

# A MODEL FORM TITLE OPINION FORMAT IS IT POSSIBLE? IS IT PRACTICAL?

## Preface

This paper discusses and illustrates the elements of a title opinion in order to determine if it is possible and wise to devise a standardized format for title opinions in Texas. Standardization is the trend, see the Texas Real Estate Forms Manual and the Texas Title Examination Standards, but neither focuses on oil and gas issues. The author believes that title examiners can learn from each other, even if standardization does not occur.

By sharing our formats and knowledge, we can provide a more quality product to our clients and more likely withstand a negligence claim. Readers whose stock-in-trade is the preparation of title opinions are encouraged to send comments on the *hows* and *whys* of their practice so they can be shared in a subsequent addition of this section's newsletter.

## **PART 1 - WHAT SHOULD BE INCLUDED IN A TITLE OPINION**

### I. INTRODUCTION

Title examination always has been a fundamental part of the process of exploring for oil and gas. Attorneys and others, usually landmen before leasing and division order analysts after production is obtained, are involved in examining title and determining title-related issues for the following purposes:

1. To determine from whom to buy oil and gas leases (a title opinion - TO);
2. To determine if there is any legal impediment to drilling an oil and/or gas well (a drilling title opinion - DTO);
3. To determine who to pay, the interest to pay, and if there are any legal impediments to paying the proceeds of production from a producing well (a division order title opinion - DOTO);
4. To determine if there is any legal impediment to creating a lien to secure the payment of a debt (a mortgage commitment title opinion - MCTO); and
5. To determine if there is any legal impediment to selling or buying a mineral interest (MI) or a leasehold interest (LI) (an acquisition title opinion -ATO).

Since a title opinion is required when one of the above-described transactions is about to occur, the

number of title opinions required is directly related to the number of these transactions occurring in the oil and gas industry. As we all know, since oil and gas exploration activity is increasing across the country, there should be an increasing demand for attorneys to prepare oil and gas title opinions in the future.

## II.. FEE SIMPLE TITLE

### A. SURFACE

1. The surface owners should be identified in the Title Opinion exactly as the surface owner was identified in the instrument granting title. If the interest is separate property, this fact should be included.
2. If possible, identify the number of net acres attributable to each surface interest.
3. It is necessary to require an Affidavit of Possession, or otherwise confirm that possession is consistent with record title.

Traditionally, title examiners have required obtaining an Affidavit of Possession. This Affidavit would be executed by either the surface owner or their tenant, or any other person in possession, and would acknowledge that the Lessee of an oil and gas lease had the right to conduct drilling operations upon the land described. More recently, many title examiners, rather than requiring that an Affidavit of Possession be obtained, make an advisory comment in their opinion such as the following:

You are charged with notice of the rights of the parties in possession. Therefore, before making entry on the land, you should inquire as to the rights of anyone found in possession and, if there is a conflict with your right of entry under the basic Oil and Gas Leases, this matter should be referred to us for further advice.

4. What to do when the instruments in a chain of title consistently refer to a tract containing more or less acres than the acres patented.

It is not unusual for a prior owner to have obtained a survey showing that a tract contains more acres than that originally patented and, in subsequent instruments, the total acreage referred to is the greater amount. As long as the oil and gas leases covering the tract contain the greater agreed acreage amount, then you have leased the entire tract, even though the mineral owner may not have yet received a patent for the excess acres. If the oil and gas lease only covers the acres patented, you probably still

have leased all of the actual acres contained in the tract because of the benefit of the Mother Hubbard Clause. For net revenue purposes, I always utilize the agreed acreage figure in the leases, absent some other compelling reason.

Where it appears that a tract actually contains more acres than patented, I make an advisory comment that, if the surface owner desires to obtain title from the State to the excess acres, he submit a recent survey to the General Land Office and request a Deed of Acquittance covering the excess acres. See Tex. Nat. Res. Code, §51.246 (Vernon 1988). Then, said Deed of Acquittance should be recorded in the county.

## B. MINERALS

1. Show the mineral ownership exactly as it was acquired. If title is in one spouse but both spouses signed a lease, I show "John Brown, whose wife is Nancy Brown". If title is acquired jointly, I show "John Brown and wife, Nancy Brown".
2. Show net mineral acres owned and the lease number, if leased.
3. Use an asterisk to identify any mineral interest that is burdened by non-participating royalty (NPRI) or is subject to a term. Use an asterisk note to identify the quantity of the NPRI and the NPRI owners and to discuss the term mineral/royalty interest.
4. If a mineral owner is unleased, show him as unleased under mineral ownership and show his mineral interest as being unleased under leasehold. If the unleased mineral owner is participating in the drilling of the well, show the mineral owner by name under leasehold and identify his mineral interest as if it was leased. If a participating mineral owner signs an AAPL Model Form Operating Agreement, then he is deemed to have leased his mineral interest pursuant to the terms of a lease which is usually attached to the Operating Agreement as Exhibit B.

If the mineral owner does not participate in the drilling of the test well, then the participating parties carry him until payout at which time the unleased mineral owner receives 100% of the production attributable to his mineral interest on a tract basis, not a unit basis, less operating expenses.

## C. OIL AND GAS LEASEHOLD

1. Show the leasehold interest (LI) and, if the leases are from tenants in common but are owned differently or if they have been pooled, the working interest (WI), by tracts.

2. Show all leasehold numbers and leasehold acres.
3. Identify the leases burdened with overriding royalties (ORRIs) or other burdens and identify the ORRIs and their owners in an asterisk note.
4. If leases are pooled, show the unit ownership.
5. If practical, identify the Assignment number of the Assignments in each leasehold owner's chain of title. I do this so that it is easier for my client to verify my conclusions. One of my guiding principles is to include facts that help a client follow the steps I took to reach my conclusion. This should increase the client's confidence in my product because he can confirm for himself that my conclusion is accurate, or in the alternative, it gives the client the facts necessary to discover my mistake sooner rather than later.

#### D. DIVISION OF INTEREST

1. Show royalty owners as identified in the leases, if different than record title, because the lease is a contract and payments should be consistent with the contract.
2. Show the interest in as simple a form as possible, utilizing columns with headings. However, the opinion should contain enough detail so that the client/operator can determine how the interests shown in the Division of Interest were calculated.
3. Show before payout (BPO) and after payout (APO) when applicable. If it appears probable the well will reach non-consent payout (NCPO), then show that also.
4. Identify under overriding royalty the leasehold owners who pay, or are burdened by, each ORRI.
5. If leases are pooled, show the unit division of interest.
6. Often, it is more convenient and readable to place the division of interest in an exhibit (for me it is usually Exhibit B) at the end of the opinion.

