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*Exxon  
Exhibits  
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**IMPROVED RECOVERY UNIT  
UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**NO.** \_\_\_\_\_

Exhibit No. 2  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

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4 UNIT AGREEMENT  
5 FOR THE DEVELOPMENT AND OPERATION  
6 OF THE  
7 AVALON (DELAWARE) UNIT  
8 EDDY COUNTY, NEW MEXICO  
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**UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
AVALON (DELAWARE) UNIT  
EDDY COUNTY, NEW MEXICO**

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

**WITNESSETH:**

WHEREAS, the parties hereto are the owners of working, royalty or other oil and gas interests in the Unit Area subject to this Agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sec. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1 of Chapter 176, Laws of 1961) (Chapter 19, Article 10, Section 45, New Mexico Statutes 1978 Annotated), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1, Chapter 162, Laws of 1951) (Chapter 19, Article 10, Section 47, New Mexico Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, Laws of 1935 as amended) (Chapter 70, Article 2, Section 1 et seq., New Mexico Statutes 1978 Annotated) to approve this Agreement and the conservation provisions hereof; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico is authorized by law (Chapter 70, 7, N.M.S. 1978 Annotated) to approve this Agreement and the conservation provisions hereof; and

1 WHEREAS, the parties hereto hold sufficient interest in the Unit Area covering the land hereinafter  
2 described to give reasonably effective control of operations therein; and  
3

4 WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste,  
5 and secure other benefits obtainable through development and operation of the area subject to this  
6 Agreement under the terms, conditions, and limitations herein set forth;  
7

8 NOW THEREFORE, in consideration of the premises and the promises herein contained, the  
9 parties hereto commit to this Agreement their respective interest in the below-defined Unit Area, and agree  
10 severally among themselves as follows:  
11

12 SECTION 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25,  
13 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations,  
14 heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder  
15 are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not  
16 inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating  
17 regulations in effect as of the Effective Date hereof governing drilling and producing operations, not  
18 inconsistent with the terms hereof or the laws of the state in which the non-Federal land is located, are  
19 hereby accepted and made a part of this Agreement.  
20

21 SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following  
22 terms and expressions as used herein shall mean:

23 (a) "Unit Area" is defined as those lands depicted on Exhibit "A" and described in Exhibit "B"  
24 hereof, and such land is hereby designated and recognized as constituting the Unit Area,  
25 containing 2,118.78 acres, more or less, in Eddy County, New Mexico.

26 (b) "Land Commissioner" is defined as the Commissioner of Public Lands of the State of New  
27 Mexico.

28 (c) "Division" is defined as the Oil Conservation Division of the Department of Energy and  
29 Minerals of the State of New Mexico.

30 (d) "Authorized Officer" or "A.O." is any employee of the Bureau of Land Management who has  
31 been delegated the required authority to act on behalf of the BLM.

32 (e) "Secretary" is defined as the Secretary of the Interior of the United States of America, or his  
33 duly authorized delegate.

34 (f) "Department" is defined as the Department of the Interior of the United States of America.

35 (g) "Proper BLM Office" is defined as the Bureau of Land Management office having jurisdiction  
36 over the federal lands included in the Unit Area.

37 (h) "Unitized Formation" shall mean that interval underlying the Unit Area described as, the  
38 Delaware Mountain Group, extending from 100 feet above the base of the Goat Seep Reef to the  
39 top of the Bone Spring formation and including, but not limited to, the Cherry Canyon and Brushy  
40 Canyon Formations, as identified by the Compensated Neutron/Lithodensity/Gamma Ray log  
41 dated September 14, 1990 run in the Exxon Yates "C" Federal # 36, located 1305' from the North  
42 line and 1305' from the East line in the Northeast Quarter of Section 31, Township 20 south,  
43 Range 28 East, Eddy County, New Mexico, with the top of the Unitized Interval being found in said  
44 well at a depth of 2,378 feet below the surface (869 feet above sea level) and the base of the  
45 Unitized Interval being found at a depth of 4,880 feet below the surface (1,633 feet below sea  
46 level), or stratigraphic equivalents, thereof.

47 (i) "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas,  
48 condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons, other  
49 than Outside Substances, within and produced from the Unitized Formation.

50 (j) "Tract" is each parcel of land described as such and given a Tract number in Exhibit "B".

51 (k) "Tract Participation" is defined as the percentage of participation shown on Exhibit "C " for  
52 allocating Unitized Substances to a Tract under this agreement.

1 (l) "Unit Participation" is the sum of the percentages obtained by multiplying the Working Interest  
2 of a Working Interest Owner in each Tract by the Tract Participation of such Tract provided that  
3 Unit Participation shall be subject to adjustment as set out in Articles 12 and 13 of Unit Operating  
4 Agreement.

5 (m) "Working Interest" is the right to search for, produce and acquire Unitized Substances whether  
6 held as an incident of ownership of mineral fee simple title, under an oil and gas lease, operating  
7 agreement, or otherwise held, which interest is chargeable with and obligated to pay or bear,  
8 either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing  
9 and producing the Unitized Substances from the Unitized Formation and operations thereof  
10 hereunder. However, it is expressly understood and agreed that any royalty interest created out of  
11 a working interest subsequent to the execution of this Agreement by the owner of the working  
12 interest shall continue to be subject to such working interest burdens and obligations.

13 (n) "Working Interest Owner" is any party hereto owning a Working Interest, including a carried  
14 working interest, holding an interest in Unitized Substances by virtue of a lease, operating  
15 agreement, fee title or otherwise. The owner of oil and gas rights that are free of lease or other  
16 instrument creating a Working Interest in another shall be regarded as a Working Interest Owner  
17 to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner  
18 with respect to his remaining one-eighth (1/8) interest therein.

19 (o) "Royalty Interest" or "Royalty" is an interest other than a Working Interest in, or right to receive  
20 a portion of, the Unitized Substances or the proceeds thereof and includes the royalty interest  
21 reserved by the lessor or by an oil and gas lease and any overriding royalty interest, oil payment  
22 interest, net profit contracts, or any other payment or burden which does not carry with it the right  
23 to search for and produce unitized substances.

24 (p) "Royalty Owner" is the owner of a Royalty Interest.

25 (q) "Unit Operating Agreement" is the agreement entered into by and between the Unit Operator  
26 and the Working Interest Owners as provided in Section 9, *infra*, and shall be styled "Unit  
27 Operating Agreement, of the Avalon (Delaware) Unit, Eddy County, New Mexico".

28 (r) "Oil and Gas Rights" is the right to explore, develop and operate lands within the Unit Area for  
29 the production of Unitized Substances, or to share in the production so obtained or the proceeds  
30 thereof.

31 (s) "Outside Substances" is any substance, including but not limited to water, carbon dioxide  
32 (CO<sub>2</sub>), nitrogen, propane, butane, or other substances used for the operation of the property,  
33 obtained from any source other than the Unitized Formation and injected into the Unitized  
34 Formation.

35 (t) "Unit Manager" is any person or corporation appointed by Working Interest Owners to perform  
36 the duties of Unit Operator until the selection and qualification of a successor Unit Operator as  
37 provided for in Section 7 hereof.

38 (u) "Unit Operator" is the party designated by Working Interest Owners under the Unit Operating  
39 Agreement to conduct Unit Operations.

40 (v) "Unit Operations" is any operation conducted pursuant to this Agreement and the Unit  
41 Operating Agreement.

42 (w) "Improved Recovery Project" is work undertaken for the purpose of effecting additional  
43 recovery of Unitized Substances, preventing waste and/or conserving natural resources.  
44 Improved Recovery Project includes, but is not limited to, those processes and classes of  
45 processes which are sometimes referred to as waterflooding, pressure maintenance, enhanced  
46 recovery, secondary recovery, tertiary recovery, and post-primary recovery operations.

47 (x) "Unit Equipment" is all personal property, lease and well equipment, plants, and other facilities  
48 and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

49 (y) "Unit Expense" is all cost, expense, or indebtedness incurred by Working Interest Owners or  
50 Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account of  
51 Unit Operations. Expenses incurred for operations prior to the Effective Date shall not be  
52 considered Unit Expense, even if billed after the Effective Date.

1 (z) "Effective Date" is the date determined in accordance with Section 24, or as redetermined in  
2 accordance with Section 39.  
3

4 SECTION 3. EXHIBITS. The following exhibits are incorporated herein by reference: Exhibit "A"  
5 attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in  
6 said Unit Area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing,  
7 to the extent known to the Unit Operator, the acreage comprising each Tract, percentages and kind of  
8 ownership of oil and gas interests in all land in the Unit Area. Exhibit "C" attached hereto is a schedule  
9 showing Tract Participation of each Tract. Exhibit "D" attached hereto is a schedule showing reserves by  
10 Tract. However, nothing herein or in said schedule or map shall be construed as a representation by any  
11 party hereto as to the ownership of any interest other than such interest or interests as are shown in said  
12 map or schedule as owned by such party. The shapes and descriptions of the respective Tracts have  
13 been established by using the best information available. Each Working Interest Owner is responsible for  
14 supplying Unit Operator with accurate information relating to each Working Interest Owner's interest. If it  
15 subsequently appears that any Tract, because of diverse royalty or working interest ownership on the  
16 Effective Date hereof, should be divided into more than one Tract, or when any revision is requested by  
17 the A.O., or any correction of any error other than mechanical miscalculations or clerical is needed, then  
18 the Unit Operator, with the approval of the Working Interest Owners, may correct the mistake by revising  
19 the exhibits to conform to the facts. The revision shall not include any reevaluation of engineering or  
20 geological interpretations used in determining Tract Participation. Each such revision of an exhibit made  
21 prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each other such  
22 revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following  
23 the filing for record of the revised exhibit or on such other date as may be determined by Working Interest  
24 Owners and set forth in the revised exhibit. Copies of such revision shall be filed with the Land  
25 Commissioner, and not less than four copies shall be filed with the A.O. In any such revision, there shall  
26 be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances  
27 produced, or proceeds thereof.  
28

29 SECTION 4. EXPANSION AND CONTRACTION. When practicable, the above described Unit  
30 Area may, with the approval of the A.O. and Land Commissioner be expanded to include therein any  
31 additional Tract or Tracts regarded as reasonably necessary or advisable for the purposes of this  
32 Agreement. However, in such expansion there shall be no retroactive allocation or adjustment of Unit  
33 Expense or of interests in the Unitized Substances produced, or proceeds thereof, but provided further  
34 that, pursuant to Subsection (b), the Working Interest Owners may agree upon an adjustment of  
35 investment by reason of the expansion. Such expansion shall be effected in the following manner:

36 (a) The Working Interest Owner or Owners of a Tract or Tracts desiring to bring such Tract or  
37 Tracts into this unit, shall file an application therefor with Unit Operator requesting such  
38 admission.

39 (b) Unit Operator shall circulate a notice of the proposed expansion to each Working Interest  
40 Owner in the Unit Area and in the Tract proposed to be included in the unit, setting out the basis  
41 for admission, the Tract Participation to be assigned to each Tract in the enlarged Unit Area, any  
42 adjustment of investment to be made due to such expansion, and other pertinent data. After  
43 negotiation (at a Working Interest Owners meeting or otherwise) if at least three Working Interest  
44 Owners having in the aggregate seventy-five percent (75%) of the Unit Participation then in effect  
45 have agreed to inclusion of such Tract or Tracts in the Unit Area, then Unit Operator shall:

- 46 1. After obtaining preliminary concurrence by the A.O. and Land Commissioner, prepare a notice  
47 of proposed expansion describing the contemplated changes in the boundaries of the Unit Area,  
48 the reason therefor, the basis for admission of the additional Tract or Tracts, the Tract  
49 Participation to be assigned thereto and the proposed effective date thereof; and
- 50 2. Deliver copies of said notice to Land Commissioner, the A.O. at the proper BLM Office, each  
51 Working Interest Owner and to the last known address of each lessee and lessor whose interests  
52 are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit

1 Operator of any objection to such proposed expansion; and  
2 3. File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with  
3 the Land Commissioner and A.O. the following: (a) evidence of mailing or delivering copies of said  
4 notice of expansion; (b) an application for approval of such expansion; (c) an instrument  
5 containing the appropriate joinders in compliance with the participation requirements of Section  
6 14, and Section 34, infra; and (d) a copy of all objections received along with the Unit Operator's  
7 response thereto.

8 The expansion shall, after due consideration of all pertinent information and approval by the Land  
9 Commissioner and the A.O., become effective as of the date prescribed in the notice thereof, preferably  
10 the first day of the second month subsequent to the date of notice. The revised Tract Participation of the  
11 respective Tracts included within the Unit Area prior to such enlargement shall remain the same ratio one  
12 to another.

13  
14 SECTION 5. UNITIZED LAND. All land committed to this Agreement as to the Unitized Formation  
15 shall constitute land referred to herein as "Unitized Land" or "Land subject to this Agreement". Nothing  
16 herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in  
17 or that may be produced from any formation other than the Unitized Formation as defined in Section 2 (h)  
18 of this Agreement.

19  
20 SECTION 6. UNIT OPERATOR. Exxon Corporation is hereby designated the Unit Operator, and  
21 by signing this instrument as Unit Operator, agrees and consents to accept the duties and obligations of  
22 Unit Operator for the operation, development, and production of Unitized Substances as herein provided.  
23 Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting  
24 in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest  
25 Owner" when used herein shall include or refer to the Unit Operator as the owner of a Working Interest  
26 when such an interest is owned by it.  
27 Unit Operator shall have a lien upon interests of Working Interest Owners in the Unit Area to the extent  
28 provided in the Unit Operating Agreement.

29  
30 SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the  
31 right to resign at any time, but such resignation shall not become effective so as to release Unit Operator  
32 from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period  
33 of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working  
34 Interest Owners, the Land Commissioner and the A.O. unless a new Unit Operator shall have taken over  
35 and assumed the duties and obligations of Unit Operator prior to the expiration of said period.  
36 The Unit Operator shall, upon default or failure in the performance of its duties and obligations hereunder,  
37 be subject to removal by Working Interest Owners having in the aggregate eighty percent (80%) or more  
38 of the Unit Participation then in effect exclusive of the participation of the Working Interest Owner who is  
39 the Unit Operator, provided that Working Interest Owners voting for removal own at least ten (10) percent  
40 of total Unit Participation. Such removal shall be effective upon notice thereof to the Land Commissioner  
41 and the A.O.

42 In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and  
43 approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the  
44 performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such  
45 resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be  
46 taken hereunder.

47 The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or  
48 interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the  
49 resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of  
50 all wells, equipment, books and records, materials, appurtenances and any other assets used in  
51 connection with the Unit Operations to the new duly qualified successor Unit Operator or to the Unit  
52 Manager if no such new Unit Operator is elected. Nothing herein shall be construed as authorizing the

1 removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing  
2 herein contained shall be construed to relieve or discharge any Unit Operator or Unit Manager who  
3 resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the  
4 effective date of such resignation or removal.  
5

6 **SECTION 8. SUCCESSOR UNIT OPERATOR.** Whenever the Unit Operator shall tender its  
7 resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners  
8 shall select a successor Unit Operator as herein provided. Such selection shall not become effective until  
9 (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and  
10 (b) the selection shall have been approved by the Land Commissioner and the A.O. If no successor Unit  
11 Operator or Unit Manager is selected and qualified as herein provided, the Land Commissioner and/or the  
12 A.O., at their election, may declare this Agreement terminated.

13 In selecting a successor Unit Operator, the affirmative vote of three or more Working Interest Owners  
14 having a total of sixty-five percent (65%) or more of the total Unit Participation shall prevail. If the Unit  
15 Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be  
16 selected by the affirmative vote of the owners of at least seventy-five percent (75%) of the Unit  
17 Participation remaining after excluding the Unit Participation of Unit Operator so removed.  
18

19 **SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.** Costs and  
20 expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned  
21 among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement.  
22 Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall  
23 be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in  
24 conformity with their underlying operating agreements, leases or other contracts and such other rights and  
25 obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the  
26 Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be  
27 deemed either to modify any of the terms and conditions of this Agreement or to relieve the Unit Operator  
28 of any right or obligation established under this Agreement, and in case of any inconsistency or conflict  
29 between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Copies of any  
30 Unit Operating Agreement executed pursuant to this Section shall be filed with the Land Commissioner  
31 and with the A.O. at the Proper BLM Office as required prior to approval of this Agreement.  
32

33 **SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.** Except as otherwise  
34 specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the  
35 parties hereto including surface rights which are necessary or convenient for prospecting for, producing,  
36 storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised  
37 by the Unit Operator as herein provided. Upon request, acceptable evidence of title to said rights shall be  
38 deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights,  
39 privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to  
40 any land or to any lease or operating agreement, it being understood that under this Agreement the Unit  
41 Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the  
42 parties hereto only for the purposes herein specified.  
43

44 **SECTION 11. PLAN OF OPERATIONS.** It is recognized and agreed by the parties hereto that all  
45 of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances and  
46 that the object and purpose of this Agreement is to formulate and to put into effect an Improved Recovery  
47 Project. Unit Operator shall have the right to inject into the Unitized Formation any substances for an  
48 Improved Recovery Project in accordance with a plan of operation approved by the Working Interest  
49 Owners, the A.O., the Land Commissioner and the Division, including the right to drill and maintain  
50 injection wells on the Unitized Land and completed in the Unitized Formation, and to use abandoned well  
51 or wells producing from the Unitized Formation for said purpose. Subject to like approval, the Plan of  
52 Operation may be revised as conditions may warrant.

1 The initial Plan of Operation shall be filed with the A.O., the Land Commissioner and the Division  
2 concurrently with the filing of the Unit Agreement for final approval. Said initial plan of operations and all  
3 revisions thereof shall be as complete and adequate as the A.O., the Land Commissioner and the Division  
4 may determine to be necessary for timely operation consistent herewith. Upon approval of this Agreement  
5 and the initial plan by the A.O. and Commissioner, said plan, and all subsequently approved plans, shall  
6 constitute the operating obligations of the Unit Operator under this Agreement for the period specified  
7 therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall  
8 submit for like approval a plan for an additional specified period of operations. After such operations are  
9 commenced, reasonable diligence shall be exercised by the Unit Operator in complying with the  
10 obligations of the approved Plan of Operation.

11 Notwithstanding anything to the contrary herein contained, should the Unit Operator fail to commence Unit  
12 Operations for the Improved Recovery Project of Unitized Substances from the Unit Area within eighteen  
13 (18) months after the effective date of this Agreement, or any extension thereof approved by the A.O., this  
14 Agreement shall terminate automatically as of the date of default.

15  
16 **SECTION 12. USE OF SURFACE AND USE OF WATER.** The parties to the extent of their rights  
17 and interests, hereby grant to Unit Operator the right to free use of as much of the surface of the Unitized  
18 Land, including the water thereunder, as may be reasonably necessary for Unit Operations including the  
19 laying, operating, and replacing of all lines of any type and the construction and operation of all facilities  
20 reasonably required for Unit operations. Unit Operator's free use of water for Unit Operations, shall not  
21 include any water from any well, lake, pond or irrigation ditch of a surface owner, unless approval for such  
22 use is granted by the surface owner.

23 Unit Operator shall pay the surface owner for damages to growing crops, fences, improvements and  
24 structures on the Unitized Land that result from Unit Operations, and such payments shall be considered  
25 as items of unit expense to be borne by all the Working Interest Owners of lands subject hereto.

26  
27 **SECTION 13. TRACT PARTICIPATION.** In Exhibit "C" attached hereto there are listed and  
28 numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which  
29 represent the Tract Participation during Unit Operations if all Tracts in the Unit Area qualify as provided  
30 herein. The Tract Participation of each Tract as shown in Exhibit "C" was determined in accordance with  
31 the following formula:

32  
33 
$$\text{TRACT PARTICIPATION PERCENTAGE} = 25\% * A/B + 50\% * C/D + 25\% * E/F$$

34 Where:

35 A= Tract's remaining primary reserves as of 1/1/93; see Exhibit D

36 B= Total remaining primary reserves as of 1/1/93= 1192.2 MBO

37 C= Tract's waterflood reserves; See Exhibit D

38 D = Total waterflood reserves= 8269.4 MBO

39 E = Tract's tertiary reserves; See Exhibit D

40 F = Total tertiary reserves= 39883.0 MBO

41  
42 In the event less than all Tracts are included in the Unit on the Effective Date hereof, the Tract  
43 Participation shall be calculated on the basis of all Tracts so included rather than all Tracts in the Unit Area  
44 with appropriate charge to the reserve values shown for each tract in Exhibit "D".

45  
46 **SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION.** On and after the Effective Date  
47 hereof, the Tracts within the Unit Area which shall be entitled to participation in the production of Unitized  
48 Substances shall be those Tracts more particularly described in Exhibit "B" that corner or have a common  
49 boundary (Tracts separated only by a public road or a railroad right-of-way shall be considered to have a  
50 common boundary), and that otherwise qualify as follows:

51 (a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the  
52 Working Interest have become parties to this Agreement and as to which Royalty Owners owning

1 seventy-five percent (75%) or more of the Royalty Interest have become parties to this  
2 Agreement.

3 (b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the  
4 Working Interest have become parties to this Agreement, and as to which Royalty Owners owning  
5 less than seventy-five percent (75%) of the Royalty Interest have become parties to this  
6 Agreement, and as to which (1) the Working Interest Owner who operates the Tract and Working  
7 Interest Owners owning at least seventy-five percent (75%) of the remaining Working Interest in  
8 such Tract have joined in a request for the inclusion of such Tract, and as to which (2) Working  
9 Interest Owners owning at least seventy-five percent (75%) of the combined Unit Participation in  
10 all Tracts that meet the requirements of Section 14 (a) above have voted in favor of the inclusion  
11 of such tract.

12 (c) Each Tract as to which Working Interest Owners owning less than one hundred percent  
13 (100%) of the Working Interest have become parties to this Agreement, regardless of the  
14 percentage of Royalty Interest therein that is committed hereto; and as to which (1) the Working  
15 Interest Owner who operates the Tract and Working Interest Owner owning at least seventy-five  
16 percent (75%) of the remaining Working Interest in such Tract who have become parties to this  
17 Agreement have joined in a request for inclusion of such Tract, and have executed and delivered,  
18 or obligated themselves to execute and deliver an indemnity agreement indemnifying and  
19 agreeing to hold harmless the other owners of committed Working Interests, their successors and  
20 assigns, against all claims and demands that may be made by the owners of Working Interest in  
21 such Tract who are not parties to this Agreement, and which arise out of the inclusion of the Tract;  
22 and as to which (2) Working Interest Owners owning at least seventy-five percent (75%) of the  
23 Unit Participation in all Tracts that meet the requirements of Section 14 (a) and 14 (b) have voted  
24 in favor of the inclusion of such Tract and to accept the indemnity agreement. Upon the inclusion  
25 of such a Tract, the Tract Participation which would have been attributed to the nonsubscribing  
26 owners of Working Interest in such Tract, had they become parties to this Agreement and the Unit  
27 Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have  
28 become parties to such agreements, and joined in the indemnity agreement, in proportion to their  
29 respective Working Interests in the Tract.

30 If on the Effective Date of this Agreement there is any Tract or Tracts which have not been effectively  
31 committed to or made subject to this Agreement by qualifying as above provided, then such Tract or  
32 Tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement  
33 for final approval by the Land Commissioner and the A.O., file therewith a schedule of those tracts which  
34 have been committed and made subject to this Agreement and are entitled to participate in Unitized  
35 Substances. Said schedule shall set forth opposite each such committed Tract the lease number or  
36 assignment number, the owner of record of the lease, and the percentage participation of such tract which  
37 shall be computed according to the participation formula set forth in Section 13 (Tract Participation) above.  
38 This schedule of participation shall be revised Exhibit "C" and upon approval thereof by the Land  
39 Commissioner and the A.O., shall become a part of this Agreement and shall govern the allocation of  
40 production of Unitized Substances until a new schedule is approved by the Land Commissioner and A.O.  
41

42 **SECTION 15.A. ALLOCATION OF UNITIZED SUBSTANCES.** All Unitized Substances produced  
43 and saved (less, save and except any part of such Unitized Substances used in conformity with good  
44 operating practices on unitized land for drilling, operating, camp and other production or development  
45 purposes and for injection or unavoidable loss in accordance with a Plan of Operation approved by the  
46 A.O. and Land Commissioner) shall be apportioned among and allocated to the qualified Tracts in  
47 accordance with the respective Tract Participation as set forth in the schedule of participation in Exhibit  
48 "C". The amount of Unitized Substances so allocated to each Tract, and only that amount (regardless of  
49 whether it be more or less than the amount of the actual production of Unitized Substances from the well  
50 or wells, if any, on such Tract) shall, for all intents, uses and purposes, be deemed to have been produced  
51 from such Tract.

52 The Unitized Substances allocated to each Tract shall be distributed among, or accounted for, to the

1 parties entitled to share in the production from such Tract in the same manner, in the same proportions,  
2 and upon the same conditions, as they would have participated and shared in the production from such  
3 Tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal  
4 force and effect. Notwithstanding the foregoing, it is understood and agreed that the rights of the Working  
5 Interest Owners to their proportionate share of production hereunder shall be subject to certain provisions  
6 of the Unit Operating Agreement, including, but not limited to, the Gas Balancing Agreement which is  
7 Exhibit G to said Unit Operating Agreement, certain provisions dealing with the non-participation of  
8 Working Interest Owners, the failure of Working Interest Owners to pay their share of Unit Expense, and  
9 with certain pre-existing Agreements among the Working Interest Owners.

10 No Tract committed to this Agreement and qualified for participation as above provided shall be  
11 subsequently excluded from participation hereunder on account of depletion of Unitized Substances.  
12 If the Working Interest and/or the Royalty Interest in any Tract are divided with respect to separate parcels  
13 or portions of such Tract and owned now or hereafter in severalty by different persons, the Tract  
14 Participation shall in the absence of a recordable instrument executed by all owners in such Tract and  
15 furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in  
16 proportion to the number of surface acres in each.

17  
18 **SECTION 15.B. EXCESS IMPUTED NEWLY DISCOVERED CRUDE OIL.** Each Tract shall be  
19 allocated any excess imputed newly discovered crude oil in the proportion that its Tract Participation bears  
20 to the total of the Tract Participation of all Tracts not previously allocated the total number of barrels of  
21 crude oil allocable to these Tracts out of unit production in accordance with the Tract Participation of such  
22 Tracts; provided, however, that excess imputed newly discovered crude oil allocated to each such Tract,  
23 when added to the total number of barrels of imputed newly discovered crude oil previously allocated to it,  
24 shall not exceed, in any month, the total number of barrels of oil allocable to it out of unit production in  
25 accordance with its Tract Participation.

26  
27 **SECTION 15.C. EXCESS IMPUTED STRIPPER CRUDE OIL.** Each Tract shall be allocated any  
28 excess imputed stripper crude oil in the proportion that its Tract Participation bears to the total of the Tract  
29 Participation of all Tracts not previously allocated the total number of crude oil barrels allocable to these  
30 Tracts out of unit production in accordance with the Tract Participation of such Tracts; provided, however,  
31 that excess imputed stripper crude oil allocated to each such Tract, when added to the total number of  
32 barrels of imputed stripper crude oil previously allocated to it, shall not exceed, in any month, the total  
33 number of barrels of oil allocable to it out of unit production in accordance with its Tract Participation.

34  
35 **SECTION 15.D. TAKING UNITIZED SUBSTANCES IN KIND.** The Unitized Substances  
36 allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the  
37 ownership of oil and gas rights therein. Each such party shall have the right to construct, maintain and  
38 operate all necessary facilities for that purpose within the Unitized Area, provided the same are so  
39 constructed, maintained and operated as not to interfere with Unit Operations. Subject to Section 17  
40 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of  
41 the Unitized Substances shall be borne by the party taking delivery. In the event any Working Interest  
42 Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from  
43 the Unitized Formation then so long as such condition continues, Unit Operator, for the account and at the  
44 expense of the Working Interest Owner of the Tract or Tracts concerned, and in order to avoid curtailing  
45 the operation of the Unit Area, may, but shall not be required to, sell or otherwise dispose of such  
46 production to itself or to others, provided that all contracts of sale by Unit Operator of any other party's  
47 share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the  
48 minimum needs of the industry under the circumstances, but in no event shall any such contract be for a  
49 period in excess of one year, and at not less than the prevailing market price in the area for like  
50 production, and the account of such Working Interest Owner shall be charged therewith as having  
51 received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit  
52 Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned. Notwithstanding

1 the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest  
2 Owner's share of gas production without first giving such Working Interest Owner sixty (60) days' notice of  
3 such intended sale.

4 Any Working Interest Owner receiving in kind or separately disposing of all or any part of the Unitized  
5 Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased  
6 by Unit Operator, shall be responsible for the payment of all royalty, overriding royalty and production  
7 payments due thereon, and each such party shall hold each other Working Interest Owner harmless  
8 against all claims, demands and causes of action by owners of such royalty, overriding royalty and  
9 production payments.

10 If, after the Effective Date of this Agreement, there is any Tract or Tracts that are subsequently committed  
11 hereto, as provided in Section 4 (Expansion) hereof, or any Tract or Tracts within the Unit Area not  
12 committed hereto as of the Effective Date hereof but which are subsequently committed hereto under the  
13 provisions of Section 14 (Tracts Qualified for Participation) and Section 32 (Nonjoinder and Subsequent  
14 Joinder); or if any Tract is excluded from this Agreement as provided for in Section 21 (Loss of Title), the  
15 schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator; and the revised  
16 Exhibit "C", upon approval by the Land Commissioner and the A.O., shall govern the allocation of  
17 production on and after the effective date thereof until a revised schedule is approved as hereinabove  
18 provided.

19  
20 **SECTION 16. OUTSIDE SUBSTANCES.** If any outside substance obtained from formations not  
21 subject to this Agreement is introduced into the Unitized Formation for use in an Improved Recovery  
22 Project which shall be in conformity with a Plan of Operation first approved by the Land Commissioner and  
23 the A.O., a like amount of such outside substance with appropriate deduction for loss or depletion from  
24 any cause may be withdrawn from unit wells completed in the Unitized Formation royalty free, but not  
25 royalty free as to the Unitized Substances extracted therefrom; provided that such withdrawal shall be at  
26 such time as may be provided in the approved Plan of Operation or as otherwise may be consented to or  
27 prescribed by the Land Commissioner and the A.O. as conforming to good petroleum engineering  
28 practices and provided further that such right of withdrawal shall terminate on the termination date of this  
29 Agreement.

30  
31 **SECTION 17. ROYALTY SETTLEMENT.** The State of New Mexico and United States of  
32 America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the  
33 substances produced from any Tract unitized hereunder, shall continue to be entitled to such right to take  
34 in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make  
35 deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and  
36 regulations. Settlement for Royalty not taken in kind shall be made by Working Interest Owners  
37 responsible therefor under existing contracts, laws and regulations on or before the last day of each month  
38 for Unitized Substances produced during the preceding calendar month; provided, however, that nothing  
39 herein contained shall operate to relieve the lessees of any land from their respective lease obligations for  
40 the payment of any Royalty due under the leases, except that such Royalty shall be computed on Unitized  
41 Substances as allocated to each Tract in accordance with the terms of this Agreement. With respect to  
42 Federal leases committed hereto on which the royalty rate depends upon the daily average production per  
43 well, such average production shall be determined in accordance with the operating regulations pertaining  
44 to Federal leases as though the committed Tracts were included in a single consolidated lease.  
45 If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United  
46 States of America) in a Tract depends upon the average production per well or the average pipeline runs  
47 per well from such Tract during any period of time, then such production shall be determined from and  
48 after the effective date hereof by dividing the quantity of Unitized Substances allocated hereunder to such  
49 Tract during such period of time by the number of wells located thereon capable of producing Unitized  
50 Substances as of the Effective Date hereof, provided that any Tract not having any well so capable of  
51 producing Unitized Substances on the Effective Date hereof shall be considered as having one such well  
52 for the purpose of this provision.

1 All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners  
2 hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective  
3 Tract or Tracts committed hereto, in lieu of actual production from such Tract or Tracts.

4 With the exception of Federal and State requirements to the contrary, Working Interest Owners may use  
5 or consume Unitized Substances for Unit Operations and no Royalty, overriding royalty, production or  
6 other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit  
7 Operations.

8 Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes  
9 this Agreement represents and warrants that it is the owner of a Royalty Interest in a Tract or Tracts within  
10 the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a Tract or  
11 Tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement,  
12 then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced  
13 proportionately and the interest of all parties shall be adjusted accordingly.

14  
15 **SECTION 18. RENTAL SETTLEMENT.** Rentals or minimum Royalties due on the leases  
16 committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts,  
17 laws and regulations provided that nothing herein contained shall operate to relieve the lessees of any  
18 land from their respective lease obligations for the payment of any rental or minimum Royalty in lieu  
19 thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement  
20 shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or  
21 minimum Royalty for lands of the United States of America subject to this Agreement shall be paid at the  
22 rate specified in the respective leases from the United States of America, unless such rental or minimum  
23 Royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized  
24 representative.

25  
26 **SECTION 19. CONSERVATION AND REGULATORY OBLIGATIONS.** Operations hereunder  
27 and production of Unitized Substances shall be conducted to provide for the most economical and efficient  
28 recovery of said substances without waste, as defined by or pursuant to Federal and State laws and  
29 regulations.

30 It is expressly understood and agreed that the only wells deemed to be included in the Unit shall be those  
31 wells contributed to the Unit and accepted by the Unit, pursuant to the terms hereof or drilled for the Unit in  
32 accordance with the terms hereof and the terms of the Unit Operating Agreement; and that the Unit  
33 Operator and the Working Interest Owners, as such, shall have no responsibility or liability, including  
34 plugging liability, for any wells not included in the Unit, or for any damages caused by a well that is  
35 included in the Unit to the extent that such damages were caused prior to the well's inclusion in the Unit.  
36 Nothing contained herein or in the Unit Operating Agreement shall result in the Unit Operator or the  
37 Working Interest Owners being liable for the cleanup of any wastes, or for any other cleanup or  
38 restoration, except to the extent such cleanup or restoration is required as a result of Unit Operations.

39  
40 **SECTION 20. DRAINAGE.** The Unit Operator shall take all reasonable and prudent measures to  
41 prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.  
42 The Unit Operator, upon approval by the Working Interest Owners, the A.O. and the Land Commissioner,  
43 is hereby empowered to enter into a borderline agreement or agreements with working interest owners of  
44 adjoining lands not subject to this Agreement with respect to operation in the border area for the maximum  
45 economic recovery, conservation purposes and proper protection of the parties and interest affected.

46  
47 **SECTION 21. LOSS OF TITLE.** In the event title to 100% of Working Interest and Royalty  
48 Interest in and to any Tract of unitized land shall fail and the true owner cannot be induced to join in this  
49 Agreement, such Tract shall be automatically regarded as not committed hereto, and there shall be such  
50 readjustment of future costs and benefits as may be required on account of the loss of such title. In the  
51 event of a dispute as to title to any Royalty, Working Interest, or other interests subject thereto, payment  
52 or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled;

1 provided, that, as to State or Federal lands or leases, no payments of funds due the United States or the  
2 State of New Mexico shall be withheld, but such funds shall be deposited as directed by the A.O. or Land  
3 Commissioner (as the case may be) to be held as unearned money pending final settlement of the title  
4 dispute, and then applied as earned or returned in accordance with such final settlement.

5 If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized  
6 Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners  
7 shall either:

8 (a) require that the party to whom such Unitized Substance are delivered or to whom the proceeds  
9 thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title  
10 or right of such party fails in whole or in part, or

11 (b) withhold and market the portion of Unitized Substances with respect to which title or right is in  
12 dispute, and impound the proceeds thereof until such time as the title or right thereto is  
13 established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction  
14 of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party  
15 rightfully entitled thereto.

16 Each Working Interest Owner shall indemnify, hold harmless, and defend all other Working Interest  
17 Owners against any and all claims by any party against the interest attributed to such Working Interest  
18 Owner on Exhibit "B". Unit Operator as such is relieved from any responsibility for any defect or failure of  
19 any title hereunder.  
20

21 **SECTION 22. LEASES AND CONTRACTS CONFORMED AND EXTENDED.** The terms,  
22 conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling,  
23 development or operation for oil or gas on lands committed to this Agreement are hereby expressly  
24 modified and amended to the extent necessary to make the same conform to the provisions hereof, but  
25 otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and  
26 the Land Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their  
27 duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental,  
28 minimum Royalty and Royalty requirements of Federal and State leases committed hereto and the  
29 regulations in respect thereto to conform said requirements to the provisions of this Agreement.  
30 Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly  
31 modified in accordance with the following:

32 (a) The development and operation of lands subject to this Agreement under the terms hereof  
33 shall be deemed full performance of all obligations for development and operation with respect to  
34 each Tract subject to this Agreement, regardless of whether there is any development of any  
35 Tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement  
36 or other contract by and between the parties hereto, or their respective predecessors in interest,  
37 or any of them.

38 (b) Drilling, producing or improved recovery operations performed hereunder shall be deemed to  
39 be performed upon and for the benefit of each Tract, and no lease shall be deemed to expire by  
40 reason of failure to drill or produce wells situated on the land therein embraced.

41 (c) Suspension of drilling or producing operations within the Unit Area pursuant to direction or  
42 consent of the Land Commissioner and the A.O., or their duly authorized representatives, shall be  
43 deemed to constitute such suspension pursuant to such direction or consent as to each Tract  
44 within the Unitized Area.

45 (d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation  
46 for oil and gas which by its terms might expire prior to the termination of this Agreement, is hereby  
47 extended beyond any such term so provided therein, so that it shall be continued in full force and  
48 effect for and during the term of this Agreement.

49 (e) Any lease embracing lands of the State of New Mexico which is made subject to this  
50 Agreement shall continue in force beyond the term provided therein as to the lands committed  
51 hereto until the termination hereof.

52 (f) Any lease embracing lands of the State of New Mexico having only a portion of its land

1 committed hereto shall be segregated as to that portion committed and that not committed, and  
2 the terms of such lease shall apply separately to such segregated portions commencing as of the  
3 Effective Date hereof. Provided, however, that notwithstanding any of the provisions of this  
4 Agreement to the contrary, such lease (including both segregated portions) shall continue in full  
5 force and effect beyond the term provided therein as to all lands embraced in such lease if oil or  
6 gas is, or has heretofore been discovered in paying quantities on some part of the lands  
7 embraced in such lease committed to this Agreement or, so long as a portion of the Unitized  
8 Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the  
9 portion of the lands covered by such lease committed to this Agreement, or, at any time during the  
10 term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the  
11 Unit Operator is then engaged in bona fide drilling, reworking, or improved recovery operations on  
12 any part of the lands embraced in such lease, then the same as to all lands embraced therein  
13 shall remain in full force and effect so long as such operations are diligently prosecuted, and if  
14 they result in the production of oil or gas, said lease shall continue in full force and effect as to all  
15 of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being  
16 produced from any portion of said lands.

17 (g) The segregation of any Federal lease committed to this Agreement is governed by the  
18 following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as  
19 amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or  
20 hereafter committed to any such (unit) plan embracing lands that are in part within and in part  
21 outside of the area covered by any such plan shall be segregated into separate leases as to the  
22 lands committed and the lands not committed as of the effective date of unitization; provided,  
23 however, that any such lease as to the nonunitized portion shall continue in force and effect for  
24 the term thereof but for not less than two years from the date of such segregation and so long  
25 thereafter as oil or gas is produced in paying quantities."  
26

27 **SECTION 23. COVENANTS RUN WITH LAND.** The covenants herein shall be construed to be  
28 covenants running with the land with respect to the interest of the parties hereto and their successors in  
29 interest until this Agreement terminates, and any grant, transfer or conveyance of interest in land or leases  
30 subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations  
31 hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any  
32 Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar  
33 month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the  
34 recorded instrument or transfer; and no assignment or transfer of any Royalty Interest subject hereto shall  
35 be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month  
36 after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy,  
37 of the recorded instrument or transfer.  
38

39 **SECTION 24. EFFECTIVE DATE AND TERM.** This Agreement shall become binding upon each  
40 party who executes or ratifies it as of the date of execution or ratification by such party and shall become  
41 effective at 7:00 AM applicable local time on the first day of the calendar month next following the approval  
42 of this Agreement by the A.O., the Land Commissioner and the Division.  
43 If this Agreement does not become effective on or before January 1, 1997, it shall ipso facto expire on  
44 said date (hereinafter call "Expiration Date") and thereafter be of no further force or effect, unless prior  
45 thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined  
46 Participation of at least seventy-five percent (75%); and at least seventy-five percent (75%) of such  
47 Working Interest Owners committed to this Agreement have decided to extend Expiration Date for a  
48 period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If Expiration Date is so  
49 extended and this Agreement does not become effective on or before the Extended Expiration Date, it  
50 shall ipso facto expire on Extended Expiration Date and thereafter be of no further force and effect.  
51 Unit Operator shall record within thirty (30) days after the Effective Date of this Agreement, in the office of  
52 the County Clerk of Eddy County, New Mexico, where a counterpart of this Agreement has been recorded,

1 a certificate to the effect that this Agreement has become effective according to its terms and stating  
2 further the effective date.

3 The terms of this Agreement shall be for and during the time that Unitized Substances are produced from  
4 the unitized land and so long thereafter as drilling, reworking or other operations (including improved  
5 recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days  
6 unless sooner terminated as herein provided.

7 This Agreement may be terminated with the approval of the Land Commissioner and the A.O. by Working  
8 Interest Owners owning eighty percent (80%) of the Unit Participation then in effect whenever such  
9 Working Interest Owners determine that Unit Operations are no longer desirable, profitable, or in the  
10 interest of conservation. Upon approval, such termination shall be effective as of the first day of the month  
11 after said Working Interest Owners' determination. Notice of any such termination shall be recorded by  
12 Unit Operator in the office of the County Clerk of Eddy County, New Mexico, within thirty (30) days of the  
13 effective date of termination.

14 Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of  
15 the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered  
16 into.

17 Notwithstanding any other provisions in the leases unitized under this Agreement, Royalty Owners hereby  
18 grant Working Interest Owners a period of six months after termination of this Agreement in which to  
19 salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with  
20 Unit Operations.

21  
22 **SECTION 25. RATE OF PROSPECTING, DEVELOPMENT & PRODUCTION.** All production  
23 and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly  
24 authorized person or regulatory body under any Federal or State Statute. The A.O. is hereby vested with  
25 authority to alter or modify from time to time, in his discretion, the rate of prospecting and development  
26 and within the limits made or fixed by the Division to alter or modify the quantity and rate of production  
27 under this Agreement, such authority being hereby limited to alteration or modification in the public  
28 interest, the purpose thereof and the public interest to be served thereby to be stated in the order of  
29 alteration or modification; provided, further, that no such alteration or modification shall be effective as to  
30 any land of the State of New Mexico as to the rate of prospecting and development in the absence of the  
31 specific written approval thereof by the Land Commissioner and as to any lands in the State of New  
32 Mexico or privately-owned lands subject to this Agreement or to the quantity and rate of production from  
33 such lands in the absence of specific written approval thereof by the Division.

34 Powers in this Section vested in the A.O. shall only be exercised after notice to Unit Operator and  
35 opportunity for hearing to be held not less than fifteen (15) days from notice, and thereafter subject to  
36 administrative appeal before becoming final.

37  
38 **SECTION 26. NONDISCRIMINATION.** Unit Operator in connection with the performance of  
39 work under this Agreement relating to leases of the United States, agrees to comply with all of the  
40 provisions of Section 202 (1) to (7) inclusive of Executive Order 11246, (30 F.R. 12319), which are hereby  
41 incorporated by reference in this Agreement.

42  
43 **SECTION 27. APPEARANCES.** Unit Operator shall have the right to appear for or on behalf of  
44 any interests affected hereby before the Land Commissioner, the Department, and the Division or any  
45 other legally constructed authority, and to appeal from any order issued under the rules and regulations of  
46 any such authorities, or to apply for relief from any of said rules and regulations or in any proceedings  
47 relative to operations before the Land Commissioner, the Department or the Division or any other legally  
48 constituted authority; provided, however, that any other interested party shall also have the right at his or  
49 its own expense to be heard in any such proceeding.

50  
51 **SECTION 28. NOTICES.** All notices, demands, objections or statements required hereunder to  
52 be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally

1 delivered to the party or parties or sent by postpaid certified or registered mail, addressed to such party or  
2 parties at their last known address set forth in connection with the signatures hereto or to the ratification or  
3 consent hereof or to such other address as any such party or parties may have furnished in writing to the  
4 party sending the notice, demand or statement.  
5

6 SECTION 29. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement contained shall  
7 be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or  
8 defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or  
9 regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any  
10 right beyond his or its authority to waive; provided, however, each party hereto covenants that it will not  
11 resort to any action to partition the Unitized Land or the Unit Equipment.  
12

13 SECTION 30. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each  
14 Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this  
15 Agreement various well and lease equipment and other property, equipment and facilities. It is also  
16 recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized  
17 Land as now or hereafter constituted. Therefore, for all purposes of this Agreement, any such equipment  
18 shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and  
19 lease equipment and personal property is hereby severed from the mineral estates affected by this  
20 Agreement, and it is agreed that any such equipment and personal property shall be and remain personal  
21 property of the Working Interest Owners for all purposes.  
22

23 SECTION 31. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit  
24 Operator to commence or continue improved recovery operations or to operate on or produce Unitized  
25 Substances from any of the lands covered by this Agreement shall be suspended while, but only so long  
26 as, the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with  
27 such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or by any rule,  
28 regulation or order of a governmental agency, unavoidable accident, uncontrollable delays in  
29 transportation, inability to obtain necessary materials or equipment in open market, or other matters  
30 beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.  
31

32 SECTION 32. NONJOINER AND SUBSEQUENT JOINER. Joinder by any Royalty Owner, at  
33 any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in  
34 order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to this  
35 Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the  
36 Unit Operating Agreement in order for such interest to be regarded as effectively committed to this  
37 Agreement.

38 Any oil or gas interest in the Unitized Formations not committed hereto prior to submission of this  
39 Agreement to the Land Commissioner and the A.O. for final approval may thereafter be committed hereto  
40 upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for  
41 Participation) hereof, at any time up to the Effective Date hereof on the same basis of Tract Participation  
42 as provided in Section 13, by the owner or owners thereof subscribing, ratifying, or consenting in writing to  
43 this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to  
44 the Unit Operating Agreement.

45 It is understood and agreed, however, that from and after the Effective Date hereof the right of subsequent  
46 joinder as provided in this Section shall be subject to such requirements or approvals and on such basis  
47 as may be agreed upon by Working Interest Owners owning not less than sixty-five percent (65%) of the  
48 Unit Participation then in effect, and approved by the Land Commissioner and A.O. Such subsequent  
49 joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this  
50 Agreement and the Unit Operating Agreement and, where State or Federal land is involved, such joinder  
51 must be approved by the Land Commissioner or A.O. Such joinder by a proposed Royalty Owner must be  
52 evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing

1 by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in  
2 behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder  
3 to this Agreement shall be effective as of the first day of the month following the filing with the Land  
4 Commissioner and A.O. of duly executed counterparts of any and all documents necessary to establish  
5 effective commitment of any Tract or interest to this Agreement, unless objection to such joinder by the  
6 Land Commissioner or the A.O., is duly made sixty (60) days after such filing.  
7

8 SECTION 33. COUNTERPARTS. This Agreement may be executed in any number of  
9 counterparts, no one of which needs to be executed by all parties, and may be ratified or consented to by  
10 separate instrument in writing, specifically referring hereto, and shall be binding upon all those parties who  
11 have executed such a counterpart, ratification or consent hereto with the same force and effect as if all  
12 parties had signed the same document, and regardless of whether or not it is executed by all other parties  
13 owning or claiming an interest in the land within the described Unit Area. Furthermore, this Agreement  
14 shall extend to and be binding on the parties hereto, their successors, heirs and assigns.  
15

16 SECTION 34. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party as  
17 either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such  
18 party; provided, that if the party is the owner of a Working Interest, he must also execute the Unit  
19 Operating Agreement.  
20

21 SECTION 35. TAXES. Each party hereto shall, for its own account, render and pay its share of  
22 any taxes levied against or measured by the amount or value of the Unitized Substances produced from  
23 the Unitized Land; provided, however, that if it is required or if it be determined that the Unit Operator or  
24 the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto,  
25 it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed  
26 therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their  
27 respective allocated share of said Unitized Substances. No taxes shall be charged to the United States or  
28 to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee  
29 to pay such taxes.  
30

31 SECTION 36. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto  
32 are intended to be several and not joint or collective. This Agreement is not intended to create, and shall  
33 not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability  
34 with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for  
35 its own obligation as herein provided.  
36

37 SECTION 37. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a  
38 proper and timely gauge of all leases and other tanks within the Unit Area in order to ascertain the amount  
39 of merchantable oil above the pipeline connection, in such tanks as of 7:00 a.m. on the Effective Date  
40 hereof. All such oil which has been produced in accordance with established allowables shall be and  
41 remain the property of the Working Interest Owner entitled thereto, the same as if the unit had not been  
42 formed; and the responsible Working Interest Owner shall promptly remove said oil from the Unitized  
43 Land. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest  
44 Owners, subject to the payment of all Royalty to Royalty Owners under the terms hereof. The oil that is in  
45 excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized  
46 Substances produced after Effective Date hereof.  
47 If, as of the Effective Date hereof, any Tract is overproduced with respect to the allowable of the wells on  
48 that Tract and the amount of over-production has been sold or otherwise disposed of, such over-  
49 production shall be regarded as a part of the Unitized Substances produced after the Effective Date hereof  
50 and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances  
51 allocated to such Tract.  
52

1 SECTION 38. NO SHARING OF MARKET. This Agreement is not intended to provide and shall  
2 not be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of  
3 Unitized Substances.  
4

5 SECTION 39. STATUTORY UNITIZATION. If and when Working Interest Owners owning at  
6 least seventy-five percent (75%) Unit Participation and Royalty Owners owning at least seventy-five  
7 percent (75%) Royalty Interest have become parties to this Agreement or have approved this Agreement  
8 in writing and such Working Interest Owners have also become parties to the Unit Operating Agreement,  
9 Unit Operator may make application to the Division for statutory unitization of the uncommitted interests  
10 pursuant to the Statutory Unitization Act (Chapter 65, Article 14, N.M.S. 1953 Annotated). If such  
11 application is made and statutory unitization is approved by the Division, then effective as of the date of  
12 the Division's order approving statutory unitization, this Agreement and/or the Unit Operating Agreement  
13 shall automatically be revised and/or amended in accordance with the following:  
14

15 (1) Section 14 of this Agreement shall be revised by substituting for the entire said section  
16 the following:

17 SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the Effective Date  
18 hereof, all Tracts within the Unit Area shall be entitled to participation in the production of Unitized  
19 Substances  
20

21 (2) Section 24 of this Agreement shall be revised by substituting for the first three  
22 paragraphs of said section the following:

23 SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become effective at 7:00  
24 AM applicable local time on the first day of the calendar month next following the effective date  
25 of the Division's order approving statutory unitization upon the terms and conditions of this  
26 Agreement, as amended (if any amendment is necessary) to conform to the Division's order;  
27 approval of this Agreement, as so amended, by the Land Commissioner; and the A.O. and the  
28 recording by Unit Operator of this Agreement or notice thereof for record in the office of the  
29 County Clerk of Eddy County, New Mexico. Unit Operator shall not record this Agreement or  
30 notice thereof, and hence this Agreement shall not become effective, unless within ninety (90)  
31 days after the date all other prerequisites for effectiveness of this Agreement have been  
32 satisfied, such Agreement is approved by Working Interest Owners owning a combined Unit  
33 Participation of at least seventy-five percent (75 %) as to all Tracts within the Unit Area.  
34 Unit Operator shall, within thirty (30) days after the Effective Date of this Agreement, file for  
35 record in the office of the County Clerk of Eddy County, New Mexico, a certificate to the effect  
36 that this Agreement has become effective in accordance with its terms, therein identifying the  
37 Division's order approving statutory unitization and stating the Effective Date.  
38

39 (3) This Agreement and/or the Unit Operating Agreement shall be amended in any and all respects  
40 necessary to conform to the Division's order approving statutory unitization.

41 Any and all amendments of this Agreement and/or the Unit Operating Agreement that are necessary to  
42 conform said agreements to the Division's order approving statutory unitization shall be deemed to be  
43 hereby approved in writing by the parties hereto without any necessity for further approval by said parties,  
44 except as follows:  
45

46 (a) If any amendment of this Agreement has the effect of reducing any Royalty Owner's  
47 participation in the production of Unitized Substances, such Royalty Owner shall not be deemed  
48 to have hereby approved the amended agreement without the necessity of further approval in  
49 writing by said Royalty Owner; and  
50

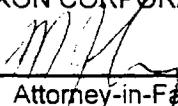
51 (b) If any amendment of this Agreement and/or the Unit Operating Agreement has the effect of  
52 reducing any Working Interest Owner's participation in the production of Unitized Substances or

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increasing such Working Interest Owner's share of Unit Expense, such Working Interest Owner shall not be deemed to have hereby approved the amended agreements without the necessity of further approval in writing by said Working Interest Owner.

Executed as of the day and year first above written.

EXXON CORPORATION

By:   
Attorney-in-Fact

Area Lndmn.   
MPO Lnd. Supv. JDR  
MPO Oprs. Actg.   
MPO Law SL  
Oprs. Tech. Mgr. \_\_\_\_\_

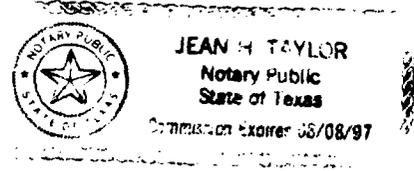
Date of Execution:  
JUN 23, 1995

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STATE OF TEXAS )  
 )ss.  
COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of June, 19 97, by Eric, Attorney in Fact, for/of Exxon Corporation, a New Jersey corporation, or/behalf of said corporation.

