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M. RONALD ECKERT

P. O. Box 2890
Midland, Texas 79702

June 4, 1997

ORIGINAL TITLE OPINION
NO. 97006

Parker & Parsley Petroleum USA Inc.
303 W. Wall
Midland, Texas 79701

Attention: Mr. Steven K. Owen, Landman

Re: SE/4 NW/4, NE/4 SW/4, and SW/4 NW/4 of Section 18, Township 20 South,
Range 39 South, NMPM, Lea County, New Mexico

Gentlemen:

In connection with captioned lease and land, we have examined the following:

RUNSHEET

Uncertified runsheet prepared by Perry & Perry, Inc. purporting to cover all filings found in the indices of Caprock Title Company, Midland, Texas, pertaining to the mineral estate of the captioned lands from sovereignty to February 27, 1997. We have examined each of the instruments reflected in said runsheet as the same are filed of record with the County Clerk and the District Clerk of Eddy County, New Mexico.

INSTRUMENTS

Photocopies of the following instruments:

1. Letter dated December 11, 1996, from Advanced Image Measurement Systems, Houston, Texas to Robert W. Floyd regarding the interest of Walter Claer, deceased, together with photocopy of Will and Order Admitting Will to Probate in Cause No. 235788 in the Estate of Verena Claer Batten, deceased, in the Probate Court No. 2 of Harris County, Texas.
2. Excerpts from the Estate of Carl Edwin Claer including the Will and Order Admitting Will to Probate.
3. Excerpts from the Estate of Edith Claer Lewis including Application to Probate Will, Last Will and Testament and Order Admitting Will to Probate.
4. Last Will and Testament of Norman Dawson, deceased.
5. The Will of Gladys R. Berry, deceased, together with Certificate of the Trustees under the Will of Gladys R. Berry, deceased.

6. Resolution of Exchange National Bank and Trust Company, Ardmore, Oklahoma, Trustee of the Gladys Berry Loan Fund Trust dated September 18, 1996.

7. Order Approving Sale of Assets and Transfer of Liabilities of Receiver in Cause No. 89-C-602B in the United States District Court for the Northern District of Oklahoma in the Matter of the Receivership of Utica National Bank & Trust Company, Tulsa, Oklahoma, together with excerpts from instrument of transfer executed by Federal Deposit Insurance Corporation, Receiver of Utica National Bank & Trust Company, Tulsa, Oklahoma, in favor of the F&M Bank & Trust Company pursuant to the terms of said Order Approving Sale of Assets and Transfer of Liabilities of Receiver.

8. Unrecorded General Power of Attorney dated June 28, 1990, from David Ray Hart to Joyce Blackburn Hart.

9. Unrecorded General Power of Attorney dated June 30, 1990, from William Otho Hart to Joyce Blackburn Hart.

10. Unrecorded General Power of Attorney dated July 6, 1990, from Brenda Denise Hart to Joyce Blackburn Hart.

11. Unrecorded General Power of Attorney dated July 6, 1990, from Samuel Hart to Joyce Blackburn Hart.

12. Unrecorded General Power of Attorney dated July 12, 1990, from Jason Gregory Hart to Joyce Blackburn Hart.

13. Unrecorded General Power of Attorney dated September 30, 1991, from Linda Catterton to Joyce Blackburn Hart.

14. Unrecorded General Power of Attorney dated November 8, 1991, from Edwin Robert Hart, Jr. to Joyce Blackburn Hart.

15. Last Will and Testament of Norman Dawson.

16. Excerpts from probate proceedings in the Estate of Walter Claer, Cause No. 84-2527-1 in the Probate Court No. 1 of Tarrant County, Texas to include the Last Will and Testament of Walter Claer, two Codicils and Order Admitting Will to Probate, Granting Letters Testamentary and Granting Extension of Time to File Inventory and Appraisement.

17. Excerpts from the Estate of Carl Edwin Claer in the Probate Court No. 2 of Tarrant County, Texas, Cause No. 90-2716-2, including the Last Will and Codicil of Carl Edwin Claer, together with Order Admitting Will to Probate, Granting Letters Testamentary, and Granting Extension of Time to File Inventory and Appraisement.

18. Excerpts from probate proceedings in the Estate of Edith Claer Lewis, Cause No. 89-0835-1 in the Probate Court No. 1 of Tarrant County, Texas, to include Application to Probate Will as a Muniment of Title, Last Will and Testament of Edith Claer Lewis and Order Admitting Will to Probate as Muniment of Title.

19. Excerpts from the Estate of Verena Claer Batten, Cause No. 235788 in the Probate Court No. 2 of Harris County, Texas, including the Order Admitting Will to Probate and a portion of the Last Will and Testament of Verena Claer Batten.

20. Last Will and Testament of Mattilou Imes.

21. Last Will and Testament of Carla Imes Warrick.

22. Unexecuted Mineral Deed from Enerquest Resources, L.L.C. to Sugarberry Land Company.

Based solely upon examination of the foregoing and subject to the comments and requirements hereinafter set forth, we find title to captioned land as of February 27, 1997, at 8 a.m., to be vested as follows:

FEE TITLE

Surface Estate:

Robert McCasland ----- 1/2
McCasland Partners I ----- 1/2

Minerals:

SE/2 NW/4 and NE/4 SW/4 of Section 18:

F & M Bank & Trust, Trustee of the William
G. Bates Revocable Trust created u/t/d 3/11/86 ----- 1/32
James A. Davidson ----- 12.664444% of 2545/21600
Doyle Hartman ----- 87.335556% of 2545/21600
Southland Royalty Company ----- 3/32
The Allar Company ----- 509/21600
The heirs or successors of Chester Imes Heirs ----- 1/150
Exchange National Bank and Trust Company
Trustee u/w/o Gladys R. Berry ----- 1/256
Norman Dawson, individually and as Trustee of the
D. H. Dawson Trust Estate ----- 1/8
June D. Speight, as separate property ----- 1/16
Norwest Bank, Texas, Successor Trustee u/w/o
J. E. Simmons and Beulah H. Simmons ----- 1/16
Geodyne Nominee Corporation ----- 53.8378686% of 509/28800 plus 509/28800
Petro Tiger Ltd. ----- 46.1621317% of 509/28800♦
Ronald J. Byers, a single man and
Constance E. Byers, a widow ----- 509/14400
Trust Corporation of Montana, Trustee for
Bessie L. Whelan ----- 1/256

Roy G. Barton, Jr. ----- (10/200 + 1/512) or 26.6/512

Roy G. Barton, Jr., Trustee of the Roy G. Barton, Sr.
and Opal Barton Revocable Trust ----- 1/16

Clifton Wilderspin ----- 5/200

Melba Y. Trobaugh, a widow ----- 5/200

Heirs or Successors of Walter Claer, deceased ----- 10/200

Heirs or Successors of Katrina Deakins, deceased ----- 5/200

Don L. Pardue ----- 5/200

Sugarberry Land Company ----- 1/128

Phillip O. Carey, sole and separate property ----- 1/256

Joyce Carey Gaither Warren, Trustee of the
Joyce Carey Gaither Revocable Trust ----- 1/256

Eddie Don Moore, Trustee of the Elta Moore Trust ----- 22.5/200

Joyce Blackburn Hart, for life, remainder to Edwin
Robert Hart, Jr., Landa Hart Catterton, Samuel
Lloyd Hart, Brenda Denise Hart, William Otho
Hart, David Ray Hart and Jason Gregory Hart ----- 1/512

Kathryn Everett Bray, for life, then Kathryn
Bray Richards for life, then remainder
to Kathryn Kimberlea Richards, Kendall
Richards Bourland and Arlen Lee Casey Richards ----- 1/512

Mark E. Hodge, sole and separate property ----- 1/512

- ♦ Pursuant to Mineral Deed dated June 20, 1989, recorded in Book 454, page 621, Deed Records, Geodyne Nominee Corporation becomes the owner of 12.5% of the interest of Petro Tiger, Ltd. at "payout" (as defined in Article I, paragraph G, of Acquisition and Management Agreement dated November 3, 1987, as subsequently amended by Muirfield Resources Company and Petro Tiger, Ltd.)

SW/4 NW/4 of Section 18:

James A. Davidson ----- 12.664444% of 365/2700

Doyle Hartman ----- 87.335556% of 365/2700

Southland Royalty Company ----- 3/32

The Allar Company ----- 73/2700

The heirs or successors of Chester Imes Heirs ----- 1/150

| | |
|--|------------------------------|
| Exchange National Bank and Trust Company | |
| Trustee u/w/o Gladys R. Berry ----- | 1/256 |
| Norman Dawson, individually and as Trustee of the | |
| D. H. Dawson Trust Estate ----- | 1/8 |
| June D. Speight, as separate property ----- | 1/16 |
| Norwest Bank, Texas, Successor Trustee u/w/o | |
| J. E. Simmons and Beulah H. Simmons ----- | 1/16 |
| Muirfield Resources Company ----- | 73/1800 |
| Ronald J. Byers, a single man ----- | 73/1800 |
| Trust Corporation of Montana, Trustee for | |
| Bessie L. Whelan ----- | 1/256 |
| Roy G. Barton, Jr. ----- | (10/200 + 1/512) or 26.6/512 |
| Roy G. Barton, Jr., Trustee of the Roy G. Barton, Sr. | |
| and Opal Barton Revocable Trust ----- | 1/16 |
| Clifton Wilderspin ----- | 5/200 |
| Melba Y. Trobaugh, a widow ----- | 5/200 |
| Heirs or Successors of Walter Claer, deceased ----- | 10/200 |
| Heirs or Successors of Katrina Deakins, deceased ----- | 5/200 |
| Don L. Pardue ----- | 5/200 |
| Sugarberry Land Company ----- | 1/128 |
| Phillip O. Carey, sole and separate property ----- | 1/256 |
| Joyce Carey Gaither Warren, Trustee of the | |
| Joyce Carey Gaither Revocable Trust ----- | 1/256 |
| Eddie Don Moore, Trustee of the Elta Moore Trust ----- | 22.5/200 |
| Joyce Blackburn Hart, for life, remainder to Edwin | |
| Robert Hart, Jr., Landa Hart Catterton, Samuel | |
| Lloyd Hart, Brenda Denise Hart, William Otho | |
| Hart, David Ray Hart and Jason Gregory Hart ----- | 1/512 |
| Kathryn Everett Bray, for life, remainder | |
| to Kathryn Kimberlea Richards, Kendall | |
| Richards Bourland and Arlen Lee Casey Richards ----- | 5/512 |
| Mark E. Hodge, sole and separate property ----- | 1/512 |

Oil and Gas Leasehold Estate:

We are not tabulating the leasehold estate at this time. See Title Requirement No. 22.