### III. LIENS AND ENCUMBRANCES

#### A. MORTGAGES

1. The macro\* should contain all facts necessary to enable the affected parties to obtain a release or subordination agreement from the mortgagee.

- \* I first saw a macro used for this purpose in opinions prepared by Oklahoma attorneys. I believe that the macro is preferable to a narrative because it is easier to dictate, easier to type and easier to read.
- 2. Where a mortgage has been renewed/extended/restated numerous times, the examiner has the option of listing the oldest mortgage first and summarizing the subsequent renewals or listing the most recent mortgage first and summarizing the prior mortgages and renewals. Absent some compelling reason, I list the original mortgage first and summarize the subsequent instruments.
- 3. If the mortgage/deed of trust is prior to the oil and gas lease, then the standard requirement is to have the mortgage released or to have the mortgage subordinated to the oil and gas lease. In either case, the release or subordination agreement should be recorded in the county in which the land is located.

If the mortgage/deed of trust is subsequent to the oil and gas lease, then it is taken subject to the oil and gas lease and neither a release nor a subordination is required. However, if the mortgage contains an assignment of the right to receive production, then the standard requirement is for the division order to be submitted jointly to the royalty/leasehold owner/mortgagor and the mortgagee. If the mortgage payments are up to date at the time the division order is submitted, the mortgagee usually executes the division order acknowledging that payments should be made to the royalty owner until the mortgagee subsequently notifies the payor. However, if the mortgagor is behind in its payments to the mortgagee, the mortgagee has the right to execute the division order reflecting that all income attributable to the mortgagor's/royalty owners' interest be paid directly to the mortgagee.

## B. OIL AND GAS LEASES

1. Always identify all oil and gas leases whose primary terms have expired, paying particular attention to the leases which cover lands in addition to the land you are examining. Never forget the "indivisibility rule":

One well, producing in paying quantities on the land covered by the lease, or on land pooled with the lease, will continue the lease as to all land covered by the lease and as to all depths, unless the lease itself contains a provision requiring partial termination of the lease even if production is obtained (sometimes called a Pugh Clause). W.T. Waggoner Estate v. Sigler Oil Co., 118 Tex. 509, 19 S.W.2d 27 (1929) and Rogers v. Ricane, 772 S.W.2d 76 (Tex. 1989).

2. It is possible an old lease has only partially terminated. Many leases now contain special provisions requiring partial termination, either horizontally or vertically, after production has been obtained. Vertical termination describes lands located outside a proration unit. Horizontal termination refers to the lease terminating as to certain depths, usually defined as all depths below the producing formation or total depth drilled, or termination as to all non-producing formations, which leaves the Lessee only with the producing formation.

C. RIGHT OF WAYS (EASEMENTS)

1. The macro should identify all information necessary for the operator's drilling operations.
2. The standard advisory comment is that the operator should be aware of all right of ways which cross or affect his drillsite. Utilizing the information contained in the macro, the operator may obtain a copy of the right of way and locate the right of way on the ground prior to commencing his drilling operations.

D. ABSTRACT OF JUDGMENT

1. The macro should contain all facts necessary to enable the operator to deal with the judgment lien.
2. The standard comment is that the judgment lien does not affect the surface operations or the payment of production until the lien is judicially foreclosed.

E. MECHANIC'S LIEN

1. The macro should identify all facts necessary to enable the operator to deal with this lien.
2. The standard comment is that the Mechanic's Lien does not affect the surface operations or the payment of production until the lien is judicially foreclosed.

F. TAXES

1. If an abstract is ordered, the abstractor should be advised to obtain tax certificates covering the land abstracted. If the opinion is based upon a standup examination of the records of the county, then the examiner should visit the tax assessor-collector's

office and obtain either a tax certificate or a list of the delinquent taxpayers. Sometimes the tax assessor- collector will have a reasonably accurate list of the owners of the land under examination.

2. The foreclosure of voluntary liens does not cut off tax liens of governmental bodies. The lien for payment of ad valorem taxes has priority over private property rights, regardless of the date of inception of the tax liens. Tex. Prop. Tax Code, Ann. §32.055 and 113.001 et. seq (Vernon 1988).

#### IV. PATENTS

1. The instruments examined should include a recorded patent from the State of Texas and a recorded classification. If the instruments examined do not include either a patent or classification, then contact the following:

Texas General Land Office  
Attn.: Asset Management Division (for classif.)  
Attn.: Archives and Records (for Patents)  
1700 North Congress Avenue  
Austin, TX 78701-1495  
(512) 463-5001; Fax (512) 475-1415  
Internet: [www.glo.state.tx.us](http://www.glo.state.tx.us)

2. For additional assistance, read the article prepared by Stroud C. Kelley entitled Protecting Texas' Interests in Minerals, Review of Oil and Gas Law - IV, Oil, Gas, and Mineral Law Section of the Dallas Bar Association(July 27-28, 1989).

#### V. TABULATION OF LEASES AND ASSIGNMENTS

1. Tabulate all leases and all assignments. If two or more leases are on the same form then tabulate one lease in full and provide only the difference in detail as to the subsequent leases. If you are supplementing an earlier opinion and the earlier opinion does not identify leases and assignments, then, if possible, obtain copies of the prior leases and assignments and tabulate them so that your opinion will be complete.
2. My leasehold tabulation focuses on termination issues. I do not attempt to summarize all provisions of the oil and gas lease because my client, who is usually an experienced landman, is already familiar with the presently effective leases and has noted all provisions affecting his drilling operations. The client is relying on me primarily to identify possible termination issues and advise as to what can be done to reduce the risk.

1. Rather than list all Assignments in the order recorded, I will sometimes put Assignments in order by chain of title to make the title easier to follow.

1. Make liberal use of comments in the tabulation itself to:

a. Identify instruments that the lease or assignment are expressly subject to (chain of title rule);

b. Add my interpretations and assumptions;

c. Refer to Comments and Requirements in the body of the opinion.

1. Always be alert to Assignments that limit the conveyance to less than all tracts covered by the lease, less than all formations, or to boreholes. I am not aware of any court approved language for effectively conveying or reserving borehole rights. I exercise a bias against borehole assignments. Usually, I require the use of the term “borehole”, unless the Assignment can otherwise only be interpreted as being limited to the borehole.

For discussion purposes, if you are preparing an assignment that conveys only borehole rights, I suggest that something like the following language be included:

The rights being assigned to grantee hereunder are expressly limited to grantor's interest in and to said wells which have heretofore been drilled and completed as producers of oil, casinghead gas and/or gas and gas distillate on said leases, or on an oil or gas unit incorporating said leases, BUT ONLY that interest in said leases as is required to permit the production of grantee's interest *from said existing wells* of any oil or gas allowable which has been or may be assigned to said wells by the Railroad Commission of Texas, together with all personal property in, on, or used in connection with said wells.