My Commission Expires:  
8-8-97 Jean H Taylor



LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE

EXHIBIT "B"  
SCHEDULE OF OWNERSHIP  
SCHEDULE SHOWING ALL LANDS AND LEASES  
WITHIN THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
1	T20S-R28E Section 29; SWSW	40.00	NMNM-17100 (Out of NMNM-0401842) HBP	U.S.A.- All (12.5% Royalty)	Mary H. Ard- 33.34 William A. Hudson II- 33.33% Edward R. Hudson, Jr.- 33.33%	Oryx Energy Company Pennzoil Exploration and Production Company Mark D. Wilson Robert E. Boling Est Robert Michael Boling Per Rep } Janet Lynn Richardson Per Rep } Mary L. Boling	3.056570 0.566210 2.000000 1.000000 1.000000 7.622780	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. Claremont Corporation Mary H. Ard William A. Hudson II Edward R. Hudson, Jr. Exxon Corporation Kerr-McGee Corporation Rosalind Redfern John J. Redfern III, Indep Exec } Est of John J. Redfern, Jr. } Martin Living Trust R. Ken Williams Edward H. Judson Devon Energy Corporation (NV) Ernie Bello Mrs. Frances B. Bunn Gendron Family Revocable Tr David Goodnow Joseph R. Hodge Sanford J. Hodge, III E. G. Holden Testamentary Tr Isaac A. Kawasaki Betsy H. Keller Charles Cline Moore Agnes Cluthe Oliver Tr William B. Oliver Tr Adolph P. Schuman Martl Tr Space Building Corp. J. F. Van Vranken, Jr. Unit Petroleum Whiting Petroleum Corporation Tipperary Oil & Gas Corporation Hayes Partners I	9.444760 9.444760 3.148260 9.444760 0.724340 3.863200 3.863200 3.863200 6.250000 0.698350 0.338970 0.338970 0.482903 0.482903 0.482904 2.382880 0.024701 0.024701 0.037052 0.024701 0.004117 0.004117 0.012351 0.024701 0.012351 0.061753 0.024701 0.024701 0.024701 0.061753 0.024701 0.024701 10.505708 2.818810 2.818810 8.052840
Total ORR									



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EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
3a	(As to Lot 1) (Stonewall EP State #7)					Robert E. Boling Est Robert Michael Boling Per Rep } Janet Lynn Richardson Per Rep } Mary L. Boling	1.000000 1.000000 1.000000 8.140320		
						Total ORR	8.140320		
						Yates Petroleum Corporation		Yates Petroleum Corporation	10.083120
						Yates Drilling Company		Yates Drilling Company	10.083120
						Abo Petroleum Corporation		Abo Petroleum Corporation	3.361040
						Myco Industries, Inc.		Myco Industries, Inc.	10.083120
						Claremont Corporation		Claremont Corporation	0.773310
						Mary H. Ard		Mary H. Ard	4.124310
						William A. Hudson II		William A. Hudson II	4.124310
						Edward R. Hudson, Jr.		Edward R. Hudson, Jr.	4.124310
						E Exxon Corporation		E Exxon Corporation	27.973850
						Kerr-McGee Corporation		Kerr-McGee Corporation	0.745550
						Rosalind Redfern		Rosalind Redfern	0.361880
						John J. Redfern III, Indep Exec}		John J. Redfern III, Indep Exec}	0.361880
						Est of John J. Redfern, Jr. }		Est of John J. Redfern, Jr. }	
						Martin Living Trust		Martin Living Trust	0.515540
						R. Ken Williams		R. Ken Williams	0.515540
						Edward H. Judson		Edward H. Judson	0.515540
						Devon Energy Corporation (NV)		Devon Energy Corporation (NV)	2.300800
						Ernie Bello		Ernie Bello	0.007911
						Mrs. Frances B. Bunn		Mrs. Frances B. Bunn	0.007911
						Gendron Family Revocable Tr		Gendron Family Revocable Tr	0.011867
						David Goodnow		David Goodnow	0.007911
						Joseph R. Hodge		Joseph R. Hodge	0.001318
						Sanford J. Hodge, III		Sanford J. Hodge, III	0.001318
						E. G. Holden Testamentary Tr		E. G. Holden Testamentary Tr	0.003956
						Isaac A. Kawasaki		Isaac A. Kawasaki	0.007911
						Betsy H. Keller		Betsy H. Keller	0.003956
						Charles Cline Moore		Charles Cline Moore	0.019779
						Agnes Cluthe Oliver Tr		Agnes Cluthe Oliver Tr	0.007911
						William B. Oliver Tr		William B. Oliver Tr	0.007911
						Adolph P. Schuman Martl Tr		Adolph P. Schuman Martl Tr	0.007911

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								Space Building Corp.	0.019779
								J. F. Van Vranken, Jr.	0.007911
								Unit Petroleum	11.687116
								Whiting Petroleum Corporation	2.919802
								Tipperary Oil & Gas Corporation	2.919801
								Yates Petroleum Corporation	2.300800
								Total this sub-tract	100.000000
3b	(As to Lot 2) (Stonewall EP State #5)							Yates Petroleum Corporation	10.083120
								Yates Drilling Company	10.083120
								Abo Petroleum Corporation	3.361040
								Myco Industries, Inc.	10.083120
								Claremont Corporation	0.773310
								Mary H. Ard	4.124310
								William A. Hudson II	4.124310
								Edward R. Hudson, Jr.	4.124310
								Exxon Corporation	27.973850
								Kerr-McGee Corporation	0.745550
								Rosalind Redfern	0.361880
								John J. Redfern III, Indep Exec }	0.361880
								Est of John J. Redfern, Jr. }	
								Martin Living Trust	
								R. Ken Williams	0.515540
								Edward H. Judson	0.515540
								Devon Energy Corporation (NV)	2.300800
								Ernie Bello	0.007911
								Mrs. Frances B. Bunn	0.007911
								Gandron Family Revocable Tr	0.011867
								David Goodnow	0.007911
								Joseph R. Hodge	0.001318
								Sanford J. Hodge, III	0.001318
								E. G. Holden Testamentary Tr	0.003956
								Isaac A. Kawasaki	0.007911
								Betsy H. Keller	0.003956

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Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
								Charles Cline Moore	0.019779
								Agnes Cluthe Oliver Tr	0.007911
								William B. Oliver Tr	0.007911
								Adolph P. Schuman Martl Tr	0.007911
								Space Building Corp.	0.019779
								J. F. Van Vranken, Jr.	0.007911
								Unit Petroleum	11.687116
								Whiting Petroleum Corporation	2.919802
								Tipperary Oil & Gas Corporation	2.919801
								Yates Petroleum Corporation	2.300800
								Total this sub-tract	100.000000
3c	(As to NENW) (Stonewall EP State #6)							Yates Petroleum Corporation	10.083120
								Yates Drilling Company	10.083120
								Abo Petroleum Corporation	3.361040
								Mycro Industries, Inc.	10.083120
								Ernie Bello	0.026371
								Mrs. Frances B. Bunn	0.026371
								Gendron Family Revocable Tr	0.039556
								David Goodnow	0.026371
								Joseph R. Hodge	0.004394
								Sanford J. Hodge, III	0.004394
								E. G. Holden Testamentary Tr	0.013184
								Isaac A. Kawasaki	0.026371
								Betsy H. Keller	0.013185
								Charles Cline Moore	0.065927
								Agnes Cluthe Oliver Tr	0.026371
								William B. Oliver Tr	0.026371
								Adolph P. Schuman Martl Tr	0.026371
								Space Building Corp.	0.065927
								J. F. Van Vranken, Jr.	0.026371
								Unit Petroleum	11.394842
								Whiting Petroleum Corporation	2.919802
								Tipperary Oil & Gas Corporation	2.919801

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 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
							Claremont Corporation	0.773310
							Mary H. Ard	4.124310
							William A. Hudson II	4.124310
							Edward R. Hudson, Jr.	4.124310
							Exxon Corporation	27.973850
							Kerr-McGee Corporation	0.745550
							Rosalind Redfern	0.361880
							John J. Redfern III, Indep Exec }	
							Est of John J. Redfern, Jr. }	0.361880
							Martin Living Trust	0.515540
							R. Ken Williams	0.515540
							Edward H. Judson	0.515540
							Devon Energy Corporation (NV)	2.300800
							Yates Petroleum Corporation	2.300800
							Total this sub-tract	100.000000
3d	(As to SENW) (Stonewall EP State #8)						Yates Petroleum Corporation	10.083120
							Yates Drilling Company	10.083120
							Abo Petroleum Corporation	3.361040
							Mycro Industries, Inc.	10.083120
							Ernie Bello	0.026371
							Mrs. Frances B. Bunn	0.026371
							Gendron Family Revocable Tr	0.039556
							David Goodnow	0.026371
							Joseph R. Hodge	0.004394
							Sanford J. Hodge, III	0.004394
							E. G. Holden Testamentary Tr	0.013184
							Isaac A. Kawasaki	0.026371
							Betsy H. Keller	0.013185
							Charles Cline Moore	0.065927
							Agnes Cluthe Oliver Tr	0.026371
							William B. Oliver Tr	0.026371
							Adolph P. Schuman Martl Tr	0.026371
							Space Building Corp.	0.065927

EXHIBIT "B"  
 SCHEDULE OF OWNERSHIP  
 SCHEDULE SHOWING ALL LANDS AND LEASES  
 WITHIN THE AVALON (DELAWARE) UNIT  
 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
				J. F. Van Vranken, Jr.		0.026371		0.026371
				Unit Petroleum		11.394842		11.394842
				Whiting Petroleum Corporation		2.919802		2.919802
				Tipperary Oil & Gas Corporation		2.919801		2.919801
				Claremont Corporation		0.773310		0.773310
				Mary H. Ard		4.124310		4.124310
				William A. Hudson II		4.124310		4.124310
				Edward R. Hudson, Jr.		4.124310		4.124310
				Exxon Corporation		27.973850		27.973850
				Kerr-McGee Corporation		0.745550		0.745550
				Rosalind Redfern		0.361880		0.361880
				John J. Redfern III, Indep Exec}		0.361880		0.361880
				Est of John J. Redfern, Jr. }				
				Martin Living Trust		0.515540		0.515540
				R. Ken Williams		0.515540		0.515540
				Edward H. Judson		0.515540		0.515540
				Devon Energy Corporation (NV)		2.300800		2.300800
				Yates Petroleum Corporation		2.300800		2.300800
				Total this sub-tract		100.000000		100.000000
				Yates Petroleum Corporation		7.562340		7.562340
				Yates Drilling Company		7.562340		7.562340
				Abo Petroleum Corporation		2.520780		2.520780
				Myco Industries, Inc.		7.562340		7.562340
				Ernie Bello		0.019778		0.019778
				Mrs. Frances B. Bunn		0.019778		0.019778
				Gendron Family Revocable Tr		0.029667		0.029667
				David Goodnow		0.019778		0.019778
				Joseph R. Hodge		0.003296		0.003296
				Sanford J. Hodge, III		0.003296		0.003296
				E. G. Holden Testamentary Tr		0.009889		0.009889
				Isaac A. Kawasaki		0.019778		0.019778
				Betsy H. Keller		0.009889		0.009889
				Charles Cline Moore		0.049445		0.049445
				Agnes Cluthe Oliver Tr		0.019778		0.019778

3e (As to SWNE)

EXHIBIT "B"  
 SCHEDULE OF OWNERSHIP  
 SCHEDULE SHOWING ALL LANDS AND LEASES  
 WITHIN THE AVALON (DELAWARE) UNIT  
 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
4	T20S-R28E Section 30: N/2SE	80.00	LG-2726-1 HBP	STATE OF NEW MEXICO ALL (12.5% Royalty)					
4a	(As To NWSE) (Stonewall "YE" State #1)								
					William B. Oliver Tr		0.019778		0.019778
					Adolph P. Schuman Martl Tr		0.019778		0.019778
					Space Building Corp.		0.049445		0.049445
					J. F. Van Vranken, Jr.		0.019778		0.019778
					Unit Petroleum		8.623816		8.623816
					Whiting Petroleum Corporation		2.151009		2.151009
					Tipperary Oil & Gas Corporation		2.151009		2.151009
					Claremont Corporation		0.579982		0.579982
					Mary H. Ard		3.093233		3.093233
					William A. Hudson II		3.093232		3.093232
					Edward R. Hudson, Jr.		3.093232		3.093232
					Exxon Corporation		20.980388		20.980388
					Kerr-McGee Corporation		0.559163		0.559163
					Rosalind Redfern		0.271410		0.271410
					John J. Redfern III, Indep Exec of Est of John J. Redfern, Jr.}				
					Martin Living Trust				
					R. Ken Williams		0.386655		0.386655
					Edward H. Judson		0.386655		0.386655
					Yates Petroleum Corporation		1.725600		1.725600
					Devon Energy Corporation (NV)		1.725600		1.725600
					Pennzoil Exploration & Production Company		25.000000		25.000000
					Total this sub-tract		100.000000		100.000000
					Yates Petroleum Corporation		7.562340		7.562340
					Yates Drilling Company		7.562340		7.562340
					Abo Petroleum Corporation		2.520780		2.520780
					Myco Industries, Inc.		7.562340		7.562340
					Ernie Bello		0.019778		0.019778
					Mrs. Frances B. Bunn		0.019778		0.019778
					Gendron Family Revocable Tr		0.029667		0.029667
					David Goodnow		0.019778		0.019778

EXHIBIT "B"  
SCHEDULE OF OWNERSHIP  
SCHEDULE SHOWING ALL LANDS AND LEASES  
WITHIN THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
					Joseph R. Hodge				0.003296
					Sanford J. Hodge, III				0.003296
					E. G. Holden Testamentary Tr				0.009889
					Isaac A. Kawasaki				0.019778
					Betsy H. Keller				0.009889
					Charles Cline Moore				0.049445
					Agnes Cluthe Oliver Tr				0.019778
					William B. Oliver Tr				0.019778
					Adolph P. Schuman Martl Tr				0.019778
					Space Building Corp.				0.049445
					J. F. Van Vranken, Jr.				0.019778
					Unit Petroleum				12.925834
					Ciaremout Corporation				0.579982
					Mary H. Ard				3.093233
					William A. Hudson II				3.093232
					Edward R. Hudson, Jr.				3.093232
					E Exxon Corporation				20.980388
					Kerr-McGee Corporation				0.559163
					Rosalind Redfern				0.271410
					John J. Redfern III, Indep Exec}				0.271410
					of Est of John J. Redfern, Jr.}				
					Martin Living Trust				0.386655
					R. Ken Williams				0.386655
					Edward H. Judson				0.386655
					Yates Petroleum Corporation				1.725600
					Devon Energy Corporation (NV)				1.725600
					Pennzoil Exploration & Production Company				25.000000
					Total this sub-tract				100.000000
4b	(As to NESE)				Yates Petroleum Corporation				7.562340
					Yates Drilling Company				7.562340
					Abo Petroleum Corporation				2.520780
					Myco Industries, Inc.				7.562340
					Ernie Bello				0.019778
					Mrs. Frances B. Bunn				0.019778

EXHIBIT "B"  
 SCHEDULE OF OWNERSHIP  
 SCHEDULE SHOWING ALL LANDS AND LEASES  
 WITHIN THE AVALON (DELAWARE) UNIT  
 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF AND EXPIRATION DATE OF LEASE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
							Gendron Family Revocable Tr	0.029667
							David Goodnow	0.019778
							Joseph R. Hodge	0.003296
							Sanford J. Hodge, III	0.003296
							E. G. Holden Testamentary Tr	0.009889
							Isaac A. Kawasaki	0.019778
							Betsy H. Keller	0.009889
							Charles Cline Moore	0.049445
							Agnes Cluthe Oliver Tr	0.019778
							William B. Oliver Tr	0.019778
							Adolph P. Schuman Martl Tr	0.019778
							Space Building Corp.	0.049445
							J. F. Van Vranken, Jr.	0.019778
							Unit Petroleum	12.925834
							Claremont Corporation	0.579982
							Mary H. Ard	3.093233
							William A. Hudson II	3.093232
							Edward R. Hudson, Jr.	3.093232
							Exxon Corporation	20.980388
							Kerr-McGee Corporation	0.559163
							Rosalind Redfern	0.271410
							John J. Redfern III, Indep Exec}	0.271410
							of Est of John J. Redfern, Jr.}	
							Martin Living Trust	
							R. Ken Williams	0.386655
							Edward H. Judson	0.386655
							Yates Petroleum Corporation	1.725600
							Devon Energy Corporation (NV)	1.725600
							Pennzoil Exploration & Production Company	25.000000
							Total this sub-tract	100.000000
5	T20S-R28E Section 30: Lots 3,4 E/2SW; S/2SE	242.73	K-6854-2 HBP	STATE OF NEW MEXICO ALL (12.5% Royalty)	Oryx Energy Company Pennzoil Exploration and Production Company	3.493220 0.647100		

EXHIBIT "B"  
 SCHEDULE OF OWNERSHIP  
 SCHEDULE SHOWING ALL LANDS AND LEASES  
 WITHIN THE AVALON (DELAWARE) UNIT  
 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
5a	(As to Lot 3) (Stonewall "WM" State #6)					Mark D. Wilson Robert E. Boling Est Robert Michael Boling Per Rep Janet Lynn Richardson Per Rep Mary L. Boling	2.000000 1.000000 } } 1.000000		
					Total ORR		8.140320		
						Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc. Ernie Bello Mrs. Frances B. Bunn Gendron Family Revocable Tr David Goodnow Joseph R. Hodge Sanford J. Hodge, III E. G. Holden Testamentary Tr Isaac A. Kawasaki Betsy H. Keller Charles Cline Moore Agnes Cluthe Oliver Tr William B. Oliver Tr Adolph P. Schuman Martl Tr Space Building Corp. J. F. Van Vranken, Jr. Unit Petroleum Whiting Petroleum Corporation Tipperary Oil & Gas Corporation Claremont Corporation Mary H. Ard William A. Hudson II Edward R. Hudson, Jr. Exxon Corporation Kerr-McGee Corporation	10.083120 10.083120 3.361040 10.083120 0.026371 0.026371 0.039556 0.026371 0.004394 0.004394 0.013184 0.026371 0.013185 0.065927 0.026371 0.026371 0.026371 0.065927 0.026371 11.394842 2.919802 2.919801 0.773310 4.124310 4.124310 4.124310 27.973850 0.745550		

EXHIBIT "B"  
SCHEDULE OF OWNERSHIP  
SCHEDULE SHOWING ALL LANDS AND LEASES  
WITHIN THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
								Rosalind Redfern	0.361880
								John J. Redfern III, Indep Exec of Est of John J. Redfern, Jr.}	0.361880
								Martin Living Trust	0.515540
								R. Ken Williams	0.515540
								Edward H. Judson	0.515540
								Devon Energy Corporation (NV)	2.300800
								Yates Petroleum Corporation	2.300800
								Total this sub-tract	100.000000
5b	(As to Lot 4) (Stonewall "WM" State #4)							Yates Petroleum Corporation	10.083120
								Yates Drilling Company	10.083120
								Abo Petroleum Corporation	3.361040
								Mycro Industries, Inc.	10.083120
								Ernie Bello	0.026371
								Mrs. Frances B. Bunn	0.026371
								Gendron Family Revocable Tr	0.039556
								David Goodnow	0.026371
								Joseph R. Hodge	0.004394
								Sanford J. Hodge, III	0.004394
								E. G. Holden Testamentary Tr	0.013184
								Isaac A. Kawasaki	0.026371
								Betsy H. Keller	0.013185
								Charles Cline Moore	0.065927
								Agnes Cluthe Oliver Tr	0.026371
								William B. Oliver Tr	0.026371
								Adolph P. Schuman Martl Tr	0.026371
								Space Building Corp.	0.065927
								J. F. Van Vranken, Jr.	0.026371
								Unit Petroleum	11.498420
								Whiting Petroleum Corporation	2.868013
								Tipperary Oil & Gas Corporation	2.868012
								Claremont Corporation	0.773310
								Mary H. Ard	4.124310
								William A. Hudson II	4.124310

EXHIBIT "B"  
 SCHEDULE OF OWNERSHIP  
 SCHEDULE SHOWING ALL LANDS AND LEASES  
 WITHIN THE AVALON (DELAWARE) UNIT  
 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
								Edward R. Hudson, Jr.	4.124310
								Exxon Corporation	27.973850
								Kerr-McGee Corporation	0.745550
								Rosalind Redfern	0.361880
								John J. Redfern III, Indep Exec} of Est of John J. Redfern, Jr.}	0.361880
								Martin Living Trust	0.515540
								R. Ken Williams	0.515540
								Edward H. Judson	0.515540
								Devon Energy Corporation (NV)	2.300800
								Yates Petroleum Corporation	2.300800
								Total this sub-tract	100.000000

5c (As to NESW)  
 (Stonewall "WM" State #5)

Yates Petroleum Corporation	10.083120
Yates Drilling Company	10.083120
Abo Petroleum Corporation	3.361040
Myco Industries, Inc.	10.083120
Ernie Bello	0.026371
Mrs. Frances B. Bunn	0.026371
Gendron Family Revocable Tr	0.039556
David Goodnow	0.026371
Joseph R. Hodge	0.004394
Sanford J. Hodge, III	0.004394
E. G. Holden Testamentary Tr	0.013184
Isaac A. Kawasaki	0.026371
Betsy H. Keller	0.013185
Charles Cline Moore	0.065927
Agnes Cluthe Oliver Tr	0.026371
William B. Oliver Tr	0.026371
Adolph P. Schuman Martl Tr	0.026371
Space Building Corp.	0.065927
J. F. Van Vranken, Jr.	0.026371
• Unit Petroleum	11.394842

EXHIBIT "B"  
SCHEDULE OF OWNERSHIP  
SCHEDULE SHOWING ALL LANDS AND LEASES  
WITHIN THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
							Whiting Petroleum Corporation	2.919802
							Tipperary Oil & Gas Corporation	2.919801
							Claremont Corporation	0.773310
							Mary H. Ard	4.124310
							William A. Hudson II	4.124310
							Edward R. Hudson, Jr.	4.124310
							Exxon Corporation	27.973850
							Karr-McGee Corporation	0.745550
							Rosalind Redfern	0.361880
							John J. Redfern III, Indep Exec}	
							of Est of John J. Redfern, Jr.}	0.361880
							Martin Living Trust	0.515540
							R. Ken Williams	0.515540
							Edward H. Judson	0.515540
							Devon Energy Corporation (NV)	2.300800
							Yates Petroleum Corporation	2.300800
							Total this sub-tract	100.000000
5d	(as to SESW) (Stonewall "WM" State #3)						Yates Petroleum Corporation	10.083120
							Yates Drilling Company	10.083120
							Abo Petroleum Corporation	3.361040
							Myco Industries, Inc.	10.083120
							Ernie Bello	0.026371
							Mrs. Frances B. Bunn	0.026371
							Gendron Family Revocable Tr	0.039556
							David Goodnow	0.026371
							Joseph R. Hodge	0.004394
							Sanford J. Hodge, III	0.004394
							E. G. Holden Testamentary Tr	0.013184
							Isaac A. Kawasaki	0.026371
							Betsy H. Keller	0.013185
							Charles Cline Moore	0.065927
							Agnes Cluthe Oliver Tr	0.026371

EXHIBIT "B"  
SCHEDULE OF OWNERSHIP  
SCHEDULE SHOWING ALL LANDS AND LEASES  
WITHIN THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
					William B. Oliver Tr				0.026371
					Adolph P. Schuman Martl Tr				0.026371
					Space Building Corp.				0.065927
					J. F. Van Vranken, Jr.				0.026371
					Unit Petroleum				11.498420
					Whiting Petroleum Corporation				2.868013
					Tipperary Oil & Gas Corporation				2.868012
					Claremont Corporation				0.773310
					Mary H. Ard				4.124310
					William A. Hudson II				4.124310
					Edward R. Hudson, Jr.				4.124310
					Exxon Corporation				27.973850
					Kerr-McGee Corporation				0.745550
					Rosalind Redfern				0.361880
					John J. Redfern III, Indep Exec}				0.361880
					of Est of John J. Redfern, Jr.}				0.515540
					Martin Living Trust				0.515540
					R. Ken Williams				0.515540
					Edward H. Judson				0.515540
					Devon Energy Corporation (NV)				2.300800
					Yates Petroleum Corporation				2.300800
					Total this sub-tract				100.000000
					Yates Petroleum Corporation				7.562340
					Yates Drilling Company				7.562340
					Abo Petroleum Corporation				2.520780
					Mycos Industries, Inc.				7.562340
					Ernie Bello				0.019778
					Mrs. Frances B. Bunn				0.019778
					Gendron Family Revocable Tr				0.029667
					David Goodnow				0.019778
					Joseph R. Hodge				0.003296
					Sanford J. Hodge, III				0.003296

5e (as to SWSE)  
(Stonewall "WM" State #1)

EXHIBIT "B"  
 SCHEDULE OF OWNERSHIP  
 SCHEDULE SHOWING ALL LANDS AND LEASES  
 WITHIN THE AVALON (DELAWARE) UNIT  
 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF, RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
								E. G. Holden Testamentary Tr	0.009889
								Isaac A. Kawasaki	0.019778
								Betsy H. Keller	0.009889
								Charles Cline Moore	0.049445
								Agnes Cluthe Oliver Tr	0.019778
								William B. Oliver Tr	0.019778
								Adolph P. Schuman Martl Tr	0.019778
								Space Building Corp.	0.049445
								J. F. Van Vranken, Jr.	0.019778
								Unit Petroleum	12.925834
								Claremont Corporation	0.579982
								Mary H. Ard	3.093233
								William A. Hudson II	3.093232
								Edward R. Hudson, Jr.	3.093232
								Exxon Corporation	20.980388
								Kerr-McGee Corporation	0.559163
								Rosalind Redfern	0.271410
								John J. Redfern III, Indep Exec} of Est of John J. Redfern, Jr.}	0.271410
								Martin Living Trust	0.386655
								R. Ken Williams	0.386655
								Edward H. Judson	0.386655
								Yates Petroleum Corporation	1.725600
								Devon Energy Corporation (NV)	1.725600
								Pennzoil Exploration & Production Company	25.000000
								Total this sub-tract	100.000000
								Yates Petroleum Corporation	7.562340
								Yates Drilling Company	7.562340
								Abo Petroleum Corporation	2.520780
								Myco Industries, Inc.	7.562340
								Ernie Bello	0.019778
								Mrs. Frances B. Bunn	0.019778
								Gendron Family Revocable Tr	0.029667
								David Goodnow	0.019778

5f (As to SESE)  
 (Stonewall "WM" State #2)

EXHIBIT "B"  
SCHEDULE OF OWNERSHIP  
SCHEDULE SHOWING ALL LANDS AND LEASES  
WITHIN THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
								Joseph R. Hodge	0.003296
								Sanford J. Hodge, III	0.003296
								E. G. Holden Testamentary Tr	0.009889
								Isaac A. Kawasaki	0.019778
								Betsy H. Keller	0.009889
								Charles Cline Moore	0.049445
								Agnes Cluthe Oliver Tr	0.019778
								William B. Oliver Tr	0.019778
								Adolph P. Schuman Martl Tr	0.019778
								Space Building Corp.	0.049445
								J. F. Van Vranken, Jr.	0.019778
								Unit Petroleum	8.623816
								Whiting Petroleum Corporation	2.151009
								Tipperary Oil & Gas Corporation	2.151009
								Claremont Corporation	0.579982
								Mary H. Ard	3.093233
								William A. Hudson II	3.093232
								Edward R. Hudson, Jr.	3.093232
								Exxon Corporation	20.980388
								Kerr-McGee Corporation	0.559163
								Rosalind Redfern	0.271410
								John J. Redfern III, Indep Exec}	0.271410
								of Est of John J. Redfern, Jr.}	
								Martin Living Trust	0.386655
								R. Ken Williams	0.386655
								Edward H. Judson	0.386655
								Yates Petroleum Corporation	1.725600
								Devon Energy Corporation (NV)	1.725600
								Pennzoil Exploration & Production Company	25.000000
								Total this sub-tract	100.000000
6	T205-R27E Section 25; E/2E/2	160.00	K-6527-1 HBP	STATE OF NEW MEXICO ALL (12.5% Royalty)	Premier Oil & Gas, Inc. -100%			Premier Oil & Gas, Inc.	100.000000

EXHIBIT "B"  
 SCHEDULE OF OWNERSHIP  
 SCHEDULE SHOWING ALL LANDS AND LEASES  
 WITHIN THE AVALON (DELAWARE) UNIT  
 EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE
7	T20S-R27E Section 36: E/2NE (Citdel "ZG" State # 1)	80.00	K-6261-2 HBP	STATE OF NEW MEXICO ALL (12.5% Royalty)	OXY U.S.A., INC. -100%			OXY U.S.A., INC Yates Petroleum Corporation Yates Drilling Company Myco Industries, Inc. Abo Petroleum Corporation	50.000000 20.000000 10.000000 10.000000 10.000000 Tract Total
8	T20S-R27E Section 36: E/2SE (GW "A" State # 1)	80.00	L-4861 HBP	STATE OF NEW MEXICO ALL (12.5% Royalty)	MWJ Producing Company			Martin Living Trust R. Ken Williams Edward H. Judson Sigmar, Inc. R. Ken Williams John L. Schlagal Fred A. Fox & D. Marjean Fox } Living Trust } James L. Martin Jr., Trust Myco Industries, Inc. John A. Yates S. P. Yates	22.656250 22.656250 22.656250 2.669270 1.757810 0.781250 0.911460 0.911460 8.333334 8.333333 8.333333 Tract Total
9	T21S-R27E Section 6: Lots 1 & 2	60.59	K-4097-1 HBP	STATE OF NEW MEXICO ALL (12.5% Royalty)	Mobil Production Texas & New Mexico, Inc. -100%			Exxon Corporation	100.000000
10	T20S-R28E Section 32: N/2NW, SWNW, W/2SW, SESW	240.00	L-324-2 HBP	STATE OF NEW MEXICO ALL (12.5% Royalty)	Exxon Corporation -100%			Exxon Corporation	100.000000
Total State Acreage:		1146.91 or 54.13%							

EXHIBIT "B"  
SCHEDULE OF OWNERSHIP  
SCHEDULE SHOWING ALL LANDS AND LEASES  
WITHIN THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NM

Tract NO	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER OF AND EXPIRATION DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD & PERCENTAGE	OVERRIDING ROYALTY	PERCENTAGE	WORKING INTEREST	PERCENTAGE	
11	T20S-R28E Section 32: SENW (below 1,000 feet); NESW	80.00	FEE-HBP Lease dated 07/15/54	KEYSTONE CORP ET AL Royalty 1/8 (Davis Bros., L.L.C. 6.25%) (Sabine Royalty Tr 3.125%) (Singer Brothers 3.125%) Total Royalty 12.500%	Exxon Corporation-100%			Exxon Corporation	100.000000	
12	T20S-R28E Section 32: SWNE, W/2SE	120.00	FEE-HBP Lease dated 08/03/73	Davis Bros., L.L.C. 50.00% Royalty 1/4 (NationsBank of Texas, N. A. Tr of Sabine Royalty Tr) 25.00% Royalty 3/16 Singer Bros. 25.00% Royalty 3/16	Exxon Corporation Oxy USA Inc. Seventy-Seven Corporation Unit Petroleum William B. Oliver Trust Agnes Cluthe Oliver Trust Estate of Jack O. McCall Charles Cline Moore TR Oil Corporation Whiting Petroleum Corporation Tipperary Oil & Gas Corporation Yates Drilling Company Los Chicos Myco Industries, Inc. John A. Yates	Texas Commerce Bank, Trustee of the Delta-Flag Royalty Trust Robert L. Spears Mark D. Wilson Robert E. Boling Est Robert Michael Boling Per Rep Janet Lynn Richardson Per Rep Mary L. Boling Total ORR	62.500000 15.000000 1.666680 4.895246 0.008970 0.072580 0.029030 0.870900 1.223812 1.223812 4.166670 2.083330 4.166660 2.083340	3.75000000 0.2851562 0.50000000 0.25000000 0.25000000 0.25000000 5.0351562	Exxon Corporation Oxy USA Inc. Seventy-Seven Corporation Unit Petroleum William B. Oliver Tr Agnes Cluthe Oliver Tr Estate of Jack O. McCall Charles Cline Moore TR Oil Corporation Whiting Petroleum Corporation Tipperary Oil & Gas Corporation Yates Drilling Company Los Chicos Myco Industries, Inc. John A. Yates	62.500000 15.000000 1.666680 4.895246 0.008970 0.072580 0.029030 0.870900 1.223812 1.223812 4.166670 2.083330 4.166660 2.083340
				Tract Total		100.000000		Tract Total		100.000000

Total Fee Acreage: 200.00 or 9.44%

RECAPITULATION:

TOTAL FEDERAL ACREAGE	771.87	or	36.43%
TOTAL STATE ACREAGE	1146.91	or	54.13%
TOTAL FEE ACREAGE	200.00	or	9.44%
TOTAL UNIT ACREAGE	2118.78	or	100.00%

**AVALON DELAWARE UNIT**  
**SCHEDULE OF TRACT PARTICIPATION**  
**EXHIBIT C**

<b>Tract</b>	<b>Tract Participation</b>
Tract 1	0.00127811
Tract 2	0.53873810
Tract 3a	0.02419206
Tract 3b	0.04411633
Tract 3c	0.00284844
Tract 3d	0.03613108
Tract 3e	0.00227227
Tract 4a	0.00534375
Tract 4b	0.00155079
Tract 5a	0.04239256
Tract 5b	0.02205552
Tract 5c	0.06556912
Tract 5d	0.06327370
Tract 5e	0.01981539
Tract 5f	0.00720522
Tract 6	0.01019231
Tract 7	0.00268034
Tract 8	0.00118608
Tract 9	0.00278502
Tract 10	0.09372665
Tract 11	0.01144928
Tract 12	0.00119788
Total	1.00000000

EXHIBIT "D"  
RESERVES BY TRACT

TRACT	REMAINING PRIMARY RESERVES	WATERFLOOD RESERVES	TERTIARY RESERVES
1	0.00	0.00	203.90
2	741.80	4,368.20	18,995.00
3-A	0.00	345.10	530.60
3-B	43.40	403.60	1,693.00
3-C	0.00	0.80	446.70
3-D	33.40	373.30	1,045.90
3-E	0.00	0.00	362.50
4-A	0.00	0.00	852.50
4-B	0.00	0.00	247.40
5-A	53.40	368.10	1,425.90
5-B	19.30	174.50	1,189.70
5-C	33.80	741.50	2,177.20
5-D	40.30	698.40	2,009.30
5-E	20.20	157.50	966.20
5-F	0.00	69.30	481.00
6	0.00	0.00	1,626.00
7	0.00	0.00	427.60
8	0.70	0.00	165.80
9	0.00	0.00	444.30
10	202.80	499.40	3,350.90
11	3.10	69.70	1,050.50
12	0.00	0.00	191.10
TOTAL	1,192.20	8,269.40	39,883.00

RESERVE DATA  
UNITS ARE THOUSAND OF BARRELS

It is understood and agreed that the above numbers are estimates that were utilized in determining Tract Participation for the Unit; they do not constitute any representation as to the amount of oil that may actually be recovered by each tract or by the unit as a whole.

**UNIT OPERATING AGREEMENT  
OF THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NEW MEXICO**

Exhibit No. 3  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

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**UNIT OPERATING AGREEMENT  
OF THE AVALON (DELAWARE) UNIT  
EDDY COUNTY, NEW MEXICO**

**THIS AGREEMENT**, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 199\_, by and between the parties who have signed the original of this instrument, a counterpart thereof or other instrument agreeing to be bound or who are otherwise bound by the provisions hereof;

**WITNESSETH:**

**WHEREAS**, the parties hereto as Working Interest Owners have executed, as of the date hereof, an Agreement entitled, "Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit Area", Eddy County, New Mexico (the "Unit Agreement"), which, among other things, provides for a separate Agreement to be entered into by Working Interest Owners to provide for the development and operation of the Unit Area as therein defined;

**NOW THEREFORE**, in consideration of the mutual agreements herein set forth, it is agreed as follows:

**ARTICLE 1  
CONFIRMATION OF UNIT AGREEMENT AND DEFINITIONS**

1.1 **Confirmation of Unit Agreement.** The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

1.2 **Definitions.** The definitions contained in the Unit Agreement are adopted for all purposes of this Agreement.

**ARTICLE 2  
EXHIBITS**

2.1 **Exhibits.** The following exhibits are incorporated herein by reference:

2.1.1 **Exhibits "A", "B", "C", and "D"** of the Unit Agreement.

2.1.2 **Exhibit "E"** attached hereto, which is a schedule showing the total Unit Participation of each Working Interest Owner. Exhibit "E", or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit participation of the Working Interest Owners for the purposes of this Agreement until shown to be in error and revised as herein.

2.1.3 **Exhibit "F"**, attached hereto, which is the Accounting Procedure applicable to the Unit Operations. If there is any conflict between this Agreement and Exhibit "F", this Agreement shall govern.

1  
2 2.1.4 **Exhibit "G"**, attached hereto, which is the Gas Balancing Agreement applicable  
3 to Unit Operations.  
4

5  
6 2.1.5 **Exhibit "H"**, attached hereto, which is the List of Well Bores.  
7

8 2.1.6 **Exhibit "I"**, attached hereto, which is the Notice of Lien and Mortgage-  
9 Financing Statement.  
10

11 2.1.7 **Exhibit "J"**, attached hereto, which contains Equal Opportunity provisions  
12 applicable to Unit Operations.  
13

14 2.2 **Revision of Exhibits.** Should Exhibits "A", "B", "C", be revised in accordance with  
15 provisions of the Unit Agreement, Exhibit "E" shall be revised accordingly and be effective as of  
16 the same date. Unit Operator shall also revise Exhibit "E" from time to time as required to  
17 conform to changes in ownership of which Unit Operator has been notified as provided in the  
18 Unit Agreement.  
19

20 2.3 **Reference to Exhibits.** When reference is made herein to an exhibit, it is to the exhibit as  
21 originally attached or, if revised, to the last revision.  
22

### 23 **ARTICLE 3**

#### 24 **SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS**

25

26 3.1 **Overall Supervision.** Working Interest Owners shall exercise overall supervision and  
27 control of all matters pertaining to Unit Operations, to this Agreement and to the Unit  
28 Agreement. In the exercise of such authority, each Working Interest Owner shall act solely in its  
29 own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.  
30

31 3.2 **Specific Authorities and Duties.** The matters with respect to which the Working Interest  
32 Owners shall decide and take action shall include, but not be limited to the following:  
33

34 3.2.1 **Method of Operation.** The method of operation, including any type of Improved  
35 Recovery Project.  
36

37 3.2.2 **Drilling of Wells.** The drilling of any well whether for production of Unitized  
38 Substances, for use as an injection well, or for other purposes.  
39

40 3.2.3 **Well Recompletion and Change of Status.** The recompletion, abandonment or  
41 change of status of any well, or the use of any well for injection or other purposes.  
42

43 3.2.4 **Expenditures.** The making of any single expenditure in excess of One Hundred  
44 Thousand Dollars (\$100,000); provided that approval by Working Interest  
45 Owners of the drilling, reworking, deepening or plugging back of any well shall  
46 include approval of all necessary expenditures required therefore, and for

1 completing, testing and equipping the same, including necessary flow lines,  
2 separators and lease tankage.

3  
4 **3.2.5 Disposition of Unit Equipment.** The selling or otherwise disposing of any major  
5 item of surplus Unit Equipment, if the current list price of new equipment similar  
6 thereto is One Hundred Thousand Dollars or more.

7  
8 **3.2.6 Audits.** The auditing of the accounts of Unit Operator pertaining to Unit  
9 Operations hereunder; however, such audits shall

10  
11 (a) Not be conducted more than once each year except upon the resignation or  
12 removal of Unit Operator, and

13  
14 (b) Be made upon the approval of the owner or owners of a majority of the  
15 Working Interest other than that of Unit Operator, at the expense of all  
16 Working Interest Owners other than Unit Operator, or be made at the  
17 expense of those Working Interest Owners requesting such audit, if  
18 owners of less than a majority of the Working Interests, other than that of  
19 the Unit Operator, request such an audit, and

20  
21 (c) Be made upon not less than thirty (30) days written notice to Unit  
22 Operator.

23  
24 **3.2.7 Technical Services.** The authorizing of charges to the joint account for services  
25 by consultants or Unit Operator's technical personnel not covered by the charges  
26 provided for in Exhibit "F".

27  
28 **3.2.8 Assignments to Committees.** The appointment of committees to study any  
29 problems in connection with Unit Operations.

30  
31 **3.2.9 Removal of Unit Operator.** The removal of Unit Operator and the selection of a  
32 successor as provided in the Unit Agreement.

33  
34 **3.2.10 Expansion of Unit Area.** The enlargement of the Unit Area.

35  
36 **3.2.11 Termination of Unit Agreement.** The termination of the Unit Agreement.

37  
38 **3.2.12 Contracts for Outside Substances.** Approval of contracts negotiated by Unit  
39 Operator pursuant to Section 7.13.

40  
41 **ARTICLE 4**  
42 **MANNER OF EXERCISING SUPERVISION**

43  
44 **4.1 Designation of Representatives.** Each Working Interest Owner shall in writing inform  
45 Unit Operator of the names and addresses of the representative and alternate who are authorized  
46 to represent and bind such Working Interest Owner with respect to Unit Operations. The

1 representative or alternate may be changed from time to time by written notice to Unit Operator.

2  
3 **4.2 Meetings.** All meetings of Working Interest Owners shall be called by Unit Operator  
4 upon its own motion or at a request of two or more of the Working Interest Owners having a total  
5 Unit Participation of not less than five percent (5%). No meeting shall be called sooner than  
6 fourteen (14) days following the date that written notification thereof is mailed. Working Interest  
7 Owners who attend the meeting may amend items included in the agenda and may act upon an  
8 amended item or other items presented at the meeting. The representative of Unit Operator or its  
9 alternate shall be chairman of each meeting. The Unit Operator will prepare and furnish minutes  
10 of all meetings to the Working Interest Owners.

11  
12 **4.3 Voting Procedure.** Working Interest Owners shall decide all matters coming before them  
13 as follows:

14  
15 **4.3.1 Voting Interest.** Each Working Interest Owner shall have a voting interest equal  
16 to its Unit Participation at the time the ballot is distributed. It is expressly  
17 recognized that Unit Participation (and the resulting voting interest) may be  
18 adjusted as the result of a Working Interest Owner electing not to participate in  
19 Unit Operations pursuant to Articles 12 and/or 13.

20  
21 **4.3.2 Vote Required- Generally.** Unless otherwise provided herein or in the Unit  
22 Agreement, all matters shall be decided by an affirmative vote of the owner of  
23 the largest voting interest plus the owners of ten percent (10%) of the voting  
24 interest remaining after deducting the largest voting interest, provided that in  
25 no event may a proposal be approved by less than seventy-five percent  
26 (75%) of the voting interest.

27  
28 **4.3.3 Vote Required for Drilling Well.** Any proposal that includes the drilling of one  
29 or more wells to a depth of 2,400 feet or greater may be approved by an  
30 affirmative vote of the owners of eighty-five percent (85%) or more of the voting  
31 interest.

32  
33 **4.3.4 Vote Required for Expenditures in Excess of One Million Dollars**  
34 **(\$1,000,000).** Any proposal that is reasonably expected to require  
35 expenditures in excess of One Million Dollars (\$1,000,000) may be approved  
36 by an affirmative vote of the owners of eighty-five percent (85%) or more of  
37 the voting interest.

38  
39 **4.3.5 Vote Required to Proceed With CO<sub>2</sub> Injection.** Notwithstanding anything in  
40 this agreement to the contrary, any proposal to commence CO<sub>2</sub> injection shall  
41 require the affirmative vote of the owners of the largest two voting interests,  
42 provided that in no event shall a proposal be approved by a vote of less than 75%  
43 of the voting interest. It is understood and agreed that the requirements of this  
44 section shall apply to any proposal to commence the injection of CO<sub>2</sub> including a  
45 pilot or test project, or to substantially expand the area covered by the injection  
46 of such CO<sub>2</sub>, as well as any proposal for a study of commencing such injection,

1 provided that any proposal involving the ongoing operation and maintenance of  
2 previously approved CO<sub>2</sub> injection shall not be deemed to be covered by the terms  
3 hereof. It is further understood and agreed that, for the purposes of this section  
4 4.3.5, and only for such purposes, the voting interest of the following parties shall

5 be deemed to be owned by a single party:

6 Yates Petroleum Corporation

7 Yates Drilling Company

8 MYCO Industries, Inc.

9 Abo Petroleum Corporation

10 Los Chicos

11 John A. Yates

12 S. P. Yates

13  
14 It is further understood and agreed that (i) Yates Petroleum Corporation  
15 shall represent the entire voting interest of all the above parties, and the vote  
16 of Yates Petroleum Corporation shall be binding on all of such parties; and  
17 (ii) In the event that any of the above parties disposes of any of its interest to  
18 any party other than those parties listed above, such interest shall no longer  
19 be deemed to be owned by the owner of the above interests.  
20

21 **4.3.6 Vote Required to Amend Unit Operating Agreement.** This Unit Operating  
22 Agreement may be amended by an affirmative vote of ninety percent  
23 (90%) or more voting interest; provided that, should any one working Interest  
24 Owner have ninety percent (90%) or more of the voting interest, its vote must be  
25 supported by the vote of two (2) or more other Working Interest Owners.  
26

27 **4.3.7 Overhead Rates.** The overhead rates provided for in Exhibit "F" hereof may be  
28 amended by a vote of the Unit Operator plus fifty percent (50%) of the voting  
29 interest remaining after deducting the voting interest of the Unit Operator,  
30 provided that in no event may overhead rates be amended by less than seventy-  
31 five percent (75%) of the voting interest.  
32

33 **4.3.8 Vote at Meeting by Non-Attending Working Interest Owners.** Any Working  
34 Interest Owner who is not represented (either in person or by proxy) at a meeting  
35 may vote by letter, facsimile or telegram addressed to the representative of the  
36 Unit Operator if its vote is received prior to the vote on the item. Such vote will  
37 not be counted with respect to any item on the agenda which is amended at the  
38 meeting.  
39

40 **4.3.9 Poll Votes.** Working Interest Owners may vote on and decide by letter, facsimile  
41 or telegram, any matter submitted in writing to Working Interest Owners. If no  
42 meeting is requested, as provided in Section 4.2, within fourteen (14) days after  
43 the proposal is sent to Working Interest Owners the vote taken by letter or  
44 telegram shall become final. Unit Operator will give prompt notice of the results  
45 of such voting to all Working Interest Owners.  
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**ARTICLE 5**  
**INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS**

5.1 **Reservation of Rights.** Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this Agreement and the Unit Agreement.

5.2 **Specific Rights.** Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 **Access to Unit Area.** Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells and the records and data pertaining thereto.

5.2.2 **Reports.** The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners may be charged to the Working Interest Owner that requests the information.

5.3 **Taking Unitized Substances in Kind.** The Unitized Substances allocated to each Tract shall be taken in kind by the respective parties entitled thereto by virtue of their ownership of Oil and Gas Rights therein or by purchase from such parties. Such parties shall have the right at their sole cost and expense, to construct, maintain and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained and operated so as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of Unitized Substances.

5.4 **Failure to Take Production in Kind.** If any party fails to take in kind or separately dispose of its share of Oil and or/ Gas included in the Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the party owning such share, to purchase for its own account or sell to others such share; provided that all contracts for sale by Unit Operator of any other party's share of such Oil and/or Gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Oil and/or Gas so disposed of by Unit Operator shall be paid to the party entitled thereto in accordance with applicable laws and regulations.

5.5 **Disposition of Gas.** In the event one or more parties' separate disposition of its share of Gas included in the Unitized Substances causes deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas allocated to it hereunder, the balancing or accounting between the respective accounts of the parties shall be in accordance with the provisions of Exhibit "G" hereto. It is expressly understood that, as of the Effective Date, the parties shall all be deemed to be in balance as to their interest in Gas included

1 in the Unitized Substances, and that, if there was any imbalance in the taking of gas produced  
2 from the Unitized Formation prior to the Effective Date, those parties as to which such imbalance  
3 exists shall settle such imbalance in accordance with applicable law and any agreements  
4 applicable to such imbalance. For the purpose of this provision, "Gas" means those hydrocarbons  
5 included in Unit production which at atmospheric conditions of temperature and pressure are in a  
6 gaseous phase, including hydrocarbons found therein which may be extracted or isolated as  
7 liquefied petroleum gas or natural gasoline by processing the gas other than by conventional  
8 surface separators.

9  
10 **5.6 Taking Outside Substances in Kind.** The implementation of an Improved Recovery  
11 Project may require injection into the Unitized Formation of substantial volumes of Outside  
12 Substances. At such time as the Working Interest Owners determine to produce and dispose of  
13 such Outside Substances, it is understood that such production will be shared and owned in  
14 accordance with the Unit Participation for each Working Interest Owner at the time of such  
15 disposal, and the provisions of Sections 5.3, 5.4 and 5.5 above shall apply to the taking and  
16 failure to take such Outside Substances **mutatis mutandis**.

17  
18 **5.7 No Sharing of Market.** Nothing herein shall be construed to provide directly or  
19 indirectly for any cooperative refining, joint sale or marketing of Unit Production or of Outside  
20 Substances produced from the Unitized Formation.

21  
22 **5.8 Reversionary Interest.** In the event that the ownership of any Tract is subject to change  
23 due to the payout, or multiple payout, of a well within the Unit under the terms of any other  
24 agreement, including, but not limited to, an operating agreement or a farmout agreement, it is  
25 understood and agreed that such payout, or multiple payout as the case may be, shall be deemed  
26 to have occurred as of the Effective Date, it being understood that the parties to the agreements  
27 creating such interest(s) shall negotiate in good faith to agree upon some compensation for the  
28 conversion of such interests prior to the date which conversion would have occurred in the  
29 absence of this Agreement.

30  
31 **ARTICLE 6**  
32 **UNIT OPERATOR**

33  
34 **6.1 Initial Unit Operator.** Exxon Corporation is hereby designated as the initial Unit  
35 Operator.

36  
37 **ARTICLE 7**  
38 **AUTHORITIES AND DUTIES OF UNIT OPERATOR**

39  
40 **7.1 Exclusive Right to Operate Unit.** Subject to the provisions of this Agreement and to  
41 instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be  
42 obligated to conduct Unit Operations.

43  
44 **7.2 Workmanlike Conduct.** Unit Operator shall conduct Unit Operations in a good and  
45 workmanlike manner as would a prudent operator under the same or similar circumstances. Unit  
46 Operator shall not be liable to Working Interest Owners for damages unless such damages result

1 from its gross negligence or willful misconduct.

2  
3 **7.3 Liens and Encumbrances.** Unit Operator shall endeavor to keep the lands and leases in  
4 the Unit Area free from all liens and encumbrances occasioned by Unit Operations except the  
5 lien of Unit Operator granted hereunder.

6  
7 **7.4 Employees.** The number of employees used by Unit Operator in conducting Unit  
8 Operations, their selection, hours of labor and compensation shall be determined by Unit  
9 Operator. Such employees shall be the employees of Unit Operator.

10  
11 **7.5 Records.** Unit Operator shall keep correct books, accounts and records of Unit  
12 Operations.

13  
14 **7.6 Laws and Regulations.** Unit Operator agrees to comply with all laws and regulations  
15 applicable to any activities carried out in the name of or on behalf of any one or more of the  
16 Working Interest Owners under the provisions of this Agreement and/or any amendments to it.

17  
18 **7.7 Financial Settlements, Billings, and Reports.** Unit Operator agrees that all financial  
19 settlements, billings, and reports rendered to any one or more of the Working Interest Owners, as  
20 provided for in this Agreement and/or amendments to it, will, to the best of its knowledge and  
21 belief, reflect properly the facts about all activities and transactions handled for the account of  
22 such Working Interest Owner(s), which data may be relied upon as being complete and accurate  
23 in any further recording and reporting made by such Working Interest Owner(s) for whatever  
24 purposes.

25  
26 **7.8 Notification.** Unit Operator agrees to notify the other Working Interest Owners promptly  
27 upon discovery of any instance where the Unit Operator fails to comply with the provision  
28 Section 7.6 above or where the Unit Operator has reason to believe that data covered by Section  
29 7.7 above is no longer accurate and complete.

30  
31 **7.9 Reports to Governmental Authorities.** Unit Operator shall make all reports to  
32 governmental authorities that it has the duty to make as Unit Operator.

33  
34 **7.10 Engineering and Geological Information.** Unit Operator shall furnish to a Working  
35 Interest Owner upon written request, a copy of all logs and other non-interpretive engineering  
36 and geological data pertaining to Unit Operations, subject to the provisions of Section 5.2.2.

37  
38 **7.11 Expenditures.** Unit Operator is authorized to make single expenditures not in excess of  
39 One Hundred Thousand Dollars (\$100,000) without prior approval of Working Interest Owners.  
40 If an emergency occurs, Unit Operator may immediately make or incur such expenditures in  
41 excess of this limit as in its opinion are required to deal with the emergency. Unit Operator shall  
42 report to Working Interest Owners, as promptly as possible, the nature of the emergency  
43 necessitating such expenditures and the action taken.

44  
45 **7.12 Wells Drilled by Unit Operator.** All wells drilled by Unit Operator shall be at the usual  
46 rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the

1 charge therefor shall not exceed the prevailing rate in the area, and the work shall be performed  
2 by Unit Operator under the same terms and conditions as are usual in the area in contracts of  
3 independent contractors doing work of a similar nature.

4  
5 **7.13 Exclusive Right to Contract for Outside Substances.** Subject to the provisions of this  
6 Agreement and to the instructions from and approval of the Working Interest Owners, the Unit  
7 Operator is authorized and shall have the exclusive right and obligation to contract for and on  
8 behalf of the Unit for such purchase, exchange, storage, use and acquisition of Outside  
9 Substances as is reasonable and necessary for conducting any Improved Recovery Project under  
10 such terms and conditions as Unit Operator shall deem proper and advisable. Each Working  
11 Interest Owner shall have the right to supply its proportionate share of Outside Substances in  
12 kind, subject to such Working Interest Owner complying with all reasonable conditions and  
13 requirements established from time to time by the Working Interest Owners for such purpose, it  
14 being understood that such requirements may include a requirement that Working Interest  
15 Owners elect whether they will supply their share of Outside Substances in kind for the entire  
16 period to be covered by a proposed contract for the acquisition of such Outside Substances.  
17 Notwithstanding anything contained in this Agreement, Unit Operator shall have the right to re-  
18 inject any Outside Substances produced in the course of Unit Operations.

19  
20 **7.14 Border Agreements.** Unit Operator may, after approval by Working Interest Owners  
21 pursuant to Section 4.3.2, enter into border agreements with respect to lands adjacent to the Unit  
22 Area for the purpose of coordinating operations.

23  
24 **7.15 Appearance Before a Court or Regulatory Agency.** The Unit Operator shall designate  
25 a representative to appear before any court or regulatory agency in matters pertaining to Unit  
26 Operations; provided that such designation shall not prevent any Working Interest Owner from  
27 appearing in person or from designating another representative in its own behalf and at its  
28 expense.

29  
30 **ARTICLE 8**  
31 **TAXES**  
32

33 **8.1 Ad Valorem Taxes.** Beginning with the first calendar year after the Effective Date  
34 hereof, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with  
35 the proper taxing authorities with respect to all property of each Working Interest Owner used or  
36 held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising  
37 therefrom. All such taxes shall be charged to and borne by the parties owning the same in  
38 proportion to their respective Unit Participation therein, provided that for any period prior to the  
39 Effective Date, such taxes shall be charged to and be borne by the parties based on their interest  
40 (or the interest of their predecessor in interest) prior to Unitization. Other ad valorem taxes upon  
41 or directly measured by the value of Unitized Substances produced from the subject lands shall  
42 be charged to and borne by the parties in the same proportion as the assessed value of their  
43 respective portions of the Unitized Substances bears to the whole; provided that, if the interest of  
44 a Working Interest Owner is subject to a separately assessed overriding royalty interest,  
45 production payment or other interest in excess of one-eighth (1/8) royalty, such Working Interest  
46 Owner shall be given credit for the reduction in taxes paid resulting therefrom.

1  
2 8.2 **Other Taxes.** Each Working Interest Owner shall pay, or cause to be paid, all production,  
3 severance, gathering and other taxes imposed upon, or with respect to, the production or handling  
4 of its share of Unitized Substances.  
5

6 **ARTICLE 9**  
7 **INSURANCE**  
8

9 9.1 **Insurance.** Unit Operator, with respect to Unit Operations, shall do the following:  
10

11 9.1.1 **Workman's Compensation.** Comply with the Workman's Compensation laws of  
12 the State of New Mexico.

13  
14 9.1.2 **Employer's Liability Insurance.** Carry Employer's Liability and other insurance  
15 as required by the laws of the State of New Mexico.  
16

17 9.1.3 **Other Insurance.** Unit Operator shall not carry any other insurance on behalf of  
18 the Unit.  
19

20 **ARTICLE 10**  
21 **PROPERTY TAKEN OVER**  
22

23 10.1 **Personal Property Taken Over.** Upon the Effective Date of the Unit, the Working  
24 Interest Owners shall deliver to Unit Operator all personal property and fixtures necessary or  
25 useful for Unit Operations as follows:  
26

27 10.1.1 **Wells and Well Equipment.** All wells listed on Exhibit "H" and associated well  
28 equipment shall be delivered subject to the terms of Article 11 hereof, provided that: (i)  
29 Exhibit "H" may be amended to add or delete wells by vote of the Working Interest  
30 Owners as provided herein; and (ii) Within ten (10) days after the Effective Date, or after  
31 a well has been added to Exhibit "H" by vote of the Working Interest Owners, whichever  
32 is applicable, the owner of such well may elect, by written notification to Unit Operator,  
33 to retain such well and its associated well equipment, subject to the requirements of  
34 Section 11.4 hereof.  
35

36 10.1.2 **Lease and Operating Equipment.** Subject to the procedures set out in Section  
37 10.3, all lease and operating equipment, and all wells other than those covered by Section  
38 10.1.1 and facility systems related to production from the Unitized Formation or which  
39 may be useful for Unit Operations and which are located on the Unitized Area shall be  
40 deemed to have been delivered to Unit Operator as of the Effective Date, provided that  
41 within ten (10) days of such Effective Date the owner of any such equipment that does  
42 not wish to contribute it to the Unit may, by written notification to Operator, elect to  
43 retain such equipment.  
44

45 10.1.3 **Working Interest Owners Retain Responsibility for Wells.** Notwithstanding  
46 anything contained herein to the contrary, it is understood and agreed that the parties shall

1 retain the authority to conduct testing, evaluation and repair operations on the wells listed  
2 on Exhibit "H" hereto, and the facilities associated therewith in order to establish and/or  
3 render same useful for Unit Operations as provided in Article 10 & 11, and that, until  
4 such time as said well(s) and well equipment have been accepted by the Unit as provided  
5 herein, the owners thereof shall retain all liability and responsibility for such wells, and  
6 shall be solely responsible for complying with all permitting and bonding requirements  
7 applicable thereto.