EXISTING OIL AND GAS LEASES

Lease No. 1:

| | |
|---------------------------------------|--|
| Date: | October 25, 1996 |
| Recorded: | Book 765, page 245, Lea County Records |
| Lessor: | F & M Bank & Trust, Trustee of the William G. Bates Revocable Trust created u/t/d 3/11/86 |
| Lessee: | Enerquest Resources, LLC |
| Land Covered: | SE/4 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/32 mineral interest |
| Primary Term: | Three (3) years |
| Royalty: | 3/16 on oil and gas |
| Shut-in Gas Well Royalty: | A royalty equal to \$1.00 per net acre is payable if a well capable of producing gas or gas condensate in paying quantities is located on the leased premises, or on acreage pooled therewith, and such well is shut in and no gas or gas condensate therefrom is sold or used. The first payment is due 90 days after the well is shut in and thereafter annually as long as the well is shut in. |
| Delay Rentals: | None. This is a paid-up lease. |
| Depository Bank: | None is provided for. |
| Pooling: | Pooling is authorized, provided that units pooled under this lease may not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico, or any other lawful authority for the pool or area in which the land is situated, plus a tolerance of 10%. |
| Warranty and Proportionate Reduction: | The general warranty is deleted in Paragraph No. 10.; proportionate reduction applies to royalty, shut-in royalty, and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest. |
| Lease Form: | Hall-Poorbaugh Press, Roswell, NM - Producer's 88 - Revised 1994 New Mexico Form 342P, Paid Up |

Lease No. 2:

The terms and provisions of Lease No. 2 are identical to those of Lease No. 1 except in the following respects:

| | |
|---------------------|---|
| Recorded: | Book 765, page 245, Lea County Records |
| Lessor: | James A. Davidson and wife, Sandra Davidson |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 12.664444% of 2545/21600 mineral interest as to SE/4 NW/4 and NE/4 SW/4; 12.664444% of 365/2700 mineral interest as to SW/4 NW/4 |
| Royalty: | 22.5% on oil and gas |
| Special Provisions: | A typewritten page attached to the lease provides for the following: |

12. The lease shall terminate at the end of the primary term, subject to being extended by Lessee under Paragraph 6, as to any part of the above described land that is not then included in a "producing well spacing unit"; the lease shall terminate as to such producing well units as to all rights in each such unit 100' below the deepest producing perforation.
13. Lessor has the option of selling his net part of all production to the same purchasers and under the same terms as agreed to by Lessee. Lessor shall be provided the pertinent contract information and shall have 90 days in which to agree to such terms or make other arrangements for the sale of his portion of production. If necessary, Lessee shall furnish Lessor, free of cost, all well data including copies of all logs.
14. No part of the lease shall be maintained in force by payment of shut-in gas royalty for a period in excess of 2 years past the expiration of the primary term.

Lease No. 3:

| | |
|---------------|---|
| Date: | October 31, 1996 |
| Recorded: | Book 765, page 237, Lea County Records |
| Lessor: | The Allar Company, a Texas corporation |
| Lessee: | Enerquest Resources, LLC |
| Land Covered: | NE/4 SW/4; SE/4 NW/4; and SW/4 NW/4 of Section 18, T-20-S, R-39-E |

Interest Covered: 509/21600 mineral interest as to SE/4 NW/4 and NE/4 SW/4;
73/2700 mineral interest as to SW/4 NW/4

Primary Term: Three (3) years

Royalty: 1/5 on oil and gas; special provisions are contained in typewritten Paragraph 15.

Shut-in Gas Well Royalty: \$10 per net mineral acre owned by the Lessor is payable if a well capable of producing gas or gas condensate in paying quantities is located on the leased premises, or on acreage pooled therewith, and such well is shut in and no gas or gas condensate therefrom is sold or used. The first payment is due 90 days after the well is shut in and thereafter annually as long as the well is shut in. Typewritten Paragraphs 18 and 19 contain special provisions pertaining to shut-in gas well royalty.

Delay Rentals: None. This is a paid-up lease. Rentals in the amount of \$2.97 have been paid in advance.

Depository Bank: First National Bank, Graham, Texas 76450 (Account # 1 008 1)

Pooling: Units pooled under this lease may not exceed 40 acres for oil or _____ acres for gas, or such units as are prescribed by Federal or State law. Paragraph 13 contains special provisions pertaining to pooling.

Warranty and Proportionate Reduction: Contains no warranty; proportionate reduction applies to royalty and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest.

Lease Form: Unidentified Printer - Oil, Gas and Mineral Lease Pooling 11/94. Typewritten Paragraphs 12 through 20 have been added as follows:

12. If gas is sold in good faith by Lessee to a purchaser who owns no interest in the lease, the price received shall constitute the market price thereof at the wells. No compression or dehydration charges shall be deducted from Lessor's gas royalty.

13. Operations on or production from a unit created by Lessee (authorized in Paragraph 5) which does not include all of the leased premises will not be construed as operations on or production from land not included in said unit. Lessee will furnish Lessor a recorded copy of any unit designation or revision thereof after it is recorded.

14. This lease covers only oil, gas and other hydrocarbons, sulphur or other minerals produced in association therewith.

15. Royalty under this lease is 1/5 on oil, gas and other hydrocarbons, subject to Paragraph 10 above.

16. Lessee and/or Operator shall distribute proceeds of production sales (royalty) to Lessor within 30 days after receipt thereof, along with a copy of Purchaser's run statement. Royalties not timely paid shall accrue interest at the maximum legal rate per annum. If Operator fails to make timely distribution of royalty with a copy of purchaser's run statement, Lessor may file suit in Young County, Texas for the collection thereof and shall be entitled to recover reasonable attorney's fees and court costs in addition to royalty proceeds and run statements due.

17. The lease shall terminate at the expiration of the primary term as to: (1) all depths below 100' below the base of the deepest producing horizon or zone in any proration unit in which there is a well producing in commercial quantities; and (2) all lands not then included in a unit or proration unit unless Lessee is engaged in drilling or re-working operations. If, at the end of the primary term, drilling operations are underway, the lease shall remain in force as to all lands for so long as such operations continue to total depth (TD) and for so long thereafter as operations for drilling are conducted with no more than 120 days elapsing between reaching TD of one well and the actual commencement of drilling of another well. Lessee will execute recordable releases or partial releases, as applicable, for the benefit of Lessor.

18. The advanced annual shut-in gas royalty provided for in Paragraph 3 of the printed lease form shall be \$10 per net mineral acre owned by the Lessor as to lands covered by this lease on the date said royalty is payable.

19. The lease cannot be held or extended by the shut-in gas well provision for a longer term beyond the primary term than 3 consecutive years or for shorter terms at various intervals not to exceed, in the aggregate, 3 years in any 10-year period. Such 10-year periods shall be consecutive, beginning with the first such period which commences on the first day the lease is maintained by virtue of the shut-in well provision; later 10-year periods will begin at the end of each prior 10-year period.

20. Lessee will furnish Lessor with location plats, notices of operations, daily drilling reports, copies of all electrical well log surveys, daily mud log reports, results

of all tests, including DSTs, formation tests, and core analyses in any well drilled on lands covered by the lease or lands pooled therewith.

Lease No. 4:

| | |
|--|---|
| Date: | February 1, 1997 |
| Recorded: | Book 780, page 510, Lea County Records |
| Lessor: | Exchange National Bank and Trust Company, Trustee Under the Will of Gladys R. Berry |
| Lessee: | Enerquest Resources, LLC |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/256 mineral interest |
| Primary Term: | Two (2) years |
| Royalty: | 1/4 on oil and gas |
| Shut-in Gas Well Royalty: | A royalty equal to \$1.00 per net acre is payable if a well capable of producing gas or gas condensate in paying quantities is located on the leased premises, or on acreage pooled therewith, and such well is shut in and no gas or gas condensate therefrom is sold or used. The first payment is due on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date the well is shut in and thereafter on the anniversary date of the lease as long as the well is shut-in. See additional provisions in typewritten Paragraph 3 below. |
| Delay Rentals: | None. This is a paid-up lease. |
| Depository Bank: | None is named. |
| Pooling: | 40 acres for oil; 640 acres for gas, or such units as may be permitted for applicable governmental authority. |
| Warranty and Proportionate Reduction: | The warranty provision has been deleted in the printed lease form; proportionate reduction applies to royalty and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest. |
| Lease Form: | Burkhart's Legal Forms - Tulsa, OK, Copyright 1987 - Form 88-330 (Prod. Pooling) (Oklahoma) (640 Shut-In) (Paid-up) (Revised 1963) SD Bl. Royalty containing the following special provisions in typewritten Exhibit "A": 1. Lessees shall release all acreage covered by this lease not held by production or drilling operations at the end of |

the primary term, which includes all acreage outside any unit.

2. If production is obtained from any source, the Lessee shall, at the end of the primary term, release said lease as to all horizons 100' below the stratigraphic equivalent of the deepest depth drilled as of the end of the primary term.

3. The lease will not be maintained by the payment of shut-in gas well royalty for a period of longer than six years from the expiration of the primary term.

Lease No. 5:

The terms and provisions of Lease No. 5 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 226, Lea County Records |
| Lessor: | Valera Dawson Worsham, dealing in her sole and separate property |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | Unknown |

Lease No. 6:

The terms and provisions of Lease No. 6 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|---|
| Recorded: | Book 765, page 225, Lea County Records |
| Lessor: | Kellene Dawson, individually and as Trustee u/w/o Norman Dawson, deceased |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | Unknown |

Lease No. 7:

The terms and provisions of Lease No. 7 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 288, Lea County Records |
| Lessor: | Leland Bruce Tate, dealing in his sole and separate property |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | Unknown |

Lease No. 8:

The terms and provisions of Lease No. 8 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 290, Lea County Records |
| Lessor: | Dana Sharon Messina, dealing in his sole and separate property |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | Unknown |

Lease No. 9:

The terms and provisions of Lease No. 9 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 229, Lea County Records |
| Lessor: | June D. Speight, dealing in her sole and separate property |
| Land Covered: | S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/16 mineral interest |
| Royalty: | 1/4 |

Lease No. 10:

| | |
|---------------------------|---|
| Date: | February 20, 1997 |
| Recorded: | Book 791, page 226, Lea County Records |
| Lessor: | Norwest Bank Texas, N.A., Successor Trustee of the J. E. Simmons Trust A JSS; J. E. Simmons Trust B MJH; B. H. Simmons Trust A JSS; and B. H. Simmons Trust B MJH |
| Lessee: | Enerquest Resources, LLC |
| Land Covered: | S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/16 |
| Primary Term: | Thirty (30) months |
| Royalty: | 1/5 on oil and gas |
| Shut-in Gas Well Royalty: | A royalty equal to \$1.00 is payable if a well capable of producing gas or gas condensate in paying quantities is located on the leased premises, or on acreage pooled therewith, and such well is shut in and no gas or gas condensate therefrom is sold or used. The first payment is due 90 days after the well is shut in, or 90 days after |

this lease is not held by another provision, whichever is later, and thereafter annually as long as the well is shut in. Shut-in gas royalty cannot hold the lease for longer than two years past the end of the primary term.

