitted.

19.

Advisory.

20.

Nothing submitted.

ADDITIONAL TITLE REQUIREMENTS

21.

As noted above, Lease Nos. 10, 12 and 13 described in this supplemental title opinion are new leases and the underlying leases have not been released of record.

REQUIREMENT: Submit for examination a release of Lease Nos. 10, 12 and 13 as described in our Original Drilling Title Opinion from the record title owners thereof.

22.

New Lease No. 10 described above is from Angela McAlpin for life, by Roger Davidson, her attorney-in-fact. We do not know how Angela McAlpin acquired a life estate in the interest which we have credited to her as Personal Representative of the Estate of G. T. McAlpin, deceased. See Requirement No. 5 of our Original Drilling Title Opinion in this regard. In addition, we have not examined the power of attorney pursuant to which Roger Davidson executed Lease No. 10 on behalf of Angela McAlpin. Finally, we do not know the identities of the remaindermen of the interest purportedly owned by Angela McAlpin.

REQUIREMENT A: Submit for examination a copy of the power of attorney pursuant to which Roger Davidson executed Lease No. 10 on behalf of Angela McAlpin.

REQUIREMENT B: Submit for examination the document which grants Angela McAlpin a life estate in the SE/4 SW/4 of Section 26, together with the identity of the remaindermen. The satisfaction of Requirement No. 5 in our Original Drilling Title Opinion may satisfy this requirement. At that time, it may be necessary to require that the remaindermen ratify the lease.

23.

New Lease No. 13 covering the SE/4 SW/4 of Section 26 states in Paragraph 13 thereof that although lessee has the right hereunder to use the surface estate of the above described lands, lessee shall nevertheless pay to the surface owner reasonable sums for damages to the surface estate, including

reasonable sums for damages to improvements and for the damages to livestock and grazing lands. Surface damage payments to the surface owner shall be at least the customary or going rate.

REQUIREMENT: In the event you acquire an interest in Lease No. 13 from David Petroleum Corp., it will be necessary for you to settle surface damages as requirement in Paragraph 13 of Lease No. 13.

24.

Lease No. 4 dated April 1, 2000 is for a term of three years from date. It appears that this lease has expired.

REQUIREMENT: Submit for examination an extension of Lease No. 4.

25.

Lease No. 14 dated June 5, 2000 is for a primary term of three years from date. It appears that this lease has expired.

REQUIREMENT: Submit for examination an extension of Lease No. 14.

Respectfully submitted,

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

By: 
Allen G. Harvey

AGH:sab