8  
9 **10.2 Records.** Within ten (10) days of the Effective Date, each Working Interest Owner shall  
10 deliver to Unit Operator a copy of all production and well records pertaining to any well which  
11 (i) has produced or is currently producing from the Unitized Formation; and/or (ii) is listed on  
12 Exhibit "H".

13  
14 **10.3 Inventory and Evaluation of Personal Property.** Working Interest Owners shall  
15 appoint an inventory committee which shall, as of the Effective Date or as soon thereafter as is  
16 feasible, cause to be taken, under the supervision of the Unit Operator and at Unit Expense, joint  
17 physical inventories of the lease and well equipment described in Section 10.1.2, which  
18 inventories shall be used as a basis for determining the items of equipment to be taken over by  
19 the Unit Operator hereunder. Physical inventories conducted prior to the Effective Date hereof  
20 may be used for this purpose with approval by Working Interest Owners. The Unit Operator shall  
21 notify each Working Interest Owner within each separate Tract at least ten (10) days prior to the  
22 taking of the inventory with respect to said Tract, so that each of said Working Interest Owners  
23 may make arrangements to be represented at the taking of the inventory. Such inventories shall  
24 include those items of equipment normally considered controllable as recommended in the  
25 materials classification manual in Bulletin No. 6 dated June, 1982 or any amendments thereto,  
26 published by the Council of Petroleum Accountants Societies, except that intangible drill and  
27 complete costs will also be included and valued at \$225,000 per well for the purposes of the  
28 inventory adjustment. Such inventories shall exclude all items not of use and value to the Unit  
29 and not necessary to Unit Operations. Following completion of the inventories, such inventories  
30 shall be priced in accordance with the provisions of Exhibit "F" hereto, and made a part hereof.  
31 Such pricing shall be performed under the supervision of the Unit Operator, with Working  
32 Interest Owners furnishing such additional assistance in valuation as may be available and  
33 necessary.

34  
35 **10.4 Inventory and Valuations.** After completion of the applicable inventory and evaluation  
36 of property in accordance with the provisions of Section 10.3, Unit Operator shall submit to each  
37 Working Interest Owner a copy of the inventory and valuations thereon together with a letter  
38 ballot for approval of such inventory and valuations. Any item of equipment not listed on said  
39 inventory shall be deemed excluded from the Unit. Within sixty (60) days after receipt of such  
40 inventory and valuations each Working Interest Owner shall return such letter ballot to Unit  
41 Operator indicating its approval or disapproval thereof. It is agreed that such inventory and  
42 valuations shall be binding upon all parties if approved by Working Interest Owners owning as  
43 much as sixty-five percent (65%) of the Working Interest in the Unit Area, except that if one  
44 owner exceeds sixty five percent (65%), one other Working Interest Owner will be required to  
45 approve such inventory and valuations for it to be binding. It is understood and agreed that,  
46 notwithstanding anything contained herein to the contrary, Unit Operator shall submit the

1 inventory and evaluation for approval by Working Interest Owners only after all of the wellbores  
2 to be included in the Unit have been declared to be either usable or not usable in accordance with  
3 the terms of Article 11 hereof.

4  
5 **10.5 Investment Adjustments.** As soon as practicable after approval by Working Interest  
6 Owners of the inventory and valuations as provided in Section 10.4, each Working Interest  
7 Owner shall be credited with the value of its interest in all personal property taken over by Unit  
8 Operator under Section 10.1, and charged with an amount equal to that obtained by multiplying  
9 the total value of all such personal property so taken over by Unit Operator under Section 10.1 by  
10 such Working Interest Owner's Unit Participation, as shown on Exhibit "E", attached hereto. If  
11 the charge against any Working Interest Owner is greater than the amount credited to such  
12 Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated  
13 as any other item of Unit Expense chargeable against such Working Interest Owner subject to the  
14 terms of Section 12.3. If the credit to any Working Interest Owner is greater than the amount  
15 charged against such Working Interest Owner, the resulting net credit shall be paid to such  
16 Working Interest Owner by Unit Operator out of funds received by it in settlement of the net  
17 charges described above.

18  
19 **10.6 General Facilities.** The acquisition of any warehouses, warehouse stocks, lease houses,  
20 facility or facilities systems, and office buildings necessary for Unit Operations and not  
21 contributed to the Unit under the terms hereof, shall be by negotiations by and between the  
22 owners thereof and Unit Operator, subject to the requirements of Article 3.

23  
24 **10.7 Ownership of Personal Property and Facilities.** Each Working Interest Owner,  
25 individually, shall, by virtue hereof, own an undivided interest in all personal property and  
26 facilities taken over or otherwise acquired by Unit Operator pursuant to this Agreement equal to  
27 its Unit Participation, as shown on Exhibit "E" attached hereto.

28  
29 **ARTICLE 11**  
30 **WELLBORES**

31  
32 **11.1 Usable Wells.** Whether currently active, shut-in, temporarily abandoned, plugged and  
33 abandoned or completed in a non-Unitized interval, a well must meet all of the following  
34 conditions to qualify as "Usable" for the purposes of this Agreement:

35  
36 **11.1.1 Completion Interval.** The well must be completed in the Unitized Formation, and  
37 not completed outside the Unitized Formation.

38  
39 **11.1.2 Casing Integrity.** The well must demonstrate casing integrity by acceptably  
40 completing a pressure test for depths above the top of the Unitized Formation,  
41 said pressure test to be performed with water at a minimum surface pressure of  
42 700 pounds per square inch for a minimum of thirty minutes, as documented  
43 using a chart recorder. To recognize thermal effects and other conditions that  
44 might affect pressure readings, a pressure change of 10% during the test period  
45 will be accepted if, in the opinion of the Unit Operator, such change is not the  
46 result of test fluid loss or gain.

1  
2 11.1.3 **Isolation of Non-Unitized Formations.** If a well was ever previously completed  
3 in an interval other than the Unitized Formation or if pressure communication into  
4 such intervals is suspected for any reason, the source of the communication must  
5 be repaired.

6  
7 11.1.4 **Wellbore Condition.** The well must be free of scale, junk and debris to the base  
8 of the productive zone of the Unitized Formation.

9  
10 11.1.5 **Wellbore Size.** Any production casing and liner, if present, must be at least 4-1/2"  
11 diameter.

12  
13 11.1.6 **Cement Integrity.** The well must have cement integrity sufficient to protect the  
14 Goat Seep Reef. The owner of the well must provide wellbore records sufficient  
15 to demonstrate such cement integrity. If the Unit Operator, acting in its sole  
16 discretion, determines that the records provided are not sufficient to demonstrate  
17 such cement integrity, an injecting temperature tracer survey shall be run in  
18 accordance with procedures established or approved by the Unit Operator.

19  
20 11.1.7 **Other Wells.** Notwithstanding anything contained in this Section 11.1 to the  
21 contrary, in the event that a well covered hereby is to be utilized as a source of  
22 water from, or for disposal to, a formation other than the Unitized Formation, than  
23 the zone to be used for water production or disposal shall be substituted for the  
24 Unitized Formation in the application of this Section, provided, that, with regard  
25 to Section 11.1.4, the criteria shall be that the well shall be sufficiently free of  
26 scale, junk and debris for the wells intended purpose.

27  
28 11.2 **Wellbores Made Usable.** After the Effective Date, but within the two (2) year  
29 period described in Section 11.3 below, the Unit Operator shall determine which wells may be  
30 accepted as Usable in accordance with the criteria set out in Section 11.1.

31  
32 11.2.1 **Testing and Remedial Work Performed by Wellbore Owner.** The tests  
33 required to demonstrate a wellbore's compliance with the requirements of Section  
34 11.1 may be performed by the owners of the wellbore at their risk and expense,  
35 provided that the procedures for such testing shall be approved in advance by Unit  
36 Operator, Unit Operator shall have the right to witness such tests, and Unit  
37 Operator shall make the final determination of whether a wellbore is Usable based  
38 on the results of such tests. Within thirty (30) days of being notified by Unit  
39 Operator that a wellbore has been determined not be Usable, the owners of such  
40 wellbore may elect to perform workover operations, at their sole risk and expense,  
41 to attempt to make a deficient well Usable, but the Unit Operator reserves the  
42 right to review and approve any of the workover procedure(s). The Unit Operator  
43 must be notified at least five (5) days prior to commencement of workover  
44 operations and Unit Operator's representatives must be permitted to witness such  
45 operations and such work must be completed within sixty (60) days of its  
46 commencement, unless an extension of such sixty (60) day period is granted by

1 Unit Operator.

2  
3 **11.2.2 Testing and Remedial Work Performed by Unit Operator.** At any time within  
4 six months after the Effective Date, any wellbore owner may request that any  
5 testing required under Section 11.1 and/or any remedial work required to make a  
6 wellbore Usable be performed by the Unit Operator. Following any such written  
7 request, the Unit Operator will review wellbore records to determine appropriate  
8 procedures and cost estimates. Should the Unit Operator determine that the  
9 required testing or remedial work is technically feasible and can be performed on  
10 a timely basis, then the Unit Operator may, at its sole discretion, agree to perform  
11 the required testing and/or remedial work. The wellbore owners shall bear the sole  
12 cost, risk, and expense of such testing and/or remedial work and the cost incurred  
13 by Unit Operator shall be reimbursed by the wellbore owners.  
14

15 **11.3 Wellbores Accepted as Usable.** Any wellbore which is to be contributed to the Unit shall  
16 not be accepted as Usable until it can be assessed pursuant to Sections 11.1 and 11.2 hereof.  
17 Notwithstanding the foregoing any well not so assessed within two (2) years following the  
18 Effective Date of the Unit shall be deemed not Usable. Notwithstanding the foregoing, if, at any  
19 time prior to the two (2) year period provided for herein, a workover is to be performed for the  
20 benefit of the Unit on a wellbore that has not yet been determined to be Usable, Unit Operator  
21 shall notify the owners of such wellbore, and said owners shall have thirty (30) days to perform  
22 the testing required under Section 11.1, or request that Unit Operator perform such testing  
23 pursuant to Section 11.2.2, and the provisions of said Section 11.2 shall apply to any remedial  
24 work which may be required as a result of such testing.  
25

26 **11.4 Wellbores Not Accepted as Usable.** Any wellbore that (1) is operated or owned by a  
27 Working Interest Owner, (2) is within the Unit area, (3) has previously been completed in the  
28 Unitized Formation or is suspected of being in pressure communication with the Unitized  
29 Formation, and (4) is not accepted as Usable by the Working Interest Owners pursuant to the  
30 terms hereof, must either be plugged and abandoned by the owner or isolated from the Unitized  
31 Formation and must pass a casing integrity pressure test as described in Section 11.1.2 to verify  
32 that isolation. Said test to be performed at the expense of the owner of the well provided that  
33 Unit Operator shall be given forty eight (48) hours notice of such test and shall have the  
34 opportunity to witness the test. In the event that any owner fails to comply with the pressure test  
35 request or to remedy any pressure communication conditions, the Unit Operator shall have the  
36 right to withhold production funds or credits from the non-complying owner(s) until such time as  
37 testing compliance is achieved, and any pressure communication is remedied.  
38  
39

40 **ARTICLE 12**  
41 **NON-CONSENT PROVISION**  
42

43 **12.1 Election.** It is understood and agreed that any Working Interest Owner may elect to be  
44 carried hereunder, subject to the following terms and conditions: When Unit Operator circulates  
45 the Unit Agreement and Unit Operating Agreement for execution, Unit Operator shall also  
46 circulate a ballot under which a party may elect: (a) whether it wishes to be carried; and (b) if it

1 elects not to be carried, the amount of Working Interest as to which it is willing to assume  
2 additional participation pursuant to the terms hereof. Failure to return said ballot shall be deemed  
3 an election to be carried. In the event that, following the receipt of the Working Interest Owners'  
4 ratifications by Unit Operator, the Working Interest Owners, collectively, have not agreed to  
5 assume participation as to one hundred percent (100%) of the Working Interest, Unit Operator  
6 shall give all Working Interest Owners that have elected to Participate the option to increase the  
7 amount of additional participation they are willing to assume within ten (10) days of receiving  
8 notice of such option. Thereafter, Unit Operator may elect to assume additional participation. If,  
9 following such contact, the Working Interest Owners, collectively, have still not agreed to  
10 assume participation as to one hundred percent (100%) of the Working Interest, Unit Operator  
11 shall not proceed with the Unitization which is the subject of this agreement. It is understood and  
12 agreed that, if the Unit Operating Agreement and the Unit Agreement do become effective under  
13 the respective terms thereof, and any parties that did not previously ratify the Unit Operating  
14 Agreement and the Unit Agreement, nevertheless become Working Interest Owners as a result of  
15 the Oil Conservation Division of the State of New Mexico (the "Division") approving this Unit  
16 pursuant to the New Mexico Statutory Unitization Act, such Working Interest Owners shall have  
17 the right to elect to participate in the Unit and to elect an amount of additional participation that  
18 they are willing to assume within thirty (30) days after said approval by the Division. Once all  
19 parties have made the elections allowed under the provisions hereof, the interest of those  
20 Working Interest Owners that have elected to be carried shall be allocated among those Working  
21 Interest Owners that have elected to participate in proportion to their Working Interest in the  
22 Unit, provided that no Working Interest Owner shall be allocated any additional participation in  
23 excess of the amount of participation which said Working Interest Owner has elected to assume.  
24

25 **12.2 Non-Consent Penalty.** The entire cost and risk of conducting operations shall be borne  
26 by the Working Interest Owners in the proportion that they have elected to participate pursuant to  
27 the terms hereof (hereinafter, such Working Interests Owners shall be referred to as "Consenting  
28 Parties"). Each Working Interest Owner that has elected to be carried (hereinafter, such Working  
29 Interest Owners shall be referred to as "Non-Consenting Parties") shall be deemed to have  
30 relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to  
31 receive, in proportion to their respective interests, all of such Non-Consenting Parties' share of  
32 Unit Production (including its share of any Outside Substances produced and sold) until the  
33 proceeds of the sale of such share, calculated at the well, or the market value thereof if such share  
34 is not sold (after deducting production taxes, excise taxes, royalty or/and overriding royalty  
35 payable out of or measured by the production from such well accruing with respect to such  
36 interest) shall equal the Unit Expense accruing for such interest plus an amount equal to 200% of  
37 all of such Unit Expense allocated to such Non-Consenting Parties' Working Interest, it being  
38 further understood and agreed that the unpaid balance of any amount payable out of a Non-  
39 Consenting Party's interest hereunder (including the additional 200% of such expenses provided  
40 for above) shall bear interest at the rate of 2% above prime rate as established by the Chase  
41 Manhattan Bank of New York City to be determined monthly, or at the maximum contract rate  
42 permitted by the applicable usury laws, whichever is the lesser. It is expressly understood and  
43 agreed that, notwithstanding anything contained herein to the contrary, the 200% penalty  
44 provided for above shall be applied as follows: For any month in which a Non-Consenting  
45 Party's share of Unit Expenses exceeds its share of Unit Revenues, the 200% penalty shall be  
46 applied to the difference between such expenses and revenues, and the resulting amount shall be

1 added to the Non-Consenting Party's unpaid balance. For any month in which a Non-Consenting  
2 Party's share of Unit revenues exceeds its share of Unit expenses, no penalty shall be charged on  
3 such expenses, and the difference between such revenues and expenses shall be applied to such  
4 Non-Consenting Party's unpaid balance.

5  
6 **12.3 Handling of Inventory Adjustment for Non-Consent Parties.** It is understood and  
7 agreed that Unit Operator shall promptly provide Working Interest Owners with notification of  
8 the approval of the inventory and valuation pursuant to Article 10, and that, with regard to any  
9 Working Interest Owner that has elected to be carried under Section 12.1, and has not had its  
10 Working Interest revert to it pursuant to the terms hereof, the following shall apply: (i) if such  
11 Working Interest Owner has a net charge against its interest following the inventory adjustment,  
12 such charge shall be considered an expense in the month in which the inventory adjustment is  
13 applied and shall be treated as any other expense under Sections 12.1 and 12.2 (ii) if such  
14 Working Interest Owner has a net credit against its interest following the inventory adjustment,  
15 the amount of such credit shall be applied to the outstanding balance of such Working Interest  
16 Owner in the same manner as revenue in the month in which the inventory adjustment is applied,  
17 and if the amount of such credit is sufficient for the Working Interest of such Working Interest  
18 Owner to revert to it pursuant to the terms hereof, such Working Interest shall revert, and the  
19 amount of any net credit remaining shall be paid to Working Interest Owner.

20  
21 **12.4 Payoff of Non-Consent Party's Unpaid Balance.** Any Non-Consenting Party shall have  
22 the right, at any time, to pay off the amount of its net unpaid balance and, in the event that any  
23 Non-Consenting Party exercises this right, the Working Interest of such Non-Consenting Party  
24 shall revert to it on the month following the month of such payment.

25  
26 **ARTICLE 13**  
27 **UNIT EXPENSE**

28  
29 **13.1 Discharge of Unit Expense.** Unit Operator initially shall pay and discharge all Unit  
30 Expense. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit  
31 Expense. Each Working Interest Owner's share shall be the same as its Unit Participation.

32  
33 **13.2 Budgets.** Before or as soon as practical after the Effective Date, Unit Operator shall  
34 prepare a budget of estimated Unit Expense (including but not limited to charges for Outside  
35 Substances) for the remainder of the calendar year. On or before the first day of each October  
36 thereafter or within 60 days of the Effective Date if the Effective Date is after August 1, Operator  
37 shall prepare a budget for the ensuing calendar year. Budgets shall be estimates only. A copy of  
38 each budget will be furnished to each Working Interest Owner.

39  
40 **13.3 Advance Billing.** Unit Operator shall have the right to require Working Interest Owners  
41 to advance their respective shares of estimated Unit Expenses, including charges for Outside  
42 Substances, in accordance with Exhibit "F"

43  
44 **13.4 Commingling of Funds.** No funds received by Unit Operator under this Agreement need  
45 be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

1    **13.5 Lien and Security Interest of Unit Operator.** In order to secure payment by Working  
2 Interest Owners of amounts due Operator from time to time under the terms hereof as its share of  
3 expense, plus interest thereon as provided in section 13.6 hereof, Working Interest Owners  
4 hereby grant to Operator the following: (1) A lien and mortgage covering all of Working Interest  
5 Owners' leasehold, unleased mineral or other Working Interest in and under the Unitized Lands  
6 which are of record as of the date hereof or hereafter acquired by Working Interest Owners; (2) A  
7 lien and mortgage covering, and a security interest in, Working Interest Owner's undivided  
8 portion of the Unit Equipment; (3) A security interest in Working Interest Owners' undivided  
9 portion of the oil and/or gas when extracted from the Unitized Lands and in the accounts arising  
10 from the sale by Working Interest Owners of such oil and gas; (4) A lien and security interest  
11 covering all contract rights, general intangibles, interests in partnerships or other associations,  
12 and any other interests arising from the development of the Unitized Lands for oil and gas  
13 purposes; and (5) A lien and security interest covering the proceeds of the sale of any of the  
14 collateral referenced in (1)-(4) above, together with a lien and security interest attaching to the  
15 collateral to the extent required to reimburse for any interest, court costs, and attorneys' fees to  
16 which a party may be entitled by reason of exercise of any lien or security rights hereunder. In  
17 order to secure payment by Operator from time to time of its share of expense under the terms  
18 hereof, Operator has granted and does hereby grant to Working Interest Owners a lien and  
19 mortgage and a security interest of the same nature and effect as those described in the above.  
20 Each of the parties hereto hereby agrees to execute and provide, upon the request of any other  
21 party hereto, a "Notice of Lien and Mortgage-Financing Statement" in the form attached hereto  
22 as Exhibit "J", and authorizes any party hereto to file such instrument in the appropriate records  
23 of the county or counties where the contract lands are located and in the Uniform Commercial  
24 Code records of the appropriate Secretary of State's office and/or such other records as may be  
25 required under the Uniform Commercial Code of the State. To the extent that Operator has a  
26 security interest under the New Mexico Uniform Commercial Code Operator shall be entitled to  
27 exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the  
28 obtaining of judgment by Unit Operator for the secured indebtedness shall not be deemed an  
29 election of remedies or otherwise affect the lien rights or security interest as security for the  
30 payment thereof. In addition, upon default by any Working Interest Owner in the payment of its  
31 share of Unit Expense, Unit Operator shall have the right, without prejudice to other rights or  
32 remedies, to collect from the purchaser the proceeds from the sale of such Working Interest  
33 Owner's share of Unitized Substances until the amount owned by such Working Interest Owner,  
34 plus interest, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written  
35 statement concerning the amount of any default.

36  
37    **13.6 Unpaid Unit Expense.** If any Working Interest Owner fails or is unable to meet its  
38 financial obligations in connection with the Unit then at the election of the Unit Operator, the  
39 unpaid balance of said Working Interest Owner's share of Unit Expense shall be carried and paid  
40 by all non-defaulting Working Interest Owners in the proportion that the Unit Participation of  
41 each bears to the total Unit Participation of all such Working Interest Owners (including Unit  
42 Operator). Such amount shall bear interest at the rate of 2% above prime rate as established by  
43 the Chase Manhattan Bank of New York City to be determined monthly, or at the maximum  
44 contract rate permitted by the applicable usury laws, whichever is the lesser. Working Interest  
45 Owners so paying the same shall be reimbursed therefore, together with interest thereon, if and  
46 when the amount so carried and the interest thereon are collected from the Working Interest

1 Owner primarily chargeable therewith. The amount carried shall be due and payable out of the  
2 proceeds from the defaulting Working Interest Owner's share of Unit Production including  
3 production of Outside Substances. During the time that any Working Interest Owner fails to pay  
4 its share of the Unit Expense, such Working Interest Owner shall be deemed to have surrendered  
5 and assigned its voting rights pursuant to this Agreement and the Unit Agreement to the non-  
6 defaulting Working Interest Owners in proportion to their Unit Participation in the Unit. All  
7 credits to any such defaulting Working Interest Owner on account of the sale or other disposal of  
8 Unit Equipment, or otherwise, shall also be applied against the unpaid share of Unit Expense  
9 charged against such Working Interest Owner.

10  
11 **13.7 Penalty Provision.** In the event that any Working Interest Owner fails to pay any  
12 amounts due hereunder for a period of sixty (60) days after such amounts are due, Unit Operator  
13 shall have the right, but not the obligation, to serve a "Notice of Non-Consent" upon such  
14 Working Interest Owner, and, if such failure to pay is not cured within thirty (30) days thereafter,  
15 Unit Operator shall have the right to declare that such defaulting Working Interest Owner has  
16 elected to become a Non-Consenting Party, as provided for in Section 12.1 hereof, and that all  
17 unpaid sums shall be subject to repayment with a 200% penalty plus interest as though said  
18 Working Interest Owner had elected to be carried under said Section 12.1. With regard to the  
19 interest of such a defaulting Working Interest Owner, at the Operator's election either: (i) The  
20 Operator shall not charge any of the defaulting Working Interest Owner's expenses to the non-  
21 defaulting Working Interest Owners, and the Operator shall be deemed the Consenting Party as  
22 to such defaulting Working Interest Owner's Working Interest; or (ii) The Operator shall charge  
23 the non-defaulting Consenting Working Interest Owners with their proportionate part of any  
24 defaulting Working Interest Owner's expenses, and, all such non-defaulting Consenting Working  
25 Interest Owners shall be deemed to be Consenting Parties as to their proportionate part of such  
26 defaulting Working Interest Owner's Working Interest.

27  
28 **13.8 Carved-Out Interest.** If any Working Interest Owner shall, after executing this  
29 Agreement, create an overriding royalty, production payment, net proceeds interest, carried  
30 interest, or any other interest out of its Working Interest, such carved-out interest shall be subject  
31 to the terms and provisions of this Agreement, specifically including, but without limitation,  
32 Section 13.5 hereof entitled "Lien and Security Interest of Unit Operator." If the Working  
33 Interest Owner creating such carved-out interest (a) fails to pay any Unit Expense chargeable to  
34 such Working Interest Owner under this Agreement, and the production of Unitized Substances  
35 accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (b)  
36 withdraws from this Agreement under the terms and provisions of Article 20 hereof, the carved-  
37 out interest shall be chargeable with a pro rata portion of all Unit Expense incurred hereunder,  
38 the same as though such carved-out interest were a Working Interest, and Unit Operator shall  
39 have the right to enforce against such carved-out interest the lien and all other rights granted in  
40 Section 13.5 for the purpose of collecting the Unit Expense chargeable to the carved-out interest.

41  
42 **ARTICLE 14**  
43 **ENVIRONMENTAL LIABILITY**  
44

45 **14.1 Indemnity.** Each Working Interest Owner agrees to protect, indemnify and hold all other  
46 Working Interest Owners harmless against all claims, demands, damages, losses, liabilities,

1 penalties, fines, liens, judgments, costs or expenses whatsoever, including, without limitation,  
2 attorney's fees and costs (hereinafter, such claims, demands, etc., shall be collectively referred to  
3 as "Claims") known, or unknown, foreseen or unforeseen, that may arise on account of or in  
4 connection with any real or personal property or fixtures contributed to the Unit by the  
5 indemnifying Working Interest Owner, except to the extent that such Claim arises as a result of  
6 Unit Operations. It is understood that the term "Claims" shall include all matters pertaining to  
7 environmental and environmentally related laws, including, but not limited to the Comprehensive  
8 Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et  
9 seq.), the Resource Conservations and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.) the  
10 Clean Water Act (33 U.S.C. Section 466 et seq.), the Safe Drinking Water Act (14 U.S.C.  
11 Sections 1401-1450), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et  
12 seq.), the Toxic Substances Control Act (15 U.S. C. Sections 2601-2629) and any amendments  
13 thereto or regulations adopted thereunder, as well as any State statutes and regulations adopted  
14 pursuant to said Federal Laws.

15  
16 **14.2 Investigation.** At any time prior to, or within two (2) years after, the Effective Date, any  
17 Working Interest Owner hereto (or group of Working Interest Owners, acting together by  
18 agreement) shall have the right to conduct an investigation to determine and document the  
19 existence of any potential Claims associated with the Unit. The scope of such investigation shall  
20 be at the sole discretion of the Working Interest Owner conducting it. All other Working Interest  
21 Owners, including Operator (if Operator is not conducting the investigation) shall grant the  
22 Working Interest Owner conducting the investigation such access to all land, facilities and  
23 records as may be reasonably necessary to conduct such investigation. In the event that such  
24 investigation may require the disclosure of any information which the disclosing Working  
25 Interest Owner regards as proprietary or confidential, the disclosing Working Interest Owner may  
26 require that the Working Interest Owner conducting the investigation execute a confidentiality  
27 agreement imposing reasonable limits on the use and dissemination of such information. It is  
28 understood and agreed that the results of any investigation shall only be disclosed to the Working  
29 Interest Owner(s) that conduct said investigation, provided that, in the event that such  
30 investigation discloses the existence of any Claims, or of a situation that is reasonably likely to  
31 lead to the existence of a Claim in the future, the Working Interest Owner(s) that are contributing  
32 the property that is affected by such Claim or potential Claim and the Unit Operator shall be  
33 notified of the existence thereof, whether or not such parties participated in said investigation.

34  
35 **ARTICLE 15**  
36 **NON-UNITIZED FORMATIONS**  
37

38 **15.1 Right to Operate.** Any Working Interest Owner that now has or hereafter acquires the  
39 right to drill for and produce oil, gas, or other minerals from a formation within the Unit Area,  
40 other than the Unitized Formation, shall have the right to do so notwithstanding this Agreement  
41 or the Unit Agreement. In exercising the right, however, the Working Interest Owner shall  
42 exercise reasonable precaution to prevent unreasonable interference with Unit Operations. No  
43 Working Interest Owner shall produce Unitized Substances through any well drilled or operated  
44 by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the  
45 Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so  
46 that the production of Unitized Substances will not adversely be affected.

1  
2 **15.2 Multiple Completions.** No well shall be multiple completed to produce from the  
3 Unitized Formation and any other formation within the Unit Area without express approval of  
4 the Working Interest Owners.  
5

6 **ARTICLE 16**  
7 **TITLES**  
8

9 **16.1 Warranty and Indemnity.** Each Working Interest Owner represents and warrants that it  
10 is the owner of the respective Working Interests set forth opposite its name in Exhibit "B", and  
11 hereby agrees to indemnify and hold harmless the other Working Interest Owners from any loss  
12 due to failure in whole or in part of its title to any such interest, except failure of title arising out  
13 of Unit Operations. Such indemnity shall be limited to an amount equal to the net value that has  
14 been received from the sale or receipt of Unitized Substances attributed to the interest as to  
15 which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is  
16 concerned, as of the first day of the calendar month in which such failure is finally determined,  
17 and there shall be no retroactive adjustment of Unit Expense or retroactive allocation of Unitized  
18 Substances or the proceeds therefrom, as a result of title failure.  
19

20 **16.2 Failure Because of Unit Operations.** The failure of title to any Working Interest in any  
21 Tract by reason of Unit Operations, including non-production from such Tract, shall not change  
22 the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit  
23 Participation of the other Working Interest Owners at the time of the title failure.  
24

25 **16.3 Waiver of Rights to Partition.** Each Working Interest Owner hereto agrees that, during  
26 the existence of this Agreement, it will not resort to any action to partition the interval of the  
27 formation Unitized hereunder or the Unit Equipment, and to that extent waives the benefits of all  
28 laws authorizing such partition.  
29

30 **ARTICLE 17**  
31 **LIABILITY, CLAIMS, SUITS, AND FORCE MAJEURE**  
32

33 **17.1 Individual Liability.** The duties, obligations and liabilities of Working Interest Owners  
34 shall be several and not joint or collective; and nothing herein contained shall ever be construed  
35 as creating a partnership of any kind, joint venture, association or trust among Working Interest  
36 Owners.  
37

38 **17.2 Liability for Claims and Judgments.** All damage or injury to the Unit or Unit  
39 Equipment shall be borne by the parties hereto in proportion to their interests therein. The  
40 liability, if any, of the parties hereto in damages for claims growing out of personal injury to or  
41 death from third parties or injury to or destruction of property of third parties resulting from the  
42 Unit Operations conducted hereunder including such liability as may result from the negligence  
43 (but not gross negligence or willful misconduct) of the Unit Operator shall be borne in proportion  
44 to their Unit Participation as of the date such liability arose, and each party individually may  
45 acquire such insurance as it deems proper to protect itself against such claims.  
46

1 17.3 **Settlements.** Unit Operator may settle any single damage claim or suit involving Unit  
2 Operations if the expenditure does not exceed One Hundred Thousand Dollars (\$100,000)  
3 provided the payment is in complete settlement of such claim or suit. If the amount required for  
4 settlement exceeds the above specified amount, Working Interest Owners shall assume and take  
5 over the further handling of the claim or suit unless such authority is expressly delegated to Unit  
6 Operator. All costs and expense of handling, settling or otherwise discharging such claim or suit  
7 shall be an item of Unit Expense, subject to the provisions of Exhibit "F" Accounting Procedure.  
8 If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued  
9 on account of any matter arising from Unit Operations and over which such Working Interest  
10 Owner individually has no control because of the rights given Working Interest Owners and Unit  
11 Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall  
12 immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or  
13 suit involving Unit Operations.

14  
15 17.4 **Notices of Damages, Claims and Suits by Unit Operator to Working Interest**  
16 **Owners.** Unit Operator shall report to Working Interest Owners as soon as practicable after each  
17 occurrence, damages or losses to Unit Equipment, and accidents, occurrences, claims or suits  
18 involving third party bodily injury or property damage which are not covered by insurance  
19 carried for the benefit of Working Interest Owners.

20  
21 17.5 **Force Majeure.** Any obligation imposed by this Agreement on each party, except for the  
22 payment of money, shall be suspended while compliance therewith is prevented, in whole or in  
23 part, by a strike, fire, war, civil disturbance, act of God; by Federal, state or municipal laws; by  
24 any rule, regulation or order of a governmental agency; by inability to secure materials or by any  
25 other cause beyond the reasonable control of such party. No party shall be required against its  
26 will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other  
27 instrument subject hereto shall be terminated by reason of the suspension of Unit Operations due  
28 to any of the causes set forth in this Section.

29  
30 **ARTICLE 18**  
31 **INTERNAL REVENUE PROVISION**

32  
33 18.1 **Internal Revenue Provision.** Each Working Interest Owner hereby elects that it and the  
34 operations covered by this Agreement may be excluded from the application of Subchapter K of  
35 Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, or such portion thereof as the  
36 Secretary of the Treasury of the United States or his delegate shall permit by election to be  
37 excluded therefrom. Unit Operator is hereby authorized and directed to execute on behalf of each  
38 Working Interest Owner such additional or further evidence of the election as may be required by  
39 regulations issued under said Subchapter K. Should the regulations require each party to execute  
40 such further evidence, each Working Interest Owner agrees to execute or join in the execution  
41 thereof. The election hereby made and the other provisions of this paragraph shall apply in like  
42 manner to applicable state laws, regulations and rulings now in effect or hereafter enacted that  
43 have an effect similar to the Federal provisions referred to herein.

44  
45 **ARTICLE 19**  
46 **NOTICES**

1  
2 19.1 **Notices.** All notices required hereunder shall be in writing and shall be deemed to have  
3 been properly served when sent by mail, facsimile or telegram to the address of the  
4 representative of each Working Interest Owner as furnished to Unit Operator in accordance with  
5 Section 4.1.

6  
7 19.2 **Notice of Transfer of Title.** No change of title shall be binding on the Unit or Unit  
8 Operator until thirty (30) days after the first day of the calendar month next succeeding the date  
9 of receipt by Unit Operator of evidence, satisfactory to it, of such change or ownership. Each  
10 such transfer, assignment or conveyance, whether so stating or not, shall operate to impose upon  
11 the party or parties acquiring such interest the obligation of the predecessor in interest with  
12 respect to the interest so transferred and shall likewise operate to give and grant to the party or  
13 parties acquiring such interest all benefits attributable hereunder to such interest.

14  
15 **ARTICLE 20**  
16 **WITHDRAWAL OF WORKING INTEREST OWNERS AND**  
17 **RESTRICTION OF DISPOSITION**

18  
19 20.1 **Withdrawal.** A Working Interest Owner may withdraw from this Agreement by  
20 transferring, without warranty of title, either expressed or implied, to the other Working Interest  
21 Owners who do not desire to withdraw, all its Oil and Gas Rights, together with its interest in  
22 Outside Substances and all Unit Equipment and in all wells used in Unit Operations, provided  
23 that such transfer shall not relieve such Working Interest Owner from any obligation or liability  
24 incurred prior to the first day of the month following receipt by Unit Operator of such transfer.  
25 The delivery of the transfer shall be made to Unit Operator for the transferees. The transferred  
26 interest shall be owned by the transferees in proportion to their respective Unit Participation. The  
27 transferees, in proportion to the respective interest so acquired shall pay the transferor for its  
28 interest in Unit Equipment the net fair salvage value thereof (provided that, outside substances  
29 shall have no value with respect to this provision), less the transferor's share of the estimated cost  
30 of plugging and abandoning all wells then being used or held for Unit Operations, including all  
31 associated clean-up costs as determined by the Working Interest Owners. In the event such  
32 withdrawing Working Interest Owner's interest in the aforesaid salvage value is less than such  
33 Working Interest Owner's share of such estimated costs, the withdrawing Working Interest  
34 Owner, as a condition precedent to withdrawal, shall pay the Unit Operator, for the benefit of the  
35 transferees, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the  
36 transfer, Unit Operator shall render a final statement to the withdrawing Working Interest Owner  
37 for its share of Unit Expense, and any deficiency in salvage value. Provided all Unit Expense,  
38 including any deficiency in salvage value, as determined, hereunder, due from the withdrawing  
39 Working Interest Owner has been paid in full within thirty (30) days after the rendering of such  
40 final statement by the Unit Operator, the transfer shall be effective the first day of the month  
41 following its receipt by Unit Operator and, as of such effective date, the withdrawing Working  
42 Interest Owner shall be relieved from all further obligations and liabilities hereunder and under  
43 the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and  
44 under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.  
45 Notwithstanding anything contained herein to the contrary, it is understood and agreed that a  
46 withdrawing Working Interest Owner shall remain fully liable for any Claims (as defined in

1 Section 14.1) to the extent that such Claims arise as a result of Unit Operations conducted while  
2 said Working Interest Owner owned its Working Interest, except to the extent that such Claims  
3 are covered by amounts deducted under this Section to cover the costs of clean-up, and it is  
4 understood and agreed that such continued liability shall be reflected in the documents by which  
5 such withdrawal is implemented.

6  
7 **20.2 Restriction of Disposition and Withdrawal.** A Working Interest Owner shall not make  
8 any disposition of a Working Interest which does not include a corresponding interest in the Unit  
9 Equipment. No Working Interest shall be owned apart from a corresponding interest in the Unit  
10 Equipment and vice versa. Notwithstanding anything set forth herein, Working Interest Owners  
11 may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is  
12 burdened by any royalties, overriding royalties, production payments, net proceeds interest,  
13 carried interest, or any other interest created out of the Working Interest in excess of 18.75%  
14 unless the other Working Interest Owners willing to accept the assignment agree to accept the  
15 Working Interest subject to such burdens. No Working Interest Owner shall be relieved of its  
16 obligations hereunder during a blowout, a fire, or other emergency, but may withdraw from this  
17 agreement after termination of such emergency, provided such Working Interest Owner shall  
18 remain liable for its share of all costs arising from said emergency.

19  
20 **20.3 Four or More Working Interest Owners.** If, at any time the interest of any Working  
21 Interest Owner is divided among and owned by four or more co-owners, Unit Operator, at its  
22 discretion, may require such co-owners to appoint a single trustee or agent with full authority to  
23 receive notices, approve expenditures, receive billings for and approve and pay such Working  
24 Interest Owner's share of the joint expenses, and to deal generally with, and with power to bind,  
25 the co-owners of such Working Interest Owner's interests within the scope of the operations  
26 embraced in this Agreement; however, all such co-owners shall have the right to enter into and  
27 execute all contracts or agreements for the disposition of their respective shares of the oil and gas  
28 produced from the Unit Area and they shall have the right to receive, separately, payment of the  
29 sale proceeds hereof.

30  
31 **ARTICLE 21**  
32 **ABANDONMENT OF WELLS**

33  
34 **21.1 Rights of Former Owners.** If Working Interest Owners decide to abandon permanently  
35 any well within the Unit Area prior to termination of the Unit Agreement, the Unit Operator shall  
36 give written notice thereof to the Working Interest Owners of the Tract on which the well is  
37 located, and they shall have the option for a period of ninety (90) days or such lesser period as  
38 may be required to be utilized in order to allow Unit Operator to comply with applicable laws  
39 and regulations regarding the plugging of wells after the sending of such notice to notify Unit  
40 Operator in writing of their election to take over and own the well. Within ten (10) days after the  
41 Working Interest Owners of the Tract have notified Unit Operator of their election to take over  
42 the well, they shall pay Unit Operator, for credit to the joint account, the amount estimated by  
43 Working Interest Owners to be the net salvage value of the casing and equipment in and on the  
44 well, if any, less the estimated plugging costs provided that in no event shall the Unit be  
45 obligated to pay any amount in exchange for a Working Interest Owner's assumption of plugging  
46 costs hereunder.

1  
2 The Working Interest Owners of the Tract by accepting the assignment of the wellbore agree to  
3 be fully responsible and liable for the well thereafter, to seal off effectively and protect the  
4 Unitized Formation as set out in Section 11.4 within sixty (60) days of receiving such  
5 assignment, and upon abandonment to plug the well in compliance with applicable laws and  
6 regulations.

7  
8 **21.2 Plugging.** If the Working Interest Owners of a Tract do not elect to take over a well  
9 located thereon which is proposed for abandonment, Unit Operator shall plug and abandon the  
10 well in compliance with applicable laws and regulations.

11  
12 **ARTICLE 22**  
13 **EFFECTIVE DATE AND TERM**

14  
15 **22.1 Effective Date.** This Agreement shall become effective on the date and at the time that  
16 the Unit Agreement becomes effective.

17  
18 **22.2 Term.** This Agreement shall continue in effect so long as the Unit Agreement remains in  
19 effect, and thereafter until (a) all Unit wells have been abandoned and plugged or turned over to  
20 Working Interest Owners in accordance with Article 21; (b) all Unit Equipment and real property  
21 acquired for the joint account have been disposed of by Unit Operator in accordance with  
22 instructions of Working Interest Owners; (c) any cleanup operations pertaining to the Unit that  
23 are required by applicable laws and regulations have been completed, and (d) there has been a  
24 final accounting.

25  
26 **ARTICLE 23**  
27 **ABANDONMENT OF OPERATIONS**

28  
29 **23.1 Termination.** Upon termination of the Unit Agreement, the following will occur:

30  
31 **23.1.1 Oil and Gas Rights.** Oil and Gas rights in and to each separate Tract shall no  
32 longer be affected by this Agreement, and thereafter the parties shall be governed  
33 by the terms and provisions of the leases, contracts and other instruments  
34 affecting the separate Tracts.

35  
36 **23.1.2 Right to Operate.** Working Interest Owners of any Tract that desire to take over  
37 and continue to operate wells located thereon may do so by paying Unit Operator,  
38 for credit to the joint account, the net salvage value, if any, of the casing and  
39 equipment in and on the wells taken over, less estimated plugging costs, for the  
40 wells as estimated by Working Interest Owners, provided that in no event shall  
41 the Unit be obligated to pay any amount in exchange for a Working Interest  
42 Owner's assumption of plugging costs hereunder, and by agreeing to plug  
43 properly each such well at such time as it is abandoned.

44  
45 **23.1.3 Salvaging Wells.** Unit Operator shall salvage as much of the casing and  
46 equipment in or on wells not taken over by Working Interest Owner of separate

1 Tracts as can economically and reasonably be salvaged, and shall cause the wells  
2 to be plugged and abandoned properly.

3  
4 23.1.4 **Cost of Salvaging.** The cost of salvaging, liquidation or other distribution of  
5 assets and properties used in Unit Operations shall constitute a Unit Expense to be  
6 borne by the Working Interest Owners in proportion to their respective Unit  
7 Participations.

8  
9 **ARTICLE 24**  
10 **SIGNING, RATIFICATION, OR APPROVAL**

11  
12 24.1 **Original, Counterparts, or Ratification.** This Agreement may be signed, ratified or  
13 approved by signing the original of this instrument, a counterpart or other instrument adopting  
14 the provisions hereof, all with the same effect as if all persons had signed the same instrument.  
15 Persons signing, ratifying or otherwise approving this Agreement thereby agree to all of the  
16 provisions hereof.

17  
18 24.2 **Prior Agreements.** It is recognized there are certain existing agreements by and between  
19 several of the Working Interest Owners hereto, covering a portion of the Oil and Gas Rights  
20 subject to this Operating Agreement. In case of any inconsistency or conflict between this  
21 Operating Agreement and those certain existing agreements, excluding the Unit Agreement, this  
22 Operating Agreement shall govern.

23  
24 **ARTICLE 25**  
25 **SUCCESSORS AND ASSIGNS**

26  
27 25.1 **Successors and Assigns.** The provisions hereof shall be covenants running with the  
28 lands, leases and interests covered hereby and shall be binding upon and inure to the benefit of  
29 the respective heirs devisees, legal representatives, successors and assigns of the parties hereto.

30  
31 **UNIT OPERATOR AND WORKING INTEREST OWNER**

32 Executed this 23<sup>rd</sup> day of JUNE, 1995

33  
34  
35 Attest

36 Exxon Corporation

37 Area Lndmn. ADT  
38 MPO Lnd. Supv. DRL  
39 MPO Oprs. Actg. TH  
40 MPO Law SL  
41 Oprs. Tech. Mgr. \_\_\_\_\_

42 By: [Signature]  
43 Unit Operator  
44 Attorney In Fact

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Abo Petroleum Corporation

By: \_\_\_\_\_

Mary H. Ard

\_\_\_\_\_

Ernie Bello

\_\_\_\_\_

Mrs. Francis B. Bunn

\_\_\_\_\_

Chevron PBC, Inc.

By: \_\_\_\_\_

Claremont Corporation

By: \_\_\_\_\_

Devon Energy Corporation (NV)

By: \_\_\_\_\_

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Edward H. Judson

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Fred A. Fox & D. Marjean Fox  
Living Trust

\_\_\_\_\_

By: \_\_\_\_\_

Gendron Family Revocable Trust

\_\_\_\_\_

By: \_\_\_\_\_

David Goodnow

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Hayes Partners I

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By: \_\_\_\_\_

Joseph R. Hodge

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Sanford J. Hodge III

E. G. Holden Testamentary Trust

By: \_\_\_\_\_

Edward R. Hudson, Jr.

By: \_\_\_\_\_

William A. Hudson II

Isaac A. Kawasaki

Betsy H. Keller

Kerr-McGee Corporation

By: \_\_\_\_\_

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Los Chicos

By: \_\_\_\_\_

Martin Living Trust

By: \_\_\_\_\_

James L. Martin Jr. Trust

By: \_\_\_\_\_

Jack O. McCall Estate

By: \_\_\_\_\_

Charles Cline Moore

\_\_\_\_\_

Myco Industries, Inc.

By: \_\_\_\_\_

Napeco

By: \_\_\_\_\_

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Angus Cluthe Oliver Trust

By: \_\_\_\_\_

William B. Oliver Trust

By: \_\_\_\_\_

Oxy U.S.A., Inc.

By: \_\_\_\_\_

Premier Oil & Gas, Inc.

By: \_\_\_\_\_

John J. Redfern III, Independent  
Executor of the Estate of John J. Redfern

By: \_\_\_\_\_

Rosalind Redfern

\_\_\_\_\_

John L. Schlagal

\_\_\_\_\_

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Adolph P. Schuman, Marital Trust

By: \_\_\_\_\_

Seventy-Seven Corporation

By: \_\_\_\_\_

Sigmar, Inc.

By: \_\_\_\_\_

Space Building Corporation

By: \_\_\_\_\_

Tipperary Oil Corporation

By: \_\_\_\_\_

TR Oil Corporation

By: \_\_\_\_\_

Unit Petroleum Company

By: \_\_\_\_\_

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J. F. Van Vranken, Jr.

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\_\_\_\_\_

Whiting Petroleum Corporation

\_\_\_\_\_

By: \_\_\_\_\_

R. Ken Williams

\_\_\_\_\_

\_\_\_\_\_

Yates Drilling Company

\_\_\_\_\_

By: \_\_\_\_\_

Yates Petroleum Corporation

\_\_\_\_\_

By: \_\_\_\_\_

John A. Yates

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S. P. Yates

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**STATE OF** \_\_\_\_\_

**COUNTY OF** \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 199\_, by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ Corporation, on behalf of this Corporation.

WITNESS my hand and official seal.

\_\_\_\_\_

Notary Public

My Commission expires:

\_\_\_\_\_  
\_\_\_\_\_ County, \_\_\_\_\_

**STATE OF** \_\_\_\_\_

**COUNTY OF** \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 199\_, by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ Corporation, on behalf of this Corporation.

WITNESS my hand and official seal.

\_\_\_\_\_

Notary Public

My Commission expires:

\_\_\_\_\_  
\_\_\_\_\_ County, \_\_\_\_\_

1 **TRUST OR OTHER PARTY ACTING THROUGH AN AGENT OR**  
2 **REPRESENTATIVE**

3  
4 **STATE OF** \_\_\_\_\_

5  
6 **COUNTY OF** \_\_\_\_\_

7  
8 The foregoing instrument was acknowledged before me

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10 this \_\_\_\_ day of \_\_\_\_\_, 199\_, by \_\_\_\_\_

11  
12 as \_\_\_\_\_ of \_\_\_\_\_

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14 a \_\_\_\_\_, on behalf of said \_\_\_\_\_

15  
16 **WITNESS my hand and official seal.**

17  
18 \_\_\_\_\_  
19 **Notary Public**

20 **My Commission expires:**

21  
22 \_\_\_\_\_

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24 \_\_\_\_\_ County, \_\_\_\_\_

25  
26 **STATE OF** \_\_\_\_\_

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28 **COUNTY OF** \_\_\_\_\_

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30 The foregoing instrument was acknowledged before me

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32 this \_\_\_\_ day of \_\_\_\_\_, 199\_, by \_\_\_\_\_

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34 as \_\_\_\_\_ of \_\_\_\_\_

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36 a \_\_\_\_\_, on behalf of said \_\_\_\_\_

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38 **WITNESS my hand and official seal.**

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40 \_\_\_\_\_  
41 **Notary Public**

42 **My Commission expires:**

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44 \_\_\_\_\_

45  
46 \_\_\_\_\_ County, \_\_\_\_\_

**INDIVIDUAL**

**STATE OF** \_\_\_\_\_

**COUNTY OF** \_\_\_\_\_

The foregoing instrument was acknowledged before me this

\_\_\_\_\_ day of \_\_\_\_\_, 199\_, by

\_\_\_\_\_.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission expires:

\_\_\_\_\_

\_\_\_\_\_ County, \_\_\_\_\_

**STATE OF** \_\_\_\_\_

**COUNTY OF** \_\_\_\_\_

The foregoing instrument was acknowledged before me this

\_\_\_\_\_ day of \_\_\_\_\_, 199\_, by

\_\_\_\_\_.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission expires:

\_\_\_\_\_

\_\_\_\_\_ County, \_\_\_\_\_

**AVALON DELAWARE UNIT**  
**PARTICIPATION BY OWNER**  
**EXHIBIT E**

Owner	UNIT PARTICIPATION
Abo Petroleum Corporation	1.132305
Ard, Mary H.	1.356554
Bello, Ernie	0.007413
Bunn, Mrs. Frances B.	0.007413
Claremont Corporation	0.254354
Devon Energy Corporation (NV)	0.757062
Exxon Corporation	73.920333
Fox, Fred A. & D. Marjean Living Trust	0.001081
Gendron Family Revocable Tr	0.011119
Goodnow, David	0.007413
Hayes Partners I	0.010292
Hodge, Joseph R.	0.001235
Hodge, Sanford J. III	0.001235
Holden, E. G. Testamentary Tr	0.003706
Hudson, Edward R. Jr.	1.356554
Hudson, William A. II	1.356554
Judson, Edward H.	0.196442
Kawasaki, Isaac A.	0.007413
Keller, Betsy H.	0.003706
Kerr-McGee Corporation	0.245224
Los Chicos	0.002496
Martin Living Trust	0.196442
Martin, James L. Jr., Trust	0.001081
McCall, Jack O. Estate of	0.000087
Moore, Charles Cline	0.018567
Myco Industries, Inc.	3.358184
Oliver, Agnes Cluthe Tr	0.007424
Oliver, William B. Tr	0.007424
Oxy U.S.A., Inc.	0.151985
Pennzoil Exploration and Production Company	0.904686
Premier Oil & Gas, Inc.	1.019231
Redfern, John J. III, Indep Exec of Est of John J. Redfern,	0.119028
Redfern, Rosalind	0.119028
Schlagal, John L.	0.000927
Schuman, Adolph P. Martl Tr	0.007413
Seventy-Seven Corporation	0.001997
Sigmar, Inc.	0.003166
Space Building Corp.	0.018532
Tipperary Oil & Gas Corporation	0.519742
TR Oil Corporation	0.001043
Unit Petroleum Company	4.657971
Van Vranken, J. F. Jr.	0.007413
Whiting Petroleum Corporation	0.519742
Williams, R. Ken	0.198526
Yates Drilling Company	3.348300
Yates Petroleum Corporation	4.149893
Yates, John A.	0.012380
Yates, S. P.	0.009884
	100.000000

EXHIBIT " F "

Attached to and made a part of Unit Operating Agreement of the Avalon (Delaware) Unit,  
Eddy County, New Mexico between Exxon Corporation, as Operator and Yates  
Petroleum Company, et al Non-Operators

ACCOUNTING PROCEDURE  
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.  
thirty (30)

B. Each Non-Operator shall pay its proportion of all bills within ~~fifteen (15)~~ days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Citibank N.A. of New York on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

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**4. Adjustments**

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

**5. Audits**

A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report. If an audit exception(s) cannot be reconciled within 180 days, the non-operator(s) shall be

**6. Approval By Non-Operators notified of the audit exception(s) status.**

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

**II. DIRECT CHARGES**

Operator shall charge the Joint Account with the following items:

**1. Ecological and Environmental**

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

**2. Rentals and Royalties**

Lease rentals and royalties paid by Operator for the Joint Operations.

**3. Labor**

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under

this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

#### 4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

#### 5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

#### 6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

#### 7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

#### 8. Equipment and Facilities Furnished By Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed twelve percent (12%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

**9. Damages and Losses to Joint Property**

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

**10. Legal Expense**

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

**11. Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

**12. Insurance**

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

**13. Abandonment and Reclamation**

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

**14. Communications**

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

**15. Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

**III. OVERHEAD****1. Overhead - Drilling and Producing Operations**

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:
- ( X ) Fixed Rate Basis, Paragraph 1A, or
  - ( ) Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

( ) shall be covered by the overhead rates, or  
 (X) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

(X) shall be covered by the overhead rates, or  
 ( ) shall not be covered by the overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 7,292.00  
 (Prorated for less than a full month)

\* Producing Well Rate \$ 550.00

\* Subject to modification as provided below.

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

**B. Overhead - Percentage Basis**

- (1) Operator shall charge the Joint Account at the following rates:

(a) Development

\_\_\_\_\_ Percent ( \_\_\_\_ %) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

\_\_\_\_\_ Percent ( \_\_\_\_ %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

- (2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

**2. Overhead - Major Construction**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$ \_\_\_\_\_ :

- A.   5   % of first \$100,000 or total cost if less, plus  
 B.   3   % of costs in excess of \$100,000 but less than \$1,000,000, plus  
 C.   2   % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

**3. Catastrophe Overhead**

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A.   5   % of total costs through \$100,000; plus

B. 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus

C. 2 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

#### 4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

### IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

#### 1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

#### 2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

##### A. New Material (Condition A)

##### (1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2 $\frac{3}{8}$  inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2 $\frac{3}{8}$  inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

##### (2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls  $\frac{3}{4}$  inch and over) 30,000 pounds or more

shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.

- (b) Line pipe movements (except size 24 inch OD and larger with walls  $\frac{3}{4}$  inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
  - (c) Line pipe 24 inch OD and over and  $\frac{3}{4}$  inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
  - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
  - (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

#### B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

##### (1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

##### (2) Material used on and moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or

(b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

##### (3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

#### C. Other Used Material

##### (1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

##### (2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

## V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

**2. Reconciliation and Adjustment of Inventories**

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

**3. Special Inventories**

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

**4. Expense of Conducting Inventories**

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

**Article III.1.A.(1) (Continued)**

Notwithstanding anything to the contrary contained herein, it is understood and agreed that the Overhead Producing Well Rate provided for in Section III.1.A.(1) shall be increased by 27% upon the approval by Working Interest Owners (as provided in the Unit Operating Agreement) of any project which involves the injection of CO<sub>2</sub> (it being understood that the actual commencement of injection of CO<sub>2</sub> shall not be required), and that, upon the termination of the injection of CO<sub>2</sub> pursuant to such project (or any continuation thereof) said Overhead Producing Well Rate shall be decreased by 22%. It is understood that the adjustment provided for hereunder shall apply to the Overhead Producing Well Rate as it may have been previously adjusted pursuant to the terms hereof, and/or modified pursuant to the terms of the Unit Operating Agreement.