Delay Rentals:

None. This is a paid-up lease.

Depository Bank:

None is named.

Pooling:

40 acres for oil; 320 acres for gas, each plus a 10% tolerance. Larger units may be formed as prescribed by applicable rule, order or regulation.

Warranty and
Proportionate
Reduction:

Contains no warranty; proportionate reduction applies to royalty and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest.

Lease Form:

Unidentified Printer - Paid Up Oil and Gas Lease with the following special provision in Paragraph 14 of the printed lease form.

At the end of the primary term, the lease expires as to all lands on which there is not a producing oil or gas well. For each producing, drilling or reworking well, Lessee shall designate a unit of minimum size as established by the proper governmental authority. For each unit so designated, the lease will remain in effect as long as oil or gas is produced in paying quantities (or as long as drilling or reworking operations are prosecuted), limited in depth from the surface down to and including 50' below the base of the deepest producing formation. Lessee shall release lands and depths not so covered. In the absence of field rules, the term "producing unit" shall mean the following : (A) 40 acres for an oil well completed at any depth; (B) (i) 80 acres for a gas well completed at a depth of less than 2,000' subsurface; (ii) 160 acres for a gas well completed at 2,000' to 6,000' subsurface; (iii) 320 acres for a gas well completed at a depth of 6,000' to 9,000' subsurface; (iv) 640 acres for a gas well completed at a depth greater than 9,000'. If a portion of Lessee's rights terminate under this Paragraph 14, Lessee shall designate in writing the acreage it is allowed to retain around each oil and gas well (for recording in the county records); the number of designated acres shall be in the form of a square or rectangle as nearly as practicable.

Lease No. 11:

The terms and provisions of Lease No. 11 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Date: | April 28, 1997 |
| Recorded: | Book 800, page 267, Lea County Records |
| Lessor: | Sugarberry Land Company |
| Land Covered: | NE/4, S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/128 mineral interest |
| Royalty: | 1/4 on oil and gas |

Lease No. 12:

| | |
|-------------------|---|
| Date: | December 26, 1996 |
| Recorded: | Book 776, page 123, Lea County Records |
| Lessor: | PetroTiger I, Ltd. |
| Lessee: | Enerquest Resources, LLC |
| Land Covered: | NE/4 SW/4 and SE/4 NW/4 of Section 18, Township 20 South, Range 39 East |
| Interest Covered: | 46.1621317% of 509/28800 mineral interest |
| Primary Term: | Eighteen (18) months |
| Royalty: | 1/5 on oil and gas |

Shut-in Gas
Well Royalty:

A royalty equal to \$1.00 per year per net acre retained, is payable if a well capable of producing gas is located on the leased premises and is shut-in. The first payment is due on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on the anniversary date of the lease so long as the well is shut-in. The shut-in provision is limited to a period not to exceed 2 consecutive years without actual production of gas and/or condensate in paying quantities for a minimum of 90 days between any successive 2-year period unless Lessee is prevented from marketing said gas and/or condensate by forces beyond its control.

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

Depository Bank: None is named.

Pooling: 40 acres for oil and 640 acres for gas or such additional acreage as may be prescribed by governmental regulation. Larger units may be formed as prescribed by applicable governmental regulation.

Warranty and Proportionate Reduction: Contains a general warranty of title; proportionate reduction applies to royalty and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest.

Lease Form: Unidentified Printer - Oil and Gas Lease (Paid Up) with the following special provisions set out in Exhibit "A" attached to the lease:

1. The lease covers only rights from the surface to 100' below the base of the deepest formation penetrated by any well commenced prior to the expiration of the primary term and located on the leased premises or lands pooled therewith.

2. The lease automatically terminates one (1) year after the expiration of the primary term as to (a) all formations 50' below the deepest producing formation and (b) all lands not included in a drilling and spacing unit as same is or would be established under the laws of the State of New Mexico. Lessee is granted the option to continue drilling with not more than 180 days elapsing between the rig release of any one well and the commencement of the actual drilling of the next succeeding well, until the lands have been fully developed.

3. Upon Lessor's request, Lessee shall furnish the following: (a) daily drilling reports including detailed reports on drill stem tests; (b) 1 certified copy of all forms furnished to any governmental authority; (c) 1 copy of all electrical logging surveys; (d) 1 certified copy of the well log upon completion; (e) 1 certified copy of the plugging record, if any; (f) samples of all cores and cuttings, if requested; (g) ["h" in the lease]) Muirfield representatives have full drilling rig access.

Lease No. 13:

Date: November 6, 1996

Recorded: Book 765, page 267, Lea County Records

Lessor: Ronald J. Byers, a single man

Lessee: Enerquest Resources, LLC

Land Covered: S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E

| | |
|--|---|
| Interest Covered: | 509/14400 mineral interest as to SE/4 NW/4 and NE/4 SW/4 of Section 18; 73/1800 mineral interest as to SW/4 NW/4 of Section 18. |
| Primary Term: | Thirty (30) months |
| Royalty: | 1/4 on oil and gas |
| Offset Well and Compensatory Royalty: | At any time during the time of the lease that a well is drilled, completed and produced on any direct or diagonal 40-acre unit or tract adjoining the leased premises, then lessee will have a period of 90 days from the date of completion of such offset well to commence drilling a well at least to the completed depth of the offset well on the unit or tract embracing the lease which adjoins the offset well. Lessee will protect Lessor's interest by drilling such well or at the option of Lessee, Lessee shall pay to Lessor compensatory or offset royalty equal to 1/4 of all oil and/or gas produced and saved from each of the offset wells in lieu of Lessee's obligation to drill on the tract out of the leased premises offsetting the offset well location. The compensatory royalty shall commence 90 days after any offset well has been completed if Lessee has not commenced drilling a well on the offset location by such date. The breach of Lessee's obligation to drill such well or to pay compensatory or offset royalty will cause a termination and cancellation of the lease save 40 acres for each well being drilled and/or producing oil or gas on the leased premises. |
| Shut-in Gas Well Royalty: | \$1800 per annum is payable to directly to Lessor (under the provisions of the third typewritten paragraph of page one of a two-page Addendum to the lease) at 400 W. 15th Street, Austin, Texas 78701, on or before 60 consecutive days after the shut-in date of the well. See other special provisions pertaining to shut-in gas royalty below. |
| Delay Rentals: | None. The delay rental provisions of the printed lease form have been deleted. |
| Depository Bank: | None is specified. |
| Pooling: | The printed lease form contains no pooling provisions. See special provisions below. |
| Warranty and Proportionate Reduction: | Contains general warranty; proportionate reduction applies to royalty and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest. |
| Lease Form: | Unidentified Printer - Oil and Gas Lease Form 88 (Producers's Special) - Revised. |

Paragraph 5 of the printed lease form requires the Lessee, at any time this lease is in force to: (a) drill a well on Lessor's land, if oil and/or gas wells are drilled, completed and produced on any direct or diagonal 40 acre (more or less) unit or tract adjoining lands covered by this lease; such well must be commenced within 90 days after such offset well is completed; or (b) pay to Lessor compensatory royalty in the amount of 1/4 of all oil and/or gas produced and saved from such offset well. The compensatory royalty is payable to Lessor within 90 days after the completion of such offset well. A failure to comply with this Paragraph 5 will result in termination of the lease as to lands not then held by production.

A two-page typewritten Addendum has been added to the printed lease form which contains the following unnumbered paragraphs:

Page one:

If less than all the leased premises is pooled or unitized with other lands, production from such unit or units will maintain this lease only as to the lands so included in the unit or units. Portions of the leased premises not included in a unit may be maintained only by drilling operations or production. (Note that the lease does not authorize pooling in the first instance).

If Lessor owns a less interest in the leased premises than the full fee simple estate, shut-in gas royalty provided in Paragraph 4 of the printed lease form shall be paid in the proportion which Lessor's interest bears to the whole fee. Shut-in gas royalty payments, made directly to Lessor, commence the day a well is shut in and are payable on or before 60 consecutive days after the shut-in date. Such payments will perpetuate the lease only as to the proration unit dedicated to the shut-in well, by the authority having jurisdiction, for a maximum of 12 months from the date of the shut-in, but in no event shall the time exceed 12 consecutive months beyond the primary term.

If, prior to production on the leased premises, Lessee drills a dry hole(s), or, if after production is established, production ceases from any cause, the lease shall not terminate if Lessee diligently commences drilling or reworking operations on or before 60 consecutive days thereafter. At the end of the primary term the lease will not terminate if Lessee is engaged in such operations with no cessation of more than 30 consecutive days. If any drilling or reworking operations result in production, the lease shall remain in force so long as production in commercial quantities continues.

This is a paid-up lease and no delay rentals are due.

Lessor is not the surface owner and makes no warranty regarding the surface. Lessee holds Lessor harmless from liability for injury or damages to person, property or environment resulting from Lessee's operations whether resulting from negligence or otherwise.

Page Two:

At the expiration of the primary term this lease terminates except as to proration units upon which there is a producing well. Production from such well(s) maintains the lease in force only as to depths from the surface of the ground down to 100' below the stratigraphic equivalent of the deepest producing formation from which oil and/or gas is then being produced during the primary term. At the expiration of the primary term, Lessee shall release all of the leased premises not held by production except that the lease shall be maintained by continuous drilling operations with no cessation of more than 120 days between the completion of one well and the commencement of the next well. Completion date means the date of the official potential test (for a producing well) or the plugging and abandonment date (for a dry hole). At and after the expiration of the primary term, failure to commence and prosecute continuous development operations, or a cessation of drilling operations for more than 120 days shall terminate the lease as to all the leased premises except proration units with producing wells, and then the leased premises is held only from the surface of the ground down to a depth of 100' below the stratigraphic equivalent of the deepest producing formation from which oil and/or gas was discovered and is still producing. Drilling time under this lease shall not accrue or accumulate for any reason (including the payment of shut-in gas royalty) for the benefit of extending the 120-day period. Lessee will prepare and execute instruments indicating the depths and lands earned during the primary term and will execute and record necessary releases for lands not being held by production.