What is your opinion about the language necessary to effectively convey/reserve borehole rights in Texas?

5. Another difficult area is analyzing retained acreage clauses to determine if the clause used is so ambiguous that the lessee should consider amending the clause in question. Tevis Herd wrote an excellent article entitled Continuous Development and Retained Acreage Clauses, 1988 Adv. Oil, Gas & Min. Law Inst. (Sept. 15-16, 1988). The author confirms my experience which is that it is now normal to see paragraphs concerning continuous development and requiring that, upon the termination of the continuous development, the lease be released as to lands not allocated to a producing well(s). While there are many different clauses that create this situation, some of the

common questions that the clause should address are:

- a. How are the terms "commencement" and "completion" defined so that the time between drilling operations can be measured?
- b. Must Lessee complete a well within a stated period of time or commence additional operations within a stated period of time?
- c. Can the Lessee accumulate time between wells so as to extend the date of commencement for a succeeding well? If so, is there a maximum limit for accumulated time?
- d. Can the Lessee drill on pooled tracts, or does the clause require drilling of wells on "the lands covered by this lease"?
- e. Will the reentry of an old well, or the reworking of a previously drilled development well, meet the requirement for the drilling of additional wells?
- f. How is the size and configuration of the retained acreage to be determined?
- g. When is the time for determining the size of proration units? Does the Lessee have time to apply for special field rules?
- h. Can the Lessee use the surface estate of lands which he is required to release?

I believe the examiner has a duty to point out any lease termination language that may be ambiguous and require a clarifying amendment.

1. Are there any other commonly occurring issues in oil and gas leasehold Assignments that should be included in this discussion?

## VI. COMMENTS AND REQUIREMENTS

1. How to deal with status of requirements in prior opinions:
  - a. Just refer to prior opinions and show status;
  - b. Quote in full and show status; or
  - c. Show status and summarize.
2. If a requirement should be satisfied by a non-operator or some person other than the operator to whom the opinion is directed, be sure and identify the party who should

assume responsibility for satisfying the requirement.

3. Some examiners provide a title for each comment. Is this the best practice?
4. The requirement should clearly state whether it is necessary for drilling purposes or is necessary only in the event production is obtained for division order purposes.
5. Some standard comments and requirements are:
  - a. Release expired leases or obtain Affidavit of Non-Development;
  - b. Release or subordinate mortgages recorded prior to oil and gas leases;
  - c. Discuss devolution of title through trusts and estates: the authority of fiduciaries; when the trust or probate will terminate and the ownership after the probate estate or trust is closed;
  - d. Record new leases, assignments, et seq.;
  - e. Verify that delay rentals were paid properly and timely. Since most leases are now paid up leases this requirement is seldom made.
  - f. Confirm that leases were pooled properly and timely;
  - g. Conduct drilling operations so as not to interfere with right of ways;

## VII. MATERIALS EXAMINED

1. Some list at the beginning of the opinion.
2. Some list at the end of the opinion as an exhibit.
3. The opinion should either list all abstracts and all instruments submitted for examination, or if the examining attorney prefers, a brief description of all abstracts examined with the attorney keeping in his files the list of abstracts actually examined. Each abstract should be described by number and abstract company, the land covered, the period of time covered by the abstract, and the number of pages contained. Any limitation on the abstracts, such as coverage of the surface or mineral estate only, should be noted.

All unrecorded instruments examined, such as assignments, probates, affidavits and other materials submitted by the client should also be listed.

## VIII. CLOSING PARAGRAPHS

All title opinions should include a closing disclaiming paragraph similar to the following:

This Opinion does not cover questions of vacancies, excesses or deficiencies, boundaries or other matters which would be revealed by survey. Of necessity, this Opinion is subject to any applicable bankruptcy or insolvency laws, liens for taxes not yet due, statutory and constitutional mechanic's and materialmen's liens not of record, operator's liens not of record, statutory liens securing payment of proceeds of production from the subject land, enforcement of regulations or orders by any governmental authority having jurisdiction over the subject land, capacity or competency of parties, fraud, delivery and alteration after delivery.

This title opinion has been prepared in reliance upon the validity, accuracy and completeness of the instruments, documents and materials examined as herein described. No examination has been made and no opinion is expressed with regard to matters not included within such material including, but not limited to: forgeries; capacity-competency of parties; matters as would be shown by a survey of the property including, but not limited to area, overlaps, encroachments and conflicts in boundary lines; unrecorded liens or contracts; homestead rights; delivery and alteration after; fraud, duress or undue influence; environmental matters; and the jurisdiction of any governmental agency, federal, state, county, municipal or otherwise, including, without limitation, the Federal Energy Regulatory Commission and/or the Department of Energy.

If the examiner examines the county records (a "standup"), the opinion should include a disclaiming paragraph similar to the following:

Your attention is directed to the fact that this opinion is a result of my using the records of \_\_\_\_\_ Abstract Company and the records of the \_\_\_\_\_ County Clerk. It is possible that some instrument or instruments have been overlooked or that they were not properly indexed in the abstractor's tract books and thus, this opinion may not cover all instruments recorded in \_\_\_\_\_ County affecting the subject land.

As a risk management tool, an examiner should include a disclaimer, such as the following, at the end of all title opinions:

This Opinion is rendered solely and exclusively for the benefit of (insert client's name) and may not be relied upon by any other person or entity or quoted in whole or in part or otherwise referred to by any person or entity without our prior written consent.

Also, if an examiner is updating the title opinion of another attorney, he may wish to add the following additional disclaiming paragraph:

This Opinion is based, in part, upon the opinion of other counsel, and therefore is subject to the accuracy and completeness of that opinion. We cannot determine the accuracy and completeness of that opinion without examining the documents and records originally examined in the preparation of that opinion. Also, this opinion is subject to all of the comments and requirements contained in the prior opinion of other counsel, although for your convenience we have discussed the status of said requirements and identified those which we believe to be unsatisfied.

For a much more detailed discussion of the ethical obligation concerning the preparation and use of title opinions, you should read the article by J. Lanier Yeates, Ethical Obligations Re: Use of Title Opinions, 1989 Adv. Oil, Gas & Min. Law Inst. (Sept. 21-22, 1989).

Does anyone utilize disclaiming paragraphs which are more complete? Are there any other important issues that should be addressed at this point?

#### IX. A SHORT ETHICAL NOTE

1. An attorney malpractice action in Texas is based on negligence. A lawyer in Texas is held to the standard of care which would be exercised by a reasonably prudent attorney. The jury must evaluate his conduct based on the information the attorney has at the time of the alleged act of negligence. If an attorney makes a decision which a reasonably prudent attorney could make in the same or similar circumstance, it is not an act of negligence even if the result is undesirable. Attorneys cannot be held strictly liable for all of their clients' unfulfilled expectations.