1 **NOTE:** Instructions For Use of Gas Balancing  
2 Agreement **MUST** be reviewed before finalizing this  
3 document.  
4  
5  
6

7 **EXHIBIT "G"**  
8 **GAS BALANCING AGREEMENT ("AGREEMENT")**  
9 **ATTACHED TO AND MADE PART OF THAT CERTAIN**  
10 **OPERATING AGREEMENT DATED \_\_\_\_\_**

11 **BY AND BETWEEN** Exxon Corporation \_\_\_\_\_ , \_\_\_\_\_ ,  
12 **AND** Yates Petroleum Corporation et al \_\_\_\_\_ ("OPERATING AGREEMENT")  
13 **RELATING TO THE** Avalon (Delaware) Unit \_\_\_\_\_ AREA,  
14 Eddy \_\_\_\_\_ COUNTY/~~PARKER~~ STATE OF New Mexico

15  
16 **1. DEFINITIONS**

17 The following definitions shall apply to this Agreement:

18 1.01 "Arm's Length Agreement" shall mean any gas sales agreement with an unaffiliated purchaser or any gas sales  
19 agreement with an affiliated purchaser where the sales price and delivery conditions under such agreement are  
20 representative of prices and delivery conditions existing under other similar agreements in the area between  
21 unaffiliated parties at the same time for natural gas of comparable quality and quantity.

22 1.02 "Balancing Area" shall mean (select one):

23  each well subject to the Operating Agreement that produces Gas or is allocated a share of Gas production. If a  
24 single well is completed in two or more producing intervals, each producing interval from which the Gas  
25 production is not commingled in the wellbore shall be considered a separate well.

26  all of the acreage and depths subject to the Operating Agreement.  
27  \_\_\_\_\_  
28 \_\_\_\_\_  
29 \_\_\_\_\_  
30 \_\_\_\_\_

31 1.03 "Full Share of Current Production" shall mean the Percentage Interest of each Party in the Gas actually produced  
32 from the Balancing Area during each month.

33 1.04 "Gas" shall mean all hydrocarbons produced or producible from the Balancing Area, whether from a well classified  
34 as an oil well or gas well by the regulatory agency having jurisdiction in such matters, which are or may be made  
35 available for sale or separate disposition by the Parties, excluding oil, condensate and other liquids recovered by  
36 field equipment operated for the joint account. "Gas" does not include gas used in joint operations, such as for fuel,  
37 recycling or reinjection, or which is vented or lost prior to its sale or delivery from the Balancing Area.

38 1.05 "Makeup Gas" shall mean any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full  
39 Share of Current Production, whether pursuant to Section 3.3 or Section 4.1 hereof.

40 1.06 "Mcf" shall mean one thousand cubic feet. A cubic foot of Gas shall mean the volume of gas contained in one cubic  
41 foot of space at a standard pressure base and at a standard temperature base.

42 1.07 "MMBtu" shall mean one million British Thermal Units. A British Thermal Unit shall mean the quantity of heat  
43 required to raise one pound avoirdupois of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a  
44 constant pressure of 14.73 pounds per square inch absolute.

45 1.08 "Operator" shall mean the individual or entity designated under the terms of the Operating Agreement or, in the  
46 event this Agreement is not employed in connection with an operating agreement, the individual or entity  
47 designated as the operator of the well(s) located in the Balancing Area.

48 1.09 "Overproduced Party" shall mean any Party having taken a greater quantity of Gas from the Balancing Area than  
49 the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

50 1.10 "Overproduction" shall mean the cumulative quantity of Gas taken by a Party in excess of its Percentage Interest in  
51 the cumulative quantity of all Gas produced from the Balancing Area.

52 1.11 "Party" shall mean those individuals or entities subject to this Agreement, and their respective heirs, successors,  
53 transferees and assigns.

54 1.12 "Percentage Interest" shall mean the percentage or decimal interest of each Party in the Gas produced from the  
55 Balancing Area pursuant to the Operating Agreement covering the Balancing Area.

56 1.13 "Royalty" shall mean payments on production of Gas from the Balancing Area to all owners of royalties, overriding  
57 royalties, production payments or similar interests.

58 1.14 "Underproduced Party" shall mean any Party having taken a lesser quantity of Gas from the Balancing Area than  
59 the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

60 1.15 "Underproduction" shall mean the deficiency between the cumulative quantity of Gas taken by a Party and its  
61 Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.

62 1.16  (Optional) "Winter Period" shall mean the month(s) of \_\_\_\_\_ in one  
63 calendar year and the month(s) of \_\_\_\_\_ in the succeeding calendar year.

64 **2. BALANCING AREA**

65 2.1 If this Agreement covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered  
66 by separate but identical agreements. All balancing hereunder shall be on the basis of Gas taken from the Balancing Area  
67 measured in (Alternative 1)  Mcfs or (Alternative 2)  MMBtus.

68 2.2 In the event that all or part of the Gas deliverable from a Balancing Area is or becomes subject to one or more  
69 maximum lawful prices, any Gas not subject to price controls shall be considered as produced from a single Balancing Area  
70 and Gas subject to each maximum lawful price category shall be considered produced from a separate Balancing Area.

71 **3. RIGHT OF PARTIES TO TAKE GAS**

72 3.1 Each Party desiring to take Gas will notify the Operator, or cause the Operator to be notified, of the volumes  
73 nominated, the name of the transporting pipeline and the pipeline contract number (if available) and meter station relating  
74 to such delivery, sufficiently in advance for the Operator, acting with reasonable diligence, to meet all nomination and other

1 requirements. Operator is authorized to deliver the volumes so nominated and confirmed (if confirmation is required) to the  
2 transporting pipeline in accordance with the terms of this Agreement.

3 3.2 Each Party shall make a reasonable, good faith effort to take its Full Share of Current Production each month, to the  
4 extent that such production is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to  
5 preserve correlative rights, or to maintain oil production.

6 3.3 When a Party fails for any reason to take its Full Share of Current Production (as such Share may be reduced by the  
7 right of the other Parties to make up for Underproduction as provided herein), the other Parties shall be entitled to take any  
8 Gas which such Party fails to take. To the extent practicable, such Gas shall be made available initially to each Underproduced  
9 Party in the proportion that its Percentage Interest in the Balancing Area bears to the total Percentage Interests of all  
10 Underproduced Parties desiring to take such Gas. If all such Gas is not taken by the Underproduced Parties, the portion not  
11 taken shall then be made available to the other Parties in the proportion that their respective Percentage Interests in the  
12 Balancing Area bear to the total Percentage Interests of such Parties.

13 3.4 All Gas taken by a Party in accordance with the provisions of this Agreement, regardless of whether such Party is  
14 underproduced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking  
15 Party.

16 3.5 Notwithstanding the provisions of Section 3.3 hereof, no Overproduced Party shall be entitled in any month to take any  
17 Gas in excess of three hundred percent (300%) of its Percentage Interest of the Balancing Area's then-current Maximum  
18 Monthly Availability; provided, however, that this limitation shall not apply to the extent that it would preclude production  
19 that is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative  
20 rights, or to maintain oil production. "Maximum Monthly Availability" shall mean the maximum average monthly rate of  
21 production at which Gas can be delivered from the Balancing Area, as determined by the Operator, considering the maximum  
22 efficient well rate for each well within the Balancing Area, the maximum allowable(s) set by the appropriate regulatory agency,  
23 mode of operation, production facility capabilities and pipeline pressures.

24 3.6 In the event that a Party fails to make arrangements to take its Full Share of Current Production required to be  
25 produced to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or  
26 to maintain oil production, the Operator may sell any part of such Party's Full Share of Current Production that such Party fails  
27 to take for the account of such Party and render to such Party, on a current basis, the full proceeds of the sale, less any  
28 reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of  
29 such Full Share of Current Production. In making the sale contemplated herein, the Operator shall be obligated only to obtain  
30 such price and conditions for the sale as are reasonable under the circumstances and shall not be obligated to share any of its  
31 markets. Any such sale by Operator under the terms hereof shall be only for such reasonable periods of time as are consistent  
32 with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one  
33 year. Notwithstanding the provisions of Article 3.4 hereof, Gas sold by Operator for a Party under the provisions hereof shall  
34 be deemed to be Gas taken for the account of such Party.

35 **4. IN-KIND BALANCING**

36 4.1 Effective the first day of any calender month following at least fifteen (15) days' prior  
37 written notice to the Operator, any Underproduced Party may begin taking, in addition to its Full Share of Current  
38 Production and any Makeup Gas taken pursuant to Section 3.3 of this Agreement, a share of current production determined  
39 by multiplying twenty five percent (25 %) of the Full Shares of Current Production of all Overproduced Parties by  
40 a fraction, the numerator of which is the Percentage Interest of such Underproduced Party and the denominator of which  
41 is the total of the Percentage Interests of all Underproduced Parties desiring to take Makeup Gas. In no event will an  
42 Overproduced Party be required to provide more than twenty five percent (25 %) of its Full Share of Current  
43 Production for Makeup Gas. The Operator will promptly notify all Overproduced Parties of the election of an Underproduced  
44 Party to begin taking Makeup Gas.

45 4.2  (Optional - Seasonal Limitation on Makeup - Option 1) Notwithstanding the provisions of Section 4.1, the  
46 average monthly amount of Makeup Gas taken by an Underproduced Party during the Winter Period pursuant to Section 4.1  
47 shall not exceed the average monthly amount of Makeup Gas taken by such Underproduced Party during the  
48 \_\_\_\_\_ (\_\_\_\_\_) months immediately preceding the Winter Period.

49 4.2  (Optional - Seasonal Limitation on Makeup - Option 2) Notwithstanding the provisions of Section 4.1, no  
50 Overproduced Party will be required to provide more than \_\_\_\_\_ percent (\_\_\_\_\_% ) of its Full Share  
51 of Current Production for Makeup Gas during the Winter Period.

52 4.3  (Optional) Notwithstanding any other provision of this Agreement, at such time and for so long as Operator, or  
53 (insofar as concerns production by the Operator) any Underproduced Party, determines in good faith that an Overproduced  
54 Party has produced all of its share of the ultimately recoverable reserves in the Balancing Area, such Overproduced Party may  
55 be required to make available for Makeup Gas, upon the demand of the Operator or any Underproduced Party, up to  
56 \_\_\_\_\_ percent (\_\_\_\_\_% ) of such Overproduced Party's Full Share of Current Production.

57 **5. STATEMENT OF GAS BALANCES**

58 5.1 The Operator will maintain appropriate accounting on a monthly and cumulative basis of the volumes of Gas that each  
59 Party is entitled to receive and the volumes of Gas actually taken or sold for each Party's account. Within forty-five (45) days  
60 after the month of production, the Operator will furnish a statement for such month showing (1) each Party's Full Share of  
61 Current Production, (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between  
62 the volume taken by each Party and that Party's Full Share of Current Production, (4) the Overproduction or  
63 Underproduction of each Party, and (5) other data as recommended by the provisions of the Council of Petroleum  
64 Accountants Societies Bulletin No. 24, as amended or supplemented hereafter. Each Party taking Gas will promptly provide to  
65 the Operator any data required by the Operator for preparation of the statements required hereunder.

66 5.2 If any Party fails to provide the data required herein for four (4) consecutive production months, the Operator, or  
67 where the Operator has failed to provide data, another Party, may audit the production and Gas sales and transportation  
68 volumes of the non-reporting Party to provide the required data. Such audit shall be conducted only after reasonable notice and  
69 during normal business hours in the office of the Party whose records are being audited. All costs associated with such audit  
70 will be charged to the account of the Party failing to provide the required data.

71 **6. PAYMENTS ON PRODUCTION**

72 6.1 Each Party taking Gas shall pay or cause to be paid all production and severance taxes due on all volumes of Gas  
73 actually taken by such Party.

74 6.2  (Alternative 1 - Entitlements) Each Party shall pay or cause to be paid all Royalty due with respect to Royalty

1 owners to whom it is accountable as if such Party were taking its Full Share of Current Production, and only its Full Share of  
2 Current Production.

3 6.2.1  (Optional - For use only with Section 6.2 - Alternative 1 - Entitlement) Upon written request of a Party  
4 taking less than its Full Share of Current Production in a given month ("Current Underproducer"), any Party taking more than  
5 its Full Share of Current Production in such month ("Current Overproducer") will pay to such Current Underproducer an  
6 amount each month equal to the Royalty percentage of the proceeds received by the Current Overproducer for that portion of  
7 the Current Underproducer's Full Share of Current Production taken by the Current Overproducer; provided, however, that  
8 such payment will not exceed the Royalty percentage that is common to all Royalty burdens in the Balancing Area. Payments  
9 made pursuant to this Section 6.2.1 will be deemed payments to the Underproduced Party's Royalty owners for purposes of  
10 Section 7.5.

11 6.2  (Alternative 2 - Sales) Each Party shall pay or cause to be paid Royalty due with respect to Royalty owners to  
12 whom it is accountable based on the volume of Gas actually taken for its account.

13 6.3 In the event that any governmental authority requires that Royalty payments be made on any other basis than that  
14 provided for in this Section 6, each Party agrees to make such Royalty payments accordingly, commencing on the effective date  
15 required by such governmental authority, and the method provided for herein shall be thereby superseded.

## 16 7. CASH SETTLEMENTS

17 7.1 Upon the earlier of the plugging and abandonment of the last producing interval in the Balancing Area, the termination  
18 of the Operating Agreement or any pooling or unit agreement covering the Balancing Area, or at any time no Gas is taken  
19 from the Balancing Area for a period of twelve (12) consecutive months, any Party may give written notice calling for cash  
20 settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.

21 7.2 Within sixty (60) days after the notice calling for cash settlement under Section 7.1, the Operator will distribute to each  
22 Party a Final Gas Settlement Statement detailing the quantity of Overproduction owed by each Overproduced Party to each  
23 Underproduced Party and identifying the month to which such Overproduction is attributed, pursuant to the  
24 methodology set out in Section 7.4.

25 7.3  (Alternative 1 - Direct Party-to-Party Settlement) Within sixty (60) days after receipt of the Final Gas Settlement  
26 Statement, each Overproduced Party will pay to each Underproduced Party entitled to settlement the appropriate cash  
27 settlement, accompanied by appropriate accounting detail. At the time of payment, the Overproduced Party will notify the  
28 Operator of the Gas imbalance settled by the Overproduced Party's payment.

29 7.3  (Alternative 2 - Settlement Through Operator) Within sixty (60) days after receipt of the Final Gas Settlement  
30 Statement, each Overproduced Party will send its cash settlement, accompanied by appropriate accounting detail, to the  
31 Operator. The Operator will distribute the monies so received, along with any settlement owed by the Operator as an  
32 Overproduced Party, to each Underproduced Party to whom settlement is due within ninety (90) days after issuance of the  
33 Final Gas Settlement Statement. In the event that any Overproduced Party fails to pay any settlement due hereunder, the  
34 Operator may turn over responsibility for the collection of such settlement to the Party to whom it is owed, and the Operator  
35 will have no further responsibility with regard to such settlement.

36 7.3.1  (Optional - For use only with Section 7.3, Alternative 2 - Settlement Through Operator) Any Party shall have  
37 the right at any time upon thirty (30) days' prior written notice to all other Parties to demand that any settlements due such  
38 Party for Overproduction be paid directly to such Party by the Overproduced Party, rather than being paid through the  
39 Operator. In the event that an Overproduced Party pays the Operator any sums due to an Underproduced Party at any time  
40 after thirty (30) days following the receipt of the notice provided for herein, the Overproduced Party will continue to be liable  
41 to such Underproduced Party for any sums so paid, until payment is actually received by the Underproduced Party.

42 7.4  (Alternative 1 - Historical Sales Basis) The amount of the cash settlement will be based on the proceeds  
43 received by the Overproduced Party under an Arm's Length Agreement for the Gas taken from time to time by the  
44 Overproduced Party in excess of the Overproduced Party's Full Share of Current Production. Any Makeup Gas taken by the  
45 Underproduced Party prior to monetary settlement hereunder will be applied to offset Overproduction chronologically in the  
46 order of accrual.

47 7.4  (Alternative 2 - Most Recent Sales Basis) The amount of the cash settlement will be based on the proceeds  
48 received by the Overproduced Party under an Arm's Length Agreement for the volume of Gas that constituted Overproduction  
49 by the Overproduced Party from the Balancing Area. For the purpose of implementing the cash settlement provision of the  
50 Section 7, an Overproduced Party will not be considered to have produced any of an Underproduced Party's share of Gas until  
51 the Overproduced Party has produced cumulatively all of its Percentage Interest share of the Gas ultimately produced from the  
52 Balancing Area.

53 7.5 The values used for calculating the cash settlement under Section 7.4 will include all proceeds received for the sale of the  
54 Gas by the Overproduced Party calculated at the Balancing Area, after deducting any production or severance taxes paid and any  
55 Royalty actually paid by the Overproduced Party to an Underproduced Party's Royalty owner(s), to the extent said payments  
56 amounted to a discharge of said Underproduced Party's Royalty obligation, as well as any reasonable marketing, compression,  
57 treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction.

58 7.5.1  (Optional - For Valuation Under Percentage of Proceeds Contracts) For Overproduction sold under a gas  
59 purchase contract providing for payment based on a percentage of the proceeds obtained by the purchaser upon resale of  
60 residue gas and liquid hydrocarbons extracted at a gas processing plant, the values used for calculating cash settlement will  
61 include proceeds received by the Overproduced Party for both the liquid hydrocarbons and the residue gas attributable to the  
62 Overproduction.

63 7.5.2  (Optional - Valuation for Processed Gas - Option 1) For Overproduction processed for the account of the  
64 Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the full quantity of the Overproduction  
65 will be valued for purposes of cash settlement at the prices received by the Overproduced Party for the sale of the residue gas  
66 attributable to the Overproduction without regard to proceeds attributable to liquid hydrocarbons which may have been  
67 extracted from the Overproduction.

68 7.5.2  (Optional - Valuation for Processed Gas - Option 2) For Overproduction processed for the account of the  
69 Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the values used for calculating cash  
70 settlement will include the proceeds received by the Overproduced Party for the sale of the liquid hydrocarbons extracted from  
71 the Overproduction, less the actual reasonable costs incurred by the Overproduced Party to process the Overproduction and to  
72 transport, fractionate and handle the liquid hydrocarbons extracted therefrom prior to sale.

73 7.6 To the extent the Overproduced Party did not sell all Overproduction under an Arm's Length Agreement, the cash  
74 settlement will be based on the weighted average price received by the Overproduced Party for any gas sold from the

1 Balancing Area under Arm's Length Agreements during the months to which such Overproduction is attributed. In the event  
2 that no sales under Arm's Length Agreements were made during any such month, the cash settlement for such month will be  
3 based on the spot sales prices published for the applicable geographic area during such month in a mutually acceptable pricing  
4 bulletin.

5 7.7 Interest compounded at the rate of prime rate in effect at Citibank, N.A. of New York plus 1% ~~(xxxx%)~~ per annum or the maximum lawful  
6 rate of interest applicable to the Balancing Area, whichever is less, will accrue for all amounts due under Section 7.1, beginning  
7 the first day following the date payment is due pursuant to Section 7.3. Such interest shall be borne by the Operator or any  
8 Overproduced Party in the proportion that their respective delays beyond the deadlines set out in Sections 7.2 and 7.3  
9 contributed to the accrual of the interest.

10 7.8 In lieu of the cash settlement required by Section 7.3, an Overproduced Party may deliver to the Underproduced Party  
11 an offer to settle its Overproduction in-kind and at such rates, quantities, times and sources as may be agreed upon by the  
12 Underproduced Party. If the Parties are unable to agree upon the manner in which such in-kind settlement gas will be  
13 furnished within sixty (60) days after the Overproduced Party's offer to settle in kind, which period may be extended by  
14 agreement of said Parties, the Overproduced Party shall make a cash settlement as provided in Section 7.3. The making of an  
15 in-kind settlement offer under this Section 7.8 will not delay the accrual of interest on the cash settlement should the Parties  
16 fail to reach agreement on an in-kind settlement.

17 7.9  (Optional - For Balancing Areas Subject to Federal Price Regulation) That portion of any monies collected by an  
18 Overproduced Party for Overproduction which is subject to refund by orders of the Federal Energy Regulatory Commission or  
19 other governmental authority may be withheld by the Overproduced Party until such prices are fully approved by such  
20 governmental authority, unless the Underproduced Party furnishes a corporate undertaking, acceptable to the Overproduced  
21 Party, agreeing to hold the Overproduced Party harmless from financial loss due to refund orders by such governmental  
22 authority.

23 7.10  (Optional - Interim Cash Balancing) At any time during the term of this Agreement, any Overproduced Party  
24 may, in its sole discretion, make cash settlement(s) with the Underproduced Parties covering all or part of its outstanding Gas  
25 imbalance, provided that such settlements must be made with all Underproduced Parties proportionately based on the relative  
26 imbalances of the Underproduced Parties, and provided further that such settlements may not be made more often than once  
27 every twenty-four (24) months. Such settlements will be calculated in the same manner provided above for final cash  
28 settlements. The Overproduced Party will provide Operator a detailed accounting of any such cash settlement within thirty (30)  
29 days after the settlement is made.

30 **8. TESTING**

31 Notwithstanding any provision of this Agreement to the contrary, any Party shall have the right, from time to time, to  
32 produce and take up to one hundred percent (100%) of a well's entire Gas stream to meet the reasonable deliverability test(s)  
33 required by such Party's Gas purchaser, and the right to take any Makeup Gas shall be subordinate to the right of any Party to  
34 conduct such tests; provided, however, that such tests shall be conducted in accordance with prudent operating practices only  
35 after thirty (30) days' prior written notice to the Operator and shall last no longer than  
36 seventy two (72) hours.

37 **9. OPERATING COSTS**

38 Nothing in this Agreement shall change or affect any Party's obligation to pay its proportionate share of all costs and  
39 liabilities incurred in operations on or in connection with the Balancing Area, as its share thereof is set forth in the Operating  
40 Agreement, irrespective of whether any Party is at any time selling and using Gas or whether such sales or use are in  
41 proportion to its Percentage Interest in the Balancing Area.

42 **10. LIQUIDS**

43 The Parties shall share proportionately in and own all liquid hydrocarbons recovered with Gas by field equipment operated  
44 for the joint account in accordance with their Percentage Interests in the Balancing Area.

45 **11. AUDIT RIGHTS**

46 Notwithstanding any provision in this Agreement or any other agreement between the Parties hereto, and further  
47 notwithstanding any termination or cancellation of this Agreement, for a period of two (2) years from the end of the calendar  
48 year in which any information to be furnished under Section 5 or 7 hereof is supplied, any Party shall have the right to audit  
49 the records of any other Party regarding quantity, including but not limited to information regarding Btu-content.  
50 Any Underproduced Party shall have the right for a period of two (2) years from the end of the calendar year in which any  
51 cash settlement is received pursuant to Section 7 to audit the records of any Overproduced Party as to all matters concerning  
52 values, including but not limited to information regarding prices and disposition of Gas from the Balancing Area. Any such  
53 audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable  
54 notice, during normal business hours in the office of the Party whose records are being audited. Each Party hereto agrees to  
55 maintain records as to the volumes and prices of Gas sold each month and the volumes of Gas used in its own operations,  
56 along with the Royalty paid on any such Gas used by a Party in its own operations. The audit rights provided for in this  
57 Section 11 shall be in addition to those provided for in Section 5.2 of this Agreement.

58 **12. MISCELLANEOUS**

59 12.1 As between the Parties, in the event of any conflict between the provisions of this Agreement and the provisions of  
60 any gas sales contract, or in the event of any conflict between the provisions of this Agreement and the provisions of the  
61 Operating Agreement, the provisions of this Agreement shall govern.

62 12.2 Each Party agrees to defend, indemnify and hold harmless all other Parties from and against any and all liability for  
63 any claims, which may be asserted by any third party which now or hereafter stands in a contractual relationship with such  
64 indemnifying Party and which arise out of the operation of this Agreement or any activities of such indemnifying Party under  
65 the provisions of this Agreement, and does further agree to save the other Parties harmless from all judgments or damages  
66 sustained and costs incurred in connection therewith.

67 12.3 Except as otherwise provided in this Agreement, Operator is authorized to administer the provisions of this  
68 Agreement, but shall have no liability to the other Parties for losses sustained or liability incurred which arise out of or in  
69 connection with the performance of Operator's duties hereunder, except such as may result from Operator's gross negligence or  
70 willful misconduct. Operator shall not be liable to any Underproduced Party for the failure of any Overproduced Party (other  
71 than Operator) to pay any amounts owed pursuant to the terms hereof.

72 12.4 This Agreement shall remain in full force and effect for as long as the Operating Agreement shall remain in force and  
73 effect as to the Balancing Area, and thereafter until the Gas accounts between the Parties are settled in full, and shall inure to  
74 the benefit of and be binding upon the Parties hereto, and their respective heirs, successors, legal representatives

1 and assigns, if any. The Parties hereto agree to give notice of the existence of this Agreement to any successor in interest of  
2 any such Party and to provide that any such successor shall be bound by this Agreement, and shall further make any transfer of  
3 any interest subject to the Operating Agreement, or any part thereof, also subject to the terms of this Agreement.

4 12.5 Unless the context clearly indicates otherwise, words used in the singular include the plural, the plural includes the  
5 singular, and the neuter gender includes the masculine and the feminine.

6 12.6 In the event that any "Optional" provision of this Agreement is not adopted by the Parties to this Agreement by a  
7 typed, printed or handwritten indication, such provision shall not form a part of this Agreement, and no inference shall be  
8 made concerning the intent of the Parties in such event. In the event that any "Alternative" provision of this Agreement is not  
9 so adopted by the Parties, Alternative 1 in each such instance shall be deemed to have been adopted by the Parties as a result  
10 of any such omission. In those cases where it is indicated that an Optional provision may be used only if a specific Alternative  
11 is selected: (i) an election to include said Optional provision shall not be effective unless the Alternative in question is selected;  
12 and (ii) the election to include said Optional provision must be expressly indicated hereon, it being understood that the  
13 selection of an Alternative either expressly or by default as provided herein shall not, in and of itself, constitute an election to  
14 include an associated Optional provision.

15 12.7 This Agreement shall bind the Parties in accordance with the provisions hereof, and nothing herein shall be construed  
16 or interpreted as creating any rights in any person or entity not a signatory hereto, or as being a stipulation in favor of any  
17 such person or entity.

18 12.8 If contemporaneously with this Agreement becoming effective, or thereafter, any Party requests that any other Party  
19 execute an appropriate memorandum or notice of this Agreement in order to give third parties notice of record of same and  
20 submits same for execution in recordable form, such memorandum or notice shall be duly executed by the Party to which such  
21 request is made and delivered promptly thereafter to the Party making the request. Upon receipt, the Party making the request  
22 shall cause the memorandum or notice to be duly recorded in the appropriate real property or other records affecting the  
23 Balancing Area.

24 12.9 In the event Internal Revenue Service regulations require a uniform method of computing taxable income by all  
25 Parties, each Party agrees to compute and report income to the Internal Revenue Service (select one)  as if such Party were  
26 taking its Full Share of Current Production during each relevant tax period in accordance with such regulations, insofar as same  
27 relate to entitlement method tax computations; or  based on the quantity of Gas taken for its account in accordance with  
28 such regulations, insofar as same relate to sales method tax computations.

29 **13. ASSIGNMENT AND RIGHTS UPON ASSIGNMENT**

30 13.1 Subject to the provisions of Sections 13.2 (if elected) and 13.3 hereof, and notwithstanding anything in this Agreement  
31 or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its  
32 working interest in the Balancing Area when such Party is an Underproduced or Overproduced Party, the assignment or other  
33 act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the  
34 Gas, all rights to receive or obligations to provide or take Makeup Gas and all rights to receive or obligations to make any  
35 monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall  
36 thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other  
37 transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall  
38 cause its assignee or other transferee to assume its obligations hereunder.

39 13.2  (Optional - Cash Settlement Upon Assignment) Notwithstanding anything in this Agreement (including but not  
40 limited to the provisions of Section 13.1 hereof) or in the Operating Agreement to the contrary, and subject to the provisions  
41 of Section 13.3 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its  
42 interest in a Balancing Area, such Overproduced Party shall notify in writing the other working interest owners who are  
43 Parties hereto in such Balancing Area of such fact at least sixty (~~60~~) days prior to closing the  
44 transaction. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within  
45 thirty (~~30~~) days after receipt of the Overproduced Party's notice, a cash settlement of its  
46 Underproduction from the Balancing Area. The Operator shall be notified of any such demand and of any cash settlement  
47 pursuant to this Section 13, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash  
48 settlement pursuant to this Section 13 shall be paid by the Overproduced Party on or before the earlier to occur (i) of sixty (60)  
49 days after receipt of the Underproduced Party's demand or (ii) at the closing of the transaction in which the Overproduced  
50 Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in  
51 Sections 7.3 through 7.6 hereof, and shall bear interest at the rate set forth in Section 7.7 hereof, beginning sixty (60) days  
52 after the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Balancing Area for any amounts not  
53 paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the  
54 Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the  
55 Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance  
56 with the provisions of Section 13.1 hereof.

57 13.3 The provisions of this Section 13 shall not be applicable in the event any Party mortgages its interest or disposes of its  
58 interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to  
59 any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

60 **14. OTHER PROVISIONS**

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<b>EXHIBIT "H"</b>			
<b>LIST OF WELL BORES</b>			
WELL			WELL
TRACT	OPERATOR	LEASE	NUMBER
2711	EXXON	BURTON FLAT SECTION 6 STATE	1
2709	EXXON	BURTON FLAT SECTION 6 STATE	3
1919	EXXON	HONDO A STATE	1
2119	EXXON	HONDO A STATE	2
2319	EXXON	HONDO A STATE	3
2519	EXXON	HONDO A STATE	4
2321	EXXON	HONDO FEE	2
2315	EXXON	YATES C FEDERAL	2
2313	EXXON	YATES C FEDERAL	10
	EXXON	YATES C FEDERAL	22
2515	EXXON	YATES C FEDERAL	11
2317	EXXON	YATES C FEDERAL	12
2311	EXXON	YATES C FEDERAL	13
2517	EXXON	YATES C FEDERAL	14
2511	EXXON	YATES C FEDERAL	15
1913	EXXON	YATES C FEDERAL	17
2315	EXXON	YATES C FEDERAL	18
1915	EXXON	YATES C FEDERAL	3
2719	EXXON	YATES C FEDERAL	35
2016	EXXON	YATES C FEDERAL	36
1917	EXXON	YATES C FEDERAL	4
1911	EXXON	YATES C FEDERAL	5
2113	EXXON	YATES C FEDERAL	6
2115	EXXON	YATES C FEDERAL	7
2111	EXXON	YATES C FEDERAL	8
2117	EXXON	YATES C FEDERAL	9
2309	MWJ	GWA STATE	1
2509	MWJ	GWA STATE	2
1709	PREMIER	EDDY FV STATE	3
1909	YATES	CITIDEL ZG	1
1311	YATES	STONEWALL EP ST	5
1111	YATES	STONEWALL EP ST	7
1313	YATES	STONEWALL EP ST	8
1715	YATES	STONEWALL WM ST	1
1717	YATES	STONEWALL WM ST	2
1713	YATES	STONEWALL WM ST	3
1711	YATES	STONEWALL WM ST	4
1513	YATES	STONEWALL WM ST	5
1511	YATES	STONEWALL WM ST	6
1515	YATES	STONEWALL YE STATE	1

EXHIBIT "I"

MEMORANDUM OF OPERATING AGREEMENT AND  
NOTICE OF LIEN AND MORTGAGE — FINANCING STATEMENT  
(EXXON-OPERATOR)

Attached to that certain Operating Agreement dated \_\_\_\_\_, 19\_\_\_\_, between Exxon Corporation, as Operator, and Yates Petroleum Company, et al., as Non-Operators.

STATE OF NEW MEXICO §

COUNTY OF EDDY §

EXXON CORPORATION ("Operator") and the undersigned \_\_\_\_\_ ("Non-Operator") have entered into an Operating Agreement providing for the development and production of crude oil, natural gas and associated substances, dated \_\_\_\_\_, 19\_\_\_\_, covering the following described lands:

Those lands as described in Exhibit "B" to the Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit.

The Operating Agreement provides for mutual liens and security interests to secure payment by the parties of their respective share of costs under the Operating Agreement.

Without limiting or superseding the liens and security interests provided for in the Operating Agreement and in order to further secure payment by Non-Operator of amounts due Operator from time to time under the terms of the Operating Agreement as its share of expense, Non-Operator has granted and does hereby grant to Operator, its successors and assigns, the following:

1. A lien and mortgage covering all of Non-Operator's leasehold, unleased mineral or other working interest in and under the above-referenced lands which are of record as of the date hereof or hereafter acquired by Non-Operator.
2. A lien and mortgage covering, and a security interest in, the undivided portion of the equipment located on the above-referenced lands, including fixtures, which is employed in the production of oil and/or gas therefrom and is owned as of the date hereof or hereafter acquired by Non-Operator.
3. A security interest in Non-Operator's undivided portion of the oil and/or gas when extracted from the above-referenced lands and in the accounts arising from the sale by Non-Operator of such oil and gas, and in rights under any gas balancing agreements.
4. A lien and security interest covering all contract rights, general intangibles, interests in partnerships or other associations, and any other interests arising from the development of the above described lands for oil and gas purposes.
5. A lien and security interest covering the proceeds of the sale of any of the collateral referenced in 1-4 above, together with a lien and security interest attaching to the collateral to the extent required to reimburse for any interest, court costs, and attorneys' fees to which a party may be entitled by reason of exercise of any lien or security rights hereunder.

In order to secure payment by Operator from time to time of its share of expense under the above-referenced Operating Agreement, Operator has granted and does hereby grant to Non-Operator and the other parties to said Operating

Agreement who execute this instrument a lien and mortgage and a security interest of the same nature and effect as those described in the preceding paragraph.

The minerals or the like (including oil and gas) or accounts described in the preceding paragraphs will be financed at the wellhead or wellheads located on the lands described above. This instrument shall be filed for record in the real estate records of the county or counties named in the land description shown above. The secured party is not a seller or purchase money lender of the collateral described in items 1-5 above.

Furthermore, this Memorandum of Operating Agreement and Notice of Lien and Mortgage -- Financing Statement incorporates by reference all other terms and conditions of said Operating Agreement. Said Operating Agreement specifically provides as follows:

1. That a party's ability to freely sell, assign, or transfer interests in land committed to the agreement is restricted or encumbered. These restrictions or encumbrances may include a preferential right to purchase the interest of any party desiring to sell its interest under the agreement, restrictions on the surrender of leases, a maintenance of uniform interest provision, provisions applicable to renewal or extension of leases, provisions applicable to acreage or cash contributions, non-consent provisions, and gas storage and balancing provisions, among others.
2. That each party to the agreement has the right to take-in-kind or separately dispose of its proportionate share of oil and gas produced.
3. That the liability of the parties to the agreement is several, and not joint and collective, with each party being liable only for its proportionate share of costs of developing and operating the contract area.

In the event the description of the land covered by the above-referenced Operating Agreement is revised in any manner by the parties thereto, then each party to said Operating Agreement is authorized to execute and file for record an appropriate amendment to this instrument setting forth the revised land description and stating that the same terms and provisions contained in this instrument shall apply to such revised land description. Said amendment need not be executed by more than one party to said Operating Agreement. The party which executes and files of record said amendment shall promptly mail to all other parties to said Operating Agreement a copy of said amendment showing the recording reference.

Should any person or firm desire additional information regarding the Operating Agreement or wish to inspect a copy of same, said person or firm should contact the Operator by writing to:

Exxon Corporation  
P. O. Box 1600  
Midland, Texas 79702-1600  
Attention: Division Land Supervisor

Each party to said Operating Agreement may execute as a Non-Operator a counterpart of this instrument which contains a signature page for such party. Operator may combine the signature pages executed by such parties with the first two pages identical to the first two pages hereof and file and/or record such aggregated instrument.

Memorandum of Operating Agreement and  
Notice of Lien and Mortgage -- Financing Statement  
Page 3 of 3

EXECUTED on the date set forth by each party's signature below, but EFFECTIVE  
as of the 23<sup>rd</sup> day of JUNE, 1995

EXXON CORPORATION, Operator

Area Lndmn. JH  
MPO Lnd. Supv. DK  
MPO Oprs. Actg. CD  
MPO Law SIL  
Oprs. Tech. Mgr. \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

ADDRESS: P. O. Box 1600  
Midland, Texas 79702-1600  
TAX I.D. NO.: 13-5409005

\_\_\_\_\_  
(Non-Operator)

Date: \_\_\_\_\_

By: \_\_\_\_\_

ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

TAX I.D. NO: \_\_\_\_\_  
\_\_\_\_\_

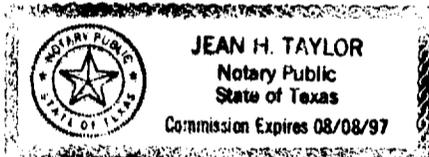
STATE OF TEXAS §  
§  
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of  
June, 1995, by M. S. Fry as Attorney-in-fact  
for and on behalf of EXXON CORPORATION a New Jersey corporation.

Witness my hand and official seal the day and year last above written.

My commission expires: 8-8-97

Jean H Taylor  
Notary Public



STATE OF §  
§  
COUNTY OF §

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ as  
\_\_\_\_\_ for and on behalf of \_\_\_\_\_  
\_\_\_\_\_ a \_\_\_\_\_  
corporation.

Witness my hand and official seal the day and year last above written.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

EXHIBIT "J"

NON-DISCRIMINATION AND CERTIFICATE OF NON-SEGREGATED FACILITIES

Attached to that certain Operating Agreement dated \_\_\_\_\_, 19\_\_\_\_  
between Exxon Corporation  
and Yates Petroleum Company et al, as Operator,  
as Non-Operator(s).

I. EQUAL EMPLOYMENT OPPORTUNITY PROVISION

During the performance of this contract, the operator agrees as follows:

- 1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, national origin or sex. The operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, national origin or sex. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided for the contracting officer setting forth the provision of this non-discrimination clause.
- 2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin or sex.
- 3) The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- 4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- 5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- 6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rules, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- 7) The Operator will include the provisions of paragraphs 1) through 7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of labor issued pursuant to section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of

enforcing such provisions including sanctions for non-compliance. Provided, however, that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that it may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with Joint Reporting Committee, Federal Depot, Jeffersonville, Indiana, within thirty (30) days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246, as amended and Rules and Regulations adopted thereunder.

Operator further acknowledges that he may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of labor under authority of Executive Order 11246 and supply Non-Operators with a copy of such program if they so request.

## II. CERTIFICATION OF NON-SEGREGATED FACILITIES

- 1) Operator assures Non-Operators that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. For this purpose, it is understood that the phrase "segregated facilities" includes facilities which are in fact segregated on a basis of race, color, religion or national origin, because of habit; local custom or otherwise. It is further understood and agreed that maintaining or providing segregated facilities for its employees or permitting its employees to perform their services at any location under its control where segregated facilities are maintained is a violation of the equal opportunity clause required by Executive Order 11246 of September 24, 1965.
- 2) Operator further understands and agrees that a breach of the assurance herein contained subjects it to the provisions of the Order at 41 CFR Chapter 60 of the Secretary of Labor dated May 21, 1968, and the provisions of the equal opportunity clause enumerated in contracts between the United States of America and Non-Operators.
- 3) Whoever knowingly and willfully makes any false, fictitious or fraudulent representation may be liable to criminal prosecution under 18 U.S.C. Paragraph 1001.

## III. OCCUPATIONAL SAFETY AND HEALTH ACT

Operator will observe and comply with all safety and health standards promulgated by the Secretary of Labor under Section 107 of the Contract Work Hours and Standards Act, published in 29 CFR Part 1518 and adopted by the Secretary of Labor as occupational safety and health standards under the Williams-Steiger Occupational Safety and Health Act of 1970. Such safety and health standards shall apply to all subcontractors and their employees as well as to the prime contractor and its employees.

## IV. VETERAN'S PREFERENCE

Operator agrees to comply with the following insofar as contracts it lets for an amount of \$10,000 or more which will generate 400 or more man-days of employment (each man-day consisting of any day in which an employee performs more than one hour of work) and further agrees to include the following provision in contracts with Contractors and Subcontractors:

### "CONTRACTOR AND SUBCONTRACTOR LISTING REQUIREMENT

- 1) As provided by 41 CFR 50-250, the contractor agrees that all employment openings of the contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by the contract and including those occurring at an establishment of the contractor other than the

one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall, to the maximum extent feasible, be offered for listing at an appropriate local office of the State employment service system wherein the opening occurs and to provide such periodic reports to such local office regarding employment openings and hires as may be required: Provided, that this provision shall not apply to openings which the contractor fills from within the contractor's organization or are filled pursuant to a customary and traditional employer-union hiring arrangement and that listing of employment openings shall involve only the normal obligations which attach to the placing of job orders.

- 2) The contractor agrees to place the above provisions in any subcontract directly under this contract."

V. CERTIFICATION OF COMPLIANCE WITH ENVIRONMENTAL LAWS

Operator agrees to comply with the Clean Air Act (42 U.S.C. Paragraph 1857) and the Federal Water Pollution Control Act (33 U.S.C. Paragraph 1251) when conducting operations involving nonexempt contracts. In all nonexempt contracts with subcontractors, Operator shall require:

- 1) No facility to be utilized by Subcontractor in the performance of this contract with Operator is listed on the Environmental Protection Agency (EPA) List of Violating Facilities. See Executive Order No. 11738 of September 12, 1973, and 40 CFR Paragraph 15.20.
- 2) Prompt written notification shall be given by Subcontractor to Operator of any communication indicating that any such facility is under consideration to be included on the EPA List of Violating Facilities.
- 3) Subcontractor shall comply with all requirements of Section 114 of the Clean Air Act (42 U.S.C. Paragraph 1857) and Section 308 of the Federal Water Pollution Control Act (33 U.S.C. Paragraph 1251), relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in these Sections, and all regulations and guidelines issued thereunder.
- 4) The foregoing criteria and requirements shall be included in all of Subcontractor's nonexempt subcontracts, and Subcontractor shall take such action as the Government may direct as a means of enforcing such provisions. See 40 CFR Paragraph 15.4 & 5.
- 5) Operator agrees to notify non-operators of any violations in the afore provisions.

VI. Operator agrees to comply with Executive Orders 11458 and 11625 regarding Minority Business Enterprises and all orders, rules, and regulations issued thereunder or amendments thereto.

VII. Operator agrees to comply with Rehabilitation Act of 1973 and all orders, rules, and regulations issued thereunder and amendments thereto.

**AVALON DELAWARE UNIT  
PARTICIPATION BY OWNER**

Owner	UNIT PARTICIPATION	Join	Non-Consent
Abo Petroleum Corporation	1.132305	1.132305	
Ard, Mary H.	1.356554	1.356554	
Bello, Ernie	0.007413	0.007413	
Bunn, Mrs. Frances B.	0.007413	0.007413	
Claremont Corporation	0.254354	0.254354	
Devon Energy Corporation (NV)	0.757062		
Exxon Corporation	73.920333	73.920333	
Fox, Fred A. & D. Marjean Living Trust	0.001081	0.001081	
Gendron Family Revocable Tr	0.011119		
Goodnow, David	0.007413		0.007413
Hayes Partners I	0.010292		
Hodge, Joseph R.	0.001235		
Hodge, Sanford J. III	0.001235		
Holden, E. G. Testamentary Tr	0.003706		
Hudson, Edward R. Jr.	1.356554	1.356554	
Hudson, William A. II	1.356554	1.356554	
Judson, Edward H.	0.196442	0.196442	
Kawasaki, Isaac A.	0.007413		
Keller, Betsy H.	0.003706		
Kerr-McGee Corporation	0.245224		
Los Chicos	0.002496	0.002496	
Martin Living Trust	0.196442	0.196442	
Martin, James L. Jr., Trust	0.001081	0.001081	
McCall, Jack O. Estate of	0.000087		
Moore, Charles Cline	0.018567		
Myco Industries, Inc.	3.358184	3.358184	
Oliver, Agnes Cluthe Tr	0.007424	0.007424	
Oliver, William B. Tr	0.007424		
Oxy U.S.A., Inc.	0.151985		
Pennzoil Exploration and Production Company	0.904686	0.904686	
Premier Oil & Gas, Inc.	1.019231		
Redfern, John J. III, Indep Exec of Est of John J. Redfern,	0.119028		
Redfern, Rosalind	0.119028		
Schlagal, John L.	0.000927	0.000927	
Schuman, Adolph P. Martl Tr	0.007413		
Seventy-Seven Corporation	0.001997		0.001997
Sigmar, Inc.	0.003166	0.003166	
Space Building Corp.	0.018532		0.018532
Tipperary Oil & Gas Corporation	0.519742	0.519742	
TR Oil Corporation	0.001043		
Unit Petroleum Company	4.657971	4.657971	
Van Vranken, J. F. Jr.	0.007413		
Whiting Petroleum Corporation	0.519742	0.519742	
Williams, R. Ken	0.198526	0.198526	
Yates Drilling Company	3.348300	3.348300	
Yates Petroleum Corporation	4.149893	4.149893	
Yates, John A.	0.012380	0.012380	
Yates, S. P.	0.009884	0.009884	
	100.000000	97.479847	0.027942

Exhibit No. 4  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE
AVALON (DELAWARE) UNIT AREA
EDDY COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, each of the undersigned owns or claims to own a Royalty Interest or Working Interest as defined in that certain agreement entitled "Improved Recovery Unit - Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit Area, Eddy County, New Mexico" and does hereby acknowledge receipt of a copy of said Unit Agreement, and

NOW, THEREFORE, for the consideration stated in said Unit Agreement, each of the undersigned does hereby adopt, ratify and confirm said Unit Agreement and agrees to become a party thereto and be bound by the provisions thereof. Each of the undersigned joins herein with respect to all of its interests in each and all of the separately owned parcels described in Exhibit "B" or included within the unit outline on Exhibit "A" to said Unit Agreement, whether or not described in said Exhibit "B".

TO BE USED IF THE PARTY IS AN INDIVIDUAL

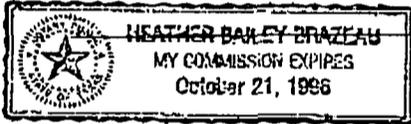
Mary H. Aard
Signature
MARY H. AARD
Print Name of Party

STATE OF TEXAS §
COUNTY OF TARRANT §

This instrument was acknowledged before me on this 28 day of June, 1995, by MARY T AARD

My Commission Expires: 10-21-96

Heather Bailey BrazEAU
Notary Public in and for State of TEXAS



TO BE USED IF THE PARTY IS A CORPORATION

Print Name of Party
By:
As:

STATE OF §
COUNTY OF §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_, 19\_\_\_, by \_\_\_ of \_\_\_ a \_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for State of \_\_\_\_\_

TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE

Print Name of Party
By:
As:

STATE OF §
COUNTY OF §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_, 19\_\_\_, by \_\_\_ of \_\_\_ a \_\_\_ on behalf of said \_\_\_.

My Commission Expires: \_\_\_\_\_

Notary Public in and for State of \_\_\_\_\_

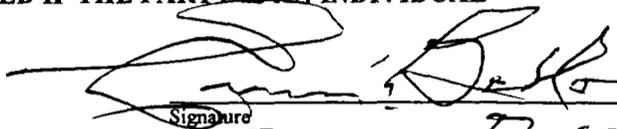
**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
 UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
 AVALON (DELAWARE) UNIT AREA  
 EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

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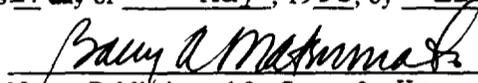
**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

  
 \_\_\_\_\_  
Signature  
ERNIE BELLO  
Print Name of Party

STATE OF Hawaii §  
 COUNTY OF Honolulu §

This instrument was acknowledged before me on this 17 day of May, 1995, by Ernie Bello

My Commission Expires: 11-25-98

  
 \_\_\_\_\_  
Notary Public in and for State of Hawaii

**TO BE USED IF THE PARTY IS A CORPORATION**

\_\_\_\_\_  
Print Name of Party  
 By: \_\_\_\_\_  
 As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
 COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

\_\_\_\_\_  
Print Name of Party  
 By: \_\_\_\_\_  
 As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
 COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

WHEREAS, each of the undersigned owns or claims to own a Royalty Interest or Working Interest as defined in that certain agreement entitled "Improved Recovery Unit - Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit Area, Eddy County, New Mexico" and does hereby acknowledge receipt of a copy of said Unit Agreement, and

NOW, THEREFORE, for the consideration stated in said Unit Agreement, each of the undersigned does hereby adopt, ratify and confirm said Unit Agreement and agrees to become a party thereto and be bound by the provisions thereof. Each of the undersigned joins herein with respect to all of its interests in each and all of the separately owned parcels described in Exhibit "B" or included within the unit outline on Exhibit "A" to said Unit Agreement, whether or not described in said Exhibit "B".

---

**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

Frances B. Bunn  
Signature  
Frances B. Bunn  
Print Name of Party

STATE OF Hawaii §  
City of Honolulu §  
COUNTY OF Honolulu §

This instrument was acknowledged before me on this 18 day of May, 1995, by FRANCES B. BUNN.  
My Commission Expires: 9-13-95 Patricia Jean Simon  
Notary Public in and for State of Hawaii is

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**TO BE USED IF THE PARTY IS A CORPORATION**

Print Name of Party \_\_\_\_\_  
By: \_\_\_\_\_  
As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_,  
as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_  
corporation, on behalf of the corporation.  
My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

---

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

Print Name of Party \_\_\_\_\_  
By: \_\_\_\_\_  
As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.  
My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

















**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

WHEREAS, each of the undersigned owns or claims to own a Royalty Interest or Working Interest as defined in that certain agreement entitled "Improved Recovery Unit - Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit Area, Eddy County, New Mexico" and does hereby acknowledge receipt of a copy of said Unit Agreement, and

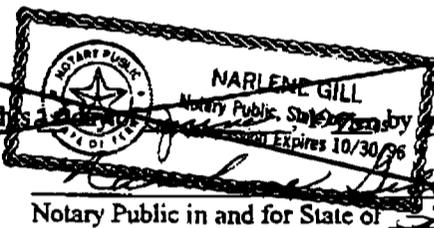
NOW, THEREFORE, for the consideration stated in said Unit Agreement, each of the undersigned does hereby adopt, ratify and confirm said Unit Agreement and agrees to become a party thereto and be bound by the provisions thereof. Each of the undersigned joins herein with respect to all of its interests in each and all of the separately owned parcels described in Exhibit "B" or included within the unit outline on Exhibit "A" to said Unit Agreement, whether or not described in said Exhibit "B".

**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

Paul L. Bruce  
Signature  
Paul L. Bruce *gc*  
Print Name of Party

STATE OF Texas §  
COUNTY OF Harris §

This instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
My Commission Expires: 10/30/96



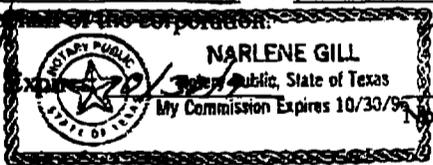
Notary Public in and for State of Texas

**TO BE USED IF THE PARTY IS A CORPORATION**

Pennzoil Exploration and Production Company  
Print Name of Party  
By: Paul L. Bruce  
As: Agent and Attorney-in-fact

STATE OF Texas §  
COUNTY OF Harris §

This instrument was acknowledged before me on this 26 day of June, 1995, by Paul L. Bruce  
as Attorney-in-fact of Pennzoil Company, a Delaware  
corporation, on behalf of the corporation.



My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of Texas

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

\_\_\_\_\_  
Print Name of Party  
By: \_\_\_\_\_  
As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_\_ day of \_\_\_\_\_, 19\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_



**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

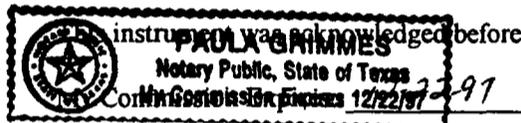
WHEREAS, each of the undersigned owns or claims to own a Royalty Interest or Working Interest as defined in that certain agreement entitled "Improved Recovery Unit - Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit Area, Eddy County, New Mexico" and does hereby acknowledge receipt of a copy of said Unit Agreement, and

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**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

  
 Signature  
John L. Schlager  
 Print Name of Party

STATE OF Texas §  
Midland §  
 COUNTY OF Midland §



instrument was acknowledged before me on this 25 day of May, 1995, by John L. Schlager.  
Paula Gimmes  
 Notary Public in and for State of TEXAS

**TO BE USED IF THE PARTY IS A CORPORATION**

\_\_\_\_\_  
 Print Name of Party  
 By: \_\_\_\_\_  
 As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
 COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_  
 Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

\_\_\_\_\_  
 Print Name of Party  
 By: \_\_\_\_\_  
 As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
 COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_  
 Notary Public in and for State of \_\_\_\_\_



**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

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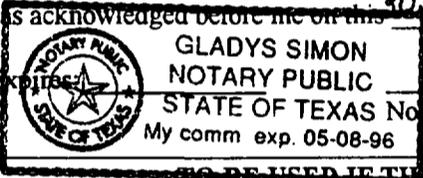
**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

Robert L. Spears  
Signature

Print Name of Party

STATE OF Tx                   §  
  §  
COUNTY OF Kerr           §

This instrument was acknowledged before me on this 30 day of May, 1995, by Robert L. Spears

My Commission Expires:  Gladys Simon  
Notary Public in and for State of Tx

~~**TO BE USED IF THE PARTY IS A CORPORATION**~~

Print Name of Party \_\_\_\_\_  
By: \_\_\_\_\_  
As: \_\_\_\_\_

STATE OF \_\_\_\_\_           §  
  §  
COUNTY OF \_\_\_\_\_     §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_,  
as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_  
corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

Print Name of Party \_\_\_\_\_  
By: \_\_\_\_\_  
As: \_\_\_\_\_

STATE OF \_\_\_\_\_           §  
  §  
COUNTY OF \_\_\_\_\_     §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_













**AVALON DELAWARE UNIT  
WORKING INTEREST OWNERS NOT YET RATIFIED**

Owner	UNIT PARTICIPATION
Devon Energy Corporation (NV)	0.757062
Gendron Family Revocable Tr	0.011119
Hayes Partners I	0.010292
Hodge, Joseph R.	0.001235
Hodge, Sanford J. III	0.001235
Holden, E. G. Testamentary Tr	0.003706
Kawasaki, Isaac A.	0.007413
Keller, Betsy H.	0.003706
Kerr-McGee Corporation	0.245224
McCall, Jack O. Estate of	0.000087
Moore, Charles Cline	0.018567
Oliver, William B. Tr	0.007424
Oxy U.S.A. Inc.	0.151985
Premier Oil & Gas, Inc.	1.019231
Redfern, John J. III, Indep Exec of Est of John J. Redfern,	0.119028
Redfern, Rosalind	0.119028
Schuman, Adolph P. Marital Tr	0.007413
TR Oil Corporation	0.001043
Van Vranken, J. F. Jr.	0.007413
	2.492211

6/28/95

Ratification of Unit By Royalty and Overriding Royalty		
Owners of the Avalon (Delaware) Unit		
Eddy County, New Mexico		
Owner	Ratified Unit	No Response
Mary L. Boling	X	
Robert E. Boling Est	X	
Davis Bros., L.L.C.	X	
William C. Eiland	X	
FJC Partnership	X	
Robert L. Haynie & Sue Haynie		
Oryx Energy Company		
Pennzoil Exploration and Production Company	X	
Patricia Nell Rigg	X	
Sabine Royalty Tr Nationsbank of TX		
Singer Bros.	X	
Robert L. Spears	X	
SRT Trust No 1	X	
State of New Mexico	X	
Texas Commerce Bank Tr of the Delta-Flag Royalty Tr	X	
U. S. A.	X	
Venessa H. Shotwell	X	
Mark D. Wilson	X	
Martin Yates III Est	X	
Harvey E. Yates	X	
John Ashby Yates	X	
Lillie Mae Yates Est	X	
S. P. Yates	X	
Peggy A. Yates Est		
a:\royorlst.xls		

Exhibit No. 5  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995



**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
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EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

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**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Party

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS A CORPORATION**

\_\_\_\_\_  
Print Name of Party

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

*ESTATE OF Robert E Boling*

\_\_\_\_\_  
Print Name of Party

By: Robert Michael Boling Janet Richman

As: Personal Representative

STATE OF New Mexico §

COUNTY OF Eddy §

This instrument was acknowledged before me on this \_\_\_ day of June, 1998, by Robert Michael Boling Janet Richman of Estate of Robert E Boling, as Personal Representative, on behalf of said ESTATE.