Lease No. 14:

The terms and provisions of Lease No. 15 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 261, Lea County Records |
| Lessor: | Trust Corporation of Montana, Trustee for Bessie L. Whelan |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/256 mineral interest |

Lease No. 15:

The terms and provisions of Lease No. 15 are identical to those of Lease No. 1 except in the following respects:

| | |
|---------------------|--|
| Recorded: | Book 776, page 159, Lea County Records |
| Lessor: | Roy G. Barton, Jr., Individually and as Trustee of the Roy G. Barton, Sr. and Opal Barton Revocable Trust u/t/d 1/28/82 |
| Land Covered: | W/2 NE/4; S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | (1/16 plus 10/200 plus 1/512) or 58.6/512 mineral interest |
| Royalty: | 1/5 on oil and gas |
| Special Provisions: | Typed paragraph 12 provides that if at the expiration of the primary term lessee has drilled and completed a well either as a dry hole or as a producer or is then engaged in actual drilling operations, the lease will remain in effect for an additional period equal to the greater of (1) 180 days after expiration of the primary term or (2) 180 days from the date the last well commenced during the primary term of the lease is completed, and if a well is commenced prior to the expiration of said additional period of time, for so long thereafter as lessee conducts a continuous drilling program on the leased premises with no more than 180 consecutive days elapsing between completion of drilling or reworking of the next succeeding well. Upon succession of the continuous drilling program, or if no such program has been implemented, lessee is to release all the leased premises not then within a proration unit containing a well capable of producing oil or gas as designated or authorized by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico. |

Lease No. 16:

The terms and provisions of Lease No. 16 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 279, Lea County Records |
| Lessor: | Clifton Wilderspin and wife Terry Wilderspin |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 5/200 mineral interest |
| Royalty: | 1/5 on oil and gas |

Lease No. 17:

The terms and provisions of Lease No. 17 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 286, Lea County Records |
| Lessor: | Melba Y. Trobaugh, dealing in her sole and separate property |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 5/200 mineral interest |

Lease No. 18:

The terms and provisions of Lease No. 18 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 768, page 395, Lea County Records |
| Lessor: | George W. Batten, Jr., dealing in his sole and separate property |
| Land Covered: | S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/160 mineral interest |

Lease No. 19:

The terms and provisions of Lease No. 19 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 243, Lea County Records |
| Lessor: | Edna Claer Minter, dealing in her sole and separate property |
| Land Covered: | S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/480 mineral interest |

Lease No. 20:

The terms and provisions of Lease No. 20 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|---|
| Recorded: | Book 765, page 228, Lea County Records |
| Lessor: | Oran R. Key, Jr., dealing in his sole and separate property |
| Land Covered: | S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/96 mineral interest |

Lease No. 21:

The terms and provisions of Lease No. 21 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|---|
| Recorded: | Book 768, page 397, Lea County Records |
| Lessor: | Geneice Key Monigold, dealing in her sole and separate property |
| Land Covered: | S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/96 mineral interest |

Lease No. 22:

| | |
|-------------------|--|
| Date: | December 16, 1996 |
| Recorded: | Book 776, page 131, Lea County Records |
| Lessor: | NationsBank of Texas, N.A., Trustee U/W Katrina M. Deakins Trust #5035 |
| Lessee: | Enerquest Resources, LLC |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, Township 20 South, Range 39 East |
| Interest Covered: | 5/200 mineral interest |
| Primary Term: | Three (3) years |
| Royalty: | 22.5% on oil and gas |

| | |
|---------------------------|--|
| Shut-in Gas Well Royalty: | A royalty equal to \$1.00 per acre, or \$50.00, whichever is greater, is payable for each well capable of producing gas or gas condensate in paying quantities located on the leased premises, or on acreage pooled therewith, if such well is shut in and no gas or gas condensate therefrom is sold or used. The first payment is due 90 days after (i) the well is shut in, or (ii) the lease is no longer maintained by other provisions thereof, whichever is the later date, and thereafter annually as long as the well is shut in. Shut-in gas royalty does not maintain the lease in force for a cumulative period exceeding two years. |
|---------------------------|--|

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

| | |
|------------------|----------------|
| Depository Bank: | None is named. |
|------------------|----------------|

| | |
|----------|--|
| Pooling: | 40 acres for oil and 640 acres for gas; other provisions pertaining to pooling are set out in Paragraph No. 5 below. |
|----------|--|

Warranty and Proportionate
Reduction:

Contains no warranty of title; proportionate reduction applies to royalty and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest.

Lease Form:

NationsBank of Texas, N.A. Oil and Gas Lease Form (Paid-Up) containing the following special provisions:

Paragraph 3 (f). Lessee will not enter into a contract for sale of production from the lease which extends beyond 3 years from the effective date of such contract unless the contract has adequate provisions for redeterminations of price at intervals of less than 3 years. Lessor will be advised of price and terms of such contract and will have 30 days to elect to take and dispose of its share of royalty gas.

Paragraph 3 (g). Lessee will pay royalties from the first sale of oil or gas to Lessor within 120 days of first sale without Lessor's having to execute a division order. Subsequent royalty payments must be made on or before the last day of the second succeeding month.

Paragraph 5. Pooling is authorized, provided that pooling of less than 100% of the leased premises shall be subject to written approval of Lessor. Units pooled for oil shall not exceed 40 acres each and units pooled for gas shall not exceed 640 acres each; provided that larger units may be formed as prescribed by applicable governmental rule or order. Written pooling designations must be furnished to Lessor within 30 days after filing in the county records and failure to do so gives lessor authority to declare such lease invalid.

Paragraph 6. Pipelines shall be buried below ordinary plow depth and that no well shall be drilled within 400' of any residence or barn without Lessor's consent.

Paragraph 8. Any use of the surface estate requires written consent of the Lessor; within 30 days of notice to Lessor, Lessor will deliver a written consent or propose an alternative area for use. Lessee will pay for all damages to the surface or crops or improvements arising out of Lessee's operations. Pits and excavations must be filled and the surface restored to as near its original condition as possible.

Paragraph 9. No assignment of the lease is effective without Lessor's written approval.

Paragraph 14. Lessee shall advise Lessor in writing as to the location of each well drilled on the leased premises, or on lands pooled therewith, on or before 7 days after commencement of operations and shall advise Lessor in

writing as to the date of completion or abandonment of each well drilled with 30 days. Lessee will furnish Lessor with all well drilling, completion, and production data, reports, title opinions, logs and information when specifically requested by Lessor.

Paragraph 15. At the end of the primary term, the lease expires as to all lands on which there is not a producing oil or gas well. For each producing, drilling or reworking well, Lessee shall designate a unit of minimum size as established by the proper governmental authority. For each unit so designated, the lease will remain in effect as long as oil or gas is produced in paying quantities (or as long as drilling or reworking operations are prosecuted), limited in depth from the surface down to and including 50' below the base of the deepest producing formation. Lessee shall release lands and depths not so covered. In the absence of field rules, the term "producing unit" shall mean the following : (A) 40 acres for an oil well completed at any depth; (B) (i) 80 acres for a gas well completed at a depth of less than 2,000' subsurface; (ii) 160 acres for a gas well completed at 2,000' to 6,000' subsurface; (iii) 320 acres for a gas well completed at a depth of 6,000' to 9,000' subsurface; (iv) 640 acres for a gas well completed at a depth greater than 9,000'. If a portion of Lessee's rights terminate under this Paragraph 15, Lessee shall designate in writing the acreage it is allowed to retain around each oil and gas well (for recording in the county records); the number of designated acres may be Lessee's choosing as long as no side is more than twice as long as any other side.

Lease No. 23:

The terms and provisions of Lease No. 23 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|---|
| Recorded: | Book 765, page 265, Lea County Records |
| Lessor: | Don L. Pardue and wife, Imogene W. Pardue |
| Land Covered: | S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 5/200 mineral interest |

Lease No. 24:

The terms and provisions of Lease No. 24 are identical to those of Lease No. 1 except in the following respects:

| | |
|-----------|---|
| Date: | November 6, 1996 |
| Recorded: | Book 765, page 271, Lea County Records |
| Lessor: | Phillip O. Carey, dealing in his sole and separate property |

Land Covered: S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E
Interest Covered: 1/256 mineral interest

Lease No. 25:

The terms and provisions of Lease No. 25 are identical to those of Lease No. 1 except in the following respects:

Recorded: Book 765, page 247, Lea County Records
Lessor: Joyce Carey Gaither Warren, Trustee of the Joyce Carey Gaither Revocable Trust
Land Covered: S/2 NW/4; NE/4 SW/4 of Section 18, T-20-S, R-39-E
Interest Covered: 1/256 mineral interest

Lease No. 26:

The terms and provisions of Lease No. 26 are identical to those of Lease No. 1 except in the following respects:

Date: January 15, 1997
Recorded: Book 776, page 144, Lea County Records
Lessor: Joyce Blackburn Hart, dealing in a life estate
Land Covered: S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E
Interest Covered: 1/512 mineral interest

Ratification of Lease 26:

Date: January 28, 1997
Recorded: Book 776 , page 146, Lea County Records
Lessors: Edwin Robert Hart, Jr., Linda Hart Catterton, Samuel Lloyd Hart, Denise Hart Smith, William Otho Hart, David Ray Hart and Jason Gregory Hart, by and through their attorney in fact, Joyce Blackburn Hart

Lease No. 27:

The terms and provisions of Lease No. 27 are identical to those of Lease No. 1 except in the following respects:

Recorded: Book 765, page 263, Lea County Records
Lessor: Kathryn Everett Bray, dealing in a Life Estate
Land Covered: S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E

Interest Covered: 1/512 mineral interest

Lease No. 28:

The terms and provisions of Lease No. 28 are identical to those of Lease No.13 except in the following respects:

Recorded: Book 776, page 128, Lea County Records
Lessor: Muirfield Resources Company
Land Covered: SW/4 NW/4 of Section 18, Township 20 South, Range 39 East
Interest Covered: 73/1800 mineral interest

Lease No. 29:

Date: December 1, 1996
Recorded: Book 776, page 135, Lea County Records
Lessor: Burlington Resources Oil & Gas Company
Lessee: Parker & Parker Development, L.P.
Land Covered: S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E
Interest Covered: None
Primary Term: Eighteen (18) months
Royalty: 1/4 on oil and gas
Shut-in Gas Well Royalty: If during the primary term, lessee completes a 'well capable of producing gas in paying quantities, but lessee is unable to produce because of lack of market or governmental restrictions, lessee's rights will remain in effect for the period the well is shut-in, provided that the lease cannot be maintained longer than 2 years from the date a well is completed or shut-in.
Delay Rentals: None. This is a paid-up lease.
Depository Bank: None is named.
Pooling: Pooling is not provided for in this lease.
Warranty and Proportionate Reduction: The lease is given without warranty of title; proportionate reduction applies to royalty and other monies payable under the lease to the extent that the lease covers less than the full fee simple interest.

Lease Form:

This is a special form of Oil and Gas Lease containing the following provisions:

III. 1. At the end of the primary term, the lease terminates as to all acreage not included in a proration unit for a producing well as to all zones which are below the deepest depth drilled in any such well, provided that if at that time, lessee is engaged in drilling a well or wells on the leased premises, the lease shall remain in effect so long as drilling or reworking operations are prosecuted with no cessation of more than 180 days between the first and second wells and 180 days thereafter. Lessee has 60 days after the last well's completion to obtain or assign a proration unit to said well or wells.