An action for negligence of an attorney is based on four factors. A plaintiff must establish that:

- a. The attorney owed a duty to the plaintiff;
- b. The duty was breached;
- c. The breach is the proximate cause of the damages complained of; and
- d. Damages occurred.

Cosgrove v. Grimes, 774 S.W.2d 662 (Tex. 1989).

2. In Texas, as well as a majority of jurisdictions, attorneys have been held to owe no duty to third party non-clients. Most cases generally conclude that an attorney is not liable to a party, other than his client, for damages resulting in the performance of his services requiring

professional skill and ability. Bell v. Manning, 613 S.W.2d 335 (Tex. Civ. App.-Tyler 1981, writ. ref'd. n.r.e.). However, McCamish v. Appling Interest, 991 S.W.2d 787 (Tex. 1999) probably extends our duty to non-clients.

3. The statute of limitations for legal malpractice is two years and it does not begin to run until the claimant discovers, or should have discovered through the exercise of reasonable care and diligence, the facts establishing the elements of his cause of action. Civ. Prac. & Rem. Code Ann. Sec. 16.003 (Vernon 1986). This rule, called the "discovery rule" was adopted for attorney malpractice suits by Willis v. Maverick, 760 S.W.2d 462 (Tex. 1988).

## X. CONCLUSION

1. Do you believe it is possible/wise to draft a model form title opinion format?
2. What changes/additions would you make to the DOTO form enclosed?
3. What formatting ideas do your clients require?

SEND RESPONSES TO ME AS SHOWN ON MY LETTERHEAD INFRA.

.\articles\oilandgassectionnewsletterarticle

# George A. Snell, III

ATTORNEY AT LAW  
HERRING BANK BUILDING  
2201 CIVIC CIRCLE, SUITE 508  
AMARILLO, TEXAS 79109

LICENSED IN:  
TEXAS  
OKLAHOMA

PHONE (806) 359-8611  
FAX (806) 355-3339  
gasiii@nts-online.net

## PART 2 - SAMPLE DIVISION ORDER TITLE OPINION

October 25, 2000

Gusher Corporation  
Two Watergate Place, Suite 1500  
19 East Wall Street  
Gotebo, OK 741095

ATTN:George W. Bush

Re: Division Order Title Opinion - Hankinson #3

S/2 of Section 343, Block A-2, H&GN Ry. Co. Survey, Winkler County, Texas,  
containing 323.71 acres, more or less

	<u>Hankinson #2</u>	<u>Carruth #1</u>	<u>Hankins #3</u>
Well location:	350' FNL & 467' FWL	467' FNL & 467' FEL	467' FSL & 1,200' FEL
Type of Well:	Gas	Gas	Gas
Producing Formation:	Granite Wash	Granite Wash	Lower Morrow
Field Designation:	Hughes, S. (Granite Wash)	Hughes, S. (Granite Wash)	Muldrow, S. (Morrow Lower)
Total Depth Drilled:	11,000'	10,800'	12,100'

Dear Dubya:

At your request, I have examined the following:

1. Drilling Opinion dated October 9, 1974 prepared by Leon Jaworski for Nixon Resources, Inc. evidencing the examination of prior Title Opinions dated 10/26/70 and 10/27/70 and abstracts which together covered the S/2 of Section 343 from sovereignty to April 15, 1974 at 5:00 p.m.
2. The records of the Winkler County Clerk, as reflected by a Run Sheet prepared by

Landpro, Inc., covering the S/2 of Section 343 from April 15, 1974 at 5:00 p.m. to October 16, 2000 at 5:00 p.m.

From such examination, and subject to the comments and requirements hereinafter set out, I find merchantable title to the subject land to be vested as follows:

FEE SIMPLE TITLE

1.	<u>Surface</u> <u>SW/4</u>	<u>Interest</u>	<u>Acres</u>	
	JUDITH MARIE BRIGHTON	1/3	53.94	
	KAREN SUE MILLER	1/3	53.94	
	JEANNE BETH BOULDER	<u>1/3</u>	<u>53.95</u>	
	Total (Was John Kerry) (3)	3/3	161.83	
	<u>SE/4</u>			
	CECILIA MAXINE CARRUTH, A WIDOW	All	161.88	
	Total (Was John Edwards) (4)		323.61	
2.	<u>Minerals</u> <u>SW/4</u>	<u>MI</u>	<u>Acres</u>	<u>Lse. #</u>
	JUDITH MARIE BRIGHTON	1/6	26.97	1
	KAREN SUE MILLER	1/6	26.97	1
	JEANNE BETH BOULDER	<u>1/6</u>	<u>26.97</u>	1
	Sub-Total (3)	3/6*	80.91	
	DIANE K. RUBY, A WIDOW	1/8	20.23	3
	YASSAR ARAFAT (Was Mickey Mouse)	<u>3/8</u>	<u>60.69</u>	4

Total (5)	8/8	161.83	
<u>SE/4</u>			
BONANZA TRUST UTA 2/6/97 Cecelia M. Carruth, Trustee	1/2	80.94	2
DIANE K. RUBY, A WIDOW	1/8	20.23	3
YASSAR ARAFAT	<u>3/8</u>	<u>60.71</u>	4
Total (3)	8/8	161.88	

\* Subject to and less a NPRI of 1/16 of 8/8 of the royalty owned by Bill Clinton.

3. Oil and Gas Leasehold (Ls. 1-3 - 87.5% GRI) LI WI Lse. # Assn. #  
 (Ls. 4 - 84.375% GRI)

From the surface to the base of the Lower Morrow

TEXAS ROYALTIES, INC.	15%	7.50%	1&2	3-6
MESA ENERGY, INC.	20%	10.0%	1&2	3,14,16
GUSHER CORPORATION	65%	32.50%	1&2	11,12,14- 16,17,20
	_____	_____		
Sub-Total (3)	100%	50.00%		
PIONEER RESOURCES OIL & GAS CO.	100%	50.00%*	3&4	2
	_____	_____		
Total (4)		100%	100%	

Below the base of the Lower Morrow Formation

TEXAS ROYALTIES, INC.	30%	15%	1&2	3-6
MESA ENERGY, INC.	40%	20%	1&2	3,14,16

BAMA COMPANY	<u>30%</u>	<u>15%</u>	1&2	20
Sub-Total (3)	100%	50%		
PIONEER RESOURCES OIL & GAS CO.	<u>100%</u>	<u>50%*</u>	3&4	2
Total (4)	100%	100%		

\* Subject to and less the following ORRI:

	<u>ORRI</u>	<u>TF</u>	<u>Lse. #</u>	<u>Assn. #</u>
BOODY ENERGY CO.	1/32 of 8/8	1/8	3	1B,19
ORRI LIMITED	3/4 of 1/8 of 8/8	1/2	3&4	9
BENDER ROYALTY CO.	<u>1/4 of 1/8 of 8/8</u> 4/4 of 1/8 of 8/8**	1/2	3&4	9
Total (3)	1/8 of 8/8			

\*\* This ORRI absorbs all burdens in excess of a 1/8 royalty.