My Commission Expires: 6-26-98

Terrence R. Waugh  
Notary Public in and for State of New Mexico



**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

WHEREAS, each of the undersigned owns or claims to own a Royalty Interest or Working Interest as defined in that certain agreement entitled "Improved Recovery Unit - Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit Area, Eddy County, New Mexico" and does hereby acknowledge receipt of a copy of said Unit Agreement, and

NOW, THEREFORE, for the consideration stated in said Unit Agreement, each of the undersigned does hereby adopt, ratify and confirm said Unit Agreement and agrees to become a party thereto and be bound by the provisions thereof. Each of the undersigned joins herein with respect to all of its interests in each and all of the separately owned parcels described in Exhibit "B" or included within the unit outline on Exhibit "A" to said Unit Agreement, whether or not described in said Exhibit "B".

---

**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Party

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

---

**TO BE USED IF THE PARTY IS A CORPORATION**

\_\_\_\_\_  
Print Name of Party

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

---

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

*Diane McElligott*  
\_\_\_\_\_  
Print Name of Party

By: Diane McElligott

As: Vice President and Trust Officer

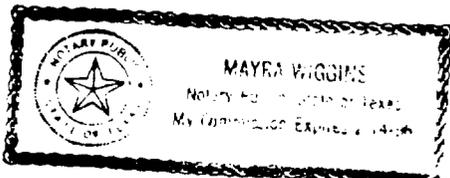
STATE OF Texas §

COUNTY OF Midland §

This instrument was acknowledged before me on this 24 day of May, 1995 by Diane McElligott of Texas Commerce Bank, a Vice President & Trust Officer on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

*Mayra Wiggins*  
\_\_\_\_\_  
Notary Public in and for State of Texas



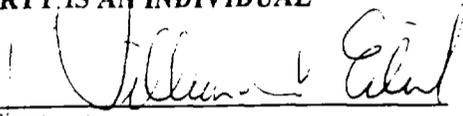
**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

WHEREAS, each of the undersigned owns or claims to own a Royalty Interest or Working Interest as defined in that certain agreement entitled "Improved Recovery Unit - Unit Agreement for the Development and Operation of the Avalon (Delaware) Unit Area, Eddy County, New Mexico" and does hereby acknowledge receipt of a copy of said Unit Agreement, and

NOW, THEREFORE, for the consideration stated in said Unit Agreement, each of the undersigned does hereby adopt, ratify and confirm said Unit Agreement and agrees to become a party thereto and be bound by the provisions thereof. Each of the undersigned joins herein with respect to all of its interests in each and all of the separately owned parcels described in Exhibit "B" or included within the unit outline on Exhibit "A" to said Unit Agreement, whether or not described in said Exhibit "B".

**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

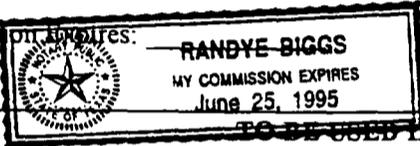
  
Signature \_\_\_\_\_  
Print Name of Party William C. Eiland

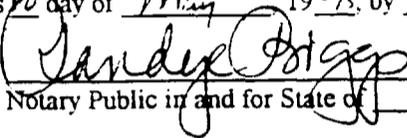
STATE OF Texas §

COUNTY OF Midland §

This instrument was acknowledged before me on this 10 day of May, 1995, by William C. Eiland

My Commission Expires:



  
Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS A CORPORATION**

Print Name of Party \_\_\_\_\_

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

Print Name of Party \_\_\_\_\_

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

Notary Public in and for State of \_\_\_\_\_

**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

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---

**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Party

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

---

**TO BE USED IF THE PARTY IS A CORPORATION**

\_\_\_\_\_  
Print Name of Party

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

---

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

**FJC Partnership**

Print Name of Party

By: Floyd Abbott

As: Partner

STATE OF New Mexico §

COUNTY OF Lea §

This instrument was acknowledged before me on this 18 day of May, 1995 by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: 4-3-99  
Notary Public in and for State of New Mexico

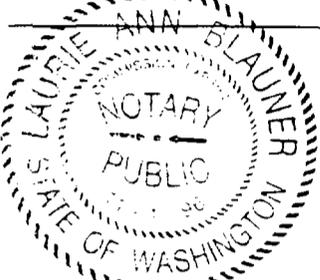


**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
 UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
 AVALON (DELAWARE) UNIT AREA  
 EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

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NOW, THEREFORE, for the consideration stated in said Unit Agreement, each of the undersigned does hereby adopt, ratify and confirm said Unit Agreement and agrees to become a party thereto and be bound by the provisions thereof. Each of the undersigned joins herein with respect to all of its interests in each and all of the separately owned parcels described in Exhibit "B" or included within the unit outline on Exhibit "A" to said Unit Agreement, whether or not described in said Exhibit "B".



**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

Vanessa H. Shotwell  
 Signature  
VANESSA H. SHOTWELL  
 Print Name of Party

STATE OF Washington §  
 COUNTY OF King §

This instrument was acknowledged before me on this 17<sup>th</sup> day of May, 1995, by Vanessa H. Shotwell & Laurie Ann Blawner.  
 My Commission Expires: 11/1/96  
Laurie Ann Blawner  
 Notary Public in and for State of Washington

**TO BE USED IF THE PARTY IS A CORPORATION**

Print Name of Party \_\_\_\_\_  
 By: \_\_\_\_\_  
 As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
 COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_  
 Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

Print Name of Party \_\_\_\_\_  
 By: \_\_\_\_\_  
 As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §  
 COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_  
 Notary Public in and for State of \_\_\_\_\_

**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

**KNOW ALL MEN BY THESE PRESENTS:**

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---

**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Party

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_

---

**TO BE USED IF THE PARTY IS A CORPORATION**

**NORWEST BANK NEW MEXICO, N.A., TRUSTEE**

SRT Trust No 1

\_\_\_\_\_  
Print Name of Party

By: Sylvan E. Gillespie

As: Sr. Vice President

STATE OF New Mexico §

COUNTY OF Chaves §

This instrument was acknowledged before me on this 18<sup>th</sup> day of May, 1995, by Sylvan E. Gillespie, as Sr. Vice President of Norwest Bank New Mexico, NA, a New Mexico corporation, on behalf of the corporation.

My Commission Expires: 4/10/99

Cynthia L. Greer  
\_\_\_\_\_  
Notary Public in and for State of New Mexico

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**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

\_\_\_\_\_  
Print Name of Party

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for State of \_\_\_\_\_



**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

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**TO BE USED IF THE PARTY IS AN INDIVIDUAL**

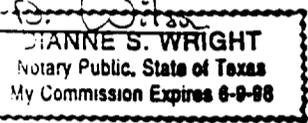


Signature

MARK D. WILSON  
Print Name of Party

STATE OF Texas §

COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 22 day of June, 1995, by Mark D. Wilson  
My Commission Expires: 6/9/98   
Shanne S. Wright  
Notary Public in and for State of Texas

**TO BE USED IF THE PARTY IS A CORPORATION**

Print Name of Party \_\_\_\_\_

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_,  
as \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_  
corporation, on behalf of the corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for State of \_\_\_\_\_

**TO BE USED IF THE PARTY IS AN TRUST, OR OTHER PARTY ACTING THROUGH AN AGENT OR REPRESENTATIVE**

Print Name of Party \_\_\_\_\_

By: \_\_\_\_\_

As: \_\_\_\_\_

STATE OF \_\_\_\_\_ §

COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.

My Commission Expires: \_\_\_\_\_

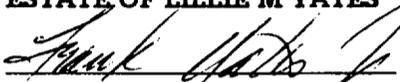
Notary Public in and for State of \_\_\_\_\_

**RATIFICATION OF UNIT AGREEMENT - IMPROVED RECOVERY UNIT  
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE  
AVALON (DELAWARE) UNIT AREA  
EDDY COUNTY, NEW MEXICO**

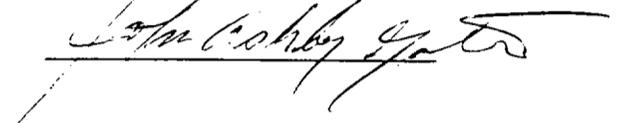
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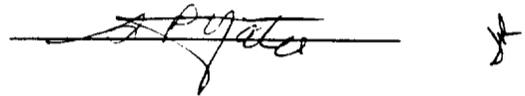
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**ESTATE OF MARTIN YATES, III  
ESTATE OF LILLIE M YATES**  
  
Frank Yates, Jr., Attorney-in-Fact  
for S. P. Yates, Peyton Yates, and  
Frank Yates, Jr., Personal  
Representative of the Estate of  
Martin Yates III, Deceased, and  
as Attorney-in-Fact for S. P. Yates,  
B W. Harper and Frank Yates, Jr.,  
Personal Representatives of the  
Estate of Lillie M. Yates, Deceased.

**JOHN ASHBY YATES**



**S. P. YATES**

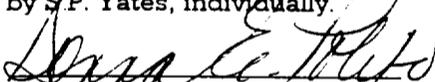


STATE OF NEW MEXICO        )  
  :ss  
COUNTY OF EDDY            )

The foregoing instrument was acknowledged before me this 23rd day of June, 1995 by Frank Yates, Jr., Attorney-in-Fact for S. P. Yates, Peyton Yates, and Frank Yates, Jr., Personal Representative of the Estate of Martin Yates, III, Deceased and as Attorney-in-Fact for S. P. Yates, B.W. Harper and Frank Yates, Jr., Personal Representatives of the Estate of Lillie M. Yates, Deceased, and by John Ashby Yates, individually and by S.P. Yates, individually.

My commission expires:

August 9, 1997

  
Notary Public



6/29/95

**AVALON DELAWARE UNIT  
ROYALTY OWNERS NOT YET RATIFIED**

**Owner**

Robert L. Haynie & Sue Haynie  
Oryx Energy Company  
Sabine Royalty Tr Nationsbank of TX  
Peggy A. Yates Est

Exhibit No. 5A  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date June 29, 1995

RAY POWELL, M.S., D.V.M.  
COMMISSIONER

State of New Mexico  
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760  
FAX (505) 827-5766

May 15, 1995

Exxon Company USA  
P.O. Box 1600  
Midland, Texas 79702-1600

Attention: Mr. Joe Thomas

Re: Request for Preliminary Approval  
Avalon Delaware Unit  
Eddy County, New Mexico

MDA	RECEIVED			MPC
RLA	LAND SERVICES			RGG
RKF	MAY 17 1995			RTL
SHJ				TAL
PLK				JBE
DCR				SHK
JBT				LLM
	MPO - MIDLAND			SES
				JHT
	HANDLE	REVIEW	SEE ME	CIRC
				FILE

Dear Mr. Thomas:

This office has reviewed the unexecuted copy of the unit agreement for the proposed Avalon Delaware Unit, Eddy County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date are given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Two copies of the Unit Agreement.
3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged before a notary. One set of ratifications must contain original signatures.
4. Initial Plan of Operation.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
6. A copy of the Unit Operating Agreement.

Exhibit No. 6-A  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

Exxon Company USA

Page 2

May 11, 1995

7. Per your telephone conversation with Pete Martinez of this office, please revise Exhibit "A" & "B" to coincide with the BLM's survey plats. The following unit acreage should be changed: Federal Acreage, State Acreage, Fee Acreage and Total Acreage.
8. In Unit Agreement Page 3, Section 2(a), the acreage should be changed to 2,118.78.
9. Please date the unit agreement on Page 1.
10. A redesignation of all well names and numbers. The list should include the OCD property name, property number, pool name, pool code and API number.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS



BY:  
JAMI BAILEY, Deputy Director  
Oil/Gas and Minerals Division  
(505) 827-5745

RP/JB/cpm

Enclosure

cc: Reader File

BLM-Roswell--Attention: Mr. Armando Lopez

OCD-Santa Fe--Attention: Mr. Roy Johnson



IN REPLY  
REFER TO

# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
Roswell District Office  
1717 West Second Street  
Roswell, New Mexico 88201-2019

MDA	RECEIVED LAND SERVICES	MPC
RLA		RGG
RKF	MAY 18 1995	RTL
PLK		TAL
DCR	MPO - MIDLAND	JBE
JBT		SHK
		LLM
		SES
		JHT
HANDLE	REVIEW	SEE ME
		CIRC
		FILE

NMNM94450X  
3180 (06200)

MAY 17 1995

Exxon Company, U.S.A.  
Attention: Mr. Joe B. Thomas  
P. O. Box 1600  
Midland, TX 79702-1600

Gentlemen:

Your application of May 2, 1995, filed with the BLM requests the designation of the Avalon (Delaware) Unit area, embracing 2118.78 acres, more or less, Eddy, County, New Mexico, as logically subject to secondary operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit A, Exxon Company, U.S.A., Avalon (Delaware) Unit, Eddy County, New Mexico, is hereby designated as a logical unit area for the purpose of conducting secondary recovery operations and has been assigned No. NMNM94450X. This designation is valid for a period of one year from the date of this letter.

Waterflooding will be limited to that interval underlying the Unit Area described as, the Delaware Mountain Group, extending from 100 feet above the base of the Goat Seep Reef to the top of the Bone Spring formation and including, but not limited to, the Cherry Canyon and Brushy Canyon formations, as identified by the Compensated Neutron/Lithodensity/Gamma Ray log dated September 14, 1990, run in the Exxon Yates "C" Federal #36, located in the Center of the NW¼ section 31, T. 20 S., R. 28 E., Eddy County, New Mexico, with the top of the Unitized Interval being found in said well at a depth of 2,378 feet below the surface (869 feet above sea level) and the base of the Unitized Interval being found at a depth of 4,880 feet below the surface (1,633 feet below sea level) or stratigraphic equivalents, thereof.

Your basis for allocation of unitized substances and your proposed use of the Form of Agreement are acceptable. Exhibits A and B need to be corrected to show the acreage compiled from the official records of the Bureau of Land Management. The corrections to be made are shown in red on the enclosed Exhibits A and B.

If conditions are such that modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

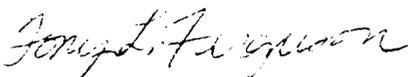
In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

Exhibit No. 6-B  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

When the executed agreement is transmitted to the BLM for final approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form. You will also need to submit a listing of current well names and proposed unit well name changes.

Inasmuch as this unit agreement involves State and Fee land, we are sending a copy of the letter to the Commissioner of Public Lands and the NMOCD. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the state.

Sincerely,



Tony L. Ferguson  
Assistant District Manager,  
Minerals Support Team

Enclosures

EXHIBIT 7

TABLE OF CONTENTS

(UNITIZATION CORRESPONDENCE AND NOTES)

DATE	PARTIES	TOPIC
05/29/91	WIOs	Exxon held a preliminary WIO meeting for a technical discussion and initial plans for a secondary recovery unit.
11/20/91	WIOs	Exxon held a second preliminary WIO meeting with technical discussion and project plans discussed.
03/09/92	Exxon-WIOs	Technical Report issued. Technical report proposed that at least 90% of the WIOs approve the Technical Report.
07/10/92	Yates-Exxon	Yates returned the executed Pre-Unitization Voting Agreement.
10/28/92	Exxon-Premier	Responds to Premier's questions of 10/26/92
11/12/92	Premier-Exxon	Compliments Technical Report. Has minor concerns: <ul style="list-style-type: none"> <li>• Limits of primary production for Lower Cherry/Upper Brushy</li> <li>• Proposes 3 additional injectors on the west edge of his 4 tracts (4-40s)</li> <li>• Challenges FV3 reserves</li> </ul>
11/25/92	Yates-Exxon	Outlines questions concerning the Unit.
Nov/Dec/92	Exxon-Premier	Meeting to review concerns. Exxon acquires FV3 well log and drilling report from Premier
12/09/92	Exxon-Yates	Technical report review meeting.
12/22/92	Exxon-Premier	Exxon does not believe the FV3 (or FV1) to be productive on primary in the LCC/UBC, and that additional west-side injectors are probably not appropriate
01/07/93	Yates-Coquina	Discussed the results of the 12/09/92 meeting Yates had with Exxon.
01/27/93	Exxon	The Sundry Notice application for the Avalon Enhanced Oil Recovery Project was approved by the BLM
02/01/93	Exxon meetings with BLM (Carlsbad) & NMOCD (Artesia)	Reviewed the Avalon project with the BLM and the NMOCD. Agenda and attendance list attached
02/02/93	Exxon meetings with NMSLO & NMOCD both in Santa Fe	Reviewed the Avalon project with the NMSLO & NMOCD. Agenda and attendance list attached.
02/09/93	Exxon-BLM	Summarizes the points covered in the 02/01/93 meeting
04/15/93	Exxon-WIO	Exxon sent out ballots to amend the Technical report and to add certain addenda. This addendum was approved in June of 1994

01/94	Exxon-WIO	Exxon requested copies of Division Orders, Division Order Title Opinions; and Title Opinions.
04/08/94	Exxon- WIO	Exxon informed the WIOs that the Technical Report was approved and proposed a WIO meeting on April 26, 1994 to: <ul style="list-style-type: none"> <li>• discuss the participation formula &amp; percentages</li> <li>• current development plan</li> <li>• distribute and review the proposed Avalon Unit and Unit Operating Agreement</li> </ul>
04/28/94	Exxon-WIO	Exxon sent out minute notes from the 04/08/94 WIO meeting and solicited written comments and any suggested changes to the UA/UOA from the WIOs. Exxon proposed a WIO meeting on 06/03/94 (changed to 06/17/94).
06/17/94	WIO Meeting	Approximately 90% of WIO were represented. WIO presented feedback on: <ul style="list-style-type: none"> <li>• Proposed Unit</li> <li>• Participation formula</li> <li>• Bidding out of Oil and CO2</li> <li>• Proposed drilling and producing rates</li> <li>• Vote required should be greater than 75%</li> <li>• Yates to take lead in developing alternative Equity formula</li> <li>• Premier presented its differing opinions on: <ol style="list-style-type: none"> <li>1. the UCC reservoir</li> <li>2. significant differences between Premier and Exxon involving geologic picks</li> <li>3. asked to withdraw tract from Unit.</li> </ol> </li> </ul>
06/20/94	Exxon-WIO's	Presented meeting notes and summary of WIO meeting of 06/17/94
09/06/94	Yates-Exxon	Yates proposed two new Equity formulas
10/10/94	Exxon-Yates	Exxon responded to Yates's 09/06/94 proposal
12/05/94	Yates-Exxon	Yates proposes two additional participation formulas
02/09/95	Yates- Exxon	Yates suggested three areas to clarify: <ul style="list-style-type: none"> <li>• Veto by minority owners</li> <li>• Buyouts of other interests in the Unit</li> <li>• Non-Consents</li> </ul>
02/22/95	Exxon-WIO	<ul style="list-style-type: none"> <li>• Exxon revising UA/UOA to address WIO's concerns</li> <li>• Single phase formula</li> <li>• Requesting WIO's to vote on non-binding ballot if agree to the Unitization proposal</li> <li>• 97.4231% agreed to the non-binding ballot (ballot responses attached)</li> <li>• Two parties voted "no": Premier and Whiting</li> </ul>
02/23/95	Exxon-Yates	Exxon agreed to amend the voting procedure as requested by Yates
05/01/95	Exxon-Royalty ORR owners	Exxon mailed out a "draft" Unit Agreement to the Royalty and Overriding Royalty owners
05/02/95	Exxon meeting with BLM (Roswell)	Exxon requested approval of the Avalon (Delaware) Unit as logically subject to secondary operations under the Unitization provisions of the Mineral Leasing Act

05/05/95	Exxon meeting with NMSLO (Santa Fe)	Reviewed project and Agenda from BLM meeting 05/02/95. Requested SLO approval of the proposed Unit Agreement
05/11/95	Exxon-Whiting	Exxon responded to Whiting's concerns set out by their "no" vote on the 02/22/95 ballot. Whiting subsequently voted to join the Unit
05/12/95	Exxon-WIO's	Exxon mailed out certified return receipt requested: <ul style="list-style-type: none"> <li>• Unit Agreement and Ratification form for such Unit Agreement</li> <li>• Unit Operating Agreement and signature pages for execution</li> <li>• Notice of Election for WIO in unit to join or go Non-consent</li> <li>• Application for Statutory Unitization and for approval of unorthodox well locations</li> <li>• Application for Authority to Institute an Improved recovery project and to qualify for recovered Oil Tax</li> </ul>
05/12/95	Exxon-Royalty and Overriding Royalty Owners	Exxon mailed out certified return receipt requested: <ul style="list-style-type: none"> <li>• Unit Agreement and Ratification form for such Unit Agreement</li> <li>• Application for Statutory Unitization and approval of unorthodox well locations</li> </ul>
05/12/95	Exxon-Surface Owners/ Tenants of land within the Avalon (Delaware) Unit Area	Exxon mailed out certified return receipt requested: <ul style="list-style-type: none"> <li>• Application for authority to Institute Oil Recovery project and to Qualify for Recovered Oil Tax</li> </ul>
06/12/95	Exxon-Royalty and Overriding Royalty Owners	Replacement Exhibits "A" & "B" to set out the acreage as requested by the BLM/State; correction of spelling errors; correction of WIO's company name. No change was made in the terms of the Agreement or participation's of the WIOs
06/12/95	Exxon-WIO	Same information was sent to WIOs as set out above

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 3116 • MIDLAND, TEXAS 79702-3116

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

J WAYNE ACHEE  
PRODUCTION MANAGER

March 9, 1992

Pre-Unitization Voting Agreement  
Ballot # 92-03-34

Working Interest Owners  
Proposed Avalon (Delaware) Unit  
Eddy County, New Mexico

Please find attached for your approval a Pre-Unitization Voting Agreement for the proposed Avalon (Delaware) Unit. Exxon is continuing to draft the development plans for the unit in an effort to expedite the overall effort. Your continued support is appreciated.

When executed, the Agreement should be returned to the address shown below. Any general questions should be directed to Larry D. Long, telephone (915) 688-7932. Any title questions or information should be directed to Joe B. Thomas, telephone (915) 688-7162 or to his attention at the address shown below.

Sincerely,



JWA:hho  
Attachment

Return Ballot to: Exxon Company, U.S.A.  
Operations Accounting  
Attn: J. J. Degraffenreid  
P. O. Box 51040  
Midland, Texas 79710-1040

Title Information to:  
Exxon Company, U.S.A.  
Attn: J. B. Thomas  
P. O. Box 1600  
Midland, Texas 79702-1600

PRE-UNITIZATION VOTING AGREEMENT  
PROPOSED AVALON (DELAWARE) UNIT  
EDDY COUNTY, NEW MEXICO

The purpose of this Agreement is to establish the pre-unitization voting procedures for the formation of the Avalon (Delaware) Unit (the "Unit") covering lands shown on the plat, designated as Attachment "A" which is attached hereto and made a part hereof. The proposed area to be unitized is designated on said plat as the "Unitization Area." The proposed reservoir interval (the "Interval") to be unitized is that interval known as the Delaware Mountain Group, which is below the Goat Seep Reef and above the Bone Spring Formation and includes the Cherry Canyon and Brushy Canyon Formations.

Since certain decisions will need to be made by vote of the working interest owners (the "Owners") in the Unit prior to the approval of the Unit, this Agreement will define the voting interests for any pre-unitization decisions described in Attachment "B" attached hereto and made a part of this Agreement, it being understood that the result of such decisions shall be a proposal for unitization that shall be presented to all owners of working and royalty interests and other interests in the Unitization Area and to the appropriate regulatory agencies.

For the purpose of determining and describing the ownership of the working interest in the Unitization Area, designations have been made for the quarter-quarter sections and lots (the "Well-Tracts") as defined by the map shown in Attachment "C" attached hereto and made a part of this Agreement. The voting percentage by Well-Tract shall be determined by calculating a composite interest based on the following parameters:

A weighting factor of 40% applied to each well's cumulative oil production (through July 1991) for each well within the Unitization Area and from the proposed unitized interval as a fraction of the total of such production from all such wells;

a weighting factor of 40% applied to each well's current oil production from those same wells and interval and as averaged over the period February 1991 - July 1991 as a fraction of the total of such production from all such wells;

and a weighting factor of 20% applied to each Well-Tract's acreage as a fraction of the total acreage in the Unitization Area.

For the purposes of this Agreement, the production and acreage values to be used will be the estimates shown in Attachment "D" attached hereto and made a part of this Agreement, it being understood and agreed that said production volumes and acreages may require adjustment for other unitization purposes.

Each owner's pre-unit voting percentage shall be determined by applying ownership percentages of each Well-Tract to the Well-Tract's composite interest. The currently understood ownership of each Well-Tract is shown in Attachment "E" attached hereto and made a part of this Agreement. The ownership of each Well-Tract may be revised from time-to-time, based upon notification by the affected owner(s) of a conveyance or other transfer of ownership or as the result of title examination, prior to unitization approval and any such adjustments will apply to voting decisions made subsequent to the adjustment only.

Should the proposed Unitization Area be expanded by agreement of the Owners, the additional area(s) shall be added based on the same parameters and weighting factors as described in the preceding paragraphs and all voting percentages adjusted accordingly. Should the Unitization Area be reduced by agreement of the Owners, the voting percentages will be adjusted by using the same parameters and weighting factors described in the preceding paragraphs and applied to the revised area.

Title examination shall commence on the Unitization Area by Exxon upon the signing of this Agreement. The examination will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the application leases. At the time this Agreement is signed, each party contributing leases and/or oil and gas interests to a Well-Tract, or to be included in a drill well within a Well-Tract, shall furnish to Exxon all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Exxon by the parties, but necessary for the examination of the title, shall be obtained by Exxon. Exxon shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Exxon in procuring opinions, abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, and division order title opinions) shall be borne by the parties contributing the Well- Tract(s) to the Unit in proportion to their ownership of the working interest therein. Exxon shall make no charge for services rendered by its staff attorneys or other in-house personnel in the performance of the above functions. Each party shall be responsible for securing curative matter and amendments or agreements required in connection with leases or oil and gas interests contributed by such party.

Exxon shall be responsible for the preparation and recording of designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

The combined voting interests by owner are shown in Attachment "F" attached hereto and made a part of this Agreement. The interests in Attachment "F" may be adjusted from time-to-time only as a result of changes in either the ownership reflected in adjustments to Attachment "E" or as a result of changes in the Unitization Area.

Except for pre-unitization expenditure ballots, approval of any decision based on the voting procedure described in this Agreement and its attachments shall require in the aggregate 90% of the ownership interests shown in Attachment "F". Pre-unitization expenditure ballots shall require 65%, but the funding participation for such approved ballots shall be on a voluntary basis with the costs prorated among those owners approving such ballots in proportion to the percentages shown in Attachment "F". Pre-unitization expenditures shall be equalized at the time of unitization in accordance with provisions of the Unit Operating Agreement.

This Agreement shall become effective when an aggregate of 90% of the ownership interests shown in Attachment "F" have approved it. This Agreement shall terminate either by the approval of an aggregate of 65% of the ownership interests shown in Attachment "F", or when the Unit has been approved by both the State of New Mexico and the Federal Bureau of Land Management, which ever comes first.

This Agreement will be superseded by the Unit Agreement and Unit Operating Agreement when the Unit becomes effective.

This Agreement and the rights and obligations of the parties hereunder shall be governed and construed in accordance with the laws of the State of New Mexico, and the parties hereto do submit to the jurisdiction of the Courts of the State of New Mexico.

Signed and agreed to this 17<sup>th</sup> day of July, 1992

Signature: [Handwritten Signature]

Title: Production Mgr (relief)

Firm: Exxon Company USA

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Firm: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**ATTACHMENT "B"**  
**PROPOSED AVALON (DELAWARE) UNIT**  
**PRE-UNITIZATION VOTING PROCEDURE APPLICATIONS**

The pre-unitization voting procedures and percentages and approval criteria described in this Agreement shall apply to the following decisions:

- Acceptance of the Technical Report as the basis for unitization
- Decisions to expand or contract the proposed Unitization Area
- Decision on parameters to be considered in participation formula(s)
- Decision on the number of phases and participation formula(s) to be used
- Acceptance of participation formula(s)
- Acceptance of the form of the Unit Agreement and Unit Operating Agreement
- Ballot(s) on pre-unit funding proposals (except as qualified by provisions of the Agreement)
- Any other pre-unit matter(s) requiring joint ownership decision

**ATTACHMENT "C"**  
**PROPOSED AVALON (DELAWARE) UNIT**  
**WELL-TRACT DEFINITION MAP**

**EXXON COMPANY USA**

PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION

PROPOSED UNIT AREA

AVALON (DELAWARE) UNIT

EDDY COUNTY, NEW MEXICO

XPMF2V.AVALON.JOBS(ACRES2) 7:52

FEBRUARY 7, 1992

**UNITIZATION AREA**

PREMIER 1109 T_20_S R_27_E 25 NE4 OF NE4	YATES 1111 T_20_S R_28_E 30 NW4 OF NW4	YATES 1113 T_20_S R_28_E 30 NE4 OF NW4					
PREMIER 1309 T_20_S R_27_E 25 SE4 OF NE4	YATES 1311 T_20_S R_28_E 30 SW4 OF NW4	YATES 1313 T_20_S R_28_E 30 SE4 OF NW4	YATES 1315 T_20_S R_28_E 30 SW4 OF NE4				
PREMIER 1509 T_20_S R_27_E 25 NE4 OF SE4	YATES 1511 T_20_S R_28_E 30 NW4 OF SW4	YATES 1513 T_20_S R_28_E 30 NE4 OF SW4	YATES 1515 T_20_S R_28_E 30 NW4 OF SE4	YATES 1517 T_20_S R_28_E 30 NE4 OF SE4			
PREMIER 1709 T_20_S R_27_E 25 SE4 OF SE4	YATES 1711 T_20_S R_28_E 30 SW4 OF SW4	YATES 1713 T_20_S R_28_E 30 SE4 OF SW4	YATES 1715 T_20_S R_28_E 30 SW4 OF SE4	YATES 1717 T_20_S R_28_E 30 SE4 OF SE4	HUDSON 1719 T_20_S R_28_E 29 SW4 OF SW4		
YATES 1909 T_20_S R_27_E 36 NE4 OF NE4	EXXON 1911 T_20_S R_28_E 31 NW4 OF NW4	EXXON 1913 T_20_S R_28_E 31 NE4 OF NW4	EXXON 1915 T_20_S R_28_E 31 NW4 OF NE4	EXXON 1917 T_20_S R_28_E 31 NE4 OF NE4	EXXON 1919 T_20_S R_28_E 32 NW4 OF NW4	EXXON 1921 T_20_S R_28_E 32 NE4 OF NW4	
YATES 2109 T_20_S R_27_E 36 SE4 OF NE4	EXXON 2111 T_20_S R_28_E 31 SW4 OF NW4	EXXON 2113 T_20_S R_28_E 31 SE4 OF NW4	EXXON 2115 T_20_S R_28_E 31 SW4 OF NE4	EXXON 2117 T_20_S R_28_E 31 SE4 OF NE4	EXXON 2119 T_20_S R_28_E 32 SW4 OF NW4	EXXON 2121 T_20_S R_28_E 32 SE4 OF NW4	KERR MCGEE 2123 T_20_S R_28_E 32 SW4 OF NE4
MWJ 2309 T_20_S R_27_E 36 NE4 OF SE4	EXXON 2311 T_20_S R_28_E 31 NW4 OF SW4	EXXON 2313 T_20_S R_28_E 31 NE4 OF SW4	EXXON 2315 T_20_S R_28_E 31 NW4 OF SE4	EXXON 2317 T_20_S R_28_E 31 NE4 OF SE4	EXXON 2319 T_20_S R_28_E 32 NW4 OF SW4	EXXON 2321 T_20_S R_28_E 32 NE4 OF SW4	KERR MCGEE 2323 T_20_S R_28_E 32 NW4 OF SE4
MWJ 2509 T_20_S R_27_E 36 SE4 OF SE4	EXXON 2511 T_20_S R_28_E 31 SW4 OF SW4	EXXON 2513 T_20_S R_28_E 31 SE4 OF SW4	EXXON 2515 T_20_S R_28_E 31 SW4 OF SE4	EXXON 2517 T_20_S R_28_E 31 SE4 OF SE4	EXXON 2519 T_20_S R_28_E 32 SW4 OF SW4	EXXON 2521 T_20_S R_28_E 32 SE4 OF SW4	KERR MCGEE 2523 T_20_S R_28_E 32 SW4 OF SE4
MERIT 2709 T_21_S R_27_E 6 LOT 2	MERIT 2711 T_21_S R_27_E 6 LOT 1			EXXON 2717 T_21_S R_27_E 5 LOT 2	EXXON 2719 T_21_S R_27_E 5 LOT 1	EXXON 2721 T_21_S R_27_E 4 LOT 4	

**LEGEND**

TOP LINE = OPERATOR  
 SECOND LINE = WELL TRACT NUMBER  
 THIRD LINE = TOWNSHIP  
 FOURTH LINE = RANGE  
 FIFTH LINE = SECTION NUMBER  
 SIXTH LINE = QUARTER-QUARTER OR LOT NUMBER

ATTACHMENT "D"  
 PROPOSED AVALON (DELAWARE) UNIT  
 PRE-UNITIZATION WELL-TRACT PARAMETER VALUES

WELL-TRACT PARAMETER VALUES AND PERCENTAGES OF TOTALS  
 COMPOSITE FACTOR WEIGHTED BY 40% CURRENT PRODUCTION  
 40% CUMULATIVE PRODUCTION  
 20% ACRES

WELL TRACT	CURRENT PRODUCTION BOPD	PRODUCTION PERCENT OF TOTAL	CUMULATIVE PRODUCTION 1000 BO	CUMULATIVE PERCENT OF TOTAL	ACRES	ACRES PERCENT OF TOTAL	COMPOSITE WELL-TRACT PERCENTAGE
1109	0.0	0.000000	0.000	0.000000	40.17	1.882275	0.376455
1111	0.0	0.000000	0.000	0.000000	41.23	1.931944	0.386389
1113	0.0	0.000000	0.000	0.000000	41.23	1.931944	0.386389
1309	0.0	0.000000	0.000	0.000000	40.46	1.895863	0.379173
1311	51.6	6.260481	114.727	4.341981	41.01	1.921635	4.625312
1313	51.4	6.240357	96.950	3.669189	41.01	1.921635	4.348146
1315	0.0	0.000000	0.000	0.000000	40.36	1.891178	0.378236
1509	0.0	0.000000	0.000	0.000000	40.79	1.911326	0.382265
1511	24.3	2.953487	72.747	2.753198	41.05	1.923509	2.667376
1513	59.8	7.264653	96.064	3.635658	41.01	1.921635	4.744451
1515	0.0	0.000000	1.658	0.062749	40.41	1.893521	0.403804
1517	0.0	0.000000	0.000	0.000000	40.37	1.891646	0.378329
1709	0.0	0.000000	5.074	0.192032	40.88	1.915544	0.459921
1711	19.8	2.401427	99.242	3.755933	41.03	1.922572	2.847459
1713	60.3	7.316304	99.662	3.771828	40.99	1.920698	4.819393
1715	8.7	1.059848	41.135	1.556804	40.38	1.892115	1.425084
1717	0.0	0.000000	0.000	0.000000	40.34	1.890240	0.378048
1719	0.0	0.000000	0.000	0.000000	40.30	1.888366	0.377673
1909	0.0	0.000000	0.000	0.000000	40.50	1.897738	0.379548
1911	19.1	2.318250	114.480	4.332633	40.86	1.914606	3.043274
1913	53.5	6.494587	164.742	6.234859	40.89	1.916012	5.474981
1915	63.4	7.693288	163.538	6.189292	40.34	1.890240	5.931080
1917	80.0	9.713036	192.937	7.301933	40.38	1.892115	7.184411
1919	15.3	1.856746	36.974	1.399326	40.27	1.886960	1.679821
1921	0.0	0.000000	0.000	0.000000	40.27	1.886960	0.377392
2109	0.0	0.000000	0.000	0.000000	40.07	1.877589	0.375518
2111	18.3	2.227022	78.779	2.981486	41.07	1.924447	2.468293
2113	80.0	9.713036	171.779	6.501183	41.10	1.925852	6.870858
2115	65.3	7.922698	191.853	7.260908	40.54	1.899612	6.453365
2117	32.1	3.896618	184.703	6.990307	40.57	1.901018	4.734974
2119	17.8	2.163297	124.915	4.727558	40.22	1.884618	3.133266
2121	0.0	0.000000	0.000	0.000000	40.22	1.884618	0.376924
2123	0.0	0.000000	0.000	0.000000	40.25	1.886023	0.377205
2309	0.5	0.056346	10.415	0.394168	39.96	1.872435	0.554693
2311	28.4	3.442493	118.066	4.468350	41.24	1.932412	3.550820
2313	27.5	3.339192	129.061	4.884469	41.24	1.932412	3.675947
2315	0.0	0.000000	22.719	0.859828	40.79	1.911326	0.726196
2317	0.0	0.000000	29.482	1.115782	40.79	1.911326	0.828578
2319	20.4	2.476556	134.916	5.106058	40.16	1.881806	3.409407
2321	7.8	0.946484	16.385	0.620110	40.16	1.881806	1.002999
2323	0.0	0.000000	0.000	0.000000	40.19	1.883212	0.376642
2509	1.4	0.169039	5.545	0.209857	40.17	1.882275	0.528013
2511	0.0	0.000000	11.940	0.451884	41.12	1.926789	0.566111
2513	0.0	0.000000	0.000	0.000000	41.12	1.926789	0.385358
2515	0.0	0.000000	0.000	0.000000	40.98	1.920229	0.384046
2517	0.0	0.000000	24.611	0.931433	40.98	1.920229	0.756619
2519	15.8	1.919800	84.094	3.182639	40.11	1.879463	2.416868
2521	0.0	0.000000	0.000	0.000000	40.12	1.879932	0.375986
2523	0.0	0.000000	0.000	0.000000	40.13	1.880400	0.376080
2709	1.3	0.154952	3.080	0.116566	29.02	1.359811	0.380570
2711	0.0	0.000000	0.000	0.000000	29.14	1.365434	0.273087
2717	0.0	0.000000	0.000	0.000000	28.93	1.355594	0.271119
2719	0.0	0.000000	0.000	0.000000	28.48	1.334508	0.266902
2721	0.0	0.000000	0.000	0.000000	28.72	1.345754	0.269151
TOTAL	823.6	100.000000	2642.273	100.000000	2134.12	100.000000	100.000000

ATTACHMENT "E"  
 PROPOSED AVALON (DELAWARE) UNIT  
 PRE-UNITIZATION WELL-TRACT WORKING INTEREST OWNERSHIPS

OPERATOR	LEASE	OWNER	WELL-TRACT OWNER FRACTION	WELL-TRACTS INCLUDED
EXXON	YATES C FEDERAL	EXXON	1.00000000	1911-1917, 2111-2117, 2311-2317, 2511-2517
EXXON	HONDO A STATE	EXXON	1.00000000	1919, 1921, 2119, 2319, 2519, 2521
EXXON	HONDO FEE	EXXON	1.00000000	2121, 2321
EXXON	YATES C FEDERAL B	EXXON	1.00000000	2717, 2719, 2721
HUDSON	STONEWALL FEDERAL	W.A.HUDSON, II	0.33333333	
HUDSON	STONEWALL FEDERAL	E.R.HUDSON, JR	0.33333333	
HUDSON	STONEWALL FEDERAL	MARY HUDSON ARD	0.33333333	
KERR MCGEE	KEYSTONE	KERR MCGEE	1.00000000	2123, 2323, 2523
MERIT	BURTON FLAT ST	MERIT	1.00000000	2709, 2711
MWJ	GWA STATE	MARTIN, WILLIAMS, JUDSON	0.67968750	
MWJ	GWA STATE	MYCO INDUSTRIES, INC	0.08333340	
MWJ	GWA STATE	JOHN A. YATES	0.08333330	
MWJ	GWA STATE	S.P.YATES	0.08333330	
MWJ	GWA STATE	SIGMAR, INC	0.02669270	
MWJ	GWA STATE	LAJ CORPORATION	0.01757810	
MWJ	GWA STATE	F.A. AND D.M.FOX	0.00911460	
MWJ	GWA STATE	JAMES L.MARTIN, TRUSTEE	0.00911460	
MWJ	GWA STATE	JOHN L. SCHLAGAL	0.00781250	
PREMIER	EDDY STATE	PREMIER	1.00000000	1109, 1309, 1509, 1709
YATES	STONEWALL EP STATE	EXXON	0.27973850	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	COQUINA	0.17651980	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	YPC	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	YDC	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MYCO	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	W.A.HUDSON, II	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	E.R.HUDSON, JR	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MARY HUDSON ARD	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	ABO	0.03361040	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	NORTH AMERICAN-YATES	0.02300800	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	HONDO	0.02300800	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MWJ	0.01546620	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	CLAREMONT	0.00773310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	FLAG REDFERN	0.00745550	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	ROSALIND REDFERN	0.00723760	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL WM ST	EXXON	0.27973850	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	COQUINA	0.17651980	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	YPC	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	YDC	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MYCO	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	W.A.HUDSON, II	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	E.R.HUDSON, JR	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MARY HUDSON ARD	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	ABO	0.03361040	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	NORTH AMERICAN-YATES	0.02300800	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	HONDO	0.02300800	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MWJ	0.01546620	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	CLAREMONT	0.00773310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	FLAG REDFERN	0.00745550	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	ROSALIND REDFERN	0.00723760	1511, 1513, 1711, 1713
YATES	STONEWALL YE STATE	CHEVRON	0.25000000	1515, 1517
YATES	STONEWALL YE STATE	EXXON	0.20980388	1515, 1517
YATES	STONEWALL YE STATE	COQUINA	0.13238985	1515, 1517
YATES	STONEWALL YE STATE	YPC	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	YDC	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	MYCO	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	W.A.HUDSON, II	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	E.R.HUDSON, JR	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	MARY HUDSON ARD	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	ABO	0.02520780	1515, 1517
YATES	STONEWALL YE STATE	NORTH AMERICAN-YATES	0.01725600	1515, 1517
YATES	STONEWALL YE STATE	HONDO	0.01725600	1515, 1517
YATES	STONEWALL YE STATE	MWJ	0.01159965	1515, 1517
YATES	STONEWALL YE STATE	CLAREMONT	0.00579982	1515, 1517
YATES	STONEWALL YE STATE	FLAG REDFERN	0.00559163	1515, 1517
YATES	STONEWALL YE STATE	ROSALIND REDFERN	0.00542820	1515, 1517
YATES	STONEWALL WM ST B	CHEVRON	0.25000000	1715, 1717
YATES	STONEWALL WM ST B	EXXON	0.20980388	1715, 1717
YATES	STONEWALL WM ST B	COQUINA	0.13238985	1715, 1717
YATES	STONEWALL WM ST B	YPC	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	YDC	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	MYCO	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	W.A.HUDSON, II	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	E.R.HUDSON, JR	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	MARY HUDSON ARD	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	ABO	0.02520780	1715, 1717
YATES	STONEWALL WM ST B	NORTH AMERICAN-YATES	0.01725600	1715, 1717
YATES	STONEWALL WM ST B	HONDO	0.01725600	1715, 1717
YATES	STONEWALL WM ST B	MWJ	0.01159965	1715, 1717
YATES	STONEWALL WM ST B	CLAREMONT	0.00579982	1715, 1717
YATES	STONEWALL WM ST B	FLAG REDFERN	0.00559163	1715, 1717
YATES	STONEWALL WM ST B	ROSALIND REDFERN	0.00542820	1715, 1717
YATES	CITIDEL	YATES	1.00000000	1909, 2109

ATTACHMENT "F"  
 PROPOSED AVALON (D/F ARE) UNIT  
 PRE-UNITIZATION OWNER VOTING PERCENTAGES

VOTING PERCENTAGE BY OWNER  
 WEIGHTED BY 40% CURRENT PRODUCTION  
 40% CUMULATIVE PRODUCTION  
 20% ACRES

OWNER	VOTING PERCENTAGE	( WEIGHT X OWNER BOPD / TOTAL AREA BOPD ) + ( WEIGHT X OWNER CUMUL PROD 1000 BO / TOTAL AREA CUMUL PROD 1000 BO ) + ( WEIGHT X OWNER ACRES / TOTAL AREA ACRES )	OWNER ACRES	TOTAL AREA ACRES
CHEVRON	0.646316	( 0.4000 * 2.2 / 823.6 ) + ( 0.4000 * 10.698 / 2642.273 ) + ( 0.2000 * 40.4 / 2134.1 )	40.4	2134.1
CLAREMONT	0.209893	( 0.4000 * 2.1 / 823.6 ) + ( 0.4000 * 4.729 / 2642.273 ) + ( 0.2000 * 3.8 / 2134.1 )	3.8	2134.1
COQUINA	4.791118	( 0.4000 * 48.3 / 823.6 ) + ( 0.4000 * 107.940 / 2642.273 ) + ( 0.2000 * 86.5 / 2134.1 )	86.5	2134.1
EXXON	74.207433	( 0.4000 * 621.2 / 823.6 ) + ( 0.4000 * 2167.030 / 2642.273 ) + ( 0.2000 * 1198.8 / 2134.1 )	1198.8	2134.1
HONDO	0.624485	( 0.4000 * 6.3 / 823.6 ) + ( 0.4000 * 14.069 / 2642.273 ) + ( 0.2000 * 11.3 / 2134.1 )	11.3	2134.1
E.R. HUDSON JR	1.245315	( 0.4000 * 11.3 / 823.6 ) + ( 0.4000 * 25.220 / 2642.273 ) + ( 0.2000 * 33.6 / 2134.1 )	33.6	2134.1
W.A. HUDSON II	1.245315	( 0.4000 * 11.3 / 823.6 ) + ( 0.4000 * 25.220 / 2642.273 ) + ( 0.2000 * 33.6 / 2134.1 )	33.6	2134.1
MARY HUDSON ARD	1.29927	( 0.4000 * 0.0 / 823.6 ) + ( 0.4000 * 0.000 / 2642.273 ) + ( 0.2000 * 120.6 / 2134.1 )	120.6	2134.1
KERR MCGEE	0.653657	( 0.4000 * 1.3 / 823.6 ) + ( 0.4000 * 3.080 / 2642.273 ) + ( 0.2000 * 58.2 / 2134.1 )	58.2	2134.1
MERIT	0.419785	( 0.4000 * 4.2 / 823.6 ) + ( 0.4000 * 9.457 / 2642.273 ) + ( 0.2000 * 7.6 / 2134.1 )	7.6	2134.1
MWJ	0.735902	( 0.4000 * 1.3 / 823.6 ) + ( 0.4000 * 10.848 / 2642.273 ) + ( 0.2000 * 54.5 / 2134.1 )	54.5	2134.1
MARTIN, WILLIAMS AND JUDSON	0.028900	( 0.4000 * 0.0 / 823.6 ) + ( 0.4000 * 0.426 / 2642.273 ) + ( 0.2000 * 2.1 / 2134.1 )	2.1	2134.1
SIGMAR, INC	0.019032	( 0.4000 * 0.0 / 823.6 ) + ( 0.4000 * 0.281 / 2642.273 ) + ( 0.2000 * 1.4 / 2134.1 )	1.4	2134.1
LAJ CORP	0.009668	( 0.4000 * 0.0 / 823.6 ) + ( 0.4000 * 0.145 / 2642.273 ) + ( 0.2000 * 0.7 / 2134.1 )	0.7	2134.1
F.A. FOX AND D.M. FOX	0.009668	( 0.4000 * 0.0 / 823.6 ) + ( 0.4000 * 0.145 / 2642.273 ) + ( 0.2000 * 0.7 / 2134.1 )	0.7	2134.1
JAMES L. MARTIN JR, TRUSTEE	0.008459	( 0.4000 * 0.0 / 823.6 ) + ( 0.4000 * 0.125 / 2642.273 ) + ( 0.2000 * 0.6 / 2134.1 )	0.6	2134.1
JOHN L. SCHLAGAL	1.597814	( 0.4000 * 2.0 / 823.6 ) + ( 0.4000 * 5.074 / 2642.273 ) + ( 0.2000 * 162.3 / 2134.1 )	162.3	2134.1
PREMIER	0.202358	( 0.4000 * 2.0 / 823.6 ) + ( 0.4000 * 4.559 / 2642.273 ) + ( 0.2000 * 3.7 / 2134.1 )	3.7	2134.1
FLAG REDFERN	0.196444	( 0.4000 * 2.0 / 823.6 ) + ( 0.4000 * 4.426 / 2642.273 ) + ( 0.2000 * 3.5 / 2134.1 )	3.5	2134.1
ROSALIND REDFERN	0.755065	( 0.4000 * 0.0 / 823.6 ) + ( 0.4000 * 0.000 / 2642.273 ) + ( 0.2000 * 80.6 / 2134.1 )	80.6	2134.1
YATES	2.736770	( 0.4000 * 27.6 / 823.6 ) + ( 0.4000 * 61.657 / 2642.273 ) + ( 0.2000 * 49.4 / 2134.1 )	49.4	2134.1
YDC	2.736770	( 0.4000 * 27.6 / 823.6 ) + ( 0.4000 * 61.657 / 2642.273 ) + ( 0.2000 * 49.4 / 2134.1 )	49.4	2134.1
YPC	2.825996	( 0.4000 * 9.2 / 823.6 ) + ( 0.4000 * 20.552 / 2642.273 ) + ( 0.2000 * 16.5 / 2134.1 )	16.5	2134.1
MYCO	0.912257	( 0.4000 * 0.2 / 823.6 ) + ( 0.4000 * 1.330 / 2642.273 ) + ( 0.2000 * 6.7 / 2134.1 )	6.7	2134.1
ABO	0.090225	( 0.4000 * 0.2 / 823.6 ) + ( 0.4000 * 1.330 / 2642.273 ) + ( 0.2000 * 6.7 / 2134.1 )	6.7	2134.1
JOHN A. YATES	0.090225	( 0.4000 * 0.2 / 823.6 ) + ( 0.4000 * 1.330 / 2642.273 ) + ( 0.2000 * 6.7 / 2134.1 )	6.7	2134.1
S.P. YATES	0.624485	( 0.4000 * 6.3 / 823.6 ) + ( 0.4000 * 14.069 / 2642.273 ) + ( 0.2000 * 11.3 / 2134.1 )	11.3	2134.1
NORTH AMERICAN YATES	100.000000	( 0.4000 * 823.6 / 823.6 ) + ( 0.4000 * 2642.273 / 2642.273 ) + ( 0.2000 * 2134.1 / 2134.1 )	2134.1	2134.1
TOTAL				

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

July 10, 1992

MDA	RECEIVED			MPC
RLA	LAND SERVICES			RGG
RKF				RTL
SHJ				TAL
PLK	JUN 5 1995			JBE
DCR				SHK
JBT				LLM
	MPC - MIDLAND			SES
				JHT
HANDLE	REVIEW	SEE ME	CIRC	FILE

*Orig to JUAN DE GORRIBARRA  
✓ he - LARRY LONG  
re - JOE THOMAS  
7/15/92*

Exxon Company, U.S.A.  
P.O. Box 3116  
Midland, Tx 79702-3116

MDA	RECEIVED		EGA
RKF	SWDV MIDLAND		JLD
PLK			THM
SSM	JUL 15 1992		KAN
JBT	PRODUCTION LAND		JHT
HANDLE	CALL ME	CIRC.	FILE

Attention: Mr. Joe B. Thomas

Re: Proposed Avalon (Delaware) Unit  
Eddy County, New Mexico

Gentlemen:

Enclosed is our executed copy of the Pre-Unitization Voting Agreement for the proposed Avalon (Delaware Unit).

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

*Janet Richardson*  
Janet Richardson  
Landman

JR/tkr  
Enclosure

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 3116 • MIDLAND, TEXAS 79702-3116

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

J. WAYNE ACHEE  
PRODUCTION MANAGER

March 9, 1992

Pre-Unitization Voting Agreement  
Ballot # 92-03-34

Working Interest Owners  
Proposed Avalon (Delaware) Unit  
Eddy County, New Mexico

Please find attached for your approval a Pre-Unitization Voting Agreement for the proposed Avalon (Delaware) Unit. Exxon is continuing to draft the development plans for the unit in an effort to expedite the overall effort. Your continued support is appreciated.

When executed, the Agreement should be returned to the address shown below. Any general questions should be directed to Larry D. Long, telephone (915) 688-7932. Any title questions or information should be directed to Joe B. Thomas, telephone (915) 688-7162 or to his attention at the address shown below.

Sincerely,



JWA:hho  
Attachment

Return Ballot to: Exxon Company, U.S.A.  
Operations Accounting  
Attn: J. J. Degraffenreid  
P. O. Box 51040  
Midland, Texas 79710-1040

Title Information to:  
Exxon Company, U.S.A.  
Attn: J. B. Thomas  
P. O. Box 1600  
Midland, Texas 79702-1600

PRE-UNITIZATION VOTING AGREEMENT  
PROPOSED AVALON (DELAWARE) UNIT  
EDDY COUNTY, NEW MEXICO

The purpose of this Agreement is to establish the pre-unitization voting procedures for the formation of the Avalon (Delaware) Unit (the "Unit") covering lands shown on the plat, designated as Attachment "A" which is attached hereto and made a part hereof. The proposed area to be unitized is designated on said plat as the "Unitization Area." The proposed reservoir interval (the "Interval") to be unitized is that interval known as the Delaware Mountain Group, which is below the Goat Seep Reef and above the Bone Spring Formation and includes the Cherry Canyon and Brushy Canyon Formations.

Since certain decisions will need to be made by vote of the working interest owners (the "Owners") in the Unit prior to the approval of the Unit, this Agreement will define the voting interests for any pre-unitization decisions described in Attachment "B" attached hereto and made a part of this Agreement, it being understood that the result of such decisions shall be a proposal for unitization that shall be presented to all owners of working and royalty interests and other interests in the Unitization Area and to the appropriate regulatory agencies.

For the purpose of determining and describing the ownership of the working interest in the Unitization Area; designations have been made for the quarter-quarter sections and lots (the "Well-Tracts") as defined by the map shown in Attachment "C" attached hereto and made a part of this Agreement. The voting percentage by Well-Tract shall be determined by calculating a composite interest based on the following parameters:

A weighting factor of 40% applied to each well's cumulative oil production (through July 1991) for each well within the Unitization Area and from the proposed unitized interval as a fraction of the total of such production from all such wells;

a weighting factor of 40% applied to each well's current oil production from those same wells and interval and as averaged over the period February 1991 - July 1991 as a fraction of the total of such production from all such wells;

and a weighting factor of 20% applied to each Well-Tract's acreage as a fraction of the total acreage in the Unitization Area.

For the purposes of this Agreement, the production and acreage values to be used will be the estimates shown in Attachment "D" attached hereto and made a part of this Agreement, it being understood and agreed that said production volumes and acreages may require adjustment for other unitization purposes.