IV. 1. If production ceases or fails to be in paying quantities for 3 consecutive months, the lease terminates as to the leased premises in such unit unless production is resumed or restored in 60 days or unless Lessee begins drilling or reworking operations without the lapse of more than 60 days between the abandonment of one well and the commencement of the next.

2. During the primary term, if Lessee cannot produce gas in paying quantities because of lack of market or governmental restriction, the lease remains in effect while the well is shut-in, but shut-in provisions will not maintain the lease more than 2 years from the date of the shut-in.

V. 2. If a producing well is brought in on property not covered by this lease, but within 660' of the leased premises (for an oil well) or 1320' (for a gas well), or within any unit(s) adjoining the leased premises, Lessee shall commence actual drilling within 120 days after the commencement of production from the offset well(s). Any offset well drilled by Lessee shall be completed in the same zone or zones, where practicable, as the well to be offset.

3. The obligation of V. 2. above can be relieved by Lessee's filing in the office of the country clerk a release, within the 120 day period mentioned above, a release of all land covered by this lease except 40 acres around each producing, drilling or reworking well.

VIII. In addition to provisions pertaining to the payment of 1/4 royalty on oil, gas, residue gas and all other plant products, this Article contains the following provisions:

5. Lessor has the right to take gas royalty in kind and to make separate contracts for the sale and marketing thereof, with notice to Lessee. Before entering into gas contracts, Lessee must give Lessor 60 days written notice of the terms of such contracts. If Lessor does not exercise its option within the 60 day period, Lessee may market the gas.

6. 100% tank tables shall be used in the measurement of oil or other liquid hydrocarbons.

7. On or before the 25th day of each month, Lessee shall mail or deliver to Lessor an itemized statement showing the production during the current calendar month.

8. Lessor herein conveys to Priority Land Management, Inc. at P. O. Box 10866, Midland, Texas, 79702 an undivided 15% interest out of the royalty payable under this lease, proportionately reduced by Lessor's interest, to be effective for the duration of this lease.

IX. If Lessor believes that Lessee has failed to comply with any provisions of this lease, Lessor will give Lessee 60 days to comply with such obligations. Failure of Lessor to give such notice is not a prerequisite for damages or cancellation.

X. 2. Lessee shall give Lessor 45 days written notice prior to the abandonment of any well on the leased premises. If a drilling rig is on the well waiting on orders, Lessor's response election time to such notice is 24 hours from the receipt of written or fax notification.

XI. 1. Lessee shall remove any and all surface equipment and restore the leased premises within 90 days of the termination of this lease.

XIII. 1. Lessor may have a representative on the leased premises during operations at all time; the representative may examine cores, logs and other well data and witness checking or measuring of all hydrocarbons or minerals produced.

2. Lessee shall furnish Lessor with complete information regarding wells; *Exhibit "A"* to the lease details all notification and reporting obligations of Lessee to Lessor.

3. Notice of applications for proration units must be made to Lessor 15 days before they are made, along with accompanying plats and supporting data.

XVI. Lessee has the right to use, free of cost, gas, oil and water produced from the leased premises for operations under the lease. If Lessor requests, Lessee must bury pipe lines 36" below plow depth. Without Lessor's written consent, no well may be drilled nearer than 200' to any residence or barn, and Lessee shall pay for damages to growing crops.

XIX. This Article sets out detailed provisions for the amounts and types of insurance that must be obtained and maintained by the Lessee and its contractors, evidence of

which must be furnished to Burlington Resources Oil & Gas Company at 801 Cherry Street, Suite 700, Fort Worth, Texas 76102 to the attention of Sharon Spencer.

XX. 3. Notices to the Lessor are to be mailed to Burlington Resources Oil & Gas Company, P.O. Box 51810, Midland, Texas 79710-1810 and to the Lessee to Parker & Parsley Development L.P., 303 West Wall, Suite 101, Midland, Texas 79791.

4. The lease cannot be assigned, in whole or in part, without the prior written consent of Lessor.

Lease No. 30:

The terms and provisions of Lease No. 30 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Recorded: | Book 765, page 303, Lea County Records |
| Lessor: | Eddie Don Moore, Trustee of the Elta Moore Trust |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 22.5/200 mineral interest |

Lease No. 31:

The terms and provisions of Lease No. 31 are identical to those of Lease No. 1 except in the following respects:

| | |
|-------------------|--|
| Date: | January 15, 1997 |
| Recorded: | Book 800, page 222, Lea County Records |
| Lessor: | Mark E. Hodge, dealing in his sole and separate property |
| Land Covered: | S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E |
| Interest Covered: | 1/512 mineral interest |
| Royalty: | 1/4 on oil and gas |

PATENT INFORMATION

1. The S/2 NW/4 is patented land having being patented on June 10, 1919, by the United States of America in favor of Arilla J. White for 40 acres. A certified copy of the patent is filed in Book 1, page 478, Patent Records, Lea County, New Mexico.

2. The NE/4 SW/4 of Section 18 is patented land having been patented on March 10, 1919, by the United States of America in favor of Arilla J. White for 40 acres. A certified copy of the patent is recorded in Book 2, page 64, Patent Records, Lea County, New Mexico.

LIENS AND ENCUMBRANCES

The surface interest of McCasland Partners I is subject to a Mortgage dated February 23, 1989, recorded in Book 549, page 681, Mortgage Records, from Dallas McCasland to Farm Credit Bank, Wichita, Kansas.

EASEMENTS AND RIGHTS-OF-WAY

1. Roadway Easement across Section 18 dated October 24, 1944, recorded in Book 30, page 53, Miscellaneous Records, from Earl Kornegay to Sinclair Prairie Oil Company.

2. Telephone Line Easement dated October 2, 1967, recorded in Book 306, page 314, Miscellaneous Records, from Earl Kornegay and wife, Annie Lee Kornegay, to General Telephone Company of the Southwest crossing, among other lands, the NE/4 of the SW/4 of Section 18.

3. Pipeline Easement dated July 5, 1985, recorded in Book 421, page 202, Miscellaneous Records, from First Interstate Bank of Lea County, New Mexico, Trustee under the Will of Earl Kornegay, deceased, et al., to Big Three Industries, Inc. across the S/2 of Section 18.

TAXES

We have been furnished no information regarding the status of ad valorem taxes levied by governmental authorities having ad valorem tax jurisdiction over captioned land.

TITLE REQUIREMENTS

1.

We have been furnished no information regarding possession and tenancy of the captioned land.

REQUIREMENT: Submit for our examination an affidavit relative to the use and possession of the captioned land, together with a tenant's consent agreement from the surface tenant.

2.

As noted above, we have been furnished no information regarding ad valorem taxes with respect to captioned land.

REQUIREMENT: You should obtain and furnish for examination tax certificates from all governmental authorities having ad valorem tax jurisdiction over captioned lands showing all ad valorem taxes paid through calendar year 1996.

3.

The title materials reflected the existence of the following oil, gas and mineral leases, each of which is beyond the expiration of its primary term but remains unreleased of record:

- (a) Oil, Gas and Mineral Lease dated January 17, 1950, recorded in Book 86, page 504, Oil and Gas Lease Records, by and between Everett M. Byers and wife, Constance E. Byers, as Lessor, and Clarence L. Norsworthy, Jr., as Lessee, covering the S/2 NW/4 and NE/4 SW/4 of Section 18 for a 5-year primary term.

- (b) Oil, Gas and Mineral Lease dated August 27, 1954, recorded in Book 120, page 462, Oil and Gas Lease Records, by and between Chester Imes and wife, Mattilou Imes, as Lessor, and Wilshire Oil Company of Texas, as Lessee, covering the NW/4 and W/2 SW/4 of Section 7, S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E; E/2 SE/4 of Section 12, E/2 NE/4, West 2/3 E/2 NW/4 and West 2/3 NE/4 SW/4 of Section 13, T-20-S, R-38-E, for a 5-year primary term.
- (c) Oil, Gas and Mineral Lease dated November 26, 1954, recorded in Book 122, page 172, Oil and Gas Lease Records, by and between Harvey A. Heller, et al., as Lessor, and Wilshire Oil Company of Texas, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E; and SE/4 NW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (d) Oil, Gas and Mineral Lease dated November 26, 1954, recorded in Book 122, page 174, Oil and Gas Lease Records, by and between Harvey A. Heller, et al., as Lessor, and Wilshire Oil Company of Texas, as Lessee, covering the SE/4 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (e) Oil, Gas and Mineral Lease dated November 17, 1954, recorded in Book 122, page 166, Oil and Gas Lease Records, by and between R. P. Bates and wife, Elwillda B. Bates, as Lessor, and Wilshire Oil Company of Texas, as Lessee, covering the NE/4 SW/4 and SE/4 NW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (f) Oil, Gas and Mineral Lease dated March 22, 1960, recorded in Book 185, page 497, Oil and Gas Lease Records, by and between Finley Moore and wife, Elta Moore, as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (g) Oil, Gas and Mineral Lease dated April 1, 1960, recorded in Book 188, page 240, Oil and Gas Lease Records, by and between Jimmy C. Markham, et al., as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (h) Oil, Gas and Mineral Lease dated August 1, 1960, recorded in Book 188, page 242, Oil and Gas Lease Records, by and between R. E. Comiskey and wife, Edythan Comiskey, as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (i) Oil, Gas and Mineral Lease dated September 30, 1960, recorded in Book 188, page 254, Oil and Gas Lease Records, by and between Harvey A. Heller, et al., as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and SW/4 NW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (j) Oil, Gas and Mineral Lease dated September 30, 1960, recorded in Book 188, page 258, Oil and Gas Lease Records, by and between Harvey A. Heller, et al., as Lessor, and Billy J. Moore, as Lessee, covering the SE/4 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.