4. Division of Interest - To the gas and gas condensate produced from the subject well - See Exhibit B.

#### LIENS AND ENCUMBRANCES

##### 1. Mortgages

- a. Date: April 15, 1980  
 Recorded: 166-430  
 Mortgagor: R. A. Carruth, et ux  
 Mortgagee: Federal Land Bank of Texas  
 Legal Description: SE/4 of Section 343  
 Amount Secured: \$150,000.00  
 Term or Due Date: On or before May 1, 2010  
 Assn. of Production: Yes  
 Present Owner: Farm Credit Bank of Texas

17

- a. Date: January 24, 2000

Recorded:	525-551
Mortgagor:	Mesa Energy, Inc.
Mortgagee:	Chase Bank of Texas, N. A., Agent
Legal Description:	All of Mortgagor's interest in Leases 1 and 2, et al
Amount Secured:	Not shown
Term or Due Date:	Not shown
Assn. of Production:	Yes
Present Owner:	Same

2. Oil and Gas Leasehold

a.           Date:                               October 3, 1963  
              Recorded:                   83-249  
              Lessor:                       Barry Goldwater, et ux  
              Lessee:                       Wayne Hughes Oil Company  
              Description:                SW/4 of Section 343  
              Primary Term:            5 years  
              Present Owner:            Warren Oil Company

a.           Date:                               May 1, 1964  
              Recorded:                   87-392  
              Lessor:                       Lyndon Johnson, et ux  
              Lessee:                       Bob Scholl Oil Company  
              Description:                SE/4 of Section 343 and the NE/4 of Section 356  
              Primary Term:            5 years  
              Present Owner:            Warren Oil Company

b. Rights of Way

a.           Date:                               June 14, 1974  
              Recorded:                   128-213  
              Grantor:                       R. A. Carruth, et ux  
              Grantee:                       El Paso Natural Gas Company  
              Covers:                       SE/4 of Section 343  
              Type:                           Pipeline - To connect to the Hankinson 343-1 well  
  (Hobart Ranch G. S.)  
              Present Owner:            El Paso Field Services Co.

b.           Date:                               June 4, 1974  
  18  
              Recorded:                   128-218

Grantor: Earl E. Hankinson  
Grantee: El Paso Natural Gas Company  
Covers: SW/4 of Section 343  
Type: Pipeline  
Present Owner: El Paso Field Services Co.

- a. Date: July 11, 1974  
Recorded: 130-113  
Grantor: Ray A. Carruth, et al  
Grantee: Northern Natural Gas Company  
Covers: S/2 of Section 343  
Type: Pipeline  
Present Owner: Enron Anadarko Gathering Corp.

1. Taxes - The Tax Assessor-Collector advised that all taxes due have been paid through 1999 and that taxes for 2000 are due in the amount of \$512.96.

#### PATENT INFORMATION

Date: December 9, 1902  
Recorded: 1-Patents-254  
Patentor: State of Texas  
Patentee: Texas Land Company  
Description: Section 343; containing 640 acres; further identified as Patent No. 544 Vol. 54, Cert. 4/636, Abst. 107  
Reservation: None. Section 343 is classified as dry grazing.

#### TABULATION OF LEASES AND ASSIGNMENTS - See Exhibit A

#### COMMENTS AND REQUIREMENTS

1. The status of the Requirements contained in the Drilling Opinion dated October 9, 1974 is as follows:

Requirement 1 - ADVISORY. This concerned payment of taxes.

Requirement 2 - ADVISORY. This concerned confirming possession.

Requirement 3 - ADVISORY. This identified two Rights of Way covering the SE/4 of Section 343 as being a right of way along the east side of Section 343 in favor of Winkler

Requirement 4 - APPARENTLY SATISFIED. The prior examiner said that all of the requirements contained in the two prior Opinions were satisfied except for Requirements 1 and 2 of both Opinions which concerned determining the heirs of Tillie M. Lee. Apparently Nixon was satisfied in this respect.

Requirement 5 - SATISFIED. This acknowledged that Pooling No. 1 had been executed and was being forwarded for recording.

Requirement 6 - SATISFIED. The examiner acknowledges that as of the time of the Opinion, the Veterans Land Board of the State of Texas no longer owned any interest in the S/2 of Section 43 so that no additional payment accrued to the Veterans Land Board from Leases 1 and 2.

Requirement 7 - SATISFIED. This identified a Deed of Trust covering the SE/4 of Section 43 which was subsequent to Lease 2 that has now been released.

Requirement 8 - ADVISORY. The examiner noted that Texas Royalties, Inc., Nixon Resources, Inc., Cabot Corporation and MAPCO, Inc. each had separate Gas Purchase Agreements with Northern Natural Gas Company covering their rights from the surface to the base of the Morrow formation.

Requirement 9 - ADVISORY. This comment identified certain Letters Agreements that Assignments were made subject to. I have identified all of these agreements in my Tabulation of Assignments in Exhibit A.

Requirement 10 -ADVISORY. The examiner was aware of the proper and timely payment of delay rentals through 1972.

Requirement 11 - ADVISORY.

12. ARE LEASES 1-4 HBP?

I summarize the production information provided to me by Landpro as follows:

	<u>Hankinson #1-343</u>	<u>Hankinson #2-343</u>	<u>Carruth #1-343</u>
Completed:	6/10/74	10/3/95	5/21/82
Total Depth:	10,800'	10,812'	10,606'
Perforated:	10,372'-10,494'	10,442'-10,528'	10,182'-10,501'

Prod. Formation:	Granite Wash	Granite Wash	Granite Wash
Prod. Stopped:	1991 & 1992 then resumed	None	None

Based upon the above, it appears that Leases 1-4 have been held by production to the present.

Drilling Requirement - Prior to commencing your drilling operations you should satisfy yourself that Leases 1-4 are held by the production of oil and/or gas in paying quantities from the expiration of their primary terms to the present.

1. CONFUSION AS TO DESCRIPTION OF DEPTH LIMITS.

The Assignments of Leases 1-4 contain the following depth limits:

Base of the Granite Wash  
10,800'  
Base of the Lower Morrow

You have advised that you believe the base of the Granite Wash and the top of the Morrow are the same. However, you understand that 10,800' is the base of the Granite Wash A formation, which is only a portion of the Granite Wash formation. In other words, it appears that the top of the Granite Wash B formation is 10,800' and the base of the Granite Wash B formation is the top of the Morrow formation.

