

Agent Advisory

To: All STG Texas issuing agents and offices

From: Stephen C. Reid, III

Re: Claims involving Mineral Interests

We have experienced a recent surge in the number of claims related to mineral interests. These claims can be very costly and are a growing source of concern, particularly in areas seeing increased mineral speculation related to the Barnett Shale. Counties that either have active drilling for, or the potential to have current Barnett Shale activity include the following:

Bosque
Comanche
Cooke
Denton
Ellis
Erath
Hamilton
Hill
Hood
Jack
Johnson
Montague
Palo Pinto
Parker
Somervell
Tarrant
Wise

As development continues, additional counties may also see increased activity.

We wish to remind all issuing agents in Texas that all mineral reservations, conveyances and severances, and all leases, easements and other transfers related to mineral interests should be specifically excepted from coverage in Schedule B. Once you have excepted to the documents where 100% of the minerals have been excepted, you do not have to trace the mineral ownership any further. Thus, you do not have to except to subsequent leases, royalty interests or assignments of any of them. Many mineral related transfers and reservations occurred 100 years or more ago, and even as far back as the original patent, therefore, please be sure to check as far back as necessary to properly except to all mineral related interests.

In addition to any excepted mineral interests identified in your search and excepted from coverage in the commitment and policy, should you wish to issue on the surface estate

only, without any coverage for mineral interests, we suggest you also specifically designate the covered estate in Schedule A of both the commitment and policy (i.e. “Surface estate only and subject to all rights, privileges and immunities relating to interests not constituting part of the surface to the following described property ...”) and include an exception in Schedule B of both the commitment and policy for all “oil, gas and minerals and other interests not constituting part of the surface estate of the property, and all rights, privileges and immunities relating thereto.” If you have any questions about possible mineral interests, please call a Texas underwriter.