- (k) Oil, Gas and Mineral Lease dated September 30, 1960, recorded in Book 192 page 23, Oil and Gas Lease Records, by and between Walter Claer, et al., as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (l) Oil, Gas and Mineral Lease dated September 1, 1960, recorded in Book 192, page 29, Oil and Gas Lease Records, by and between Norman Dawson, et al., as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (m) Oil, Gas and Mineral Lease dated February 5, 1962, recorded in Book 205, page 470, Oil and Gas Lease Records, by and between F. E. Virginia Palmer Bray, a widow, as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (n) Oil, Gas and Mineral Lease dated March 17, 1962, recorded in Book 206, page 65, Oil and Gas Lease Records, by and between Gladys Reagan Bray Berry, a widow, as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (o) Oil, Gas and Mineral Lease dated October 8, 1962, recorded in Book 213, page 328, Oil and Gas Lease Records, by and between J. L. Carey, et al., as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (p) Oil, Gas and Mineral Lease dated November 9, 1962, recorded in Book 215, page 308, Oil and Gas Lease Records, by and between J. E. Simmons, et al., as Lessor, and Billy J. Moore, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and SW/4 NW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (q) Oil, Gas and Mineral Lease dated November 9, 1962, recorded in Book 215, page 310, Oil and Gas Lease Records, by and between Norman Dawson, et al., as Lessor, and Billy J. Moore, as Lessee, covering the SE/4 NW/4 NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 5-year primary term.
- (r) Oil, Gas and Mineral Lease dated September 13, 1962, recorded in Book 215, page 323, Oil and Gas Lease Records, by and between Robert E. Byers, a single man, as Lessor, and Billy J. Moore, as Lessee, covering the SE/4 NW/4 and NE/4 SE/4 of Section 18, T-20-S, R-39-E, limited in depths from the surface to 100' below the deepest depth drilled during the primary term of the lease, for a 4-year primary term.
- (s) Oil, Gas and Mineral Lease dated January 18, 1963, recorded in Book 215, page 504, Oil and Gas Lease Records, by and between R. P. Bates, et al, as Lessor, and Billy J. Moore, as Lessee, covering the SE/4 NW/4 of Section 18, T-20-S, R-39-E, for a primary term scheduled to expire on September 13, 1965.

- (t) Oil, Gas and Mineral Lease dated December 17, 1962, recorded in Book 215, page 501, Oil and Gas Lease Records, by and between Allied Chemical Corporation, et al., as Lessor, and Billy J. Moore, as Lessee, covering the West 2/3 E/2 NW/4, West 2/3 NE/4 SW/4, NW/4 NE/4 and E/2 NE/4 of Section 13, T-20-S, R-38-E, and SE/4 NW/4, NE/4 SW/4 and SW/4 NW/4 of Section 18, T-20-S, R-39-E, for a 90-day primary term.
- (u) Oil, Gas and Mineral Lease dated December 8, 1962, recorded in Book 216, page 154, Oil and Gas Lease Records, by and between Ross L. Malone as Executor of the Estate of F. J. Danglade, deceased, as Lessor, and Cosden Petroleum Corporation, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and SW/4 NW/4 of Section 18, T-20-S, R-39-E, to a depth of 100' below the maximum depth drilled during the primary term for a 5-year primary term.
- (v) Oil, Gas and Mineral Lease dated December 8, 1962, recorded in Book 216, page 156, Oil and Gas Lease Records, by and between June D. Speight, formerly known as June P. Danglade, as Lessor, and Cosden Petroleum Corporation, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and SW/4 NW/4 of Section 18, T-20-S, R-39-E, to a depth of 100' below the maximum depth drilled during the primary term for a 5-year primary term.
- (w) Oil, Gas and Mineral Lease dated February 6, 1963, recorded in Book 216, page 158, Oil and Gas Lease Records, by and between Billy J. Moore and wife, Margaret F. Moore, as Lessor, and Cosden Petroleum Corporation, as Lessee, covering the SE/4 NW/4 of Section 18, T-20-S, R-39-E, for a primary term scheduled to expire on September 13, 1965.
- (x) Oil, Gas and Mineral Lease dated February 6, 1963, recorded in Book 216, page 158, Oil and Gas Lease Records, by and between Billy J. Moore and wife, Margaret F. Moore, as Lessor, and Cosden Petroleum Corporation, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E, and the SW/4 NW/4 of Section 18, T-20-S, R-39-E, for a primary term scheduled to expire on September 13, 1965.
- (y) Oil, Gas and Mineral Lease dated November 21, 1962, recorded in Book 217, page 190, Oil and Gas Lease Records, by and between June D. Speight, as Lessor, and Cosden Petroleum Corporation, as Lessee, covering the SE/4 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, limited to a depth from the surface to a 100' below maximum depth drilled during the primary term for a 5-year primary term.
- (z) Oil, Gas and Mineral Lease dated December 8, 1962, recorded in Book 217, page 192, Oil and Gas Lease Records, by and between Ross L. Malone, as Executor of the Estate of F. J. Danglade, deceased, as Lessor, and Cosden Petroleum Corporation, as Lessee, covering the SE/4 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, limited to a depth from the surface to a 100' below maximum depth drilled during the primary term for a 5-year primary term.
- (aa) Oil, Gas and Mineral Lease dated February 12, 1979, recorded in Book 317, page 235, Oil and Gas Lease Records, by and between New Mexico Bank & Trust Company, Trustee of the Estate of J. E. Simmons, et al., as Lessor, and Wilderspin, Inc., as Lessee, covering the E/2 NE/4 and NW/4 SW/4 of Section

13, T-20-S, R-38-E; SE/4 SW/4 of Section 6; NW/4, W/2 SW/4 of Section 7; and S/2 NW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.

- (bb) Oil, Gas and Mineral Lease dated June 19, 1980, recorded in Book 330, page 115, Oil and Gas Lease Records, by and between June D. Speight, as Lessor, and Burnett Oil Company, as Lessee, covering the SW/4 NW/4 and SE/4 NW/4 and NW/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (cc) Oil, Gas and Mineral Lease dated July 31, 1980, recorded in Book 330, page 511, Oil and Gas Lease Records, by and between New Mexico Bank & Trust Company, Trustee under the Will of J. E. Simmons, et al., as Lessor, and Burnett Oil Company, as Lessee, covering the NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (dd) Oil, Gas and Mineral Lease dated September 12, 1980, recorded in Book 332, page 830, Oil and Gas Lease Records, by and between Bess L. Whelan, individually and as Executor of the Estate of Mark T. Whelan, deceased, as Lessor, and Burnett Oil Company, as Lessee, covering the NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (ee) Oil, Gas and Mineral Lease dated September 12, 1980, recorded in Book 333, page 11, Oil and Gas Lease Records, by and between Doris Wilk, as Lessor, and Burnett Oil Company, as Lessee, covering the NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (ff) Oil, Gas and Mineral Lease dated September 12, 1980, recorded in Book 333, page 13, Oil and Gas Lease Records, by and between Finley Moore, et al., as Lessor, and Burnett Oil Company, as Lessee, covering the NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (gg) Oil, Gas and Mineral Lease dated September 12, 1980, recorded in Book 333, page 15, Oil and Gas Lease Records, by and between Edytha Comiskey, as Lessor, and Burnett Oil Company, as Lessee, covering the NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (hh) Oil, Gas and Mineral Lease dated September 12, 1980, recorded in Book 337, page 208, Oil and Gas Lease Records, by and between Georgia Leah Carey, et al., as Lessor, and Burnett Oil Company, as Lessee, covering the NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (ii) Oil, Gas and Mineral Lease dated September 30, 1980, recorded in Book 342, page 573, Oil and Gas Lease Records, by and between Mattilou Imes, et al., as Lessor, and Burnett Oil Company, as Lessee, covering the NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (jj) Oil, Gas and Mineral Lease dated July 31, 1984, recorded in Book 374, page 859, Oil and Gas Lease Records, by and between Norman Dawson, et al., as Lessor, and TXO Production Corporation, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E; and S/2 NW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (kk) Oil, Gas and Mineral Lease dated July 31, 1984, recorded in Book 374, page 876, Oil and Gas Lease Records, by and between Valera D. Worsham, as Lessor, and TXO Production Corporation, as Lessee, covering the E/2 NE/4

of Section 13, T-20-S, R-38-E; and S/2 NW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.

- (ll) Oil, Gas and Mineral Lease dated July 30, 1984, recorded in Book 375, page 895, Oil and Gas Lease Records, by and between Melba Trobaugh, individually, et al., as Lessor, and TXO Production Corporation, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E; and S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (mm) Oil, Gas and Mineral Lease dated August 13, 1984, recorded in Book 376, page 685, Oil and Gas Lease Records, by and between Dana Sharon Messina, Guardian of the Estate of Faye Dawson Ezell, NCM, as Lessor, and TXO Production Corporation, as Lessee, covering the E/2 NE/4 of Section 13, T-20-S, R-38-E; and S/2 NW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (nn) Oil, Gas and Mineral Lease dated October 25, 1989, recorded in Book 445, page 875, Oil and Gas Lease Records, by and between Dana Messina, as Lessor, and Pyramid Trust, as Lessee, covering the S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.
- (oo) Oil, Gas and Mineral Lease dated May 21, 1990, recorded in Book 452, page 753, Oil and Gas Lease Records, by and between Kathryn E. Bray, as Lessor, and TXO Production Corporation, as Lessee, covering the S/2 NW/4 and NE/4 SW/4 of Section 18, T-20-S, R-39-E, for a 3-year primary term.

In the absence of production sufficient to maintain such leases in effect, each of the above leases would have expired.

REQUIREMENT: Obtain and furnish us with an affidavit of non-production executed by a disinterested party knowledgeable of the facts stated therein, covering all of the land described in the above oil and gas leases together with any lands pooled therewith, containing sufficient information to confirm that each of said leases has expired under its own terms and is not currently maintained by production and/or operations.

4.

Certain of the existing oil and gas leases are executed by parties in a trust capacity pursuant to an unrecorded trust instrument. Those leases include the following:

- (a) Lease No. 1 - F&M Bank & Trust, Trustee of the William G. Bates Revocable Trust created UTD 3/11/86;
- (b) Lease No. 10 - Norwest Bank Texas, N.A., Successor Trustee of the J. E. Simmons A JSS; J. E. Simmons Trust B MJH; B. H. Simmons Trust A JSS; and B. H. Simmons Trust B MJH;
- (c) Lease No. 14 - Trust Corporation of Montana, Trustee for Bessie L. Whelan;
- (d) Lease No. 15 - Roy G. Barton, individually and as Trustee of the Roy G. Barton, Sr. and Opal Barton Revocable Trust UTD 1/28/82;
- (e) Lease No. 22 - NationsBank of Texas, N.A., Trustee UW Katrina M. Deakins Trust #5035;

- (f) Lease No. 25 - Joyce Carey Gaither Warren, Trustee of the Joyce Carey Gaither Revocable Trust; and
- (g) Lease No. 30 - Eddie Don Moore, Trustee of the Elta Moore Trust.

REQUIREMENT: You should obtain and furnish us photocopies of each of the underlying trust agreements pursuant to which the lessor in each of the above leases was given the authority to execute said lease, in order that we may confirm the identity of the trustee of said lease and the authority of the trustee to execute such a lease.

5.

Certain of the existing oil and gas leases are executed by parties apparently claiming to own interests in captioned lands, but whose interests are not reflected in the title materials. Those leases are as follows:

- (a) Lease No. 5 - Valera Dawson Worsham (an apparent successor to Norman Dawson);
- (b) Lease No. 6 - Kellene Dawson (an apparent successor to Norman Dawson);
- (c) Lease No. 7 - Leland Bruce Tate (an apparent successor to Norman Dawson);
and
- (d) Lease No. 8 - Dana Sharon Messina (an apparent successor to Norman Dawson).