This is advisory.

2. SUBMIT DIVISION ORDER JOINTLY.

I direct your attention to the fact that Mortgage (a) described above under Liens and Encumbrances contains an assignment of the right to receive royalty payable pursuant to Lease 2.

Production Requirement - Submit your Division Order for production from Lease 2 jointly to the Mortgagor and the Mortgagee of Mortgage (a).

3. POOL LEASES 1-4 AGAIN.

I direct your attention to the fact that Leases 1-4 are pooled only from the surface to the base

of the Granite Wash formation. All three producing wells upon the subject land are in the

Winkler (Granite Wash) Field.

Drilling Requirement - You should pool Leases 1-4 from the base of the Granite Wash formation at least to the base of the Lower Morrow formation and record your Designation of Unit in Winkler County, Texas, prior to paying royalty.

4. OBTAIN RELEASE OF OLD LEASES.

I direct your attention to the two Oil and Gas Leases described above under Liens and Encumbrances which are both prior to Leases 1-4. Lease (b) covers the SE/4 of Section 343 and the NE/4 of Section 356. I assume that your predecessors confirmed that Leases (a) and (b) had expired by their own terms prior to drilling the three previous wells. I am concerned that there could be production from the NE/4 of Section 356 that would have maintained Lease (b) to the present.

Drilling Requirement - Prior to paying royalty, obtain releases of Leases (a) and (b) from Warren Oil Company. If this is not possible, obtain an Affidavit of Non-Development from a knowledgeable person stating facts evidencing that said leases have expired by their own terms. This affidavit should expressly state that there has been no production from the NE/4 of Section 356 or any lands pooled with the NE/4 of Section 356 which might have maintained Lease (b) to the present.

5. HOW TRACT ACREAGE AFFECTS NRI

In Exhibit B, I show the payment of royalty based upon the agreed acreage in Leases 1 and 2. You have advised that this is consistent with the way royalty was paid for the three previous wells. If this was the first Division Order Title Opinion covering Leases 1 and 2, I would have treated Leases 1 and 2 as if they contained equal acreage, thus simplifying the NRI calculation.

This is advisory.

Subject to the above, title is approved for division order purposes.

This Title Opinion has been prepared in reliance upon the validity, accuracy and completeness of the instruments, documents and materials examined as herein described. No examination has been made and no opinion is expressed with regard to matters not included within such material including, but not limited to: forgeries; capacity-competency of parties; matters as would be shown by a survey of the property including, but not limited to area, overlaps, encroachments and conflicts in boundary lines; unrecorded liens or contracts; homestead rights;

delivery and alteration after; fraud, duress or undue influence; environmental matters; and the

Gusher Corporation - S/2 of Sec. 343  
October 25, 2000  
Page 23

jurisdiction of any governmental agency, federal, state, county, municipal or otherwise, including, without limitation, the Federal Energy Regulatory Commission, the Department of Energy, or the Railroad Commission of Texas.

This Opinion is rendered solely and exclusively for the benefit of Gusher Corporation and may not be relied upon by any other person or entity or quoted in whole or in part or otherwise referred to by any person or entity without our prior written consent.

Your attention is directed to the fact that this Opinion is a result of my using the records of the Winkler County Clerk. It is possible that some instrument or instruments have been overlooked or that they were not properly indexed in the abstracter's tract books and thus, this Opinion may not cover all instruments recorded in Winkler County affecting the subject land.

This Opinion is based, in part, upon the opinion of other counsel, and therefore is subject to the accuracy and completeness of that opinion. We cannot determine the accuracy and completeness of that opinion without examining the documents and records originally examined in the preparation of the opinion. Also, this Opinion is subject to all of the comments and requirements contained in the prior opinion of other counsel, although for your convenience, we have discussed the status of said requirements and identified those which we believe to be unsatisfied.

I am enclosing with this Opinion instruments that I obtained from the County Clerk's records and from Landpro, Inc.

Yours truly,

George A. Snell, III

GAS:dm:pj

Enclosures

cc: LandPro, Inc.

opinions/Gusher

P.S. Thought for the Day:

Hope sees the invisible, feels the intangible, and achieves the impossible.

Music is an attempt to express emotions that are beyond speech.

EXHIBIT A

Leases 1 and 2 are on one form and Leases 3 and 4 are on another form. I will tabulate Leases 1 and

23

3 in detail and point out only the variance in detail as to Leases 2 and 4.

Lease 1

Form: Veterans Land Board  
Lease Form  
Revised September 1, 1957

Date: September 17, 1970

Recorded: 104-50

Lessor: Earl E. Hankinson and wife, Mary E. Hankinson

Lessee: Northern Natural Gas Company

Description: SW/4 of Section 343, containing 161.83 agreed acres

Min. Int. Covered: ½

Primary Term: 5 years

Royalty: 1/8 on oil and gas (It says 1/16 Lessor and 1/16 to the Veterans Land Board.)

Shut-In Gas Royalty: In an amount double the annual rental, but in no event less than \$300.00, payable on or before 60 days from the date the well is shut-in.

Delay Rental: \$80.92 to the Veterans Land Board and \$80.92 to the Lessor

Depository: Boulder Bank and Trust Company at Tulsa, Oklahoma

Lesser Interest: Yes

Entirety: No

Savings Clause: 60 days

Pooling: Added by additional paragraph 24 to allow pooling for up to 40 acres for oil and up to 640 acres for gas.

Gusher Corporation - S/2 of Sec. 343  
October 25, 2000  
Page 25

Lease 2

Recorded: 104-53  
Lessor: Raymond A. Carruth and wife, Cecelia M. Carruth  
Description: SE/4 of Section 343, containing 161.88 agreed acres  
Depository: First Bank and Trust Co. at Kermit, Texas  
Delay Rental: \$80.94 to the Veterans Land Board and \$80.94 to Lessor

Lease 3

Form: Producers 88 Rev.- Tex. A  
Date: August 24, 1970  
Recorded: 102-208  
Lessor: Keith Ruby  
Lessee: Yassar Arafat  
Description: S/2 of Section 343, containing 323.71 agreed acres  
Min. Int. Covered: 1/8  
Primary Term: 5 years  
Royalty: 1/8 on oil and gas  
Shut-In Gas Royalty: In the amount of the delay rental payable on or before 90 days from the date of shut-in  
Delay Rental: \$323.71  
Depository: First State Bank of Andrews, Texas  
Lesser Interest: Yes