Each owner's pre-unit voting percentage shall be determined by applying ownership percentages of each Well-Tract to the Well-Tract's composite interest. The currently understood ownership of each Well-Tract is shown in Attachment "E" attached hereto and made a part of this Agreement. The ownership of each Well-Tract may be revised from time-to-time, based upon notification by the affected owner(s) of a conveyance or other transfer of ownership or as the result of title examination, prior to unitization approval and any such adjustments will apply to voting decisions made subsequent to the adjustment only.

Should the proposed Unitization Area be expanded by agreement of the Owners, the additional area(s) shall be added based on the same parameters and weighting factors as described in the preceding paragraphs and all voting percentages adjusted accordingly. Should the Unitization Area be reduced by agreement of the Owners, the voting percentages will be adjusted by using the same parameters and weighting factors described in the preceding paragraphs and applied to the revised area.

Title examination shall commence on the Unitization Area by Exxon upon the signing of this Agreement. The examination will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the application leases. At the time this Agreement is signed, each party contributing leases and/or oil and gas interests to a Well-Tract, or to be included in a drill well within a Well-Tract, shall furnish to Exxon all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Exxon by the parties, but necessary for the examination of the title, shall be obtained by Exxon. Exxon shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Exxon in procuring opinions, abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, and division order title opinions) shall be borne by the parties contributing the Well-Tract(s) to the Unit in proportion to their ownership of the working interest therein. Exxon shall make no charge for services rendered by its staff attorneys or other in-house personnel in the performance of the above functions. Each party shall be responsible for securing curative matter and amendments or agreements required in connection with leases or oil and gas interests contributed by such party.

Exxon shall be responsible for the preparation and recording of designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

The combined voting interests by owner are shown in Attachment "F" attached hereto and made a part of this Agreement. The interests in Attachment "F" may be adjusted from time-to-time only as a result of changes in either the ownership reflected in adjustments to Attachment "E" or as a result of changes in the Unitization Area.

Except for pre-unitization expenditure ballots, approval of any decision based on the voting procedure described in this Agreement and its attachments shall require in the aggregate 90% of the ownership interests shown in Attachment "F". Pre-unitization expenditure ballots shall require 65%, but the funding participation for such approved ballots shall be on a voluntary basis with the costs prorated among those owners approving such ballots in proportion to the percentages shown in Attachment "F". Pre-unitization expenditures shall be equalized at the time of unitization in accordance with provisions of the Unit Operating Agreement.

This Agreement shall become effective when an aggregate of 90% of the ownership interests shown in Attachment "F" have approved it. This Agreement shall terminate either by the approval of an aggregate of 65% of the ownership interests shown in Attachment "F", or when the Unit has been approved by both the State of New Mexico and the Federal Bureau of Land Management, which ever comes first.

This Agreement will be superseded by the Unit Agreement and Unit Operating Agreement when the Unit becomes effective.

This Agreement and the rights and obligations of the parties hereunder shall be governed and construed in accordance with the laws of the State of New Mexico, and the parties hereto do submit to the jurisdiction of the Courts of the State of New Mexico.

Signed and agreed to this 7<sup>th</sup> day of July, 1992

Signature: [Signature]

Title: Attorney-In-Fact

Firm: YATES PETROLEUM CORPORATION

Address: 105 South Fourth Street

Artesia, New Mexico 88210

Signature: [Signature]

Title: Attorney-In-Fact

Firm: YATES DRILLING COMPANY

Address: 105 South Fourth Street

Artesia, New Mexico 88210

"YATES" - [Handwritten note]

MYCO INDUSTRIES, INC.

By: [Signature]  
Attorney-In-Fact

ABO PETROLEUM CORPORATION

By: [Signature]  
Attorney-In-Fact

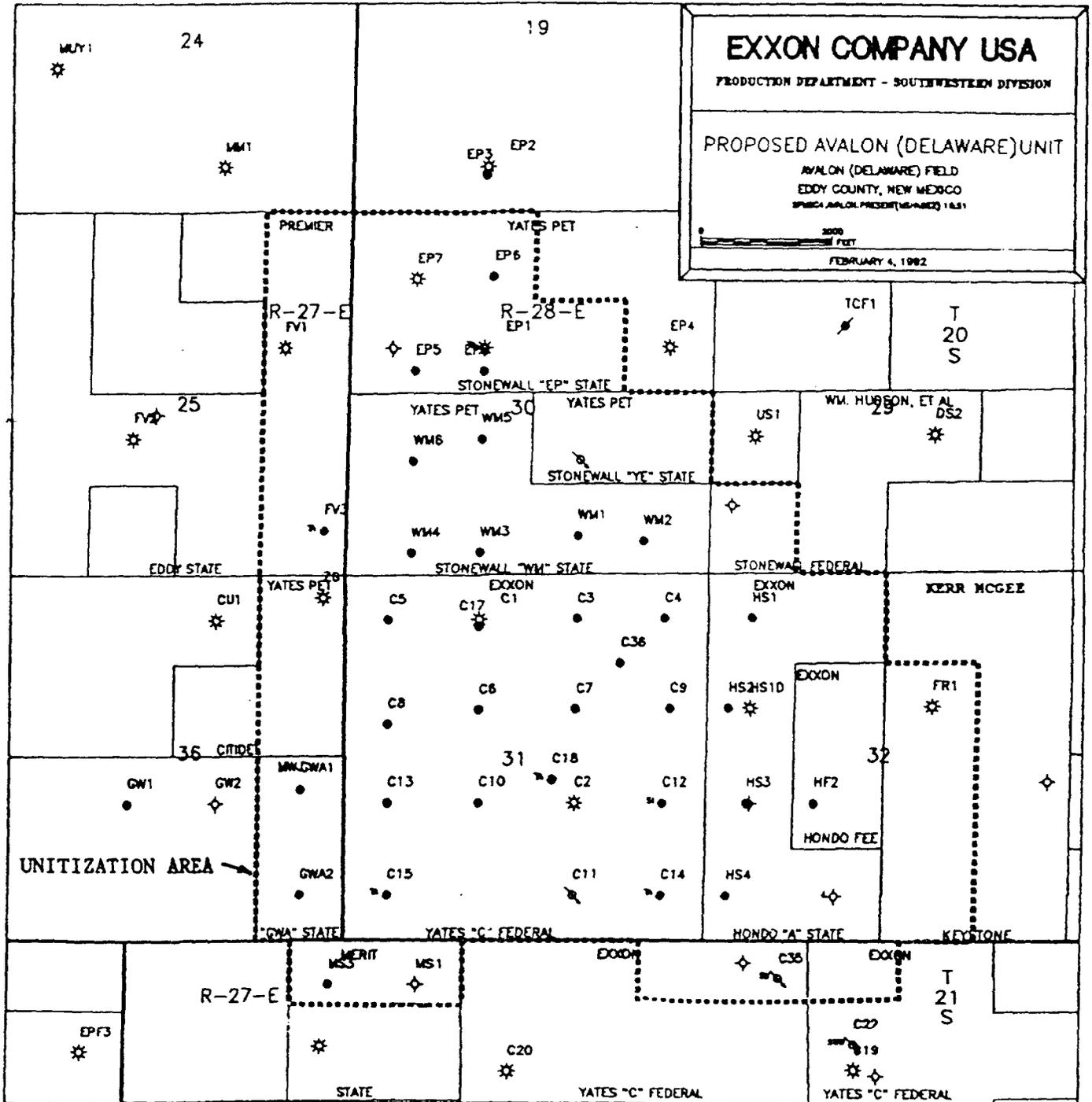
JOHN A. YATES

By: [Signature]  
Attorney-In-Fact

S. P. YATES

By: [Signature]  
Attorney-In-Fact

**ATTACHMENT "A"**  
**PROPOSED AVALON (DELAWARE) UNIT**  
**UNITIZATION AREA**



ATTACHMENT "B"  
PROPOSED AVALON (DELAWARE) UNIT  
PRE-UNITIZATION VOTING PROCEDURE APPLICATIONS

The pre-unitization voting procedures and percentages and approval criteria described in this Agreement shall apply to the following decisions:

- Acceptance of the Technical Report as the basis for unitization
- Decisions to expand or contract the proposed Unitization Area
- Decision on parameters to be considered in participation formula(s)
- Decision on the number of phases and participation formula(s) to be used
- X • Acceptance of participation formula(s)
- X • Acceptance of the form of the Unit Agreement and Unit Operating Agreement
- Ballot(s) on pre-unit funding proposals (except as qualified by provisions of the Agreement)
- Any other pre-unit matter(s) requiring joint ownership decision

**ATTACHMENT "C"**  
**PROPOSED AVALON (DELAWARE) UNIT**  
**WELL-TRACT DEFINITION MAP**

**EXXON COMPANY USA**

PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION

PROPOSED UNIT AREA

AVALON (DELAWARE) UNIT

EDDY COUNTY, NEW MEXICO

XPMFZV.AVALON.JOBS(ACRES2) 7:52

FEBRUARY 7, 1992

**UNITIZATION AREA**

PREMIER 1109 T <sub>20</sub> S R <sub>27</sub> E 25 NE4 OF NE4	YATES 1111 T <sub>20</sub> S R <sub>28</sub> E 30 NW4 OF NW4	YATES 1113 T <sub>20</sub> S R <sub>28</sub> E 30 NE4 OF NW4					
PREMIER 1309 T <sub>20</sub> S R <sub>27</sub> E 25 SE4 OF NE4	YATES 1311 T <sub>20</sub> S R <sub>28</sub> E 30 SW4 OF NW4	YATES 1313 T <sub>20</sub> S R <sub>28</sub> E 30 SE4 OF NW4	YATES 1315 T <sub>20</sub> S R <sub>28</sub> E 30 SW4 OF NE4				
PREMIER 1509 T <sub>20</sub> S R <sub>27</sub> E 25 NE4 OF SE4	YATES 1511 T <sub>20</sub> S R <sub>28</sub> E 30 NW4 OF SW4	YATES 1513 T <sub>20</sub> S R <sub>28</sub> E 30 NE4 OF SW4	YATES 1515 T <sub>20</sub> S R <sub>28</sub> E 30 NW4 OF SE4	YATES 1517 T <sub>20</sub> S R <sub>28</sub> E 30 NE4 OF SE4			
PREMIER 1709 T <sub>20</sub> S R <sub>27</sub> E 25 SE4 OF SE4	YATES 1711 T <sub>20</sub> S R <sub>28</sub> E 30 SW4 OF SW4	YATES 1713 T <sub>20</sub> S R <sub>28</sub> E 30 SE4 OF SW4	YATES 1715 T <sub>20</sub> S R <sub>28</sub> E 30 SW4 OF SE4	YATES 1717 T <sub>20</sub> S R <sub>28</sub> E 30 SE4 OF SE4	HUDSON 1719 T <sub>20</sub> S R <sub>28</sub> E 29 SW4 OF SW4		
YATES 1909 T <sub>20</sub> S R <sub>27</sub> E 36 NE4 OF NE4	EXXON 1911 T <sub>20</sub> S R <sub>28</sub> E 31 NW4 OF NW4	EXXON 1913 T <sub>20</sub> S R <sub>28</sub> E 31 NE4 OF NW4	EXXON 1915 T <sub>20</sub> S R <sub>28</sub> E 31 NW4 OF NE4	EXXON 1917 T <sub>20</sub> S R <sub>28</sub> E 31 NE4 OF NE4	EXXON 1919 T <sub>20</sub> S R <sub>28</sub> E 32 NW4 OF NW4	EXXON 1921 T <sub>20</sub> S R <sub>28</sub> E 32 NE4 OF NW4	
YATES 2109 T <sub>20</sub> S R <sub>27</sub> E 36 SE4 OF NE4	EXXON 2111 T <sub>20</sub> S R <sub>28</sub> E 31 SW4 OF NW4	EXXON 2113 T <sub>20</sub> S R <sub>28</sub> E 31 SE4 OF NW4	EXXON 2115 T <sub>20</sub> S R <sub>28</sub> E 31 SW4 OF NE4	EXXON 2117 T <sub>20</sub> S R <sub>28</sub> E 31 SE4 OF NE4	EXXON 2119 T <sub>20</sub> S R <sub>28</sub> E 32 SW4 OF NW4	EXXON 2121 T <sub>20</sub> S R <sub>28</sub> E 32 SE4 OF NW4	KERR MCGEE 2123 T <sub>20</sub> S R <sub>28</sub> E 32 SW4 OF NE4
MWJ 2309 T <sub>20</sub> S R <sub>27</sub> E 36 NE4 OF SE4	EXXON 2311 T <sub>20</sub> S R <sub>28</sub> E 31 NW4 OF SW4	EXXON 2313 T <sub>20</sub> S R <sub>28</sub> E 31 NE4 OF SW4	EXXON 2315 T <sub>20</sub> S R <sub>28</sub> E 31 NW4 OF SE4	EXXON 2317 T <sub>20</sub> S R <sub>28</sub> E 31 NE4 OF SE4	EXXON 2319 T <sub>20</sub> S R <sub>28</sub> E 32 NW4 OF SW4	EXXON 2321 T <sub>20</sub> S R <sub>28</sub> E 32 NE4 OF SW4	KERR MCGEE 2323 T <sub>20</sub> S R <sub>28</sub> E 32 NW4 OF SE4
MWJ 2509 T <sub>20</sub> S R <sub>27</sub> E 36 SE4 OF SE4	EXXON 2511 T <sub>20</sub> S R <sub>28</sub> E 31 SW4 OF SW4	EXXON 2513 T <sub>20</sub> S R <sub>28</sub> E 31 SE4 OF SW4	EXXON 2515 T <sub>20</sub> S R <sub>28</sub> E 31 SW4 OF SE4	EXXON 2517 T <sub>20</sub> S R <sub>28</sub> E 31 SE4 OF SE4	EXXON 2519 T <sub>20</sub> S R <sub>28</sub> E 32 SW4 OF SW4	EXXON 2521 T <sub>20</sub> S R <sub>28</sub> E 32 SE4 OF SW4	KERR MCGEE 2523 T <sub>20</sub> S R <sub>28</sub> E 32 SW4 OF SE4
MERIT 2709 T <sub>21</sub> S R <sub>27</sub> E 6 LOT 2	MERIT 2711 T <sub>21</sub> S R <sub>27</sub> E 6 LOT 1				EXXON 2717 T <sub>21</sub> S R <sub>27</sub> E 5 LOT 2	EXXON 2719 T <sub>21</sub> S R <sub>27</sub> E 5 LOT 1	EXXON 2721 T <sub>21</sub> S R <sub>27</sub> E 4 LOT 4

**LEGEND**

TOP LINE = OPERATOR  
 SECOND LINE = WELL TRACT NUMBER  
 THIRD LINE = TOWNSHIP  
 FOURTH LINE = RANGE  
 FIFTH LINE = SECTION NUMBER  
 SIXTH LINE = QUARTER-QUARTER OR LOT NUMBER

**ATTACHMENT "D"**  
**PROPOSED AVALON (DELAWARE) UNIT**  
**PRE-UNITIZATION WELL-TRACT PARAMETER VALUES**

WELL-TRACT PARAMETER VALUES AND PERCENTAGES OF TOTALS  
 COMPOSITE FACTOR WEIGHTED BY 40% CURRENT PRODUCTION  
 40% CUMULATIVE PRODUCTION  
 20% ACRES

WELL TRACT	CURRENT PRODUCTION BOPOD	PRODUCTION PERCENT OF TOTAL	CUMULATIVE PRODUCTION 1000 BO	CUMULATIVE PERCENT OF TOTAL	ACRES	ACRES PERCENT OF TOTAL	COMPOSITE WELL-TRACT PERCENTAGE
1109	0.0	0.000000	0.000	0.000000	40.17	1.882275	0.376455
1111	0.0	0.000000	0.000	0.000000	41.23	1.931944	0.386389
1113	0.0	0.000000	0.000	0.000000	41.23	1.931944	0.386389
1309	0.0	0.000000	0.000	0.000000	40.46	1.895863	0.379173
1311	51.6	6.260481	114.727	4.341981	41.01	1.921635	4.625312
1313	51.4	6.240357	96.950	3.669189	41.01	1.921635	4.348146
1315	0.0	0.000000	0.000	0.000000	40.36	1.891178	0.378236
1509	0.0	0.000000	0.000	0.000000	40.79	1.911326	0.382265
1511	24.3	2.953487	72.747	2.753198	41.05	1.923509	2.667376
1513	59.8	7.264653	96.064	3.635658	41.01	1.921635	4.744451
1515	0.0	0.000000	1.658	0.062749	40.41	1.893521	0.403804
1517	0.0	0.000000	0.000	0.000000	40.37	1.891646	0.378329
1709	0.0	0.000000	5.074	0.192032	40.88	1.915544	0.459921
1711	19.8	2.401427	99.242	3.755933	41.03	1.922572	2.847459
1713	60.3	7.316304	99.662	3.771828	40.99	1.920698	4.819393
1715	8.7	1.059848	41.135	1.556804	40.38	1.892115	1.425084
1717	0.0	0.000000	0.000	0.000000	40.34	1.890240	0.378048
1719	0.0	0.000000	0.000	0.000000	40.30	1.888366	0.377673
1909	0.0	0.000000	0.000	0.000000	40.50	1.897738	0.379548
1911	19.1	2.318250	114.480	4.332633	40.86	1.914606	3.043274
1913	53.5	6.494587	164.742	6.234859	40.89	1.916012	5.474981
1915	63.4	7.693288	163.538	6.189292	40.34	1.890240	5.931080
1917	80.0	9.713036	192.937	7.301933	40.38	1.892115	7.184411
1919	15.3	1.856746	36.974	1.399326	40.27	1.886960	1.679821
1921	0.0	0.000000	0.000	0.000000	40.27	1.886960	0.377392
2109	0.0	0.000000	0.000	0.000000	40.07	1.877589	0.375518
2111	18.3	2.227022	78.779	2.981486	41.07	1.924447	2.468293
2113	80.0	9.713036	171.779	6.501183	41.10	1.925852	6.870858
2115	65.3	7.922698	191.853	7.260908	40.54	1.899612	6.453365
2117	32.1	3.896618	184.703	6.990307	40.57	1.901018	4.734974
2119	17.8	2.163297	124.915	4.727558	40.22	1.884618	3.133266
2121	0.0	0.000000	0.000	0.000000	40.22	1.884618	0.376924
2123	0.0	0.000000	0.000	0.000000	40.25	1.886023	0.377205
2309	0.5	0.056346	10.415	0.394168	39.96	1.872435	0.554693
2311	28.4	3.442493	118.066	4.468350	41.24	1.932412	3.550820
2313	27.5	3.339192	129.061	4.884469	41.24	1.932412	3.675947
2315	0.0	0.000000	22.719	0.859828	40.79	1.911326	0.726196
2317	0.0	0.000000	29.482	1.115782	40.79	1.911326	0.828578
2319	20.4	2.476556	134.916	5.106058	40.16	1.881806	3.409407
2321	7.8	0.946484	16.385	0.620110	40.16	1.881806	1.002999
2323	0.0	0.000000	0.000	0.000000	40.19	1.883212	0.376642
2509	1.4	0.169039	5.545	0.209857	40.17	1.882275	0.528013
2511	0.0	0.000000	11.940	0.451884	41.12	1.926789	0.566111
2513	0.0	0.000000	0.000	0.000000	41.12	1.926789	0.385358
2515	0.0	0.000000	0.000	0.000000	40.98	1.920229	0.384046
2517	0.0	0.000000	24.611	0.931433	40.98	1.920229	0.756619
2519	15.8	1.919800	84.094	3.182639	40.11	1.879463	2.416868
2521	0.0	0.000000	0.000	0.000000	40.12	1.879932	0.375986
2523	0.0	0.000000	0.000	0.000000	40.13	1.880400	0.376080
2709	1.3	0.154952	3.080	0.116566	29.02	1.359811	0.380570
2711	0.0	0.000000	0.000	0.000000	29.14	1.365434	0.273087
2717	0.0	0.000000	0.000	0.000000	28.93	1.355594	0.271119
2719	0.0	0.000000	0.000	0.000000	28.48	1.334508	0.266902
2721	0.0	0.000000	0.000	0.000000	28.72	1.345754	0.269151
TOTAL	823.6	100.000000	2642.273	100.000000	2134.12	100.000000	100.000000

**ATTACHMENT "E"**  
**PROPOSED AVALON (DELAWARE) UNIT**  
**PRE-UNITIZATION WELL-TRACT WORKING INTEREST OWNERSHIPS**

OPERATOR	LEASE	OWNER	WELL-TRACT OWNER FRACTION	WELL-TRACTS INCLUDED
EXXON	YATES C FEDERAL	EXXON	1.00000000	1911-1917, 2111-2117, 2311-2317, 2511-2517
EXXON	HONDO A STATE	EXXON	1.00000000	1919, 1921, 2119, 2319, 2519, 2521
EXXON	HONDO FEE	EXXON	1.00000000	2121, 2321
EXXON	YATES C FEDERAL B	EXXON	1.00000000	2717, 2719, 2721
HUDSON	STONEWALL FEDERAL	W.A. HUDSON, II	0.33333333	
HUDSON	STONEWALL FEDERAL	E.R. HUDSON, JR	0.33333333	
HUDSON	STONEWALL FEDERAL	MARY HUDSON ARD	0.33333333	
KERR MCGEE	KEYSTONE	KERR MCGEE	1.00000000	2123, 2323, 2523
MERIT	BURTON FLAT ST	MERIT	1.00000000	2709, 2711
MWJ	GWA STATE	MARTIN, WILLIAMS, JUDSON	0.67968750	
MWJ	GWA STATE	MYCO INDUSTRIES, INC	0.08333340	
MWJ	GWA STATE	JOHN A. YATES	0.08333330	
MWJ	GWA STATE	S.P. YATES	0.08333330	
MWJ	GWA STATE	SIGMAR, INC	0.02669270	
MWJ	GWA STATE	LAJ CORPORATION	0.01757810	
MWJ	GWA STATE	F.A. AND D.M. FOX	0.00911460	
MWJ	GWA STATE	JAMES L. MARTIN, TRUSTEE	0.00911460	
MWJ	GWA STATE	JOHN L. SCHLAGAL	0.00781250	
PREMIER	EDDY STATE	PREMIER	1.00000000	1109, 1309, 1509, 1709
YATES	STONEWALL EP STATE	EXXON	0.27973850	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	COQUINA	0.17651980	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	YPC	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	YDC	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MYCO	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	W.A. HUDSON, II	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	E.R. HUDSON, JR	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MARY HUDSON ARD	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	ABO	0.03361040	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	NORTH AMERICAN-YATES	0.02300800	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	HONDO	0.02300800	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MWJ	0.01546620	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	CLAREMONT	0.00773310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	FLAG REDFERN	0.00745550	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	ROSALIND REDFERN	0.00723760	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL WM ST	EXXON	0.27973850	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	COQUINA	0.17651980	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	YPC	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	YDC	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MYCO	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	W.A. HUDSON, II	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	E.R. HUDSON, JR	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MARY HUDSON ARD	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	ABO	0.03361040	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	NORTH AMERICAN-YATES	0.02300800	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	HONDO	0.02300800	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MWJ	0.01546620	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	CLAREMONT	0.00773310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	FLAG REDFERN	0.00745550	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	ROSALIND REDFERN	0.00723760	1511, 1513, 1711, 1713
YATES	STONEWALL YE STATE	CHEVRON	0.25000000	1515, 1517
YATES	STONEWALL YE STATE	EXXON	0.20980388	1515, 1517
YATES	STONEWALL YE STATE	COQUINA	0.13238985	1515, 1517
YATES	STONEWALL YE STATE	YPC	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	YDC	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	MYCO	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	W.A. HUDSON, II	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	E.R. HUDSON, JR	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	MARY HUDSON ARD	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	ABO	0.02520780	1515, 1517
YATES	STONEWALL YE STATE	NORTH AMERICAN-YATES	0.01725600	1515, 1517
YATES	STONEWALL YE STATE	HONDO	0.01725600	1515, 1517
YATES	STONEWALL YE STATE	MWJ	0.01159965	1515, 1517
YATES	STONEWALL YE STATE	CLAREMONT	0.00579982	1515, 1517
YATES	STONEWALL YE STATE	FLAG REDFERN	0.00559163	1515, 1517
YATES	STONEWALL YE STATE	ROSALIND REDFERN	0.00542820	1515, 1517
YATES	STONEWALL WM ST B	CHEVRON	0.25000000	1715, 1717
YATES	STONEWALL WM ST B	EXXON	0.20980388	1715, 1717
YATES	STONEWALL WM ST B	COQUINA	0.13238985	1715, 1717
YATES	STONEWALL WM ST B	YPC	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	YDC	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	MYCO	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	W.A. HUDSON, II	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	E.R. HUDSON, JR	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	MARY HUDSON ARD	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	ABO	0.02520780	1715, 1717
YATES	STONEWALL WM ST B	NORTH AMERICAN-YATES	0.01725600	1715, 1717
YATES	STONEWALL WM ST B	HONDO	0.01725600	1715, 1717
YATES	STONEWALL WM ST B	MWJ	0.01159965	1715, 1717
YATES	STONEWALL WM ST B	CLAREMONT	0.00579982	1715, 1717
YATES	STONEWALL WM ST B	FLAG REDFERN	0.00559163	1715, 1717
YATES	STONEWALL WM ST B	ROSALIND REDFERN	0.00542820	1715, 1717
YATES	CITIDEL	YATES	1.00000000	1909, 2109

VOTING PERCENTAGE BY OWNER  
WEIGHTED BY 40% CURRENT PRODUCTION  
40% CUMULATIVE PRODUCTION  
20% ACRES

OWNER	VOTING PERCENTAGE	( WEIGHT FACTOR	TOTAL AREA BOPD	( WEIGHT FACTOR	OWNER BOPD	( WEIGHT FACTOR	OWNER CUMUL PROD 1000 BO	TOTAL AREA CUMUL PROD 1000 BO	( WEIGHT FACTOR	OWNER ACRES	TOTAL AREA ACRES
CHEVRON	0.646316	( 0.4000	2.2	( 0.4000	2.2	( 0.4000	10.698	2642.273	( 0.2000	40.4	2134.1
CLAREMONT	0.209893	( 0.4000	2.1	( 0.4000	2.1	( 0.4000	4.729	2642.273	( 0.2000	3.6	2134.1
COQUINA	4.791118	( 0.4000	48.3	( 0.4000	48.3	( 0.4000	107.940	2642.273	( 0.2000	86.5	2134.1
EXXON	74.207433	( 0.4000	621.2	( 0.4000	621.2	( 0.4000	2167.030	2642.273	( 0.2000	1198.8	2134.1
HONDO	0.624485	( 0.4000	6.3	( 0.4000	6.3	( 0.4000	14.069	2642.273	( 0.2000	11.3	2134.1
E.R. HUDSON JR	1.245315	( 0.4000	11.3	( 0.4000	11.3	( 0.4000	25.220	2642.273	( 0.2000	33.6	2134.1
W.A. HUDSON II	1.245315	( 0.4000	11.3	( 0.4000	11.3	( 0.4000	25.220	2642.273	( 0.2000	33.6	2134.1
MARY HUDSON AND	1.129927	( 0.4000	0.0	( 0.4000	0.0	( 0.4000	0.000	2642.273	( 0.2000	120.6	2134.1
KERR MCGEE	0.653657	( 0.4000	1.3	( 0.4000	1.3	( 0.4000	3.080	2642.273	( 0.2000	58.2	2134.1
MWJ	0.419785	( 0.4000	4.2	( 0.4000	4.2	( 0.4000	9.457	2642.273	( 0.2000	7.6	2134.1
MARTIN, WILLIAMS AND JUDSON	0.735902	( 0.4000	1.3	( 0.4000	1.3	( 0.4000	10.848	2642.273	( 0.2000	54.5	2134.1
SIGMAR, INC	0.028900	( 0.4000	0.0	( 0.4000	0.0	( 0.4000	0.426	2642.273	( 0.2000	2.1	2134.1
LAJ CORP	0.019032	( 0.4000	0.0	( 0.4000	0.0	( 0.4000	0.281	2642.273	( 0.2000	1.4	2134.1
F.A.FOX AND D.M.FOX	0.009868	( 0.4000	0.0	( 0.4000	0.0	( 0.4000	0.145	2642.273	( 0.2000	0.7	2134.1
JAMES L.MARTIN JR, TRUSTEE	0.009868	( 0.4000	0.0	( 0.4000	0.0	( 0.4000	0.145	2642.273	( 0.2000	0.7	2134.1
JOHN L.SCHLAGAL	0.008459	( 0.4000	0.0	( 0.4000	0.0	( 0.4000	0.125	2642.273	( 0.2000	0.6	2134.1
PREMIER	1.597814	( 0.4000	2.0	( 0.4000	2.0	( 0.4000	5.074	2642.273	( 0.2000	162.3	2134.1
FLAG REDFERN	0.202358	( 0.4000	2.0	( 0.4000	2.0	( 0.4000	4.559	2642.273	( 0.2000	3.7	2134.1
ROSALIND REDFERN	0.196444	( 0.4000	2.0	( 0.4000	2.0	( 0.4000	4.426	2642.273	( 0.2000	3.5	2134.1
YATES	0.755065	( 0.4000	0.0	( 0.4000	0.0	( 0.4000	0.000	2642.273	( 0.2000	80.6	2134.1
YDC	2.736770	( 0.4000	27.6	( 0.4000	27.6	( 0.4000	61.657	2642.273	( 0.2000	49.4	2134.1
YPC	2.736770	( 0.4000	27.6	( 0.4000	27.6	( 0.4000	61.657	2642.273	( 0.2000	49.4	2134.1
MYCO	2.826996	( 0.4000	27.8	( 0.4000	27.8	( 0.4000	62.987	2642.273	( 0.2000	56.1	2134.1
ABO	0.912257	( 0.4000	9.2	( 0.4000	9.2	( 0.4000	20.552	2642.273	( 0.2000	16.5	2134.1
JOHN A.YATES	0.090225	( 0.4000	0.2	( 0.4000	0.2	( 0.4000	1.330	2642.273	( 0.2000	6.7	2134.1
S.P.YATES	0.090225	( 0.4000	0.2	( 0.4000	0.2	( 0.4000	1.330	2642.273	( 0.2000	6.7	2134.1
NORTH AMERICAN YATES	0.624485	( 0.4000	6.3	( 0.4000	6.3	( 0.4000	14.069	2642.273	( 0.2000	11.3	2134.1
TOTAL	100.000000	( 0.4000	823.6	( 0.4000	823.6	( 0.4000	2642.273	2642.273	( 0.2000	2134.1	2134.1

PRE-UNITIZATION OWNER VOTING PERCENTAGES

(KUPUELE) (LAWSON) (LAWSON)

October 28, 1992

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

Mr. Ken Jones  
Premier Production Company  
P. O. Box 1246  
Artesia, New Mexico 88210

Dear Mr. Jones:

The following addresses your questions of October 26:

- 1) Regarding the differences in reserves between Exhibits G-17 and H-5:
  - The main difference is that H-5 reflects net reserves assuming 1/8 royalty.
  - Also, H-5 represents the increment of a total tertiary flowstream minus the waterflood flowstream whereas G-17 contains all production for the years 1993 through 2060.
- 2) Exhibit G-17 only runs through the year 2060 since we opted to only simulate 80 years of production life (1981-2060); the simulation contained production limits of 3 BOPD per well or WOR=49 or GOR=50,000.
- 3) Our understanding of the New Mexico severance tax credit is that it only applies when the crude price is less than \$28 and only when tertiary production exceeds the secondary base; since the resulting affected production was minor, we opted to exclude the impact.
- 4) We did apply Federal Income Tax credits to all project investments. As noted in the Report, the 15% was applied to purchased CO<sub>2</sub>. The Report does not reflect the fact that the credit was also applied to all other facility investments, both tangible and intangible.
- 5) A table is attached which reflects the mapped and adjusted oil-in-place by SCALUP pattern and geologic interval for the Premier patterns. The Cherry includes the Upper Upper Cherry and Lower Upper Cherry. The Brushy includes the Lower Lower Cherry, the Upper Upper Brushy and the Lower Upper Brushy. In our analysis of the entire unit area, the following approach was used: The water saturations were adjusted to reflect actual well production watercuts. Water saturations weren't adjusted unless primary production data existed at a given location and zone. The net pay continuity was adjusted to reflect estimated primary ultimate recoveries. The net pay continuity was correlated to net/gross ratio and then applied to those zones where actual field experience didn't exist. Once the net pay and/or water saturations were adjusted, the revised values were kept for all subsequent operations.

I hope these responses address your questions adequately. If not, please contact me.

Sincerely,



for Larry D. Long

SUMMARY OF MAPPED VS SIMULATION VOLUMES  
SIMULATION STEP = PURE PRIMARY OPERATION  
WATER SATURATION ADJUSTED TO RECOGNIZE ACTUAL WATERCUT  
NET PAY ADJUSTED TO RECOGNIZE CUMULATIVE PRIMARY EUR

OPERATOR	SIMULATION PATTERN	PAY INTERVAL	PATTERN AREA ACRES	MAPPED WATER SATURATION	MAPPED OOIP	NET PAY FACTOR APPLIED	ADJUSTED WATER SATURATION	ADJUSTED OOIP
PREM	1709	CHERRY	48.19	0.391	1830.3	0.380	0.591	466.7

SUMMARY OF MAPPED VS SIMULATION VOLUMES  
SIMULATION STEP = PRIMARY RESERVES DURING TERTIARY OPERATIONS BUT NOT PREVIOUSLY PRODUCED  
ADJUSTMENTS RESULT FROM PRIOR ANALYSIS STEPS

OPERATOR	SIMULATION PATTERN	PAY INTERVAL	PATTERN AREA ACRES	MAPPED WATER SATURATION	MAPPED OOIP	NET PAY FACTOR APPLIED	ADJUSTED WATER SATURATION	ADJUSTED OOIP
PREM	1109	CHERRY	41.47	0.414	1329.9	0.568	0.414	755.6
PREM	1109	BRUSHY	41.47	0.750	1992.2	1.000	0.750	1993.1
PREM	1309	CHERRY	45.37	0.414	2195.1	0.628	0.416	1378.9
PREM	1309	BRUSHY	45.37	0.688	2116.0	1.000	0.687	2116.3
PREM	1509	CHERRY	45.62	0.392	1944.7	0.679	0.392	1320.3
PREM	1509	BRUSHY	45.62	0.715	2158.8	1.000	0.715	2159.0
PREM	1709	CHERRY	48.19	0.391	1830.3	0.380	0.595	462.8
PREM	1709	BRUSHY	48.19	0.758	1943.2	1.000	0.758	1943.3

SUMMARY OF MAPPED VS SIMULATION VOLUMES  
SIMULATION STEP = WATERFLOOD RESERVES DURING TERTIARY OPERATIONS BUT NOT PREVIOUSLY PRODUCED  
ADJUSTMENTS RESULT FROM PRIOR ANALYSIS STEPS

OPERATOR	SIMULATION PATTERN	PAY INTERVAL	PATTERN AREA ACRES	MAPPED WATER SATURATION	MAPPED OOIP	NET PAY FACTOR APPLIED	ADJUSTED WATER SATURATION	ADJUSTED OOIP
PREM	1109	CHERRY	11.39	0.416	475.3	0.626	0.416	297.8
PREM	1109	BRUSHY	11.39	0.715	637.5	1.000	0.714	637.8
PREM	1309	CHERRY	25.24	0.413	1308.9	0.642	0.416	839.9
PREM	1309	BRUSHY	25.24	0.662	1411.7	1.000	0.662	1411.5
PREM	1509	CHERRY	24.03	0.391	1001.3	0.670	0.391	670.5
PREM	1509	BRUSHY	24.03	0.691	1421.0	1.000	0.691	1421.6
PREM	1709	CHERRY	19.91	0.404	709.2	0.380	0.599	181.2
PREM	1709	BRUSHY	19.91	0.742	1048.5	1.000	0.742	1048.1

SUMMARY OF MAPPED VS SIMULATION VOLUMES  
SIMULATION STEP = TERTIARY FLOOD  
WATER SATURATION ADJUSTED TO RECOGNIZE ACTUAL WATERCUT  
ADJUSTMENTS RESULT FROM PRIOR ANALYSIS STEPS

OPERATOR	SIMULATION PATTERN	PAY INTERVAL	PATTERN AREA ACRES	MAPPED WATER SATURATION	MAPPED OOIP	NET PAY FACTOR APPLIED	ADJUSTED WATER SATURATION	ADJUSTED OOIP
PREM	1109	CHERRY	11.39	0.416	475.3	0.626	0.416	297.8
PREM	1109	BRUSHY	11.39	0.715	637.5	1.000	0.714	637.8
PREM	1309	CHERRY	25.24	0.413	1308.9	0.642	0.416	839.9
PREM	1309	BRUSHY	25.24	0.662	1411.7	1.000	0.662	1411.5
PREM	1509	CHERRY	24.03	0.391	1001.3	0.670	0.391	670.5
PREM	1509	BRUSHY	24.03	0.691	1421.0	1.000	0.691	1421.6
PREM	1709	CHERRY	19.91	0.404	709.2	0.380	0.599	181.2
PREM	1709	BRUSHY	19.91	0.742	1048.5	1.000	0.742	1048.1

Premier Production  
P.O. Box 1246  
Artesia, N.M. 88210  
November 12, 1992

Exxon  
P.O. Box 1600  
Midland, Tx. 79702-1600  
Attn: Larry Long  
Subj: Avalon Delaware Unitization

Dear Larry,

Thank you for responding to my questions about the Avalon Delaware Project. Premier Production views favorably the proposed unitization of the Avalon Delaware. As I have remarked in our past conversations, Exxon's engineering report is outstanding and extremely thorough. We will do our best to cooperate in terms of forming the unit. Premier does have a few minor concerns about the report which stem from Exxon's lack of data on Premier's tracts. In this letter, I will discuss three concerns which Premier has with the report and I will present an idea which I submit before Exxon's Engineering Department for consideration.

First, Premier disagrees with Exxon's limits placed on primary production for the Lower Cherry/Upper Brushy Canyon reservoir. We do not have a mudlog for the FV#3 (1709) but we do have a Gulf CNL marked log. From this log, using the quality levels of mud log show per Exxon's Appendix C-4, the Lower Cherry Canyon would grade a 3 (placed oil on pits) and the Upper Brushy Canyon would grade a 2 (with a significant fluorescent show). Premier does agree that our three southernmost locations are 125-150 feet downdip from the gas cap wells--EP#5, WM#6, and WM#4. Yet due to the quality of mud log shows from 1709, we believe the LCC/UBC is productive by primary means. Furthermore, by using Exxon's maps #8-#13, locations 1309 and 1509 are significantly better locations than 1709. We also recognize that location 1109 may be a marginal primary producer from the LCC/UBC, yet when recently opening the backside of the production casing on the FV#1, we had a flow of Delaware oil which could only come from the LCC/UBC or the Middle/Lower Brushy Canyon intervals because the intermediate string covers the Upper Cherry Canyon interval. Because 1109 and FV#1 are structurally similar, with 1109 exhibiting better gross thickness and net hydrocarbon porosity than the FV#1, 1109 may have some LCC/UBC primary potential. In conclusion, it is our estimation that at least three of the four Premier locations are commercial by primary means from the LCC/UBC reservoir. Please note our proposed map of primary limitations marked Exhibit A.

Next, Premier endorses the following idea and presents it to Exxon's Engineering Department for consideration. With the knowledge that the LCC/UBC trap on the northwest edge of the unit is in a significant decline in terms of structure, gross thickness, and porosity, we propose to outline the western edge of our 40's with three LCC/UBC injectors as shown on the maps marked Exhibit B, C, and D. The three injectors would increase the LCC/UBC floodable acreage for 1109 from .5 to .75, for 1309 and 1509 from .5 to 1, and for 1709 from .25 to .5. Our logic behind the idea is the following: (1) this border area is the only part of the total reservoir where gross thickness and porosity is significantly reduced across the acreage (this reduction should help restrict the injection volume to the west therefore allowing most of the volume to sweep eastward), (2) the northwest and northern boundaries of the reservoir exhibit the best vertical seal (LCC TOP) which will allow for preservation of the injected products and enhance oil recovery, and (3) the described pattern would allow for the production wells to be placed 330 feet from the east line which would place the wells in a significantly greater net hydrocarbon porosity thickness area plus solve a future problem of moving the county road which bisects our tracts. Using your OOIP tables, we calculate that this would increase recoverable reserves on our 160+ acres by approximately 800,000 bbls of oil.

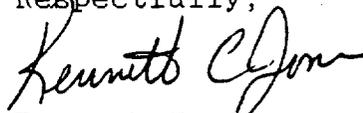
Premier's second concern involves the calculation of total reserves for well 1709. In comparing well reserves for 1309, 1509 and 1709, each well has floodable acreage of .5. We find the reserves to be somewhat low for 1709. Since the reserves were partly based on water production, we would like to point out that the cumulative water production reported to the state was not entirely from the UCC section targeted by the EOR. Gulf, in an apparent attempt to expand UCC production, perforated the interval between the Goat Seep Reef and Upper Cherry Canyon Downlap Surface. As per Exxon's report, this section is 100% water. Unfortunately, Gulf discovered this out at some expense. They twice squeezed the zone limiting the amount of water produced from it (the casing still bleeds off at 75 psi per minute). Although the well did not perform at a salt water saturation of 35-40% as calculated from the logs (probably due to a large frac job), we question the adjusted water saturation of .595% for 1709 which Exxon used in adjusting the OOIP tables. } any

Our final concern with joining the unit is the complete unitization of the Delaware and Premier's loss of the Middle and Lower Brushy Canyon. Although these sections are probably not feasible for EOR (thus limiting the amount of recoverable oil in comparison to the EOR project), it is still a loss to Premier. The Lower Brushy Canyon had excellent shows in both the FV#1 and FV#3. Examination of current LBC producers in the area show poorer porosity and lower resistivity figures than our ← but you don't have multiple 11

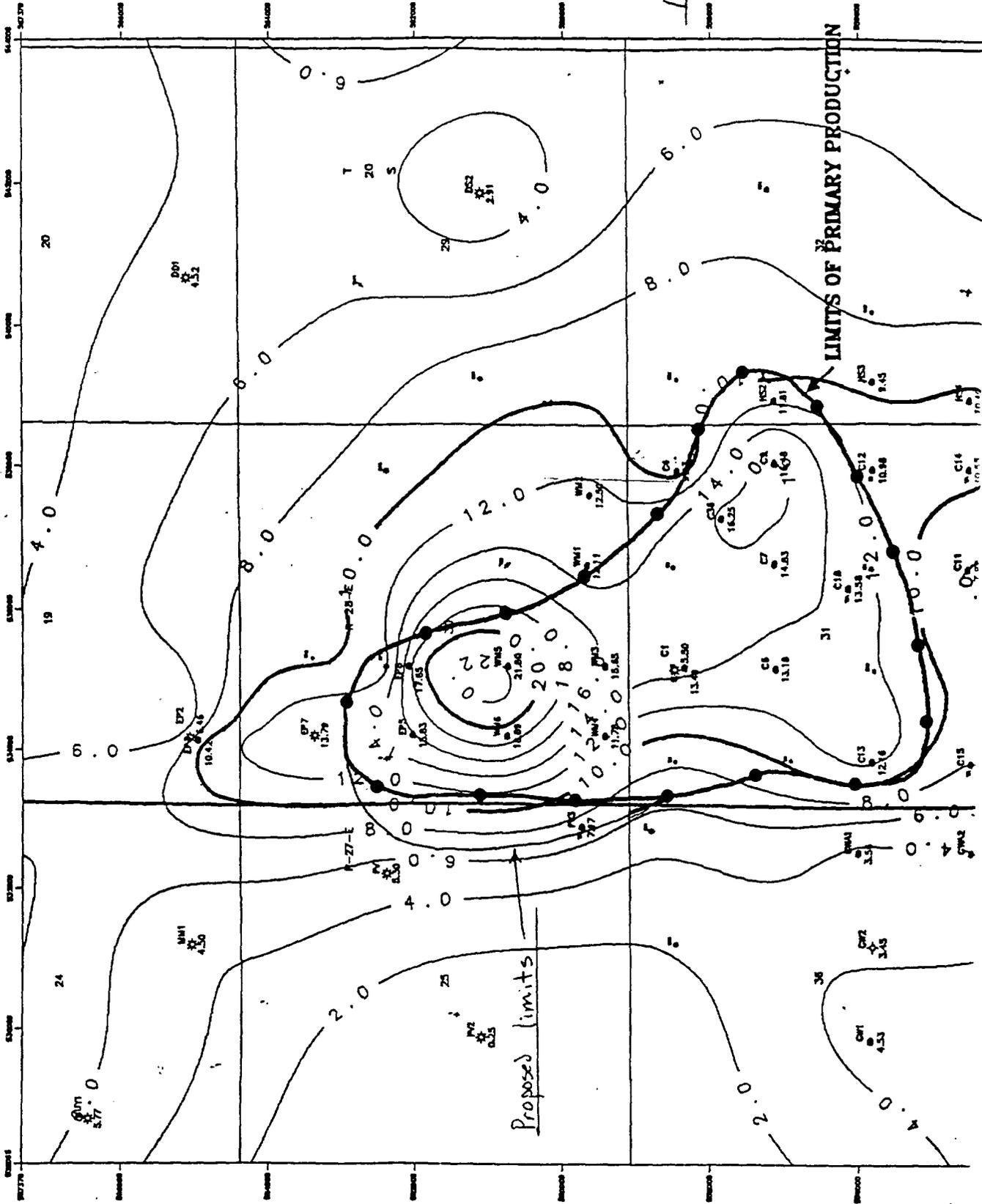
FV#3 and FV#1. Furthermore, both wells had fair to good fluorescent and gas shows from the Middle Brushy Canyon which was perforated in the FV#1 offset--the EP#5). The EP#5 first produced out of the Middle Brushy Canyon before the zone was commingled with the LCC/UBC reservoir. By using past LCC/UBC production, 1991 cum totals, and net hydrocarbon porosity from wells surrounding the EP#5, we were able to dedicate 45,000 bbls of cum oil production to the EP#5's Middle Brushy Canyon. This number appears reasonable since the MBC potentialed at 158 bbls per day and made 4600 bbls of oil in the first two months prior to being commingled with the LCC/UBC reservoir. From this information, we estimate MBC/LBC reserves of 150,000 to 300,000 bbls. of oil for our 160 acre tract.

In summary, Premier disagrees with primary production limits placed on the LCC/UBC reservoir. We are concerned about the water saturation limits placed on location 1709 and the loss of the MBC/LBC reservoir on our four locations. We also, in an attempt to conserve and prevent waste of the unit's hydrocarbon, recommend placing the three LCC/UBC injectors as previously noted. Your examination and discussion on our concerns and proposal are welcomed. We look forward to hearing from you soon.

Respectfully,

  
Kenneth C. Jones

# LOWER CHERKY / UPPER BRUSHY CANYON Hydrocarbon Porosity Thickness



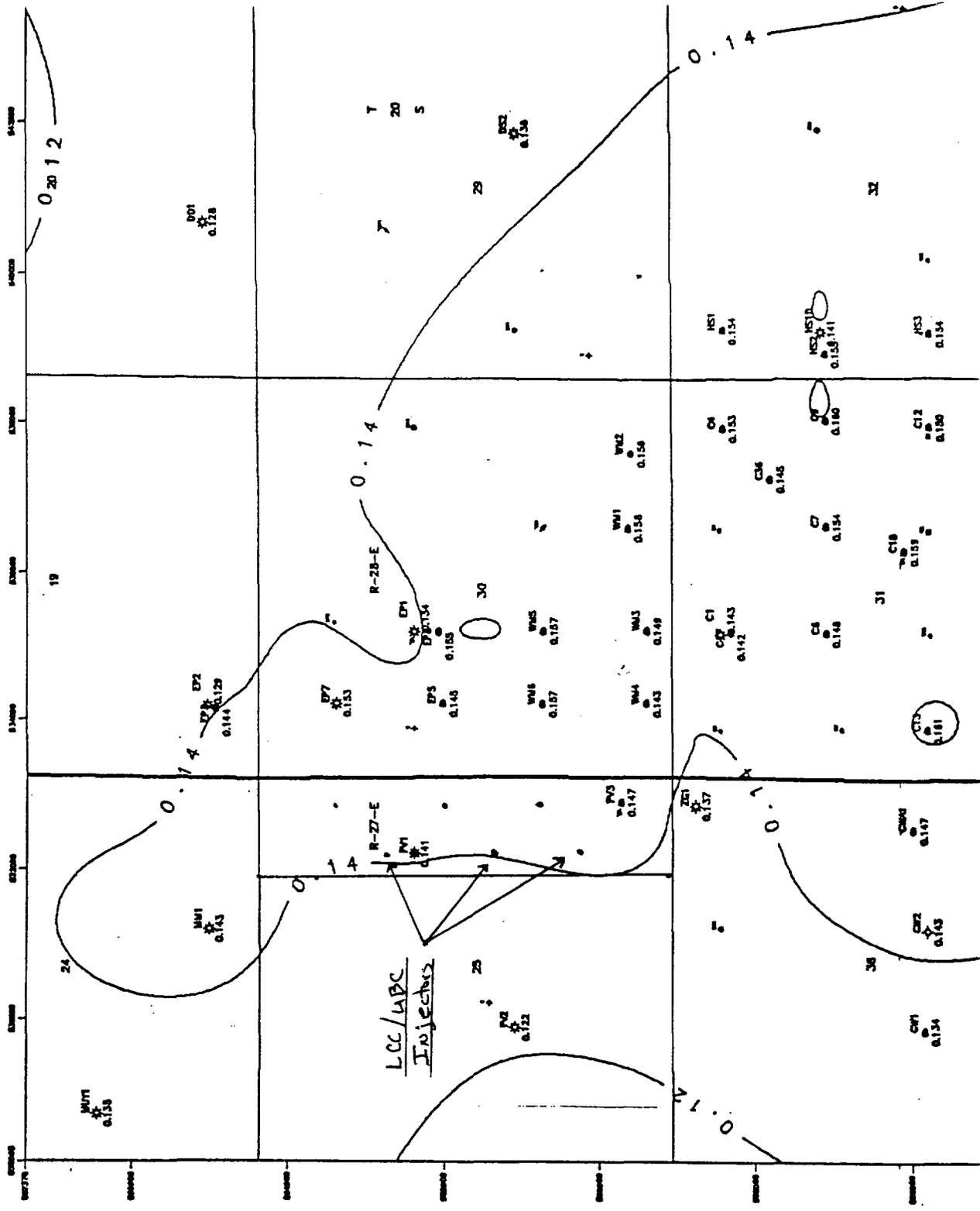
- WELL STAT**
- PRODUCING
  - SHUT IN OILY
  - TEMPORARILY ABANDONED
  - PRODUCING
  - TEMPORARILY ABANDONED
  - ACTIVE INJECT
  - SALT WATER
  - DRY HOLE
  - DRY HOLE, J
  - ABANDONED

NOTE: THESE SYMBOLS ARE ACTUAL FOR CONTOURS. SMALL SYMBOLS USED IN OUTLINE THIS MAP.

Map 'A'

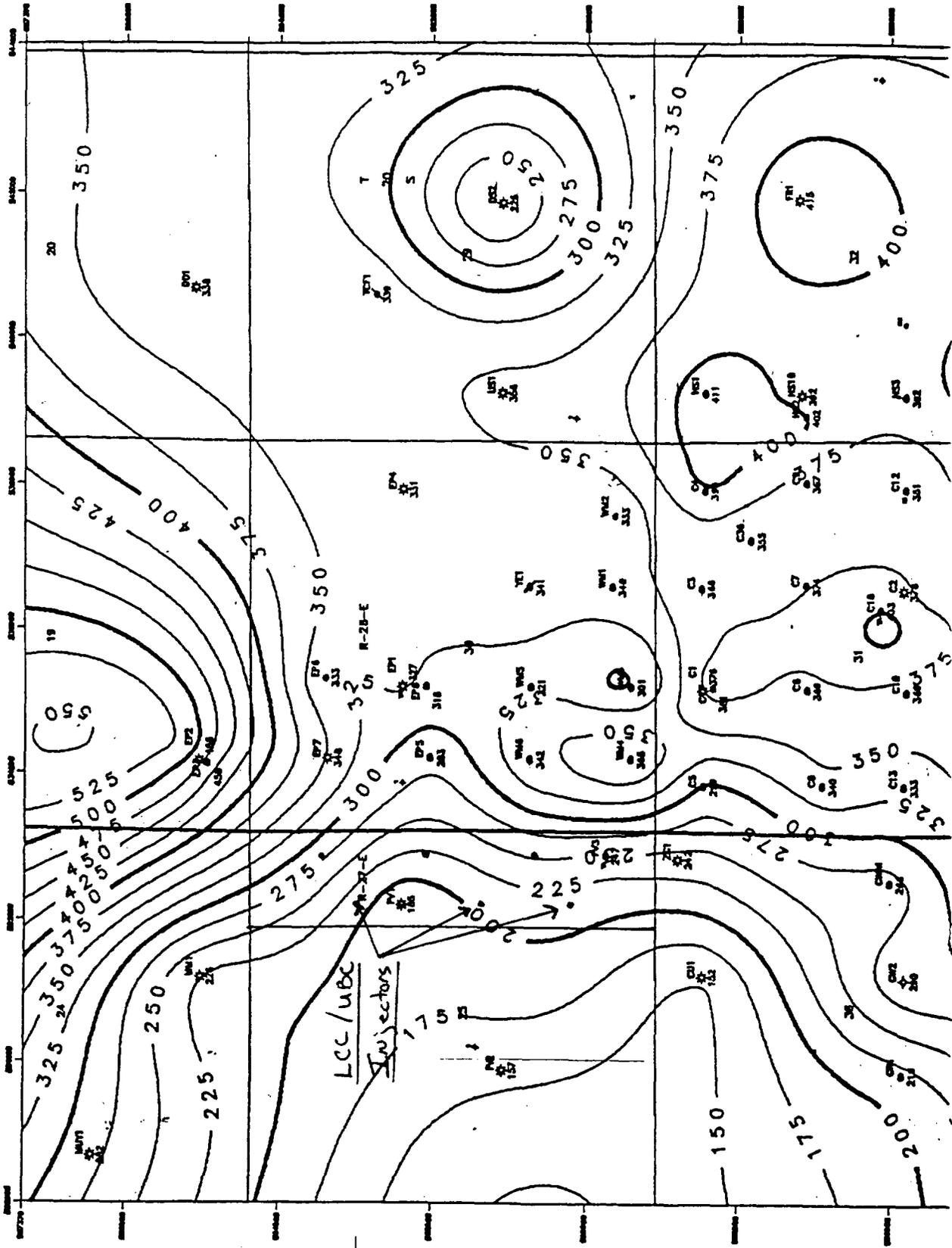
# LOWER CHERRY/UPPER BRUSHY

## Average Porosity



# LOWER CHERRY / UPPER BRUSHY CANYON

## Gross Thickness



WELL STA

- PRODUCING
- SHUT IN OIL
- TEMPORARIL
- ABANDONED
- PRODUCING
- TEMPORARIL
- ACTIVE INJE
- SALT WATER
- SALT WATER
- DRY HOLE
- DRY HOLE
- ABANDONED

WELL NAME, NUMBER AND LOCATION  
 PERFORMANCE, DATE, STATUS  
 LIST IN ORDERING LOGS

Exhibit 'C'

# LOWER CHERRY/UPPER BRUSHY CANYON Top Reservoir (LCHT)

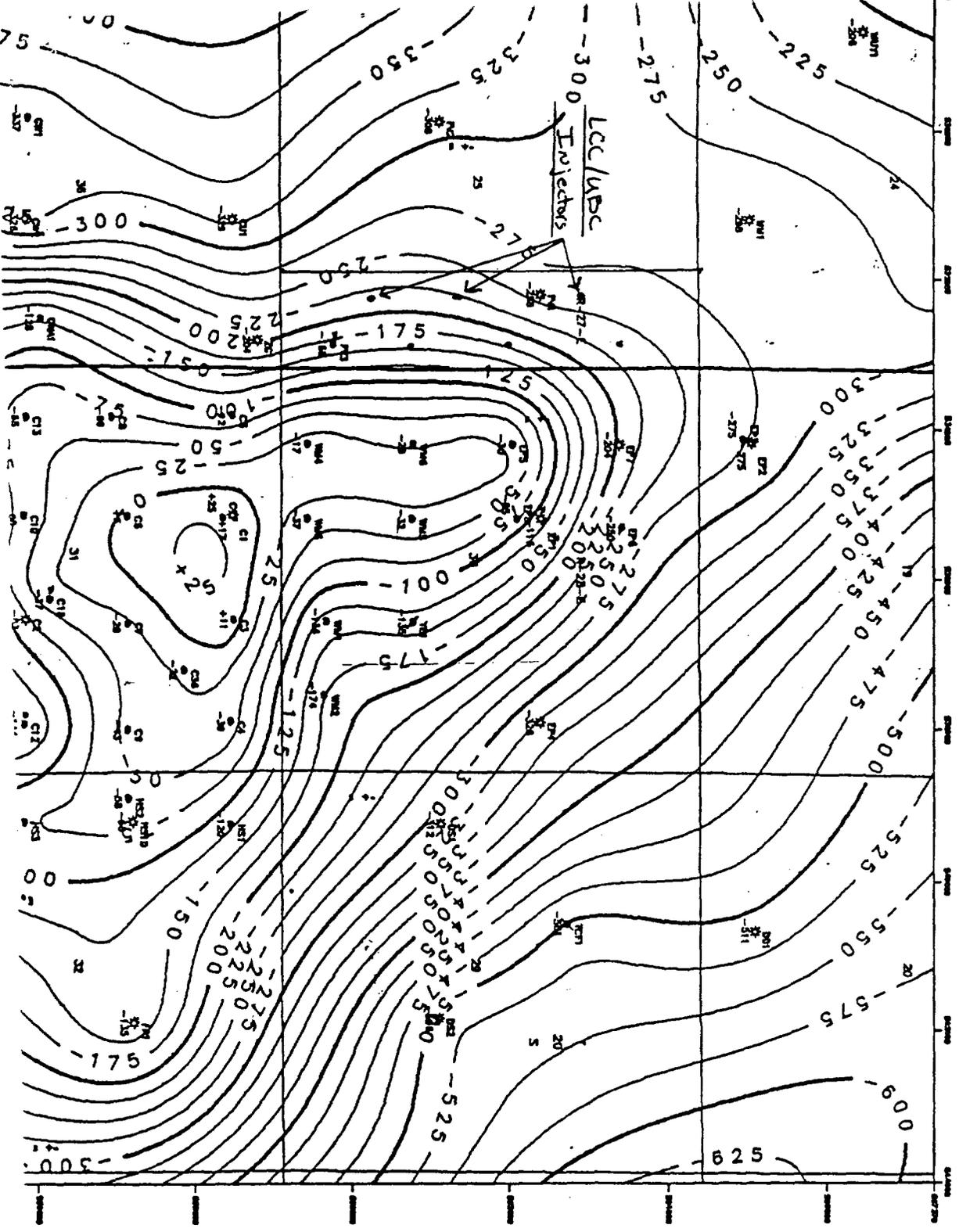


Exhibit 'D'

## WELL STATUS SYMBOL LEGI

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊙ TEMPORARILY ABANDONED OIL WELL
- ⊘ ABANDONED OIL WELL
- ⊙ PRODUCING GAS WELL
- ⊘ TEMPORARILY ABANDONED GAS WELL
- ⊙ ACTIVE INJECTION WELL
- ⊘ SALT WATER INJECTION WELL
- ⊙ SALT WATER DISPOSAL WELL
- ⊘ DRY HOLE
- ⊙ DRY HOLE, JUNKED AND ABANDONED

WELL/ZONE SYMBOLS ARE IDENT. SEE FOR WELL STATUS  
FOR CONTINUOUS, SHALL PERIODICALLY REVISIT  
WELL AS OPERATED TO DATE

## COMMENT CODE LEGEND

NA : PICK NOT AVAILABLE

*Carra*

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

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DENNIS G. KINSEY  
TREASURER

November 25, 1992

Exxon  
P. O. Box 3116  
Midland, Texas 79702-3116

ATTN: Larry Long

RE: Avalon Delaware Unit

Dear Larry,

Yates has reviewed in detail the comprehensive Engineering Report prepared by Exxon for the proposed Avalon Delaware Unit. Your people have done an excellent job, and we hope to proceed with formation of the unit. There are several items that merit discussion for possible clarification or modification. Yates has discussed these items with the Coquina people, and their concerns are similar to ours.

