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IN RE: DRILLING & DIVISION ORDER TITLE OPINION—NO. 2189

Township 8 South, Range 26 East, N.M.P.M.

**Section 3: Lots 1 and 2 (N/2NE/4), S/2NE/4
From the surface down to a depth of 4,698 feet.**

Chaves County, New Mexico

Containing approximately 159.73 acres, more or less

Coronet "TI" No. 1 Well and Coronet "TP" No. 2 Well

YATES PETROLEUM CORPORATION NUMBER: _____

Chuck Moran
Landman
Yates Petroleum Corporation
105 South Fourth Street
Artesia NM 88210-2118

Dear Mr. Moran:

At your request and in connection with title to the oil and gas mineral estate underlying the captioned lands, we have today examined the following:

PRIOR OPINIONS:

- 1) Losee, Carson & Dickerson, P.A., Drilling Opinion of Title No. 5426 dated April 7, 1982, covering the exact lands. The opinion was based upon County records certified to down to March 16, 1982, at 8:00 a.m.
- 2) Losee, Carson & Dickerson, P.A., Supplemental Division Order Opinion of Title No. 5426 dated January 12, 1983, covering the captioned lands. The opinion was based upon County records certified to down to November 18, 1982, at 8:00 a.m.

New Mexico Oil Conservation Division
YATES PETROLEUM CORP.
Case No. 12683 - 07/12/01
Examiner Catanach or Brooks
EXHIBIT NO. 2

II. OWNERSHIP OF MINERAL ESTATE

Owner	Interest
Yates Petroleum Corporation	100.0000%
Yates Petroleum Corporation	100.0000%
Yates Petroleum Corporation	100.0000%
Yates Petroleum Corporation	100.0000%
Yates Petroleum Corporation	100.0000%
TOTAL:	100.0000%

*Currently the subject of litigation, see related requirement

III. OWNERSHIP OF LEASEHOLD ESTATE

Owner	Interest
Yates Petroleum Corporation	100.0000%
TOTAL:	100.0000%

IV.
OWNERSHIP OF PRODUCTION

Before Payout of the Coronet “TI” No. 1 Well

Owner	Calculation	Interest
*Roxy Burkfield, a married woman dealing in her sole and separate property	$1/16 \times 1/4$	0.01562500 RI
J. A. Davidson, as his sole and separate property	$8/16 \times 1/4$	0.12500000 RI
Robert H. Hannifin and Maxine B. Hannifin, husband and wife	$5/16 \times 1/4$	0.07812500 RI
Donna Sue Lampkin, a single woman	$1/16 \times 1/4$	0.01562500 RI
E. M. Vaughan, a single woman	$1/16 \times 1/4$	0.01562500 RI
Yates Petroleum Corporation	$100\% \times 3/4 \times 1/16$	0.04687500 NRI
	$100\% \times 3/4 \times 15/16$	0.70312500 NRI
TOTAL:		1.00000000

*Currently the subject of litigation, see related requirement.

After Payout of the Coronet “TI” No. 1 Well**

Owner	Calculation	Interest
*Roxy Burkfield, a married woman dealing in her sole and separate property	$1/16 \times (1/4 - 1/16)$	0.01171875 RI
	$1/2 \times 1/16 \times 13/16$	0.02539063 NRI
J. A. Davidson, as his sole and separate property	$8/16 \times (1/4 - 1/16)$	0.09375000 RI
	$1/2 \times 8/16 \times 13/16$	0.20312500 NRI
Robert H. Hannifin and Maxine B. Hannifin, husband and wife	$5/16 \times (1/4 - 1/16)$	0.05859375 RI
	$1/2 \times 5/16 \times 13/16$	0.12695313 NRI
Donna Sue Lampkin, a single woman	$1/16 \times (1/4 - 1/16)$	0.01171875 RI
	$1/2 \times 1/16 \times 13/16$	0.02539063 NRI

for production, and for operating said well to produce such amount. The net proceeds are defined as the total proceeds received from or credited or allocated to Lessee's interest in production, less severance, production or other taxes payable on production therefrom, together with all royalties, shut-in gas royalties, overriding royalties and payments out of production presently in effect or created by the Lease. Prior to payout, you are required to furnish the Lessors with current quarterly statements summarizing income and expenses properly chargeable to payout. Upon payout, you are required to promptly notify Lessors by certified mail. Lessors then have thirty (30) days within which to advise if Lessors elect to continue to receive the reserve royalty. If Lessors do not cause this election to be transmitted to you within thirty (30) days, 1/16th of Lessor's reserved royalty is automatically converted to a 50% working interest, subject to proportionate reduction, effective at 7:00 o'clock a.m. of the first day following that in which payout occurs.

We have reviewed information indicating that the Coronet "TI" No. 1 Well, located 660 feet from the north line and 660 from the east line of Section 3, was spudded on August 4, 1982 and completed September 3, 1982 at a total depth of 4,850 feet. The well is shown to be producing gas from the Abo formation through perforations between 4,430 feet and 4,598 feet.

We have received no information indicating whether or not payout has occurred on this well, and therefore have included the before payout calculations in this Opinion.

You should be certain to comply with all of the provisions of the Leases in this regard.