In regard to the foregoing, Norman Dawson, individually and as Trustee of the D. H. Dawson Trust Estate was the record owner of a 1/8 mineral interest in captioned land. The title materials included a photocopy of the Last Will and Testament of Norman Dawson under which he devised the applicable portions of his estate as follows:

- (a) If his wife, Kellene Dawson survived him, then he left to the trustee of his estate a pecuniary amount equal to the "exemption equivalent gift" as defined in Article IV of his Will.
- (b) The residue of his estate he left to his wife, Kellene Dawson in fee simple.

Under his Will, Norman Dawson named his wife, Kellene Dawson as Trustee of the above Trust.

The title materials did not include copies of New Mexico probate of the Will of Norman Dawson. We believe that the Last Will and Testament of Norman Dawson may have been probated in Hopkins County, Texas.

REQUIREMENT: Obtain and furnish us photocopies of New Mexico probate proceedings in the Estate of Norman Dawson, deceased. Pending delivery of said materials to us, we have continued to credit Norman Dawson, individually and as Trustee of the D. H. Dawson Trust Estate with the entire 1/8 mineral interest above discussed.

6.

The mineral interest of Doyle Hartman appears to be unleased as of this time.

REQUIREMENT: You should obtain, file for record and furnish us a photocopy of an oil and gas lease from covering their interest in captioned lands.

7.

Lease No. 29 is executed by Burlington Resources Oil and Gas Company. In our tabulation of said lease, we have indicated that said lease does not cover any interest in captioned land. In that regard, we note, however, that Southland Royalty Company, an affiliate or subsidiary of Burlington Oil and Gas Company, owns a 3/32 mineral interest in captioned land.

REQUIREMENT: You should obtain, file for record and furnish us a photocopy of either (a) a ratification of existing Lease No. 29 by Southland Royalty Company; or (b) a separate oil and gas lease from Southland Royalty Company covering its mineral interest in captioned land.

8.

Certain mineral owners appear to be deceased as of this time, but we have not been furnished copies of probate proceedings in the State of New Mexico with respect to said parties. Those mineral interest owners are as follows:

- (a) Constance E. Byers;
- (b) A. C. Bray (interest acquired on 2/28/51);
- (c) Katrina Deakins (interest acquired on 11/15/58); and
- (d) Mark Whelan (interest acquired on 2/28/51).

REQUIREMENTS:

- (a) You should obtain and furnish us photocopies of probate proceedings in the State of New Mexico with respect to each of the above parties who are shown to own a mineral interest in captioned land.
- (b) With respect to A. C. Bray, Katrina Deakins and Mark Whelan, we should be furnished separate affidavits of residency and marital history, beginning with the date of such person's acquisition of an interest in captioned land through the date of death.

9.

Lease No. 27 is executed by Kathryn Everett Bray dealing in a life estate. The interest purportedly leased under said lease appears to be 1/2 of the record interest of A. C. Bray, who acquired his interest on February 28, 1951 (139/118) and who we understand is now deceased. As indicated above, we were not furnished any probate information with respect to the said A. C. Bray, deceased.

On April 21, 1980, in Deed recorded in Book 380, page 509, Deed Records, Arlon Bernice Bray and wife, Kathryn Everett Bray, purported to convey 1/1024 interest in captioned land to Kathryn Kimberlea Richards, Kendall K. Richards Bourland, and Arlon Lee (Casey) Richards, with provision that the grantors reserved a life estate in favor of themselves and their daughter, Kathryn Bray Richards, for their use and enjoyment during their lifetime with all rents, royalties and other revenues to be retained by Arlon Bernice Bray, Kathryn E. Bray, and at their death to their daughter, Kathryn Bray Richards, with further provision that none of the property could be sold or otherwise disposed of before the death of the three life estate holders.

Then, on September 20, 1986, in Mineral Deed recorded in Book 430, page 713, Deed Records, Kathryn Everett Bray purported to convey a 1/256 mineral interest in captioned land to Kathryn Bray Richards for life, with remainder to Kathryn Kimberlea Richards, Kendall Richards Bourland, and Casey Arlon Richards. Once again, the grantor reserved a life estate for herself and for her daughter, Kathryn Bray Richards for their lifetime, with all rent, royalty and other revenues to the grantor for her life, then to Kathryn Bray Richards, with further provision that there would be no sale of the property before the death of the two life estate holders.

REQUIREMENTS:

- (a) You should obtain and furnish us proof of the death of Arlon Bernie Bray, whom we assume is now deceased.
- (b) You should obtain ratifications of Lease No. 27 from Kathryn Bray Richards, Kathryn Kimberlea Richards, Kendall K. Richards Bourland and Arlon Lee (Casey) Richards. Said ratifications should be filed for record in Lea County, New Mexico, and we should be furnished photocopies thereof.
- (c) In the event you obtain production from captioned land, we reserve the right to raise a requirement for a stipulation of interest among the above parties depending upon the facts as they appear to be at that time.

10.

Lease No. 26 is executed by Joyce Blackburn Hart, dealing in a life estate and is ratified by Edwin Robert Hart, Jr., Linda Hart Catterton, Samuel Lloyd Hart, Denise Hart Smith, William Otho Hart, David Ray Hart, and Jason Gregory Hart, all acting by and through their attorney-in-fact, Joyce Blackburn Hart. The lessor in said lease as well as parties ratifying same acquired their claim of interest by virtue a Correction Mineral and Royalty Deed dated March 8, 1983, recorded in Volume 403, page 459, Deed Records, from Beatrice Bray Blackburn to the above parties who executed the above-referenced ratification, with provision that the grantor, Beatrice Bray Blackburn reserved a life estate, and at her death, the property would go to her daughter, Joyce Blackburn Hart, for their respective uses and enjoyments during their respective lifetimes. We assume that Beatrice Bray Blackburn is now deceased.

REQUIREMENTS:

- (a) You should obtain and furnish us a proof of the death of Beatrice Bray Blackburn.
- (b) In the event you obtain production from captioned land, we reserve the right to require a stipulation of interest by, between and among the above lessor and the parties who ratified Lease No. 26.

11.

In Deed dated June 7, 1979, recorded in Book 374, page 607, Deed Records, corrected in Book 375, page 613, Deed Records, Vera D. Barnes, a widow, conveyed to Norman Dawson and Valera Worsham all of her interest in the S/2 NW/4 of Section 18. The title materials did not reflect that Vera D. Barnes owned any interest in captioned land.

REQUIREMENT: Obtain and furnish a photocopy of the instrument or instruments under which Vera D. Barnes acquired the interest which she purported to convey in the above deed to Norman Dawson and Valera Worsham.

12.

The title materials included a Mineral Deed dated April 2, 1937, recorded in Volume 57, page 406, Deed Records, from E. H. Van Patten and wife, Irene Van Patten, to Gladys Bray.

Included within the title materials was a photocopy of the Will of Gladys R. Berry (whom we understand to be one and the same person as Gladys Bray), who was the record owner of a 1/256 mineral interest in captioned land. Said Will appears to have been probated in the County Court of Carter County, Oklahoma. Under her Will, Gladys R. Berry devised all of her real property and mineral interests to the trust officer of the Exchange National Bank and Trust company of Ardmore, Oklahoma, the pastor of the First United Methodist Church of Ardmore, Oklahoma, Harold Reed, Ray London, and John Frank Snodgrass, as Trustees. The Will provided further that as soon as practicable, the trustees would meet, organize and adopt and reduce to writing rules or bylaws to regulate the operation of the trust, and all transactions and all instruments, contracts, leases, and other legal documents entered into and executed in accordance with such rules or bylaws were to be valid and binding. The Will further provides that since the largest part of the trust assets would consist of mineral interests, it was the desire and wish of the testator that the same would not be sold or disposed of by the trustees but that the trustees were expressly given the power to lease such interests or any of them for oil and gas purposes for such consideration and terms as the trustees deemed best.

Also included within the title materials was a photocopy of an instrument entitled "Gladys Berry Loan Fund Trust - Authorization to Transfer". Said instrument was a certificate which purported to include be a photocopy of a Resolution of the Duly Appointed and Acting Trustees under the Will of Gladys R. Berry, Deceased, setting forth true and complete copies of resolutions duly adopted at a meeting of the trustees of the trust called and held on September 18, 1996, at which a quorum was present and voting. The resolution, as stated, authorized and empowered the Exchange National Bank and Trust Company, Ardmore, Oklahoma, trustee for said trust to purchase, sell, exchange or lease oil and gas or other minerals of any nature, which may be included in or at any time become a part of the trust, and to execute farmout, unitization and pooling agreements, division and transfer orders, authorizations for expenditures and any other documents pertaining to mineral interests contained in the trust. In said instrument there was further resolution that all persons to whom such instrument with annexed certificate were to thereafter come, would be entitled, without further inquiry or investigation and regardless of the date of such certificate, to assume and act in reliance upon the assumption that the transfer, lease or other documents named in such instrument were theretofore duly and properly transferred, endorsed, sold, signed, set over and delivered by the trust, and that with respect to such documents, the authority of such resolutions and of such officers would still be in force and effect. In reliance upon the recitations set forth in the above certificate, we have raised no requirement with respect to this matter.

REQUIREMENTS:

- (a) Obtain and furnish us an affidavit executed by a disinterested party knowledgeable of the facts stated therein confirming the following:
 - (i) That the persons referred to as "Gladys Bray" and "Gladys R. Berry", above, were one and the same person;
 - (ii) The marital status of Gladys Bray as of April 2, 1937, the date on which she acquired her record interest in captioned land; and
 - (iii) The state of residency of Gladys Bray as of April 2, 1937.

- (b) Obtain and furnish us photocopies of New Mexico probate proceedings in the Estate of Gladys R. Berry, deceased.

13.

In Mineral Deed dated June 20, 1989, recorded in Book 454, page 621, Deed Records, Muirfield Resources Company assigned various mineral interests to the grantees named therein, including SASI-Muirfield '87, a Texas partnership (23.0810658% of 509/14400 in the SE/4 of the NW/4 and the NE/4 SW/4 of Section 18). Subsequently, on July 16, 1990, in Mineral Deed recorded in Volume 466, page 590, Deed Records, SASI Minerals Company assigned to Muirfield Resources Company all of its interest in a 509/14400 interest in SE/4 NW/4 and NE/4 SW/4 of Section 18. We have assumed that the grantor in the second above-referenced deed was a successor to the grantee in the first of the above-referenced deeds.

REQUIREMENT: Obtain and furnish us a photocopy of the instrument under which SASI Minerals Company succeeded to the interest of SASA-Muirfield '87, a Texas partnership.

14.