**Area Outside Primary Production**

We are not convinced that the areas outside the wells where primary production has been established in the Upper Cherry/Upper Brushy can be developed economically with CO<sub>2</sub>. My preferred plan would be to unitize the whole area and to develop the CO<sub>2</sub> flood only in the area of primary production. When response is acceptable, conduct a small CO<sub>2</sub> pilot in a promising portion of the outside area. Then expand to the entire outside area only when this pilot succeeds.

We have attempted to divide the economics in your report into two pieces. Our estimates are that the costs to flood the primary area are \$45 million and the costs to flood the outside area are \$39 million. The result is that the CO<sub>2</sub> project in the primary area has an attractive rate of return equal to 25<sup>+</sup> percent, while the project in the outside area returns an unrisks 13 percent. We may have mishandled some of your numbers, but our concern over development of the outside area seems justified.

I admit that your report could be understood to be compatible with the plan I suggest. The tone of the report allows no uncertainty of success in the outside area, but we should talk about your actual plan of development.

Larry Long  
November 25, 1992  
-2-

### **Primary Reserves**

Yates calculated primary reserves for all wells in the Avalon Delaware pool. Our numbers agree with the Exxon numbers for all wells except four. Naturally, we get higher reserves than Exxon gets for two Yates wells (Stonewal "EP" #5 and "EP" #8) and lower reserves for two Exxon wells (Yates C #3 and #4). I think we feel that the Exxon GOR limit artificially shuts down the two Yates wells at a time when economic reserves could still be produced. The problem with the two Exxon wells apparently is an adjustment we do not understand. In any case, I believe we should talk about the primary reserves of these four wells.

### **Geology and Modeling**

You've heard us say before that the geological study is very complete while the Engineering work cut a few corners in comparison. I am a little concerned that the modeling work required that permeability be increased by a factor of two or more. This is not unusual in itself, but it might cast doubt on the shaly-sand analysis of the logs which reduced log porosity and indirectly log permeability. Maybe a different log analysis would have given permeabilities that fit the computer model without modification. Probably you all believe there is no chance that the basic geological picture can be wrong.

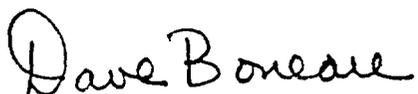
### **Workover Reserves**

The workover reserves greatly benefit Yates, but they may be overestimated in the Report.

### **Summary**

I hope we can discuss with you the few major concerns we have about the Engineering Report. Yates wants this CO<sub>2</sub> project to happen and we'd like to resolve our concerns with the Report and move on to the details of unitization.

Sincerely,



David F. Boneau  
Reservoir Engineering Manager

AVALON TECHNICAL REPORT MEETING  
WITH YATES PETROLEUM  
December 9, 1992

<u>AGENDA ITEM</u>	<u>DISCUSSION LEADER</u>	<u>ESTIMATED TIME</u>
Introduction/Objectives	Larry Long	15 min.
Discussion/Clarification of Concerns	Yates	15 min.
Development Plan	Gil Beuhler	45 min.
Geology and Modeling	Dave Cantrell Mike Goodwin	90 min.
Primary Reserves - 4 Wells	Mike Goodwin	45 min.
Workover Reserves	Dave Cantrell Mike Goodwin	60 min.
Summary: Remaining Concerns and Proposals	Yates	15 min.
Summary: Proposed Action	Larry Long	15 min.

OTHER ATTENDEES: DAVE BONEAU - YATES  
BOB FANT - YATES  
MARK JONES - EXXON

Note - Yates letter to Coquina includes the handouts of our Dec 9 meeting

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

December 22, 1992

Proposed Avalon Delaware Unit  
Technical Report Review

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Attention: David F. Boneau

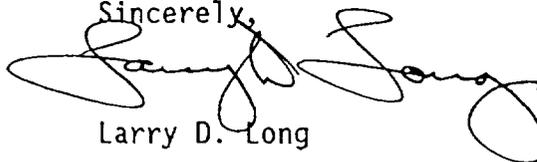
Dear Dave,

Exxon has reassessed the primary reserves for the 5 wells which we discussed in our meeting of December 9. The results of that decline curve analyses are summarized on the attached table. The total adjustment for the 5 wells is 93.2 kBO ultimate primary (or 2.2% of the Unit total) and 4.9 kBO remaining primary as of 1/1/93 (or 0.4% of the Unit total). The adjustments for the "EP" #5, "EP" #8 and "C" #3 are straight-forward. The adjustments for "C" #4 and "C" #36 are slightly more involved since they share an allowable and the former has been shut-in since the latter was put on production. The original estimates for "C" #36 were based on continuity calculations rather than decline curve analysis since the well had been on production only a few months. Reviewing more recent production from the "C" #36 and its two offsets indicates no apparent interference, supporting the greater hydrocarbon-bearing section found in this well. The net increase in remaining primary for the "C" #4/"C" #36 combination is 20.8 kBO over the Report values.

Exxon would prefer not to revise the Technical Report since we feel the revisions are relatively minor, yet would result in a 4-8 week delay in approval. The delay would result from our preference to advise the other owners of prospective changes and to solicit additional input with opportunity for review; then to ballot an addendum to the Report. An addendum would also include a paragraph regarding development philosophy as we discussed. However, if Yates Petroleum prefers that the changes be made, we are willing to take that approach.

We would be glad to discuss the issue further at your convenience.

Sincerely,



Larry D. Long

LDL:hho  
Attachment

Attachment 4  
PRIMARY RESERVE SUMMARY

WELL	EXHIBIT G19 PRIMARY RESERVES	REVISED DECLINE CURVE RESERVES	DELTA	EXHIBIT G19 1/1/93 RUR	REVISED 1/93 RUR	DELTA
Stonewall "EP" #5	163.6	179.8	+16.2	27.2	43.4	+16.2
#8	137.1	152.4	+15.3	18.1	33.4	+15.3
	300.7	332.2	+31.5	45.3	76.8	+31.5
Yates "C" Federal #3	356.4	309.0	-47.4	160.9	113.5	-47.4
#4	233.8	210.1	-23.7	53.0	29.3	-23.7
#36	45.6	178.4	+132.8	45.6(a)	90.1(b)	+44.5
	635.8	697.5	+61.7	259.5	232.9	-26.6
	936.5	1029.7	+93.2	304.8	309.7	+4.9
Total Unit	4182.4		+2.2%	1187.4		+0.4%

(a) The Yates "C" 36 remaining reserves as of 1/93 were based on continuity calculations rather than decline curve as indicated by the "Comments" on Exhibit G-4. At the time the Report was prepared the well had been on production only several months.

(b) The revised estimates are based on the revised EUR of 178.4 kBO and a revised estimated 1/93 cumulative of 88.3 kBO.

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
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TELEPHONE (505) 748-1471

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DENNIS G. KINSEY  
TREASURER

January 7, 1993

Coquina Oil Company  
1717 St James Place  
Suite 200  
Houston, Texas 77056

Attn: Sherri Clark

Subject - Avalon Delaware Unit

Dear Sherri,

This letter is intended to be a record of the meeting between Yates and Exxon on December 9, 1992, concerning the proposed Avalon Delaware Unit. Exxon replied to our concern about primary reserves on December 22, 1992; and that reply is included here also.

You recall that Yates and Coquina had questions about four areas in the Engineering Report prepared by Exxon. As expressed in my letter of November 25 (Attachment 1) to Larry Long, our questions covered:

- 1) Area Outside Primary Production
- 2) Primary Reserves
- 3) Geology and Modeling
- 4) Workover Reserves

Exxon prepared rather elaborate responses (Attachment 2) to each of the four questions.

Area Outside Primary Production - Gil Beuhler

My main concern is that Exxon may commit about \$100 million for CO2 both inside and outside the area of primary production without decision points to provide an escape mechanism in the remote case that the projects fails early in its life. Exxon attempted to address this concern with the time line on page 3 of Attachment 3. Exxon sees the project having two phases. Phase I covers the initiation of waterflooding during 1993 and 1994. An \$18 million AFE in late 1992 would cover the drilling of 19 wells (18 injectors and one producer all in the area of primary production) plus installation of water-injection facilities. A separate AFE for \$8 million might be issued in 1994 if consolidation of production facilities is necessary after the central waterflood gets underway. Phase II covers the installation of the CO2 project during the period 1996 to 1998. Exxon plans to send out one AFE in the middle of 1995 to cover the drilling of 56 wells, installation of CO2 facilities plus a plant to compress CO2 for recycle. The

circ: ~~MSA~~ ~~AGB~~  
MAJ A

- info only  
- a few points slightly  
misinterpreted;  
after studying it, we  
may want to clarify  
where deemed  
appropriate

Sherri Clark  
January 7, 1992  
-2-

amount of the AFE is about \$77 million for CO2 development both inside and outside the area of primary production. This amount includes about \$23 million for a plant to recycle produced CO2. The actual recycle needs are difficult to estimate before the project begins. Initially, Exxon plans to inject all purchased CO2 into the area of primary production. Some water injectors will be needed outside the primary production area at that time to handle water produced inside the primary production area. However, the number of outside injectors required to support CO2 injection inside the primary production area is only 10 to 20 percent of the outside injectors Exxon plans to drill in the 1996 drilling program. Exxon believes that the entire CO2 project must be installed at once to maximize rate of return. Exxon is comfortable enough with the geology and with its CO2 experience to offset any risk of subpar performance.

Yates pointed out that we disagree with the philosophy behind a single AFE in 1995 for \$77 million. I believe it is prudent to have one AFE in 1995 for a CO2 project inside the area of primary production and a second AFE two to three years later for expansion of CO2 outside the area of primary production. The Exxon people sounded sympathetic to our proposal, but the Exxon system must require management approval of the whole CO2 project in 1995. I asked whether Exxon's management in Dallas could approve the whole thing at one time while Exxon in Midland sent out a series of AFE's over several years. The Exxon reply was that this might be possible, but Exxon prefers its own approach. I feel the Exxon people at the meeting believe that our suggestion is logical, but someone higher in the company required that they follow the company line. Exxon agreed to consider our suggestion. If Exxon doesn't modify its position, Yates and Coquina can only seek a voting procedure that permits us to vote down an AFE for \$77 million in 1995.

Exxon said its economic runs show a 27 percent rate of return for the area of primary production and a 20 percent rate of return outside the area of Primary production. The corresponding Yates values are 25 and 13 respectively.

#### Geology and Modeling - Dave Cantrell and Mike Goodwin

My letter of November 25 commented about the fact that the computer modeling required reservoir permeability to be increased by a factor of two or more. I hinted that this might cast suspicion on the accuracy of the log analysis. Exxon's answer was that the reservoir permeability had to be increased because the wells are hydraulically fractured. The Exxon geology work gives results that match core data. The modeling via prototype simulation and scale up is a proven technique that Exxon has used in large reservoirs. A three-dimensional reservoir simulation is unreasonable for a reservoir as big as Avalon Delaware.

I feel the Exxon geology and the Exxon modeling is totally adequate. We learned several items I did not know:

- 1) Exxon is performing shear-wave VSP at Avalon to determine directional permeability.

Sherri Clark  
January 7, 1993

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- 2) The sonic logs were not corrected for presence of clay since no correction is needed.
- 3) Separate correlations of permeability as a function of porosity were developed for each Delaware zone.
- 4) Water-oil ratios were ignored on wells with large fracture treatments because water is surely produced from out-of-zone.
- 5) Permeabilities in the simulator were derived by correlating core data from nearby wells to the three prototype wells.
- 6) All vertical - permeability data came from core taken at Yates C #36.
- 7) All wells outside the area of primary production were assumed to have low GOR's because they are located down - structure.

#### Decline Curves (Primary Reserves) - Mike Goodwin

Yates made independent estimates of the remaining oil reserves for all wells in the Avalon Delaware pool and compared estimates with the Exxon numbers in the Engineering Report. The Yates and Exxon estimates matched except for four wells (Stonewall EP #5 and EP #8 and Yates C #3 and #4). At the meeting on December 9, Exxon explained how the Engineering Report calculated reserves, but was not able to explain the differences with the Yates values on the spur of the moment. The Exxon letter of December 22 (Attachment 4) says that the reserves of Yates Stonewall EP #5 and #8 should be increased by 31.5 MBO while the reserves for Exxon Yates C Federal #3 and #4 should decrease by 71.1 MBO. At the same time, the reserves of the Yates C #36 should increase by 44.5 MBO. The Yates C #36 is the newest well in the field and occupies the same spacing unit as Yates C #4.

The Engineering Report divided the wells into two groups for reserve purposes: 1) those with no restrictions on rate or GOR and 2) those where GOR and/or oil allowable restricted production. For the first group, Exxon plotted both log of rate versus time and rate versus oil cumulative. Exxon removed extraneous points and fit lines to the remaining data. An average of the two estimates (weighted according to the statistical error bars) was used as ultimate reserves. Yates C Federal #4 fit into this first group, and some confusion related to the spacing unit shared with Yates C #36 caused the apparent error in its reserves. The second group of wells with restricted production could not be analyzed in so straight-forward a manner. Stonewall EP #5 and #8 plus Yates C #3 and #36 all fall into the second group. The Engineering Report used at least two approaches to the restricted wells. In some cases, rate versus cumulative could be plotted over some intervals where the well did produce at capacity. In other cases, GOR was plotted against oil cumulative on semilog paper up to a limiting GOR of 20,000. Exxon agreed that 20,000 is probably low as a limiting GOR for EP #5 and EP #8; and the reserves have been raised accordingly. Yates C #36 is a special case where the well has produced for a short time at rates above allowable. Initially, Exxon made a conservative

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estimate of reserves for Yates C #36. The letter of December 22 includes a less conservative estimate for Yates C #36.

One thing that is clear to me is that Exxon's goal has always been to provide an unbiased estimate of reserves. Yates questioned wells where reserves are difficult to estimate.

#### Workover Reserves - Dave Cantrell, Mike Goodwin

Exxon explained that the Yates work at re-completing Stonewall EP #7 actually fits Exxon's expectation for workover so that the workover reserves should be retained in the Engineering Report.

Yates tested three Delaware zones in the EP #7 and ended up producing 13 BO and 117 BW from the zone at 2558-2572. Exxon contends that its experience shows that oil-on-swab translates into a successful completion after frac while "no show" on swab still means a successful completion after frac in 50 percent of the cases. Also Exxon developed a correlation (Attachment 3, page 73) between feet of hydrocarbon pore volume and production after frac. About 2 feet of hydrocarbon pore volume is required for a minimal completion while 6 to 11 feet is required for production above 100 BOPD. Now apply the Exxon experience to Stonewall EP #7. The zone at 2796-2836 has 3.86 feet of hydrocarbon pore volume. Yates swabbed a small show of gas after acid and abandoned the zone. Exxon believes this is the best zone in the well and it might produce 40 BOPD. The zone at 2662-2686 has 2.50 feet of hydrocarbon pore volume. Yates swabbed the well dry after acid and abandoned the zone. Exxon thinks this zone could produce 25 BOPD. The zone at 2558-2572 has 1.92 feet of hydrocarbon pore volume. Yates swabbed about 1.5 BO in two days and fraced the zone. After swabbing back most of the frac load, Yates produced 13 BO and 117 BW on initial potential. The Exxon correlation says the initial rate should be 11 BOPD.

The Exxon conclusion is that Exxon understands Delaware workovers and Stonewall EP #7 behaved according to the Exxon model. After unitization, Exxon will frac the two lower zones and increase production by 65 BOPD. Since the assumed workover reserves benefit Yates, we are willing to believe the Exxon explanation and leave the workover reserves in the Engineering Report.

#### SUMMARY

I feel the Exxon responses concerning Workover Reserves and Geology/Modeling are completely acceptable. Exxon essentially agrees with the Yates modifications to Primary Reserves. The Exxon approach to the Area Outside Primary Production still seems crazy to me. The Exxon letter of December 22 repeats Exxon's offer to add a paragraph to the report which says that the economics in the report assume the entire CO2 flood will be implemented as one continuous project, but the risk associated with the area outside primary production may cause some delay in expanding CO2 to the outer ring. Such a delay will have some minor negative effect on the overall economics. So, the questions come down to whether we should accept the Exxon Engineering Report with such an addendum and whether the addendum

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should include anything about the revised primary reserves. I suggest an addendum with a bit of CO2 philosophy plus a list of revised primary reserves for five wells. What think you?

We owe Exxon a reply on the Engineering Report. Let's talk a few days after you receive this.

Sincerely,



David F. Boneau  
Reservoir Engineering Supervisor

DFB/mjw

Attachments

cc Larry Long (Exxon)  
Mike Slater  
Brian Collins  
Bob Fant  
Randy Patterson  
Brent May













**AVALON ENHANCED OIL RECOVERY PROJECT**

**AVALON (DELAWARE) FIELD**

**EDDY COUNTY, N.M.**

**NMOCD - SANTA FE**

**10:00 A.M. - FEBRUARY 2, 1993**

<b>ATTENDEE</b>	<b>REPRESENTING</b>	<b>PHONE NUMBER</b>
Bill Duncan	Exxon	915 688 6174
Donna Bauer	Exxon	915-688-6172
JOE B. THOMAS	Exxon	(915) 633-7162
LARRY D. LONG	EXXON	(915) 683-7932
Mark Jones	EXXON	(915) 688-7935
ALEX CORREA	"	" 682-6782
Michael E. Stegner	NMOCD	(505) 827-5811
Larry Van RYAN	OCD	(505) 827-5809
Bob Stovall	OCD	(505) 827-5805



EXXON COMPANY, L.P.  
POST OFFICE BOX 4780 • MIDLAND, TEXAS 79702-0780

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U. S. DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
ENVIRONMENTAL AND REGULATORY AFFAIRS

February 9, 1993

Avalon Enhanced Oil Recovery Project  
Eddy County, New Mexico

Mr. Richard L. Manus  
U. S. Department of the Interior  
Bureau of Land Management  
Carlsbad Resource Area  
P. O. Box 1778  
Carlsbad, New Mexico 88221-1778

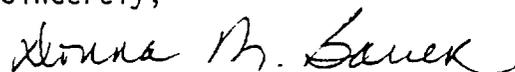
Dear Mr. Manus:

Thank you for the opportunity to meet with you and members of your staff on Monday, February 1, 1993 to discuss the status of the proposed Avalon Enhanced Oil Recovery Project in Eddy County, New Mexico. The list below summarizes the major items discussed at the meeting and is provided for your review as a follow-up.

- The Decision Record from the Environmental Assessment (EA) is currently out for public notice. The BLM asked that Exxon review the EA to ensure all stated facts and figures (volumes, acres, footages, etc.) are correct.
- Approvals for sundry notices and Applications for Permits to Drill (APDs) related to the Avalon project will be tiered to the EA. No additional environmental analysis work will be required for threatened and endangered species or cave and karst. We understand archeological surveys may be required if disturbance within archeological site LA-35587 cannot be avoided or if a discovery is made during construction elsewhere in the project area.
- Only drill wells located on Federal minerals will need to have APDs filed with the BLM. Wells drilled on State or private lands will be permitted through the New Mexico Oil Conservation Division. Should any Federal APDs be submitted prior to approval of the Avalon Unit, unitization will be stipulated as a Condition of Approval.

Exxon appreciates the BLM's consideration of the Avalon project, and we look forward to working with you to streamline permitting and other involvement associated with project implementation. Should you have any questions regarding the project, please call me at (915) 688-6172.

Sincerely,



Donna M. Bauer  
Environmental & Regulatory Affairs

BALLOT # 74-04-135  
 PROPERTY Avulon, Technical Report  
 DATE MAILED 4-15-93

AFE \$ AMT N/A  
 % REQUIRED 90  
 DESC OF WORK Approval of Technical Report

OWNER	DATE RECEIVED	INTEREST	TOTAL
Exxon		74.154172	
Martin		.009868	
Reedfern	4-30-93	.098222	
Hudson	}	1.245315	
Hudson		1.245315	
LAFJ	5-10-93	.019032	
Yates Pitt	1-6-94	3.56553	
Yates Arlg	}	2.859357	
Wyoed		2.949583	
Alvo		.987763	
J Yates		.113766	
S Yates		.090226	
Marano	4-12-94	.423723	87.761872
Los Phlois	6-14-94	.023540	87.785412
ANPC	Verbal, Bill Hegworth 3/1/94 & 4/26/94 & 6/10/94	4.791118	> 90%

Exxon purchase per BBR

MDA	RECEIVED	MPC
RLA	LAND SERVICES	RGG
RKF		RTL
SHJ		TAL
PER		JBE
DCR	JUN 15 1995	SHK
JBT		LLM
		SES
		JHT
	MAPO - MIDLAND	
HANDLE	REVIEW	SEE ME
		CIRC
		FILE

Post-It™ brand fax transmittal memo 7671 # of pages > 3

To <u>Ron Mayhew</u>	From <u>Jodie Roughton</u>
Co. <u>Exxon</u>	Co. <u>Unit</u>
Dept.	Phone #
Fax <u>(915) 688-6258</u>	Fax #

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

APRIL 15, 1993

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

J. WAYNE ACHEE  
PRODUCTION MANAGER

Proposed Avalon (Delaware) Unit  
Technical Report Addenda  
Ballot #93-04-135

Working Interest Owners  
Proposed Avalon (Delaware) Unit  
Eddy County, New Mexico

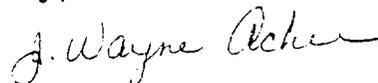
Please find enclosed a ballot for your approval to accept certain addenda to the "Report of the Technical Committee for the Working Interest Owners", with the Report and addenda to serve as the basis for future unitization negotiations.

Attached to the ballot are revised Exhibits "E" and "F" of the Pre-Unitization Voting Agreement. Those revisions reflect lease ownership information made available subsequent to the August 1992 update. Per the Agreement, other exhibits to the Agreement are unchanged.

When executed, the Ballot should be returned to the address shown below. Any general questions should be directed to Larry D. Long, telephone (915) 688-7932. Any additional title information or questions should be directed to Joe B. Thomas, telephone (915) 688-7162 or to his attention at the address shown below.

Your continued support in the unitization effort is appreciated.

Sincerely,



JWA:hho  
Attachment

Return Ballot to: Exxon Company, U.S.A.  
Operations Accounting  
Attn: J. J. Degraffenreid  
P. O. Box 51040  
Midland, Texas 79710-1040

Title Information to:  
Exxon Company, U.S.A.  
Attn: J. B. Thomas  
P.O. Box 1600  
Midland, Texas 79702-1600

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

Exxon seeks your approval of the "Report of the Technical Committee for the Working Interest Owners" and the attached Addenda as the basis of all future negotiations regarding the proposed Unit. The Report, dated August 1992, includes two volumes: "VOLUME I - TEXT AND EXHIBITS" and "VOLUME II - MAPS AND CROSS SECTIONS." The Addenda include Items #1 through #5 described in the attachments.

Approval of the Report and Addenda will not constitute a selection of the specific parameters to be used in the participation formula(s) nor of the formula(s) themselves, but does establish that only the data contained in the Report and Addenda will be used for the values of the parameters eventually selected in the negotiating process.

As a result of updated lease ownership information, Exhibits "E" and "F" (dated March 1993) of the approved Pre-Unitization Voting Agreement (the "Agreement") have been revised and are attached. The revisions are made in accordance with the Agreement and do not require approval as part of this ballot, but are included for your information to reflect new voting ownership.

Approved: \_\_\_\_\_

Title: \_\_\_\_\_

Representing: \_\_\_\_\_

Date: \_\_\_\_\_

Addenda to the "Report of the Technical Committee for the Working Interest Owners"

ITEM #1 SECTION E: MAPPING AND VOLUMETRICS  
Exhibit E-7, Well-Tract 2109, Tertiary Factor should be 0.50

ITEM #2 SECTION E: MAPPING AND VOLUMETRICS  
Should include the following addition:

The "limits of primary production" shown on Maps 13, 14, 20 and 21 simply indicate the limits of known current production in the Lower Cherry/Upper Brushy Canyon and Upper Cherry Canyon intervals. These productive limits are shown solely for the purpose of comparing mapping results to production data in the Avalon area and are not intended to represent the absolute limits of all potential primary production from these zones.

ITEM #3 SECTION G: FLOWSTREAMS  
EXHIBIT G-19 should include the following revisions:

<u>UNIT WELL NUMBER</u>	<u>PRIMARY 1/1/93 RUR</u>	<u>PRIMARY EUR</u>
1311	43.4	179.8
1313	33.4	152.4
1915	113.5	309.0
1917	29.3	210.1
2016	90.1	178.4

ITEM #4 SECTION G: FLOWSTREAMS

The following discussion and EXHIBIT G-24 should be included:

The reserves discussed and summarized in Section G of the Technical Report are through-wellbore reserves determined by the procedures detailed in that Section. Those reserves were based on a series of flood pattern configurations largely dictated by existing wellbores as indicated qualitatively in Exhibit G-2. The few producers to-be-drilled were generally centered within their nominal 40-acre tracts. Injectors to-be-drilled were generally placed mid-way between offset producers so as to enhance pattern areal conformance and ultimate recovery. The resulting flood pattern boundaries generally do not conform to lease-lines nor internal nominal 40-acre tract lines. This non-conformance results in some in-place reserves being pushed off their respective tracts to adjacent producing wells during flooding operations.

Exhibit G-24 better represents in-place ownership of the produced reserves. For that Exhibit, primary reserves were not revised from those shown in Exhibit G-19 except for those wells affected by addendum Item #3. Tract Waterflood Reserves were determined by (1) first determining the reserves associated with the waterflood's nominal quarter-patterns (the polygons shown in Exhibit G-2) for each production well; (2) determining the original-oil-in-place for each of the polygons ("tract-patterns") created by the intersections of the quarter-pattern and 40-acre well-tract boundaries; (3) allocating the quarter-pattern reserves to the tract-patterns by the ratio of the associated OOIP's; and (4) recombining the resulting tract-pattern reserves for each well-tract. Both sets of boundaries are defined by co-ordinates used for other calculations reflected in the Report, most notably the volumes contained in Sections E and G. The Tract Waterflood Reserves shown in Exhibit G-24 include both the workover volumes and the waterflood volumes shown separately in Exhibit G-19. The Tract CO<sub>2</sub> Reserves were determined in an analogous procedure.

AVALON (DELAWARE) UNIT  
 BY WELL-TRACT RESERVES  
 ---RUR AS OF 1/1/93---  
 ---VOLUMES ARE KBO---

WELL TRACT	1/1/93 REMAINING PRIMARY	ULTIMATE PRIMARY RESERVES	TRACT WATERFLOOD RESERVES	TRACT CO2 RESERVES
1109	0.0	0.0	0.0	265.4
1111	0.0	0.0	345.1	530.6
1113	0.0	0.0	0.8	446.7
1309	0.0	0.0	0.0	607.3
1311	43.4	179.8	403.6	1693.0
1313	33.4	152.4	373.3	1045.9
1315	0.0	0.0	0.0	362.5
1509	0.0	0.0	0.0	579.0
1511	53.4	137.1	368.1	1425.9
1513	33.8	154.6	741.5	2177.2
1515	0.0	1.7	0.0	852.5
1517	0.0	0.0	0.0	247.4
1709	0.0	5.1	0.0	174.3
1711	19.3	127.6	174.5	1189.7
1713	40.3	164.8	698.4	2009.3
1715	20.2	66.3	157.5	966.2
1717	0.0	0.0	69.3	481.0
1719	0.0	0.0	0.0	203.9
1909	0.0	0.0	0.0	336.2
1911	66.4	190.7	252.6	1687.4
1913	80.9	268.8	648.3	1861.6
1915	113.5	309.0	1101.1	2271.4
1917	119.4	388.5	156.3	739.5
1919	24.1	68.4	11.3	448.6
1921	0.0	0.0	0.0	143.8
2109	0.0	0.0	0.0	91.4
2111	50.7	138.9	102.5	1195.1
2113	120.3	360.8	553.9	1496.8
2115	38.0	257.6	397.1	1933.6
2117	76.6	275.8	587.5	2241.8
2119	126.9	258.2	232.2	925.2
2121	0.0	0.0	0.0	308.9
2123	0.0	0.0	0.0	51.5
2309	0.4	10.9	0.0	46.7
2311	19.3	150.6	157.9	1207.9
2313	56.7	199.5	264.9	1064.2
2315	0.0	22.7	73.4	523.1
2317	0.0	29.5	28.6	881.0
2319	29.3	173.6	167.5	823.6
2321	3.1	23.2	69.7	741.6
2323	0.0	0.0	0.0	120.1
2509	0.3	6.0	0.0	119.1
2511	0.0	11.9	0.0	522.4
2513	0.0	0.0	0.0	219.4
2515	0.0	0.0	0.4	353.9
2517	0.0	24.6	43.7	525.1
2519	22.5	114.1	88.3	710.5
2521	0.0	0.0	0.1	299.2
2523	0.0	0.0	0.0	19.5
2709	0.0	3.1	0.0	239.4
2711	0.0	0.0	0.0	204.9
2717	0.0	0.0	0.0	148.9
2719	0.0	0.0	0.0	111.9
2721	0.0	0.0	0.0	10.0
TOTAL	1192.2	4275.8	8269.4	39883.0

NOTE: PRIMARY RESERVES ADJUSTED ONLY TO REFLECT ACCOMPANYING ADDENDUM THAT APPLIES TO WELLS 1311, 1313, 1915 AND 1917 (INCLUDES 2016)  
 NOTE: WELL 2016 RESERVES ARE INCLUDED WITH THOSE OF WELL 1917 SINCE THE WELLS SHARE THE SAME PRIMARY PRORATION TRACT  
 NOTE: WATERFLOOD RESERVES INCLUDE BOTH WORKOVER AND FLOOD RESERVES  
 NOTE: TOTALS MAY NOT EQUAL EXHIBIT G-19 BECAUSE OF ROUND-OFF

ITEM #5: SECTION H: ECONOMICS

Should include the following addition:

The Technical Report, Section H, describes a development plan with a pressure-building water injection step to be implemented in 1993. After approximately three years of water injection, it is anticipated that the area reservoir pressure will be increased to the level desired for CO<sub>2</sub> miscible operations. The analysis performed by the Technical Committee at the time the Report was compiled indicates that the entire proposed area would achieve acceptable economic performance and that a near-simultaneous implementation across the area achieves the maximum present-worth for the investments required. However, some prospective unit owners have expressed the view that this "near-simultaneous implementation" may not be the optimal plan of development. It is expected that additional reservoir description data resulting from the 1993-94 drill wells; the planned CO<sub>2</sub> injectivity test referenced in the Report; the water injectivity data across the area; the over-all performance data of the water injection phase; and non-technical data such as crude prices will all provide valuable information for optimizing the project and its implementation plan. Thus, while different viewpoints regarding project implementation in the 1996-97 time frame exist at this time, it is likely that additional information gained prior to this time will lead to the development of an agreed upon optimal plan of development. That plan will require approval by the working interest owners in accordance with the ballot and voting procedures outlined in the Unitization Agreement.

ATTACHMENT "E"  
PROPOSED AVALON (DELAWARE) U

MARCH, 1993

OPERATOR	LEASE	OWNER	WELL-TRACT OWNER FRACTION	WELL-TRACTS INCLUDED
EXXON	YATES C FEDERAL	EXXON	1.00000000	1911-1917, 2111-2117, 2311-2317, 2511-2517
EXXON	HONDO A STATE	EXXON	1.00000000	1919, 1921, 2119, 2319, 2519, 2521
EXXON	HONDO FEE	EXXON	1.00000000	2121, 2321
EXXON	YATES C FEDERAL B	EXXON	1.00000000	2717, 2719, 2721
HUDSON	STONEWALL FEDERAL	W.A.HUDSON, II	0.33333333	1719
HUDSON	STONEWALL FEDERAL	E.R.HUDSON, JR	0.33333333	1719
HUDSON	STONEWALL FEDERAL	MARY HUDSON ARD	0.33333333	1719
MARALO	KEYSTONE	MARALO	0.37500000	2123, 2323, 2523
MARALO	KEYSTONE	NAPECO	0.25000000	2123, 2323, 2523
MARALO	KEYSTONE	HAMON OPERATING	0.21875000	2123, 2323, 2523
MARALO	KEYSTONE	YATES DRILLING CO	0.04166667	2123, 2323, 2523
MARALO	KEYSTONE	MYCO INDUSTRIES, INC	0.04166666	2123, 2323, 2523
MARALO	KEYSTONE	JOHN A. YATES	0.02083340	2123, 2323, 2523
MARALO	KEYSTONE	LOS CHICOS	0.02083330	2123, 2323, 2523
MARALO	KEYSTONE	DONALD CLAYTON CHAPELL	0.01562500	2123, 2323, 2523
MARALO	KEYSTONE	CAROL CHAPEL HENRY TR	0.00390625	2123, 2323, 2523
MARALO	KEYSTONE	LISA KENNEDY HICKS	0.00390625	2123, 2323, 2523
MARALO	KEYSTONE	CLAYTON CHAPELL KENNEDY	0.00390625	2123, 2323, 2523
MARALO	KEYSTONE	JOSEPH O KENNEDY III	0.00390625	2123, 2323, 2523
MERIT	BURTON FLAT ST	MERIT	1.00000000	2709, 2711
MWJ	GWA STATE	MARTIN,WILLIAMS,JUDSON	0.67968750	2309, 2509
MWJ	GWA STATE	MYCO	0.08333340	2309, 2509
MWJ	GWA STATE	JOHN A. YATES	0.08333330	2309, 2509
MWJ	GWA STATE	S.P.YATES	0.08333330	2309, 2509
MWJ	GWA STATE	SIGMAR,INC	0.02669270	2309, 2509
MWJ	GWA STATE	LAJ CORPORATION	0.01757810	2309, 2509
MWJ	GWA STATE	F.A. AND D.H.FOX	0.00911460	2309, 2509
MWJ	GWA STATE	JAMES L.MARTIN,TRUSTEE	0.00911460	2309, 2509
MWJ	GWA STATE	JOHN L. SCHLAGAL	0.00781250	2309, 2509
PREMIER	EDDY STATE	PREMIER	1.00000000	1109, 1309, 1509, 1709
YATES	STONEWALL EP STATE	EXXON	0.27973850	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	COQUINA	0.17651980	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	YATES PETROLEUM CORP	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	YATES DRILLING CO	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MYCO	0.10083120	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	W.A.HUDSON, II	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	E.R.HUDSON, JR	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MARY HUDSON ARD	0.04124310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	ABO	0.03361040	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	NORTH AMERICAN-YATES	0.02300800	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	DEVON	0.02300800	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	MWJ	0.01546620	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	CLAREMONT	0.00773310	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	KERR-MCGEE	0.00745550	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	ROSALIND REDFERN	0.00361880	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL EP STATE	JOHN J. REDFERN	0.00361880	1111, 1113, 1311, 1313, 1315
YATES	STONEWALL WM ST	EXXON	0.27973850	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	COQUINA	0.17651980	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	YATES PETROLEUM CORP	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	YATES DRILLING CO	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MYCO	0.10083120	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	W.A.HUDSON, II	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	E.R.HUDSON, JR	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MARY HUDSON ARD	0.04124310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	ABO	0.03361040	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	NORTH AMERICAN-YATES	0.02300800	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	DEVON	0.02300800	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	MWJ	0.01546620	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	CLAREMONT	0.00773310	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	KERR-MCGEE	0.00745550	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	ROSALIND REDFERN	0.00361880	1511, 1513, 1711, 1713
YATES	STONEWALL WM ST	JOHN J. REDFERN	0.00361880	1511, 1513, 1711, 1713
YATES	STONEWALL YE STATE	CHEVRON PBC	0.25000000	1515, 1517
YATES	STONEWALL YE STATE	EXXON	0.20980388	1515, 1517
YATES	STONEWALL YE STATE	COQUINA	0.13238985	1515, 1517
YATES	STONEWALL YE STATE	YATES PETROLEUM CORP	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	YATES DRILLING CO	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	MYCO	0.07562340	1515, 1517
YATES	STONEWALL YE STATE	W.A.HUDSON, II	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	E.R.HUDSON, JR	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	MARY HUDSON ARD	0.03093232	1515, 1517
YATES	STONEWALL YE STATE	ABO	0.02520780	1515, 1517
YATES	STONEWALL YE STATE	NORTH AMERICAN-YATES	0.01725600	1515, 1517
YATES	STONEWALL YE STATE	DEVON	0.01725600	1515, 1517
YATES	STONEWALL YE STATE	MWJ	0.01159965	1515, 1517
YATES	STONEWALL YE STATE	CLAREMONT	0.00579982	1515, 1517
YATES	STONEWALL YE STATE	KERR-MCGEE	0.00559163	1515, 1517
YATES	STONEWALL YE STATE	ROSALIND REDFERN	0.00271410	1515, 1517
YATES	STONEWALL YE STATE	JOHN J. REDFERN	0.00271410	1515, 1517
YATES	STONEWALL WM ST B	CHEVRON PBC	0.25000000	1715, 1717
YATES	STONEWALL WM ST B	EXXON	0.20980388	1715, 1717
YATES	STONEWALL WM ST B	COQUINA	0.13238985	1715, 1717
YATES	STONEWALL WM ST B	YATES PETROLEUM CORP	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	YATES DRILLING CO	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	MYCO	0.07562340	1715, 1717
YATES	STONEWALL WM ST B	W.A.HUDSON, II	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	E.R.HUDSON, JR	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	MARY HUDSON ARD	0.03093232	1715, 1717
YATES	STONEWALL WM ST B	ABO	0.02520780	1715, 1717
YATES	STONEWALL WM ST B	NORTH AMERICAN-YATES	0.01725600	1715, 1717
YATES	STONEWALL WM ST B	DEVON	0.01725600	1715, 1717
YATES	STONEWALL WM ST B	MWJ	0.01159965	1715, 1717
YATES	STONEWALL WM ST B	CLAREMONT	0.00579982	1715, 1717
YATES	STONEWALL WM ST B	KERR-MCGEE	0.00559163	1715, 1717
YATES	STONEWALL WM ST B	ROSALIND REDFERN	0.00271410	1715, 1717
YATES	STONEWALL WM ST B	JOHN J. REDFERN	0.00271410	1715, 1717
YATES	CITIDEL	YATES	1.00000000	1909, 2109

ATTACHMENT "F"  
 PROPOSED AVALON (DELAWARE) UNIT  
 PRE-UNITIZATION OWNER VOTING PERCENTAGES  
 MARCH, 1993

VOTING PERCENTAGE BY OWNER  
 WEIGHTED BY 40% CURRENT PRODUCTION  
 40% CUMULATIVE PRODUCTION  
 20% ACRES

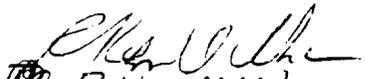
OWNER	VOTING PERCENTAGE	( WEIGHT X FACTOR )	OWNER BOPD	TOTAL AREA BOPD	( WEIGHT X FACTOR )	OWNER CUMUL PROD 1000 BO	TOTAL AREA CUMUL PROD 1000 BO	( WEIGHT X FACTOR )	OWNER ACRES	TOTAL AREA ACRES
CHEVRON PBC	0.646316	( 0.4000 )	2.2 /	823.6	( 0.4000 )	10.698 /	2642.273	( 0.2000 )	40.4 /	2134.1
CLAREMONT	0.209893	( 0.4000 )	2.1 /	823.6	( 0.4000 )	4.729 /	2642.273	( 0.2000 )	3.8 /	2134.1
COQUINA	4.791118	( 0.4000 )	48.3 /	823.6	( 0.4000 )	107.940 /	2642.273	( 0.2000 )	86.5 /	2134.1
DEVON	0.624485	( 0.4000 )	6.3 /	823.6	( 0.4000 )	14.069 /	2642.273	( 0.2000 )	11.3 /	2134.1
EXXON	74.207433	( 0.4000 )	621.2 /	823.6	( 0.4000 )	2167.030 /	2642.273	( 0.2000 )	1198.8 /	2134.1
HAMON OPERATING	0.247172	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	26.4 /	2134.1
E.R.HUDSON JR	1.245315	( 0.4000 )	11.3 /	823.6	( 0.4000 )	25.220 /	2642.273	( 0.2000 )	33.6 /	2134.1
W.A.HUDSON II	1.245315	( 0.4000 )	11.3 /	823.6	( 0.4000 )	25.220 /	2642.273	( 0.2000 )	33.6 /	2134.1
MARY HUDSON ARD	1.245315	( 0.4000 )	11.3 /	823.6	( 0.4000 )	25.220 /	2642.273	( 0.2000 )	33.6 /	2134.1
MARALO	0.423723	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	45.2 /	2134.1
MERIT	0.653657	( 0.4000 )	1.3 /	823.6	( 0.4000 )	3.080 /	2642.273	( 0.2000 )	58.2 /	2134.1
MWJ	0.419785	( 0.4000 )	4.2 /	823.6	( 0.4000 )	9.457 /	2642.273	( 0.2000 )	7.6 /	2134.1
MARTIN, WILLIAMS AND JUDSON	0.735902	( 0.4000 )	1.3 /	823.6	( 0.4000 )	10.818 /	2642.273	( 0.2000 )	54.5 /	2134.1
SIGMAR, INC	0.028900	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.426 /	2642.273	( 0.2000 )	2.1 /	2134.1
LAJ CORP	0.019032	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.281 /	2642.273	( 0.2000 )	1.4 /	2134.1
F.A.FOX AND D.M.FOX	0.009868	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.145 /	2642.273	( 0.2000 )	0.7 /	2134.1
JAMES L.MARTIN JR, TRUSTEE	0.009868	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.145 /	2642.273	( 0.2000 )	0.7 /	2134.1
JOHN L.SCHLAGAL	0.008459	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.125 /	2642.273	( 0.2000 )	0.6 /	2134.1
NAPECO	0.282482	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	30.1 /	2134.1
PREMIER	1.597814	( 0.4000 )	0.0 /	823.6	( 0.4000 )	5.074 /	2642.273	( 0.2000 )	162.3 /	2134.1
KERR MCGEE	0.202358	( 0.4000 )	2.0 /	823.6	( 0.4000 )	4.559 /	2642.273	( 0.2000 )	3.7 /	2134.1
ROSALIND REDFERN	0.098222	( 0.4000 )	1.0 /	823.6	( 0.4000 )	2.213 /	2642.273	( 0.2000 )	1.8 /	2134.1
JOHN J. REDFERN	0.098222	( 0.4000 )	1.0 /	823.6	( 0.4000 )	2.213 /	2642.273	( 0.2000 )	1.8 /	2134.1
YATES	0.755065	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	80.6 /	2134.1
YATES DRILLING	2.783851	( 0.4000 )	27.6 /	823.6	( 0.4000 )	61.657 /	2642.273	( 0.2000 )	54.4 /	2134.1
YATES PETROLEUM	2.736770	( 0.4000 )	27.6 /	823.6	( 0.4000 )	61.657 /	2642.273	( 0.2000 )	49.4 /	2134.1
MYCO	2.874076	( 0.4000 )	27.8 /	823.6	( 0.4000 )	62.987 /	2642.273	( 0.2000 )	61.1 /	2134.1
ABO	0.912257	( 0.4000 )	9.2 /	823.6	( 0.4000 )	20.552 /	2642.273	( 0.2000 )	16.5 /	2134.1
JOHN A.YATES	0.113766	( 0.4000 )	0.2 /	823.6	( 0.4000 )	1.330 /	2642.273	( 0.2000 )	9.2 /	2134.1
S.P.YATES	0.090225	( 0.4000 )	0.2 /	823.6	( 0.4000 )	1.330 /	2642.273	( 0.2000 )	6.7 /	2134.1
NORTH AMERICAN YATES	0.624485	( 0.4000 )	6.3 /	823.6	( 0.4000 )	14.069 /	2642.273	( 0.2000 )	11.3 /	2134.1
LOS CHICOS	0.023540	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	2.5 /	2134.1
DONALD CLAYTON CHAPELL	0.017655	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	1.9 /	2134.1
CAROL CHAPELL HENRY TRUST	0.004414	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	0.5 /	2134.1
LISA KENNEDY HICKS	0.004414	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	0.5 /	2134.1
CLAYTON CHAPELL KENNEDY	0.004414	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	0.5 /	2134.1
JOSEPH O KENNEDY III	0.004414	( 0.4000 )	0.0 /	823.6	( 0.4000 )	0.000 /	2642.273	( 0.2000 )	0.5 /	2134.1
TOTAL	100.000000	( 0.4000 )	823.6 /	823.6	( 0.4000 )	2642.273 /	2642.273	( 0.2000 )	2134.1 /	2134.1

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

Exxon seeks your approval of the "Report of the Technical Committee for the Working Interest Owners" and the attached Addenda as the basis of all future negotiations regarding the proposed Unit. The Report, dated August 1992, includes two volumes: "VOLUME I - TEXT AND EXHIBITS" and "VOLUME II - MAPS AND CROSS SECTIONS." The Addenda include Items #1 through #5 described in the attachments.

Approval of the Report and Addenda will not constitute a selection of the specific parameters to be used in the participation formula(s) nor of the formula(s) themselves, but does establish that only the data contained in the Report and Addenda will be used for the values of the parameters eventually selected in the negotiating process.

As a result of updated lease ownership information, Exhibits "E" and "F" (dated March 1993) of the approved Pre-Unitization Voting Agreement (the "Agreement") have been revised and are attached. The revisions are made in accordance with the Agreement and do not require approval as part of this ballot, but are included for your information to reflect new voting ownership.

Approved:   
R. Ken Williams

Title: President

Representing: LAT CORPORATION

Date: 5/31/93

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

Exxon seeks your approval of the "Report of the Technical Committee for the Working Interest Owners" and the attached Addenda as the basis of all future negotiations regarding the proposed Unit. The Report, dated August 1992, includes two volumes: "VOLUME I - TEXT AND EXHIBITS" and "VOLUME II - MAPS AND CROSS SECTIONS." The Addenda include Items #1 through #5 described in the attachments.

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Approved:   
Title: W.A. HUDSON II  
Representing: " "  
Date: 4/26/93

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

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Approved: Edward R. Hudson, Jr.  
Edward R. Hudson, Jr.  
Title: Owner  
Representing: Edward R. Hudson, Jr.  
Date: April 19, 1993

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

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Approved: *Rosalind Redfern*  
Title: Rosalind Redfern  
Representing: \_\_\_\_\_  
Date: 27 of 200 1993

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

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Approved: January 4, 1994

Title: Attorney-in-Fact

Representing: YATES PETROLEUM CORPORATION

Date: *Raymond Yates*

YATES DRILLING COMPANY

By: *Raymond Yates*  
Attorney-in-Fact

MYCO INDUSTRIES, INC.

By: *Frank Hales Jr*  
Attorney-in-Fact

LOS CHICOS  
ABO PETROLEUM CORPORATION

By: *John A. Yates*  
Attorney-in-Fact

JOHN A. YATES  
ESTATE OF REGGY A. YATES

By: *S. P. Yates*

S. P. YATES

By: *S. P. Yates*

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

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Approved: James J. Lohman Jr  
Title: Trustee  
Representing: \_\_\_\_\_  
Date: 4-19-93

Proposed Avalon (Delaware) Unit Ballot # 93-04-135

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Approved: M. G. Linton  
Title: Reservoir Engineer  
Representing: Unit Petroleum Co. (ANPC)  
Date: April 1994

April 8, 1994

Meeting Notice

Avalon Field Owners:

The Avalon Field "Report of the Technical Committee for the Working Interest Owners", dated August, 1992 has been approved.

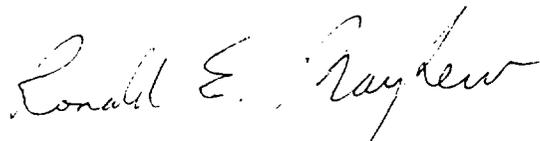
On April 26 we will host a meeting to distribute and review the proposed Avalon Field Unit Agreement (UA) and Unit Operating Agreement (UOA). It is important that you attend in that we will review the field unitization plans which include:

- Participation Formula & Percentages
- Current Development Plan
- UOA/UA

An agenda is provided as Attachment I. A subsequent meeting will be held 4 to 6 weeks later for you to review your written comments/suggested changes with the same group.

Please RSVP your plans to attend the April 26 meeting by returning Attachment II. A map to the meeting location is included as Attachment III. I look forward to meeting those of you who can attend. Should you have questions prior to meeting, feel free to call me at (915) 688-7841 or Gil Beuhler (915) 688-7849.