8. **Depth Limitation:** Both of the above-described Oil and Gas Leases provide that they cover the lands in the NE/4 of Section 3 "limited to 100 feet below total depth drilled." We have not examined the Well Completion Report on this well. However, second-hand information we have reviewed indicates that the total depth drilled in the Coronet "TI" No. 1 Well was 4,850 feet, so that the depth held by the Leases should be from the surface down to 4,950 feet. However, subsequent leasing activity, including Leases taken by Yates Petroleum Corporation from the mineral estate owners covering the deep rights in September of this year tend to indicate that the two above-described Leases hold only from the surface down to 4,698 feet. As is stated above, the well is shown to be producing gas from the Abo formation through perforations between 4,434 feet and 4,598 feet. It appears that the depths held by these two particular Leases have been based upon 100 feet below the lowest producing perforation instead of upon 100 feet below the total depth drilled or 4,950 feet. This may be immaterial since Yates Petroleum Corporation has 15/16ths of the mineral estate leased below 4,698 feet. However, you should note this discrepancy in your files. This is advisory.

9. **Estate of A. D. Solsbery:** A. D. Solsbery a/k/a Dean A. Solsbery acquired a 1/16th interest in the mineral estate underlying the captioned lands by Mineral Deed dated August 27, 1973 from Coronet Trading Corporation. This Mineral Deed was filed on August 28, 1973 at Book 265 of the Warranty Deed Records of the Chaves County Clerk at Page 962. We have reviewed Court records indicating that A. D. Solsbery married Opal R. Solsbery on October 7, 1974. Consequently, it would appear that these minerals were the separate property of A. D. Solsbery. A. D. Solsbery died intestate in Roswell, on July 6, 1986. He had two sons from a previous marriage, Dean Solsbery, Jr. and Brian Solsbery. His only other remaining heir was Opal Solsbery. Under the intestacy laws of New Mexico at the time of A. D. Solsbery's death, due to the separate character of these minerals, 1/4th of the mineral estate should have passed to Opal Solsbery, as his surviving spouse, and 3/4ths of said minerals should have passed to the sons of A. D. Solsbery. However, by Assignment of Oil and Gas Lease dated December 5, 1991, Opal Solsbery as Personal Representative of the Estate of A. D. Solsbery conveyed all right, title and interest of the Estate of A. D. Solsbery in the minerals underlying the captioned lands to Roxy Burkfield, a married woman dealing in her sole and separate property. This Assignment was filed with the Chaves County Clerk on December 6, 1991, at Chaves County Clerk's Record Book 120, Page 856. Roxy Burkfield was the daughter by a prior marriage of Opal Solsbery. On that same date, Opal Solsbery conveyed any interest she had individually in the minerals underlying the captioned lands to Ms. Burkfield by Assignment of Oil and

Gas Lease recorded at Book 120, Page 857, of the Chaves County Clerk's Records. These conveyances were subsequent to, and therefore ineffective to modify the parties' respective rights under the Solsbery fee lease described above.

On August 2, 1993, an Order of Complete Settlement was entered in the Estate of A. D. Solsbery. On August 1, 1997, A. D. Solsbery's two sons brought a Petition for Determination of Heirship in Certain Properties and for the Institution of a Constructive Trust against Opal Solsbery who had subsequently remarried and was now known as Opal Solsbery Wright. This lawsuit has passed through several different attorneys and two and one-half year's worth of discovery. On July 17, 2000, the sons of A. D. Solsbery filed a Motion to Amend their Complaint to include Roxy Burkfield as a co-defendant along with other parties. The basic allegations contained in the original Complaint and the Amended Complaint are based upon Opal Solsbery Wright's improper conversion of minerals and production proceeds which were the separate property of A. D. Solsbery, and therefore should have been conveyed 1/4th to Opal Solsbery Wright and 3/4ths to the sons of A. D. Solsbery.

The Solsbery Sons seek to re-open the Estate of A. D. Solsbery, obtain a judicial declaration that they are the owners of 3/4ths of the separate minerals of A. D. Solsbery, damages due to the conversion of these minerals and the proceeds attributable to them by Opal Solsbery Wright subsequent to the death of A. D. Solsbery, the imposition of a constructive trust on the proceeds of these minerals, and a finding of conspiracy between Opal Solsbery Wright and Roxy Burkfield, among others to commit tortious acts against the sons of A. D. Solsbery.

It certainly appears that the minerals which were owned by A. D. Solsbery under the captioned lands were his separate property, and therefore upon his death without a Will, the Personal Representative should have distributed 3/8ths of said minerals to Dean Solsbery, Jr. and 3/8ths of the minerals to Brian Solsbery, the remaining 1/4 being conveyed to Opal Solsbery Wright. Instead Opal Solsbery, as Personal Representative of the Estate of A. D. Solsbery conveyed all of the Estate's interest in the minerals to Roxy Burkfield. This conveyance is specifically mentioned in the proposed Amended Complaint filed by the sons of A. D. Solsbery as being an act of conversion against the sons of A. D. Solsbery.

We have not attempted to weigh the merits of the claims of the sons of A. D. Solsbery, apart from the obvious conclusion that these minerals appear to have been the separate property of A. D. Solsbery at the time of his death. The action is being actively and aggressively defended by Opal Solsbery Wright and Roxy Burkfield, and it is impossible to predict how this action will eventually conclude. Although there is not a Lis Pendens regarding this lawsuit filed against the captioned minerals, we are on notice of its existence due to our review of the Probate File of the Estate of A. D. Solsbery. We have left the title to these minerals in the name of Roxy Burkfield, pending the outcome of this litigation which may very well require a change in the ownership of this mineral estate.

Requirement B: Suspend all proceeds attributable to the interest of Roxy Burkfield until such time as the above-referenced litigation has been settled or finally adjudicated and we have had an opportunity to review file-marked settlement documents or a final judgment.

10. **Well Completion Report:** We have not examined a Well Completion Report on Coronet "TF" No. 2 Well, and therefore cannot opine as to when the well went on production, its location, or its producing intervals.

Requirement C: Obtain and submit for our examination a Well Completion Report on the Coronet "TF" No. 2 Well. We reserve possible further requirement after our review of said Completion Report