

Avalon Proposed Voting: Yates draft 2/21/95

- ✓ 1. Expenditures greater than \$100,000 require ballot approval.
 - ✓ 2. Waterflood AFE (approximately \$13M): Unit cannot be effective until AFE approved as provided in the existing Pre-Unitization Agreement.
 - 3. AFE's under \$1M: Approval to be largest owner WI (includes non-consent WI carried at time of Unitization) plus ~~10~~¹⁰% of difference between 100% and largest owner WI. ~~11.5%~~
MM = 11.5%
 - 4. Expenditures of ¹⁻²\$1MM or greater: Approval of ^{80% + 15% of Δ w/ largest owner} 85% of WI ownership.
 - ✓ 5. ~~Special Exception : For Tertiary (overhead) Studies prior to Project, Secondary and Tertiary Projects, Pilots for and expansions of such projects, both in the Primary Area and in the Ring Area, and drilling of one or more wells.~~ } confusing
- Largest 2 owners must approve. Yates Petroleum 7 affiliates defined as a single owner for this purpose. Should these Yates interests be sold a new 2nd largest owner could occur.

- What \$ level?
6. Large Owner Exception: If any single owner controls greater than 85% WI;

Alteration of any Flood Pattern and Centralization of Production Facilities will be added to the operations requiring approval under 5. Special Exception above.

What are concerns here?
Is this conversions, add'l prod, changing Act L.H.?

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- 3. AFE's under \$1M: Approval to be largest owner WI (includes non-consent WI carried at time of Unitization) plus 15% of difference between 100% and largest owner WI.**
- 4. Expenditures of \$1MM or greater: Approval of 85% of WI ownership.**
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