In Mineral Deed dated October 1, 1979, recorded in Book 377, page 263, Deed Records, Harvey A. Heller, Jr. and wife, Betty J. Heller, conveyed to Harvey A. Heller, Jr. and Frank Keating, as Co-Trustees of the Heller Company Revocable Trust dated August 1, 1977, certain mineral interests described therein. Subsequently, on May 31, 1989, effective February 1, 1989, in Mineral Deed recorded in Volume 454, page 112, Deed Records, Betty J. Heller and Frank Keating, acting as Trustees of the Heller Company Revocable Trust, assigned to Muirfield Resources Company 50% of the grantor's interest in the same property. The title materials did not reflect that Betty J. Heller succeeded to Harvey A. Heller, Jr. as a trustee of the Heller Company Revocable Trust.

REQUIREMENTS:

- (a) Obtain and furnish us a photocopy of the instrument or instruments under which Betty J. Heller succeeded to Harvey A. Heller, Jr. as a Co-Trustee of the Heller Company Revocable Trust.
- (b) Furnish us a photocopy of the Heller Company Revocable Trust Agreement of August 1, 1977, in order that we may confirm the authority of the trustees to execute the above Mineral Deed recorded at Book 454, page 112, Deed Records.

15.

In Mineral Deed dated July 10, 1991, recorded in Book 475, page 215, Deed Records, Finley Moore and wife, Alma G. Moore, conveyed to the Elta Moore Trust all of the grantor's interest in Section 18. The above instrument did not identify the trustee of the above trust, but we have assumed that the trustee is Eddie Don Moore, who executed Lease No. 30 on behalf of said trust. Inasmuch as we have already raised a requirement (see Requirement No. 4, above) for a photocopy of said trust agreement, we have raised no further requirement with respect to this matter.

REQUIREMENT: Advisory.

16.

In Mineral Deed dated November 4, 1993, effective March 17, 1993, recorded in Book 496, page 740, Deed Records, Sun Operating Limited Partnership conveyed to the Allar Company all of

Sun's interest in captioned land. In said instrument, the grantor reserved all its interest in all wells on the property and the right to receive royalty from then producing wells, with provision that the interest would pass whenever existing leases covering said wells lapsed. We have assumed that as of the date of execution of the above deed, there were no producing wells on captioned land.

REQUIREMENT: Confirm for us that there were no producing wells on captioned lands as of the effective date of the above deed, March 17, 1993.

17.

In Mineral Deed dated May 12, 1995, recorded in Volume 514, page 520, Deed Records, Joyce Blackburn Hart, acting as agent and attorney-in-fact for Beatrice Bray Blackburn purported to convey a 1/512 mineral interest in captioned land to Joyce Blackburn Hart. The title materials did not contain a photocopy of the instrument under which Joyce Blackburn Hart was authorized to execute said deed on behalf of Beatrice Bray Blackburn.

REQUIREMENT: Obtain and furnish us a photocopy of the power of attorney under which Beatrice Bray Blackburn authorized Joyce Blackburn Hart to execute the above mineral deed.

18.

Walter Claer is the record owner of a 10/200 mineral interest in captioned land. The title materials included various excerpts from probate proceedings with respect to Walter Claer and with respect to certain successors of Walter Claer, deceased. The title materials did not indicate that any New Mexico probate proceedings had been conducted with respect to the Estate of Walter Claer or with respect to any successor to Walter Claer. Those title materials included the following:

- (a) Excerpts from the probate of the Last Will and Testament and two Codicils thereto of Walter Claer, deceased, in Cause No. 84-2527-1 in the Probate Court of Tarrant County, Texas. Under his Will, Walter Claer devised his interest in captioned land to the following persons in equal shares:
 - (i) Mina Claer Key;
 - (ii) Edith Claer Lewis;
 - (iii) Edna Claer Minter; and
 - (iv) Carl Edwin Claer.
- (b) Excerpts from probate proceedings in the Estate of Edith Claer Lewis, Cause No. 89-0835-1 in the Probate Court No. 1 of Tarrant County, Texas. Under her Will, Edith Claer Lewis devised her interest in captioned lands to her two sisters, Edna Minter and Verena Batten, in equal shares.
- (c) Excerpts from probate proceedings in Cause 90-2716-2 in the Probate Court No. 2 of Tarrant County, Texas in the Estate of Carl Edwin Claer, deceased. Under his Will, Carl Edwin Claer devised certain specific bequests to various individuals and left "the balance of my money" to Edna Claer Minter, Gene Key Monigold, and Oran Key, Jr. in equal shares. We assume that in using the term "balance of my money", Carl Edwin Claer meant "balance of my estate".
- (d) Excerpts from the Estate of Verena Claer Batten, Cause No. 235788 in the Probate Court No. 2 of Harris County, Texas. The materials furnished us only included the last page of the handwritten Will of Verena Claer Batten, and, accordingly, we are uncertain of the intended disposition of interest in captioned land.

In addition to the foregoing, we have reason to believe that Mina Claer Key is now deceased and that the interest which she inherited from Walter Claer, deceased, was left to Gene Key Monigold and Oran Key, Jr.

REQUIREMENTS:

- (a) As indicated above, none of the foregoing estates (referred to in items (a) through (d) above), have been probated in the State of New Mexico. At this time, probate proceedings should be taken out in all the foregoing estates in order that full effect may be given to the Last Wills and Testaments of each of the above parties. In the interim, assuming that you will satisfy this requirement, and assuming, further, that the Last Will and Testament of Carl Edwin Claer will be construed in the manner indicated above (i.e. the "balance of my money" to mean "the balance of my estate"), we have tabulated the ownership of the interest originally owned by Walter Claer, deceased (10/200) to the above successors in interest to him.
- (b) In addition to being furnished photocopies of New Mexico probate with respect to the parties listed at Items (a) through (d) in our discussion above, we should also be furnished photocopies of New Mexico probate with respect to Mina Claer Key, whom we assume to be deceased and to have left her interest in captioned land to Gene Key Monigold and Oran Key, Jr.

19.

The title materials reflect Chester Imes as owning a 1/150 mineral interest in captioned land. The title materials reflected, further, that Chester Imes was married to Mattilou Imes during his life, although we were unable to ascertain whether Chester Imes and Mattilou Imes were married as February 26, 1935, the date that Chester Imes acquired his mineral interest in captioned land. The title materials included photocopies of the following Wills, which appear to affect the ownership of the 1/150 mineral interest originally acquired by Chester Imes:

- (a) Last Will and Testament of Mattilou Imes. Under her Will, Mattilou devised the residue of her estate of Carla Lou Warrick, Sharon Kay Lodovic and Suzanne Imes, per stirpes and not per capita.
- (b) Last Will of Carla Imes Warrick. Under her Will, Carla Imes Warrick gave numerous bequests of personal property and left the residue of her estate to her husband, Bill Warrick.

We were not furnished probate proceedings with respect to either Chester Imes or with respect to Mattilou Imes or Carla Imes Warrick.

REQUIREMENTS:

- (a) Obtain and furnish us an affidavit of residency and of marital status of Chester Imes as of February 26, 1935, the date on which he acquired his mineral interest in captioned land.
- (b) Assuming that Chester Imes is deceased, we should be furnished copies of New Mexico probate proceedings with respect to Chester Imes and with respect to Mattilou Imes and Carla Imes Warrick.

20.

Lease No. 3 provides that units pooled under the lease may not exceed 40 acres for oil or _____ acres for gas, or such units as prescribed by federal or state law. Unless the lease specifically provides the number for gas units, then pooling would be limited to the size units as prescribed by federal or state law.

REQUIREMENT: You should obtain an amendment to existing Lease No. 3 to provide for the number of acres which gas units may comprise in accordance with the terms of the lease. Furnish us a photocopy of the recorded amendment.

21.

As indicated in our tabulation of instruments, above, we were furnished a photocopy of an unexecuted deed from Enerquest Resources, L.L.C. to Sugarberry Land Company, covering, among other lands, the S/2 NW/4 and the NE/4 SW/4 of Section 18. We assume that the original of said instrument has been executed and filed for record in Lea County, New Mexico.

REQUIREMENT: Furnish us a photocopy of the recorded deed from Enerquest Resources, L.L.C. to Sugarberry Land Company.

22.

As noted under the heading "Oil and Gas Leasehold Estate", we have not tabulated the leasehold estate at this time. We understand that Enerquest Resources, L.L.C. and Parker & Parsley Development, L.C. will be exchanging assignments as to the respective leases owned by said parties.

REQUIREMENT: When the respective assignments are exchanged between Enerquest Resources, L.L.C. and Parker & Parsley Development, L.C., and same have been filed for record with the County Clerk of Lea County, New Mexico, we should be furnished photocopies of the recorded assignments so that we may supplement this opinion as appropriate.

23.

We note that on September 16, 1986, certain parties purported to convey to Dallas M. McCasland and wife, Irene McCasland interests in the surface estate of the S/2 of Section 18 as follows:

- (a) 430/445 - Kay Pruett, Zada Bea Singer and Robert L. Love;
- (b) 430/463 - D. K. Randolph;
- (c) 430/467 - Hart Kornegay;
- (d) 430/471 - Frank Kornegay; and
- (e) 430/475 - Doss Kornegay.

Likewise, we note that on September 19, 1986, the following grantors purported to convey interests in the surface estate to Dallas M. McCasland and wife, Irene McCasland, in the S/2 of the NW/4 of Section 18:

- (a) 463/717 - Doss Kornegay;
- (b) 463/719 - Hart Kornegay;
- (c) 463/721 - D. K. Randolph;
- (d) 463/723 - Frank Kornegay; and
- (e) 463/725 - Kay Pruett, Zada Bea Singer and Robert L. Love.

We have assume that the parties executing said instruments were successors in interest to Annie Lee Kornegay, who, along with her husband, Earl Kornegay, owned the surface estate in captioned land.

REQUIREMENT: Obtain and furnish us photocopies of New Mexico Probate proceedings in the Estate of Annie Lee Kornegay in order that we may confirm that the above deeds were effective to convey, collectively, a 1/2 interest in the surface estate in captioned land.

COMMENTS

This opinion is limited as follows:

(a) This opinion cannot cover such matters as area, boundaries, locations on the ground or other matters which can be determined only by an actual ground survey, nor does it cover any matters not revealed by the materials examined, such as unsubmitted and unrecorded agreements and undisclosed understandings among parties.

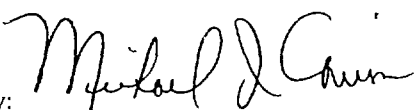
(b) This opinion does not cover the question of possible dedication of natural gas deposits under prior contract subject to the jurisdiction of governmental regulatory agencies. Such dedication may survive the expiration of oil and gas leases owned by the party making the dedication.

(c) This opinion does not deal with any questions of state or federal securities and environmental laws and regulations or the possible effect thereof on title to, or operations on, this property or interests assigned or to be assigned therein.

(d) This opinion may not be relied upon by any party other than the addressee hereof without our written consent.

Respectfully submitted,

CANON, SHORT & GASTON

By: 
Michael J. Canon

MJC/lbw