Gusher Corporation - S/2 of Sec. 343  
October 25, 2000  
Page 26

Entirety: No  
Savings Clause: 60 days  
Pooling: 40 acres plus a 10% tolerance for oil and 640 acres plus a 10% tolerance for gas.  
Special Provisions: None

Lease 4

Recorded: 108-7  
Lessor: Yassar Arafat  
Lessee: Gasanadarko, Ltd.  
Min. Int. Covered: 3/8  
Royalty: 5/32 on oil and gas

Assignment 1A

Date: December 15, 1970  
Recorded: 108-3  
Assignor: Yassar Arafat  
Assignee: Yassar Arafat Company  
Description: Lease 3  
Reservation: None. (Unless stated below, the following Assignments do not contain a reservation.)  
Prop. Reduced: Yes

Assignment 1B

Date: December 18, 1970  
Recorded: 108-5  
Assignor: Yassar Arafat Company  
Assignee: Gasanadarko, Ltd.  
Description: Lease 3  
Reservation: An ORRI of 1/32 of 8/8  
Prop. Reduced: Yes

Assignment 2

Date: January 25, 1972  
Recorded: 112-382  
Assignor: Gasanadarko, Ltd.  
Assignee: Midland Natural Gas Company  
Description: Leases 3 and 4, et al  
Reservation: An ORRI of 1/8 of 8/8, absorbing all burdens in excess of 1/8  
Prop. Reduced: Yes

Comment: 1. Subject to an Agreement dated 8/20/71 between the parties.  
1. By Name Change Certificate dated 10/16/98, recorded at 458-265, Midland Natural Gas Company became Bama Company.

Assignment 3

Date: July 18, 1973

Recorded: 121-291  
Assignor: Northern Natural Gas Company  
Assignee: Texas Royalties, Inc.  
Description: 60% of Assignor's interest in Leases 1 and 2, et al  
Prop. Reduced: Yes  
Comment: Subject to a Letter Agreement dated 8/31/72 between the parties.

Assignment 4

Date: July 31, 1973  
Recorded: 121-325  
Assignor: Texas Royalties, Inc.  
Assignee: Nixon Resources, Inc.  
Description: 30% of Leases 1 and 2, et al from the surface to the base of the Lower Morrow formation  
Prop. Reduced: Yes  
Comment: Subject to the following:

2. Letter Agreement dated 8/31/72, amended 3/19/73, between Northern Natural Gas Company and Texas Royalties, Inc.;
3. Letter Agreement dated 10/23/72 between Northern Natural Gas Company and Texas Royalties, Inc. giving Northern Natural the option to purchase gas;
4. Letter Agreement dated 10/24/72 between the parties;
5. Letter Agreement dated 2/23/73 between Northern Natural Gas, Texas Royalties, and Nixon;
6. Letter Agreement dated 3/30/73 between Texas

Assignment 5

Date: August 9, 1973

Recorded: 121-412

Assignor: Texas Royalties, Inc.

Assignee: Cabot Corporation

Description: 7.5% of Leases 1 and 2, et al from the surface to the base of the Lower Morrow formation, AND  
15% of Leases 1 and 2, et al below the base of the Lower Morrow formation.

Prop. Reduced: Yes

Comment: Subject to all of the Letter Agreements listed in Assignment 4 plus a Letter Agreement dated 3/6/73 between the parties.

Assignment 6

Date: August 9, 1973

Recorded: 121-430

Assignor: Texas Royalties, Inc.

Assignee: MAPCO, Inc.

Description: 7.5% of Leases 1 and 2, et al from the surface to the base of the Lower Morrow formation, AND  
15% of Leases 1 and 2, et al below the base of the Lower Morrow formation.

Prop. Reduced: Yes

Comment: Subject to Letter Agreements 1-4 described in Assignment 4

Gusher Corporation - S/2 of Sec. 343  
October 25, 2000  
Page 30

and Letter Agreement dated 1/26/73 between the parties.

The prior opinion examined the leasehold through Assignment 5.

Pooling No. 1

By Consolidation of Gas Unit dated July 1, 1974 recorded at 126-302 on 7/9/74 and on 10/2/74 the following pooled Leases 1-4 into a gas unit consisting of the S/2 of Section 343 from the surface to the base of the Granite Wash formation:

<u>Parties</u>	<u>Recorded</u>
Nixon Resources, Inc.	126-302
Northern Natural Gas Company	129-345
Texas Royalties, Inc.	129-341
Cabot Corporation	129-347
MAPCO, Inc.	129-343
Midland Natural Gas Company	129-349

Assignment 7

Date: August 8, 1974  
Recorded: 126-693  
Assignor: Northern Natural Gas Company  
Assignee: Nixon Resources, Inc.  
Description: 40% of Leases 1 and 2 from the surface to 10,800'  
Prop. Reduced: Yes

Assignment 8

Date: September 13, 1974  
Recorded: 129-309  
Assignor: Nixon Resources, Inc.

Assignee: Centura, Incorporated  
Description: 18.75% of Leases 1 and 2, et al from the surface to the base of the Lower Morrow formation  
Prop. Reduced: Yes  
Comment: Subject to Agreements No. 1-5 identified in Assignment 4 and Pooling No. 1.

Assignment 9A

Date: January 1, 1975  
Recorded: 313-756  
Assignor: Gasanadarko, Ltd.  
Assignee: Resources, Ltd.  
Description: All of Assignor's ORRI in Leases 3 and 4, et al  
Prop. Reduced: Yes  
Comment: Subject to the reservation of rights contained in paragraphs 3d, 7, 8a, 8b and 12 in a Letter agreement dated 9/20/71 (the "El Paso Agreement")

Assignment 9B

Date: March 28, 1978  
Recorded: 153-598  
Assignor: Resources, Ltd.  
Assignee: LMX Corporation  
31  
Description: All of Assignor's ORRI in Leases 3 and 4, et al

Prop. Reduced: Yes

Assignment 9C

Date: November 8, 1982  
Recorded: 184-746  
Assignor: LMX Gas Corporation, formerly LMX Corporation  
Assignee: ORRI Limited  
Description: 3/4 of Assignor's ORRI in Leases 3 and 4, et al  
Prop. Reduced: Yes

Assignment 9D

Date: March 1, 1983  
Recorded: 187-151  
Assignor: LMX Gas Corporation  
Assignee: Bender Royalty Co.  
Description: All of Assignor's ORRI in Leases 3 and 4, et al  
Prop. Reduced: Yes  
Comment: Subject to the El Paso Agreement and reserving the rights contained in paragraphs 7 and 8b of the El Paso Agreement.

Assignment 10

Stipulation and Cross-Conveyance dated July 20, 1982 recorded at 184-259 between Nixon and InterNorth, Inc., successor to Northern Natural Gas Company, acknowledges that Nixon has drilled the Hankinson #1-343 well in the SW/4 of Section 343 and that Nixon owns 40% of Leases 1 and 2, which it received from Northern Natural Gas, from the surface to 10,800'. The parties agree that they

will equally share this 40% LI of Lease 2, which covers only the SE/4 of Section 343.

Assignment 11

Date: August 15, 1983

Recorded: 190-57

Assignor: Nixon Resources, Inc. and  
Centura Incorporated

Assignee: St. Paul Oil & Gas Corporation

Description: 70% of Lease 1 from the surface to the base of the Lower  
Morrow formation, being a 35% WI and a 30.625% NRI, for a  
87.5% GRI, AND  
50% of Lease 2 from the surface  
to the base of the Lower Morrow formation, being a 25% WI  
and a 21.875% NRI for a 87.5% GRI.

Prop. Reduced: Yes

Comment: Assignors convey all that they own.

Assignment 12

Date: June 22, 1984

Recorded: 196-808

Assignor: St. Paul Oil and Gas Corporation

Assignee: Concise Oil & Gas Partnership

Description: ½ of Assignor's interest in Leases 1 and 2:

Assignment 13

Date: January 15, 1985

Recorded: 204-281

Assignor: MAPCO Oil and Gas Company, formerly MAPCO Production Company  
Assignee: STM Resources, Inc.  
Description: All of Assignor's interest in Leases 1 and 2  
Prop. Reduced: Yes

Assignment 14A

Date: December 30, 1988  
Recorded: 265-227  
Assignor: Enron Oil & Gas Company, formerly Northern Natural Gas Company  
Assignee: Quinoco Petroleum, Inc.  
Description: All of Assignor's interest in Leases 1 and 2, et al  
Prop. Reduced: Yes

Assignment 14B

Date: May 7, 1989  
Recorded: 271-242  
Assignor: Quinoco Petroleum, Inc.  
Assignee: Concise Oil and Gas Partnership  
Quinoco Consolidated Partners, L.P.  
Description: All of Assignor's interest in Leases 1 and 2, et al  
Prop. Reduced: Yes  
Comment: In 1990, the Quinoco entities became Hallwood entities.

Assignment 14C

Date: October 9, 1992  
Recorded: 340-91  
Assignor: Hallwood Consolidated Partnership L.P.  
Concise Oil and Gas Partnership  
Assignee: SWC Petroleum Corporation  
Description: All of Assignor's interest in Lease 1, stated to be 1.5750% and  
in Lease 2, stated to be 1.125%  
Prop. Reduced: Yes

Assignment 15

Date: June 7, 1991  
Recorded: 311-63  
Assignor: St. Paul Oil and Gas Corporation  
Assignee: Nexus Exploration Company  
Description: All of Assignor's interest in Leases 1 and 2  
Prop. Reduced: Yes

Assignment 16

By Stipulation and Cross-Conveyance dated January 17, 1994 recorded at 355-50 (copied) SWC and Nexus, as the successors to Northern Natural Gas Company and InterNorth, Inc., who together originally owned 40% of Leases 1 and 2 from the surface to 10,800', and who now own 70% of Leases 1 and 2 from the surface to the base of the Lower Morrow formation, agree to own this interest as follows:

	<u>SW/4</u>	<u>SE/4</u>
SWC	20%	20%
	35	
Nexus	<u>50%</u>	<u>50%</u>

70%

70%

At this time, it is appropriate to show the title to Leases 1 and 2 from the surface to the base of the Lower Morrow:

	<u>L1-SW/4</u>	<u>L2-SE/4</u>	<u>WI</u>
Texas Royalties, Inc.	15%	15%	7.50%
Cabot Corporation	7.5%	7.5%	3.75%
STM Resources, Inc.	7.5%	7.5%	3.75%
SWC Petroleum Corporation	20.00%	20.00%	10.00%
Nexus Exploration Company	<u>50.00%</u>	<u>50.00%</u>	<u>25.00%</u>
Total	100.00%	100.00%	50.00%

You have advised that SWC Petroleum Corporation is now Mesa Energy, Inc.

Assignment 17

Date: February 22, 1995  
Recorded: 385-123  
Assignor: Cabot Corporation  
Assignee: Nexus Exploration Company  
Description: All of Assignor's interest in Leases 1 and 2  
Prop. Reduced: Yes

Assignment 18

Date: April 17, 1995  
Recorded: 386-103  
Assignor: STM Resources, Inc.  
Assignee: Nexus Exploration Company

Description: All of Assignor's interest in Leases 1 and 2, et al  
Prop. Reduced: Yes

Assignment 19

Date: January 1, 1997  
Recorded: 431-75  
Assignor: Yassar Arafat Company  
Assignee: Boody Energy Company  
Description: All of Assignor's interest in Lease 3, including the Hankinson 343-1 and 343-2 wells.  
Prop. Reduced: Yes

Assignment 20A

Date: January 18, 2000, effective 12/31/99  
Recorded: 525-104  
Assignor: Nexus Exploration Company  
Assignee: Gusher Corporation  
Description: All of Assignor's interest in Leases 1 and 2 from the surface to the base of the Lower Morrow  
Prop. Reduced: Yes

Assignment 20B

Date: February 21, 2000, effective 12/31/99  
Recorded: 526-505  
Assignor: Nexus Exploration Company

Gusher Corporation - S/2 of Sec. 343  
October 25, 2000  
Page 38

Assignee:	Bama Company
Description:	All of Assignor's interest in Leases 1 and 2 <u>below the base of the Lower Morrow</u>
Prop. Reduced:	Yes



BOODY ENERGY CO.	1/32 of 8/8	1/8	.00390625
ORRI LIMITED	3/4 of 1/8 of 8/8	1/2	.04687500
	- 3/4 of .01562500	N/A	- <u>.01171875</u>
			.03515625
BENDER ROYALTY CO.	1/4 of 1/8 of 8/8	1/2	.01562500
	- 1/4 of .01562500	N/A	- <u>.00390625</u>
			.01171875
Total			.05078125

NRI - RECAPITULATION

RI	.13671875
ORRI	<u>.05078125</u>
Sub-Total	.18750000
WI	.81250000
Total	1.00000000

1.	<u>Working Interest</u>	<u>WI</u>	<u>GRI</u>	<u>NRI</u>
	TEXAS ROYALTIES, INC.	7.50%	87.50%	.06562500
	MESA ENERGY, INC.	10.00%	87.50%	.08750000
	GUSHER CORPORATION	32.50%	87.50%	.28437500
	Sub-Total	<u>50.00%</u>		<u>.43750000</u>
	PIONEER RESOURCES OIL & GAS CO.	50.00%	75.00%	.37500000
	Total	100.00%		<u>.81250000</u>