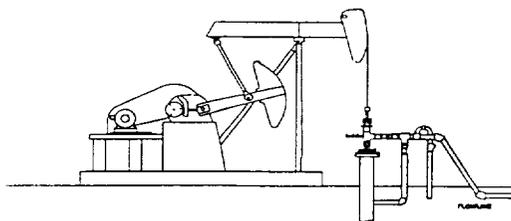
Sincerely,



Ronald E. Mayhew  
Avalon Project Manager

REM/nh  
Attachments

# Attachment I: Meeting Agenda



**Topic:** Proposed Avalon Field Unit

**Date:** Tuesday, April 26, 1994

**Location:** Exxon Building PC #4 Training Room, 3300 N. A St. Midland, Tx

**Purpose:** Provide potential Working Interest Owners of the Avalon Unit with a recommended Unit Agreement and Unit Operating Agreement

<b>Desired Outcomes:</b>	
1.	Attendees understand significant aspects of proposed Unit and how they affect the proposed agreements
2.	Attendees understand what they will & will not be bound to by approving UA/UOA

<b>Steps</b>	<b>Methods/Presenter</b>	<b>Min.</b>	<b>Time</b>
Introduction	Welcome/ Ron Mayhew opens & Attendees introduce selves	5	10:00 am
Agenda Review	Ron Mayhew	5	10:05 am
Exxon Role & Interest	Ron Mayhew presents, group asks for clarifications	10	10:10 am
Overview of Proposed Project and Participation Formula	Gil Beuhler presents, group asks questions at end of each section	45	10:20 am
Unit Agreement	Joe Thomas presents, clarifying questions asked at end of each article	45	11:05 am
Lunch	Provided onsite	30	11:50 am
Unit Operating Agreement	Joe Thomas presents, clarifying questions asked at end of each article	90	12:20 pm
Current Development Plan/Ongoing Optimization	Gil Beuhler presents, group asks questions	20	1:50 pm
Next Steps/Meeting; Exxon Contacts	Ron Mayhew presents	15	2:10 pm
Adjourn			2:25 pm

# Avalon Field Unitization

- **Purpose**
  - Provide potential W I Os with recommended Unit Agreement (UA) and Unit Operating Agreement (UOA)
- **Desired Outcomes**
  - Understand significant aspects of proposed Unit and how they affect the agreements
  - Understand what will & will not be bound to by approving UA/UOA



April 26, 1994

## Attachment II: RSVP for Avalon Meeting

Mail to:

Ron Mayhew, EOR Projects Manager  
Exxon Co., USA, ML#4  
P.O. Box 3116  
Midland, Tx 79702-3116

or Express Mail to:

Building CDA #245  
23 Desta Drive  
Midland, Tx 79705

or Fax to: (915) 688-7847

Check one box below and return to Ron Mayhew:

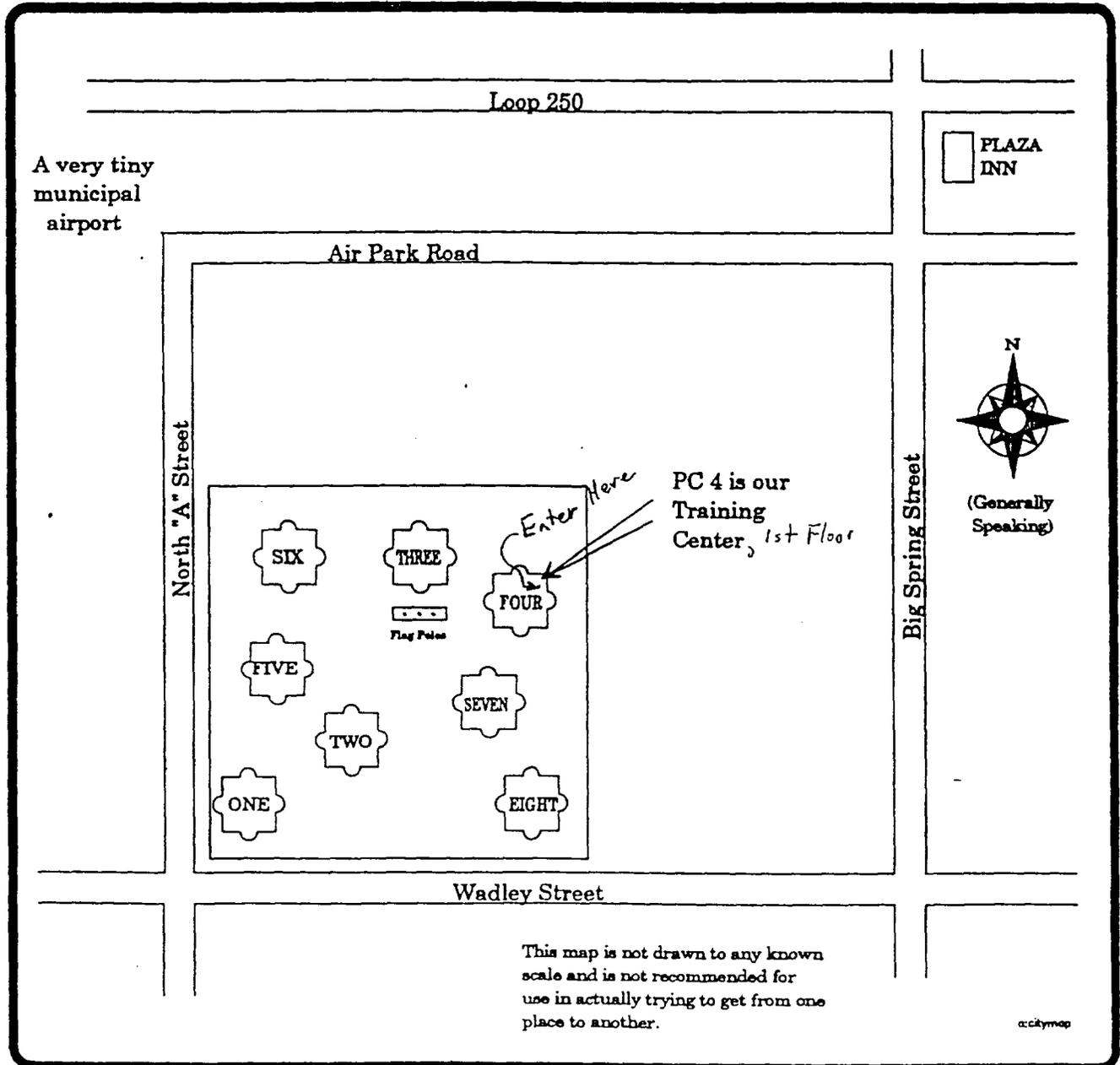
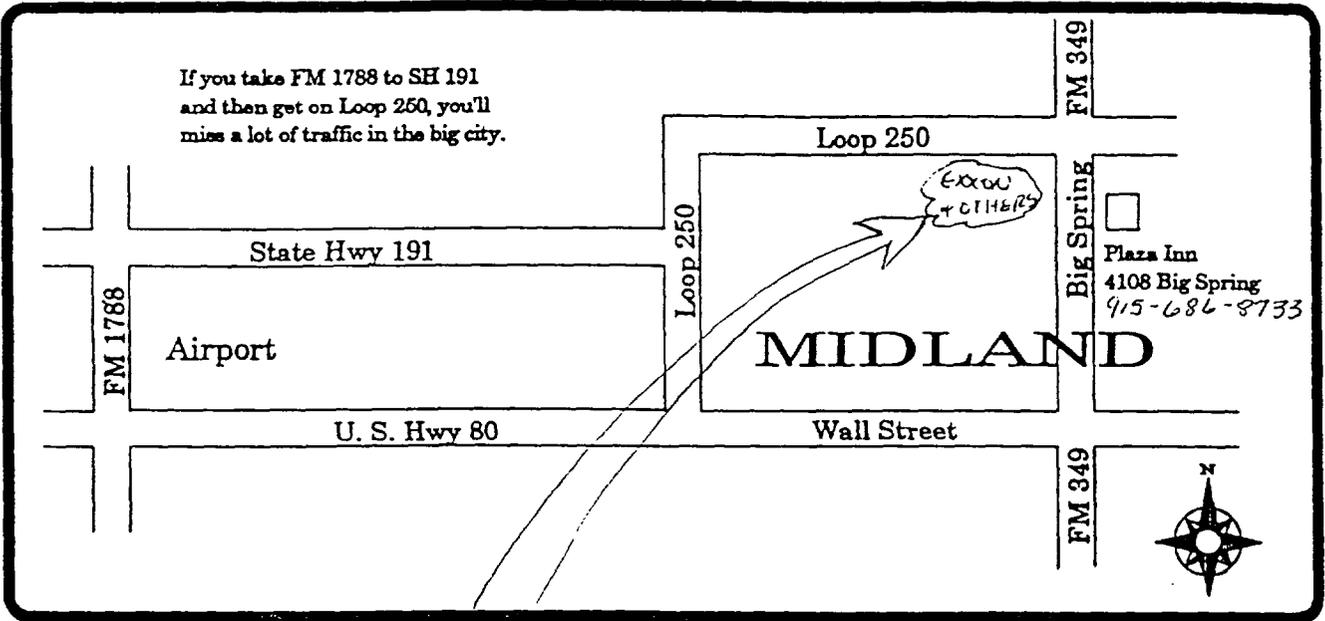
- We will have \_\_\_ persons attending. Provide any dietary concerns we need to address: \_\_\_\_\_
- We will not have anyone attending the April meeting, but plan to attend the subsequent meeting.
- We will not attend either meeting.
- Please mail me a copy of the 2 volume Technical Report, Avalon Field "*Report of the Technical Committee for the Working Interest Owners*", dated August, 1992

Contact Person: \_\_\_\_\_  
phone: \_\_\_\_\_  
fax: \_\_\_\_\_

Company Name & Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# ATTACHMENT III



# Avalon Field Unitization

- **Exxon Role**
  - Reservoir Management & Profitability
  - Technical Analysis (Exxon & WIOs)
  - Understand & Address WIO Needs
- **Project Manager Role**
  - Coordinate Unitization Activities
  - Focal Point for Water Injection & CO<sub>2</sub> Phases of Project
  - Project Profitability
  - Endorse Project Design Basis (test need vs. traditional)

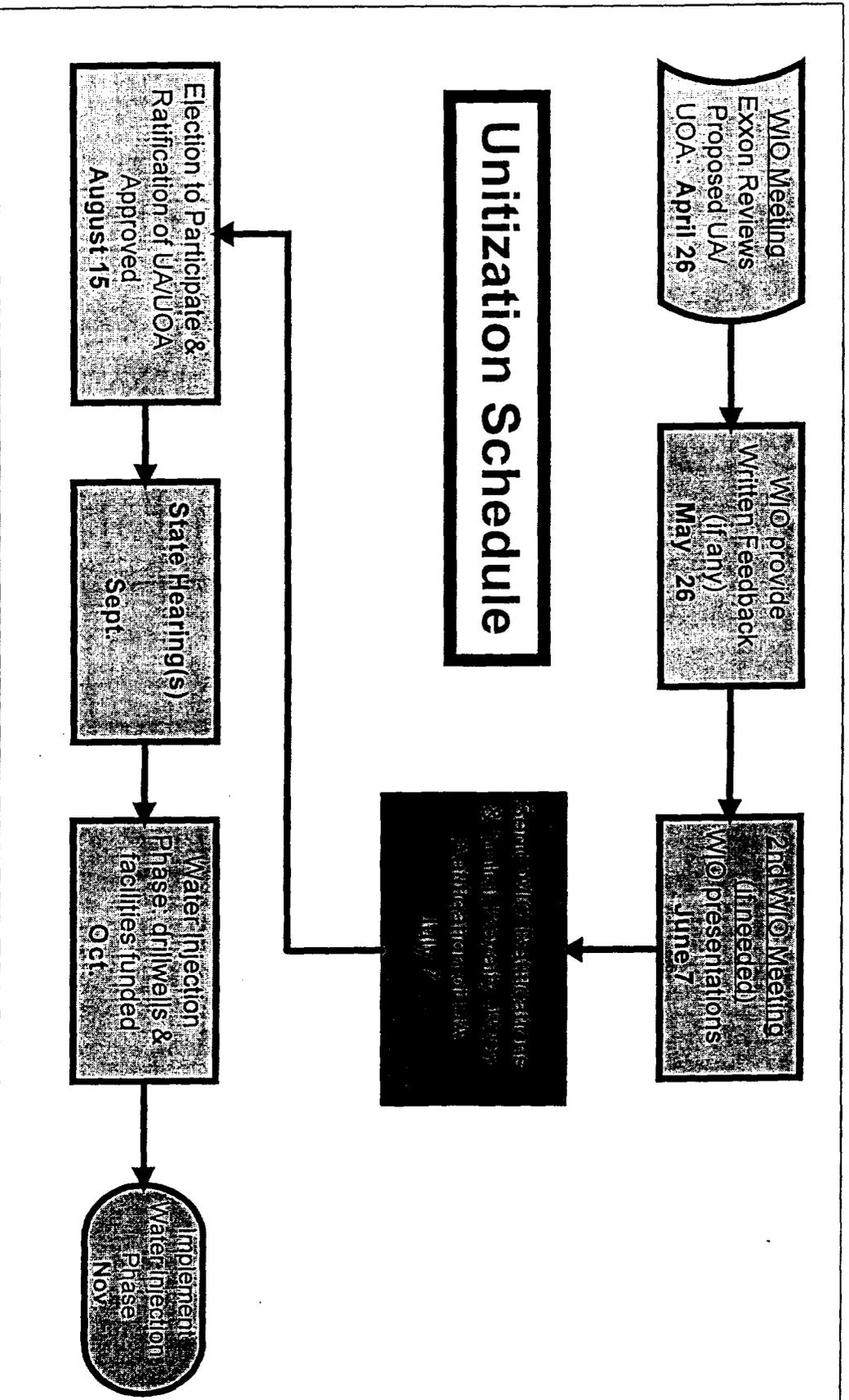


# Avalon Field Unitization

- **Exxon Commitment**
  - Prize is CO<sub>2</sub> Project
    - » CO<sub>2</sub> Recoverable Reserves
    - » Water Injection Phase Carries Itself
  - Manpower & Funds Expended
- **Exxon Funding & Implementation Ability**
  - 1994 \$ available
  - Future years pace depends on attractiveness and Water Injection Phase performance



# Avalon Field Unitization

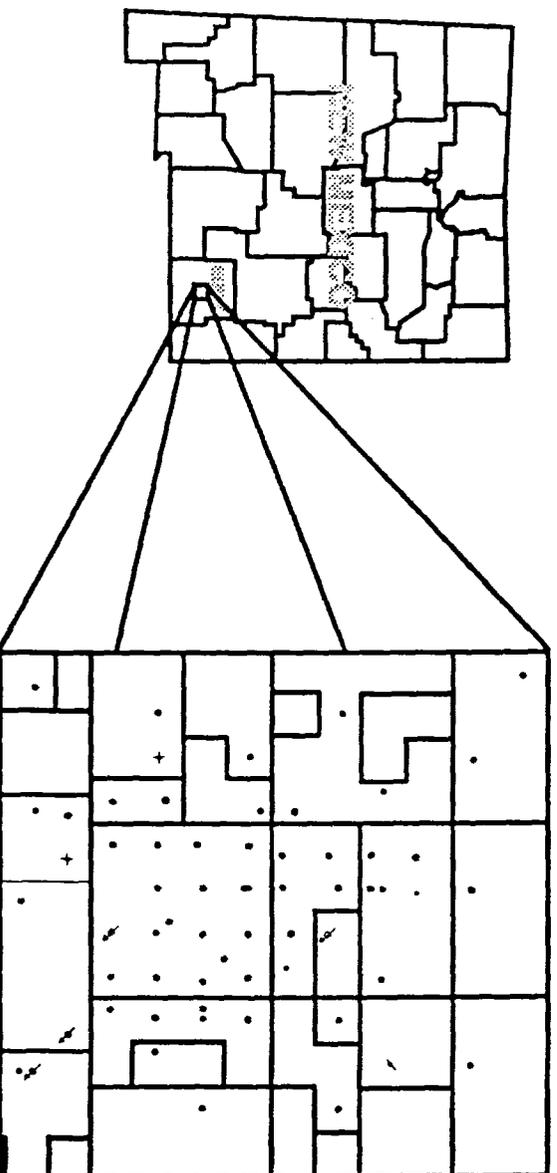


## Unitization Schedule



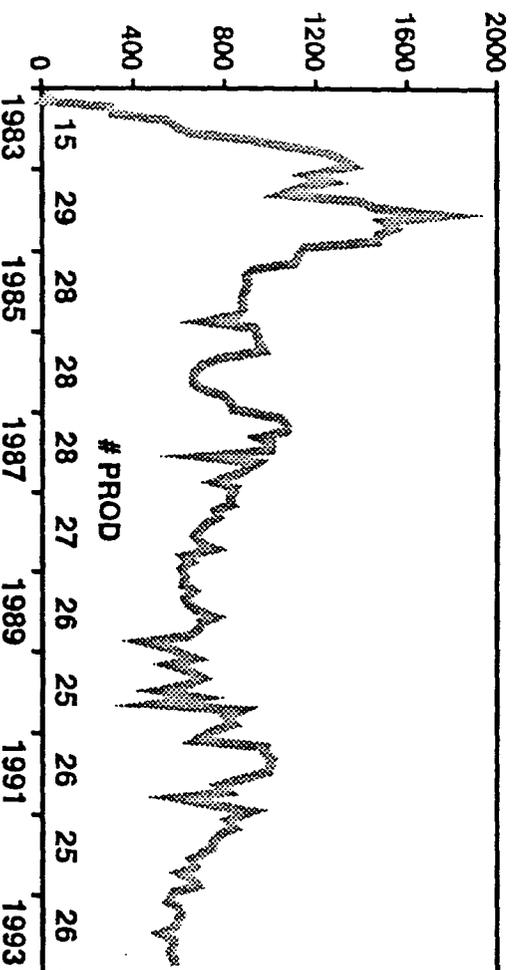
April 26, 1994

# AVALON (DELAWARE) PROJECT FIELD SUMMARY



1100 ACRES PRIMARY PRODUCTIVE ACREAGE  
26 ACTIVE PRODUCERS  
4 ACTIVE INJECTORS/SWD

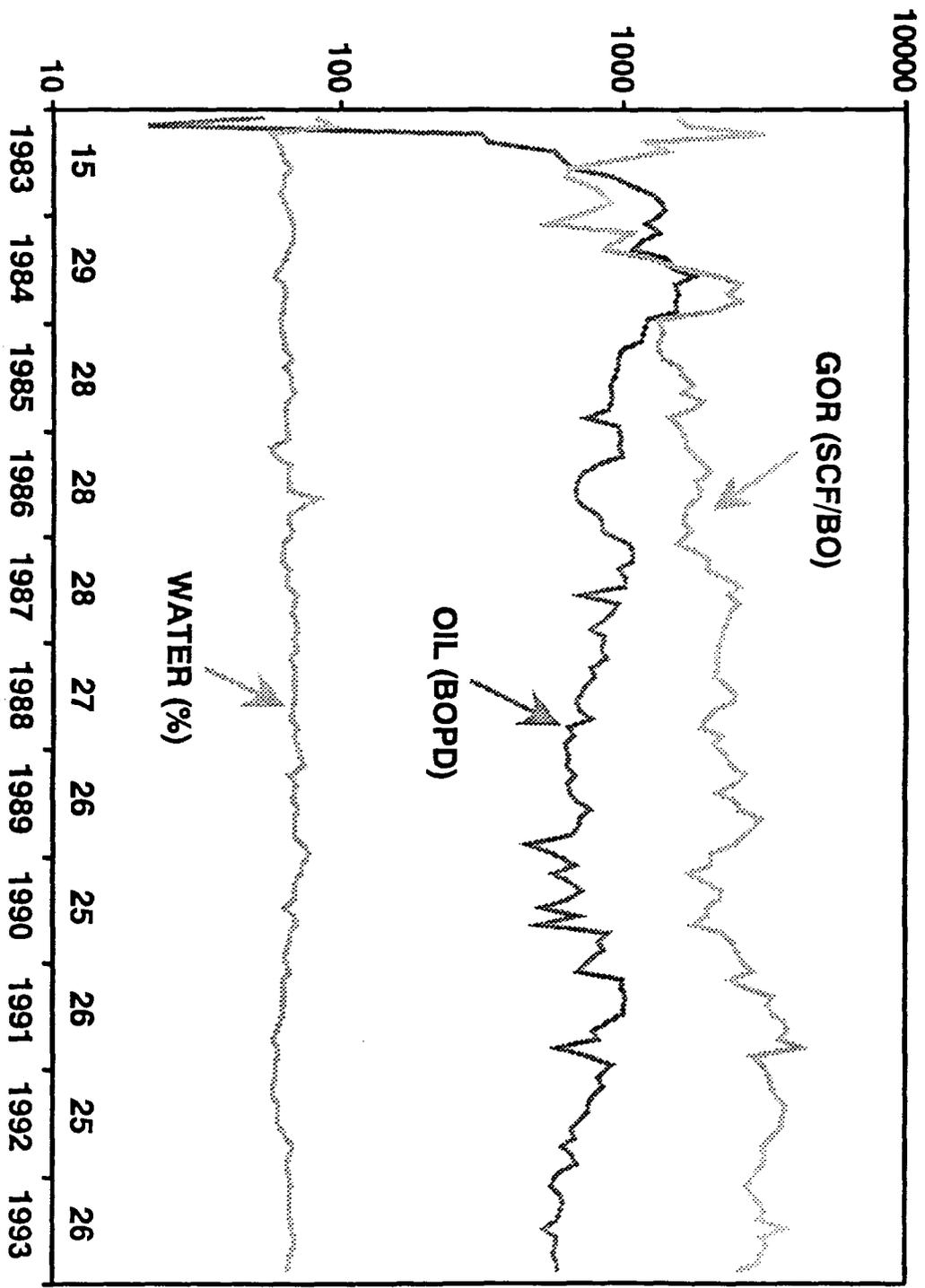
• DELAWARE WELLS



**DEVELOPMENT HISTORY**

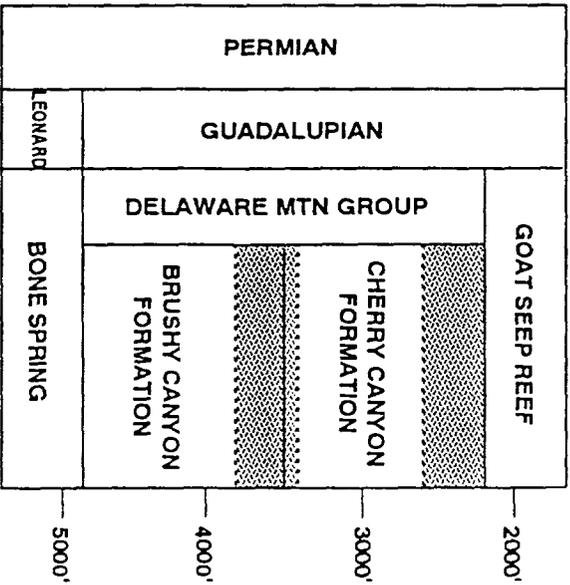
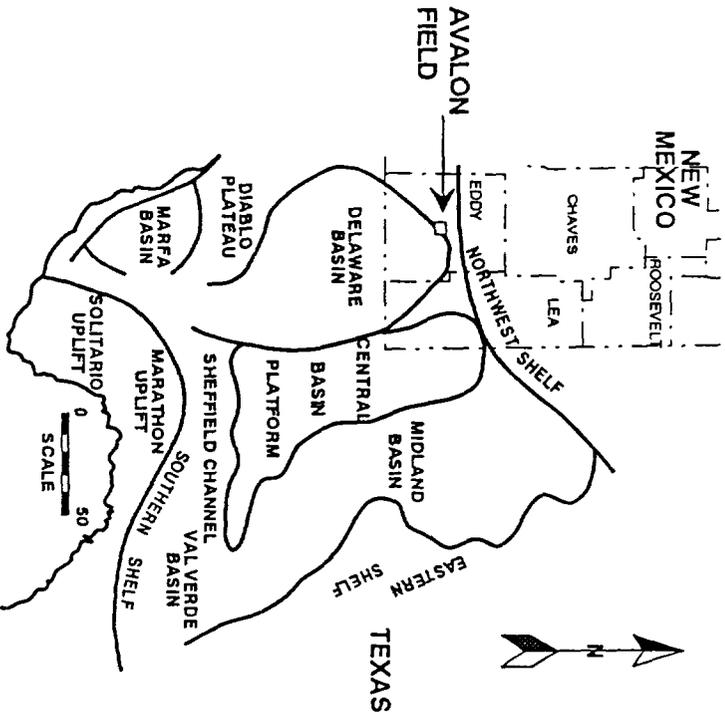
1978: FIRST DELAWARE PRODUCTION IN AREA  
1982: PRODUCTION FROM MAJOR PRODUCTIVE HORIZONS BEGINS  
1983: FIELD DEVELOPED ON 40-ACRE SPACING  
1990: FIRST 20-ACRE WELL DRILLED  
1994: CUMULATIVE PRODUCTION 3.3 MBO

# AVALON (DELAWARE) FIELD PAST PRODUCTION



# AVALON EOR PROJECT GEOLOGIC OVERVIEW

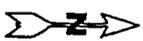
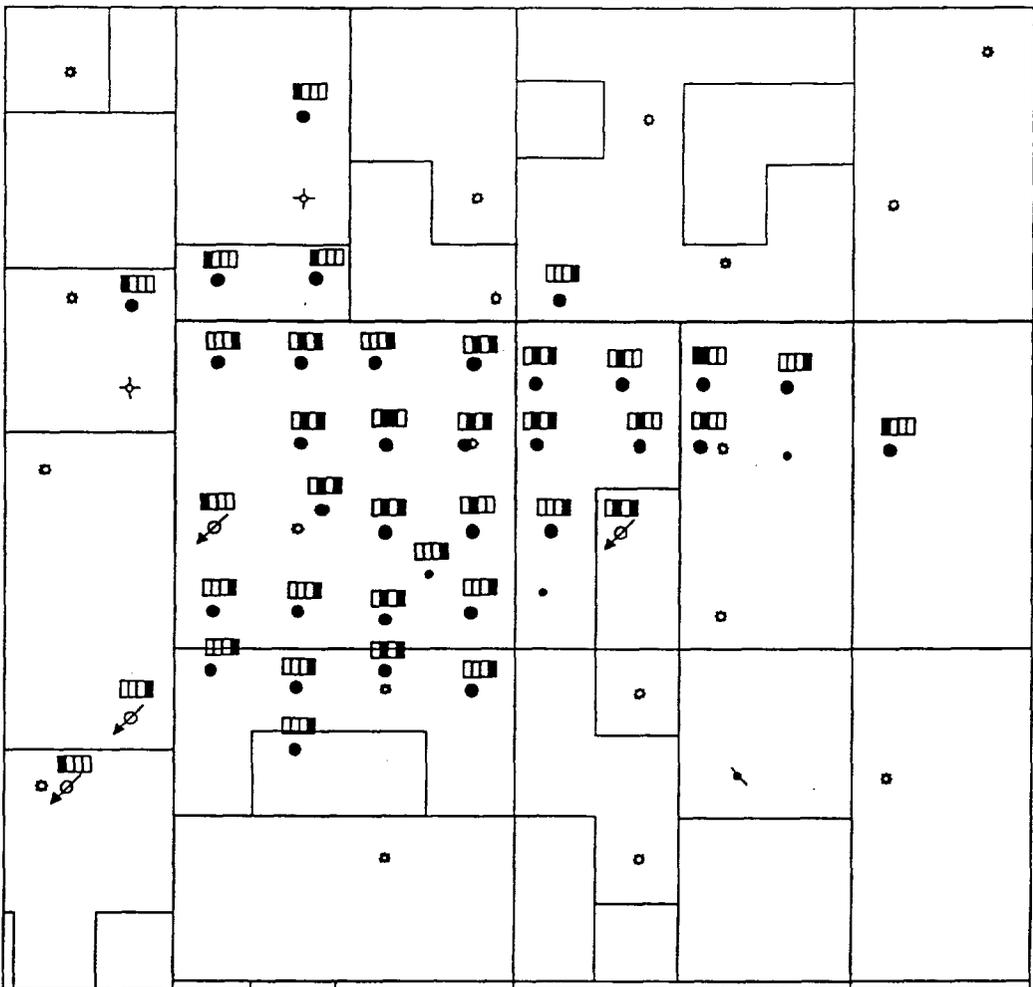
## PERMIAN BASIN PRINCIPAL GEOLOGIC PROVINCES



### RESERVOIR DESCRIPTION

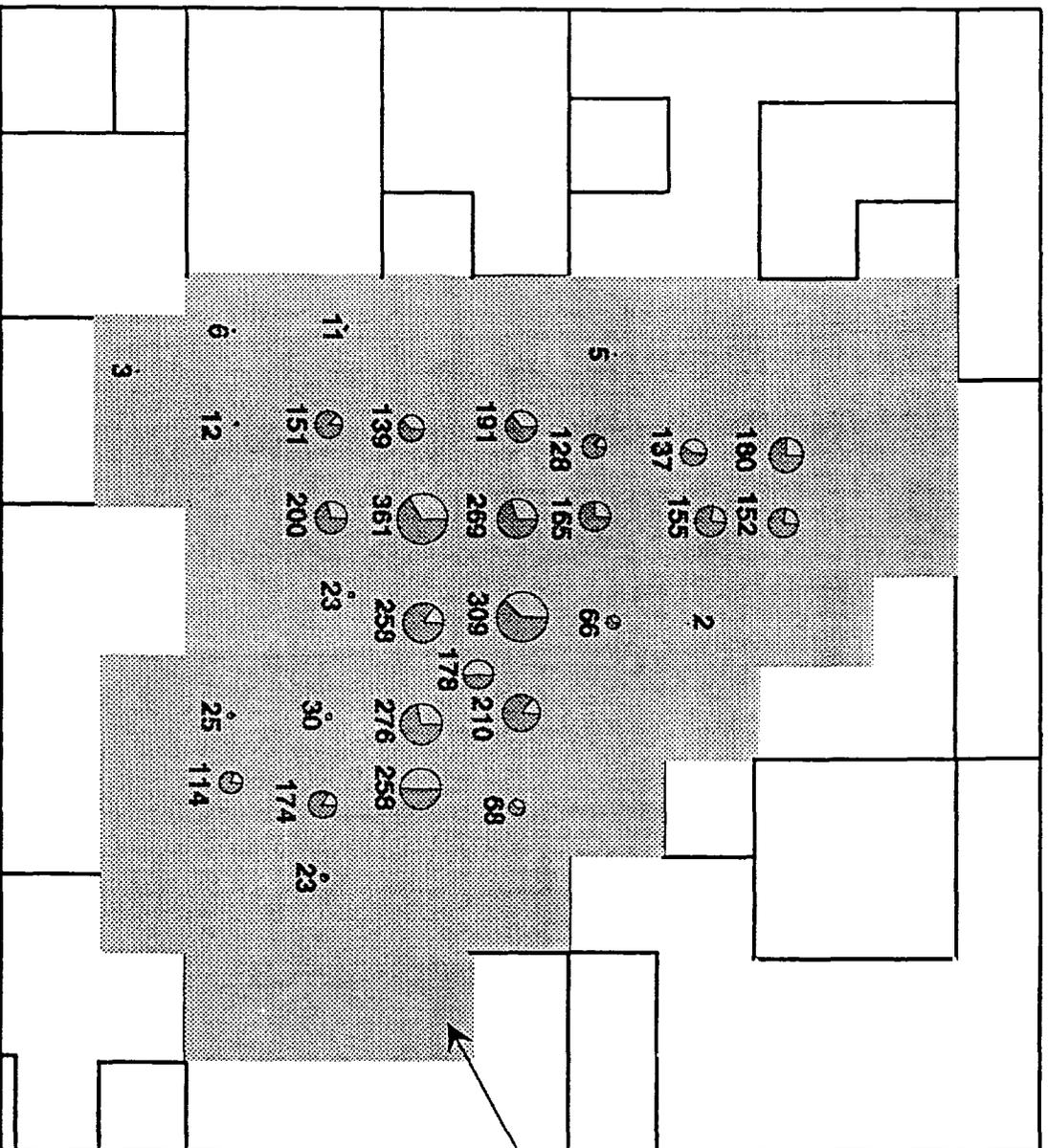
PRODUCING FORMATION	UPPER CHERRY CANYON	UPPER BRUSHY CANYON
DEPTH	2600 FT	3500 FT
RESERVOIR LITHOLOGIES	SAND	SAND & SILTSTONE
NET THICKNESS (PAY)	132 FT	158 FT
AVERAGE $\phi$	14.4%	14.8%
AVERAGE K	2.3 md	1.1 md

# AVALON (DELAWARE) FIELD COMPLETION ZONES

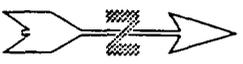


-  Upper Cherry Canyon
-  Middle Cherry Canyon
-  Upper Brushy Canyon
-  Lower Brushy Canyon

# AVALON (DELAWARE) FIELD PRODUCTION MAP



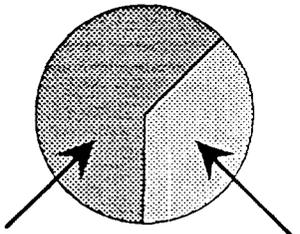
PROPOSED UNIT AREA



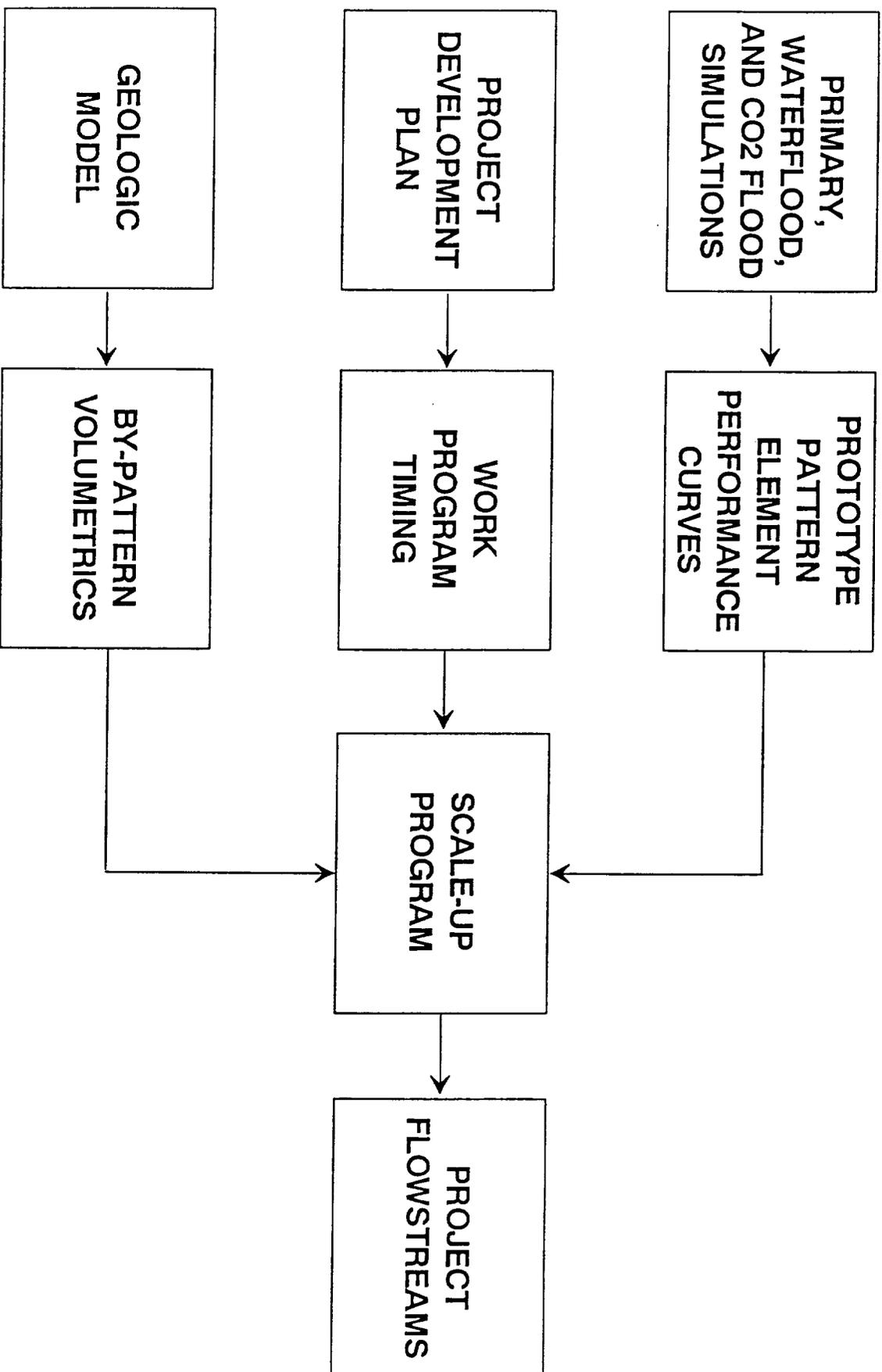
Primary EUR (KBO)

Cumulative (KBO)

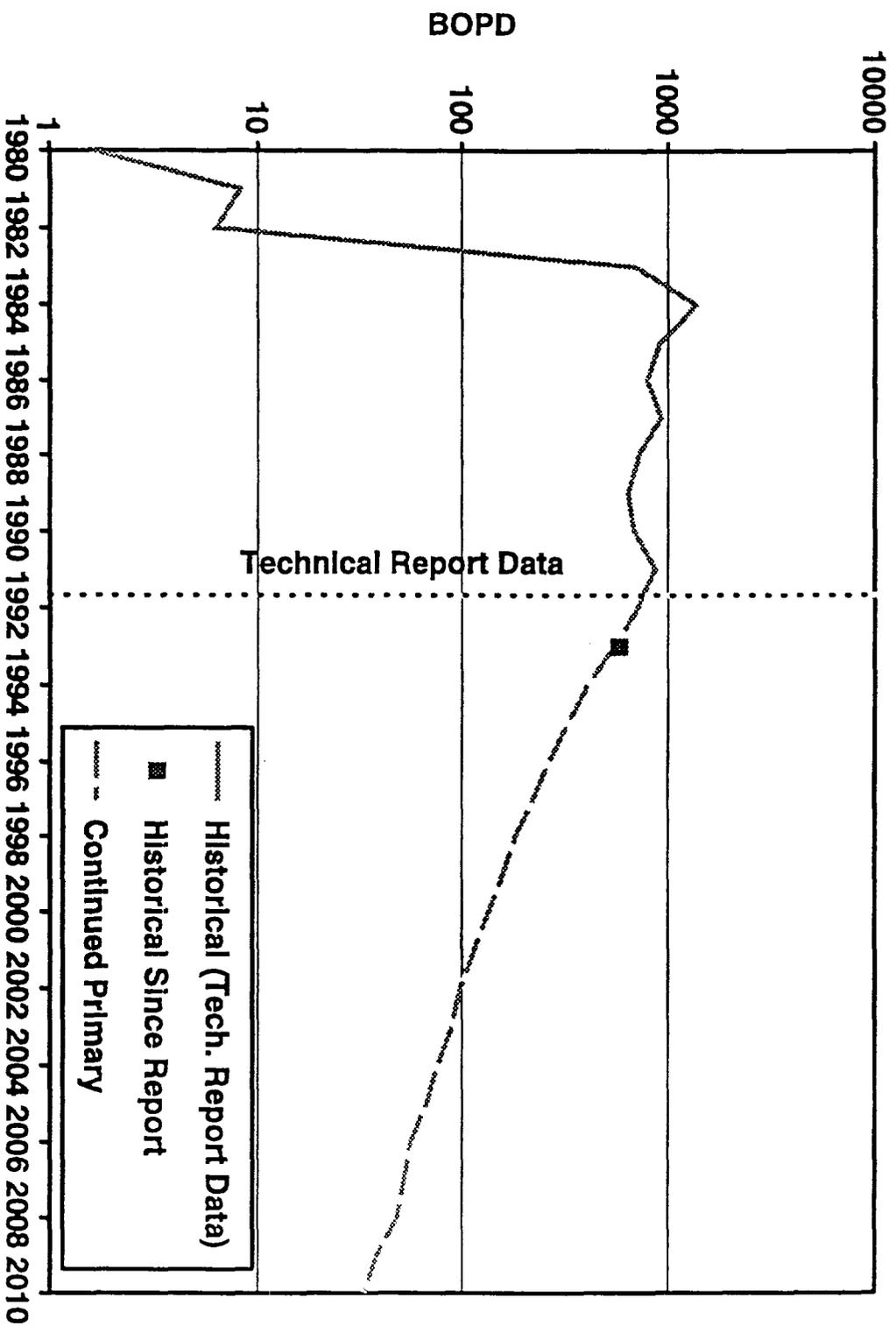
Primary RUR (KBO)



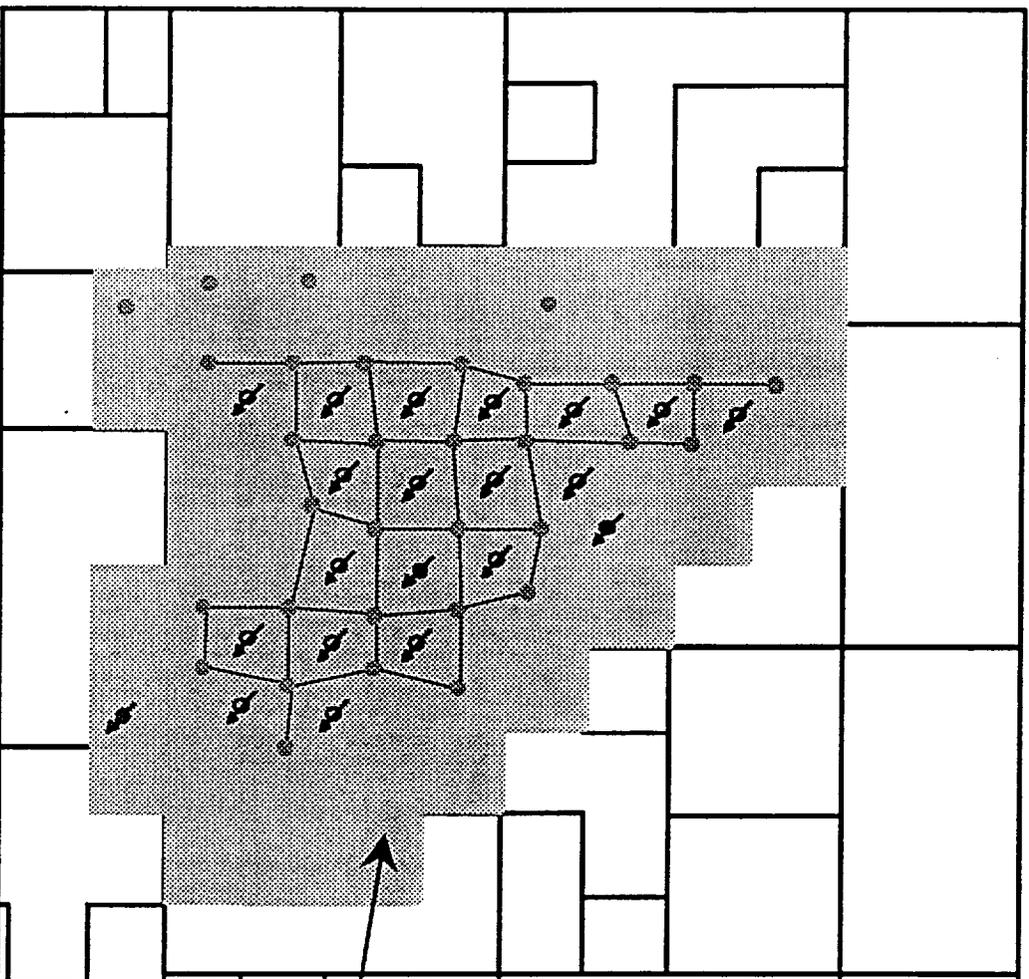
# PROJECT FLOWSTREAM METHODOLOGY



# AVALON (DELAWARE) FIELD CONTINUED OPERATIONS



# AVALON (DELAWARE) FIELD WATER INJECTION PHASE DEVELOPMENT



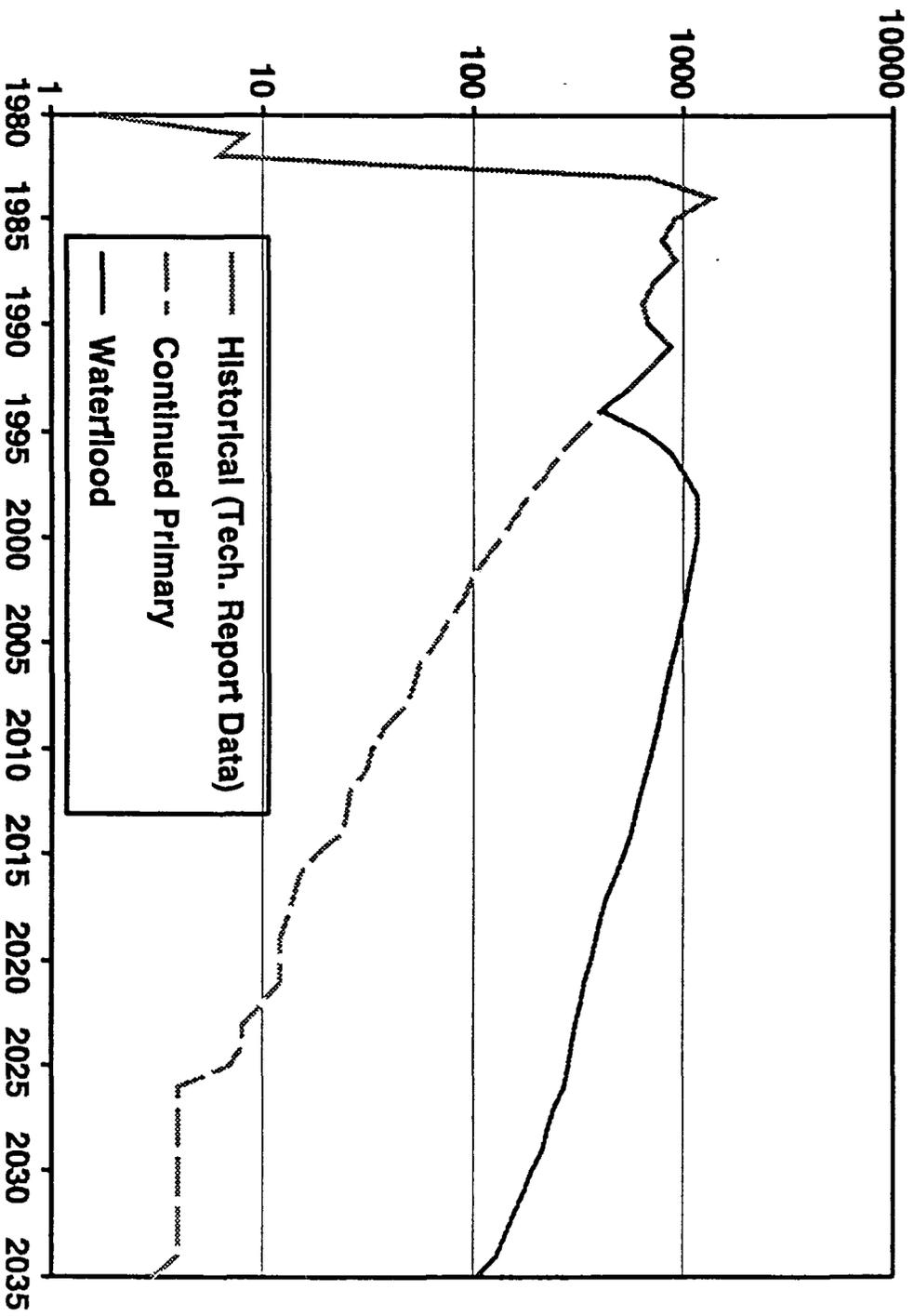
PROPOSED UNIT AREA

## DEVELOPMENT SUMMARY

- START 4Q94
- 18 INJECTOR DRILLWELLS
- \$12M GROSS INVESTMENT
- 8 MBO GROSS RESERVES

WELL SYMBOL LEGEND	
●	OIL WELL
○	OIL WELL (PROPOSED)
⊙	INJECTOR
⊙	INJECTOR (PROPOSED)

# AVALON (DELAWARE) FIELD WATERFLOOD VS CONTINUED PRIMARY

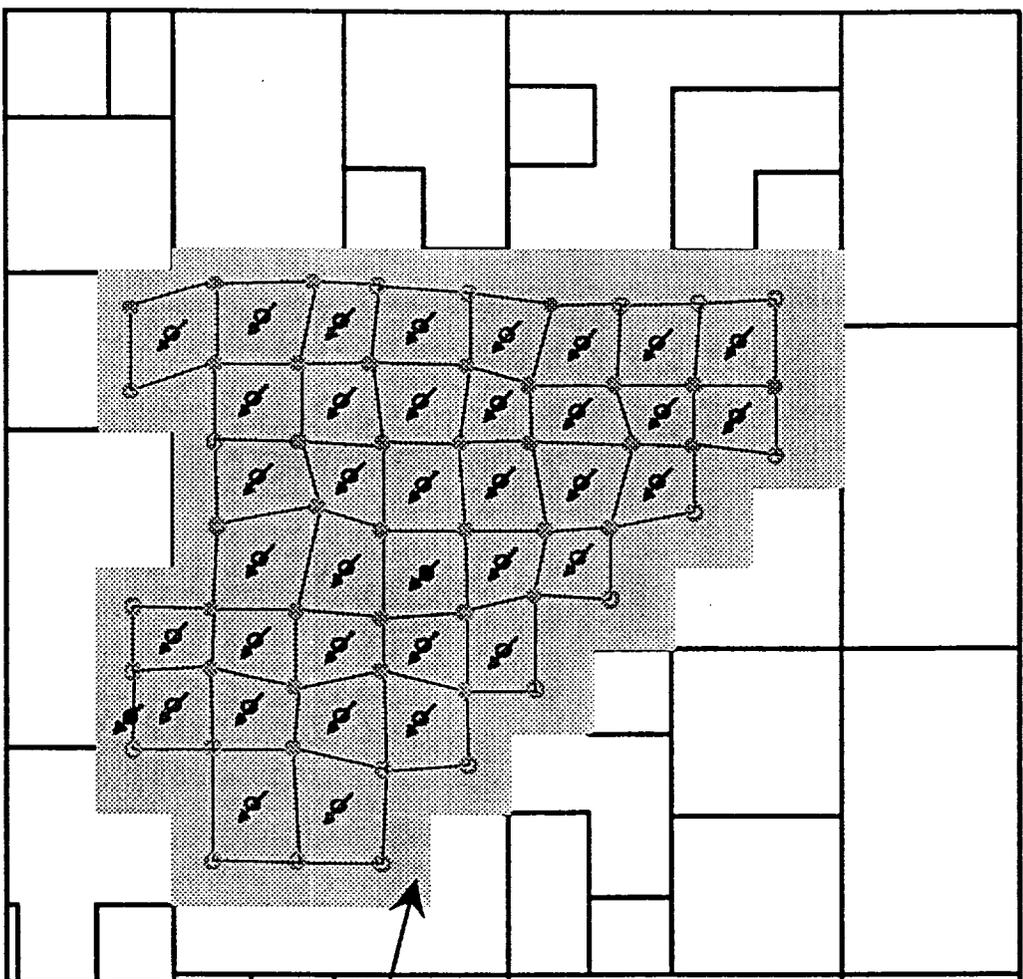


**·**  
**AVALON PROJECT**  
**RESERVES SUMMARY**

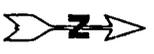
CASE	EFFECTIVE OOIP (MBO)	EUR		Δ EUR	
		(MBO)	(% OOIP)	(MBO)	(% OOIP)
CONTINUED PRIMARY	86 <sup>(1)</sup>	4.2	4.9	4.2	4.9
WATERFLOOD	80 <sup>(2)</sup>	12.4 <sup>(3)</sup>	15.5	8.2	10.3
CO2 FLOOD	171	52.3	30.6	39.9	23.3

- (1) HISTORY MATCH OOIP
- (2) FLOOD-AFFECTED AREAS
- (3) INCLUDES WORKOVER RESERVES

# AVALON (DELAWARE) FIELD CO2 INJECTION PHASE DEVELOPMENT



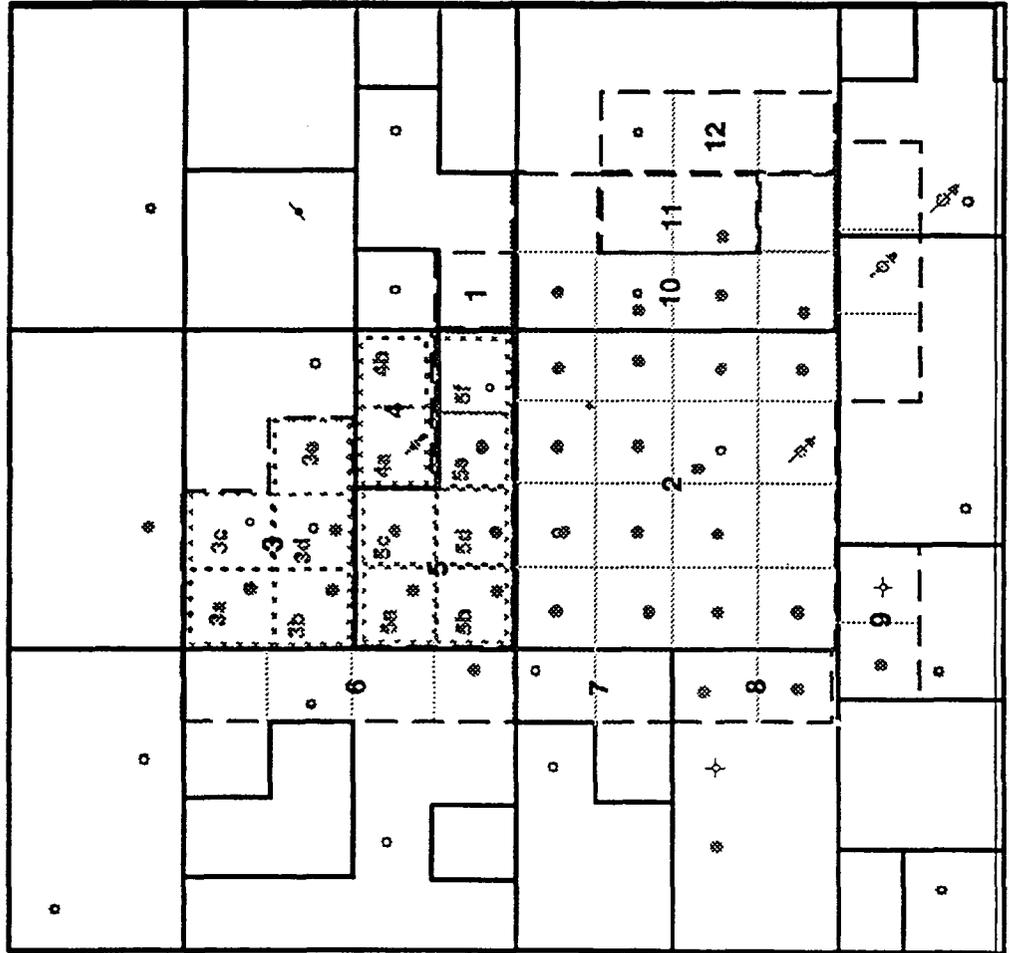
PROPOSED UNIT AREA



**WELL SYMBOL LEGEND**

- OIL WELL
- OIL WELL (PROPOSED)
- ⊙ WATER PHASE INJECTOR
- ⊙ WATER PHASE INJECTOR (PROPOSED)
- ⊙ CO2 PHASE INJECTOR (PROPOSED)

# AVALON (DELAWARE) FIELD TRACT MAP



- Tract
- ..... Sub-Tract
- ..... 40 acre



EXHIBIT "D"  
RESERVES BY TRACT

TRACT	REMAINING PRIMARY RESERVES	WATERFLOOD RESERVES	TERTIARY RESERVES
1	0.00	0.00	203.90
2	741.80	4,368.20	18,995.00
3-A	0.00	345.10	530.60
3-B	43.40	403.60	1,693.00
3-C	0.00	0.80	446.70
3-D	33.40	373.30	1,045.90
3-E	0.00	0.00	362.50
4-A	0.00	0.00	852.50
4-B	0.00	0.00	247.40
5-A	53.40	368.10	1,425.90
5-B	19.30	174.50	1,189.70
5-C	33.80	741.50	2,177.20
5-D	40.30	698.40	2,009.30
5-E	20.20	157.50	966.20
5-F	0.00	69.30	481.00
6	0.00	0.00	1,626.00
7	0.00	0.00	427.60
8	0.70	0.00	165.80
9	0.00	0.00	444.30
10	202.80	499.40	3,350.90
11	3.10	69.70	1,050.50
12	0.00	0.00	191.10
TOTAL	1,192.20	8,269.40	39,883.00

RESERVE DATA

UNITS ARE THOUSAND OF BARRELS

It is understood and agreed that the above numbers are estimates that were utilized in determining Tract Participation for the Unit; they do not constitute any representation as to the amount of oil that may actually be recovered by each tract or by the unit as a whole.

## PARTICIPATION CONCERNS/SOLUTIONS

**Summary:**

- Two Phase
- Phase Change by Vote
- Participation Based on Weighted Reserves

ITEM	TYPICAL CONDITIONS	CONDITIONS AT AVALON	CONCERN	SOLUTION
Economic Uncertainty	Project approved & implemented up front	Future implementation of tertiary project	Oil prices have major impact on viability of future tertiary project	Use two phases
Project Life	10-40 Years	40-60 Years	Present worth of future production less than near term production	Use reserve weighting factors that incorporate timing of production
Production Costs	WF costs only	Tertiary & WF costs	Tertiary expense/BOPD higher than for waterflood	Use reserve weighting factors that incorporate production costs

# AVALON (DELAWARE) FIELD TRACT PARTICIPATION FORMULA

$$\text{PARTICIPATION} = \frac{C * A}{B} + \frac{F * D}{E} + \frac{I * G}{H}$$

(Pri)                      (Sec)                      (Tert)

Where:

- A = Tract's remaining primary reserves as of 1/1/93; see Exhibit D
- B = Total remaining primary reserves as of 1/1/93 = 1192.2 MBO
- C = Primary reserve weighting factor; see table below
- D = Tract's waterflood reserves; see Exhibit D
- E = Total waterflood reserves = 8269.4 MBO
- F = Waterflood reserve weighting factor; see table below
- G = Tract's tertiary reserves; see Exhibit D
- H = Total tertiary reserves = 39883.0 MBO
- I = Tertiary reserve weighting factor; see table below

Where:

	Phase 1	Phase 2
C	62.4312%	23.4552%
F	37.5688%	20.6375%
I	0	55.9073%

# AVALON (DELAWARE) FIELD WEIGHTING FACTORS FOR TRACT PARTICIPATION FORMULA

## Phase 1:

Define:	$C_1 = \frac{\text{Total Remaining Primary Reserves at Phase 1 start; assume 1-1-94}}{\text{Primary Case PVP @ 20\% Primary Reserves Used in Economics}}$	$= \frac{986.6 \text{ KBO}}{\$8\text{M}/1187.4 \text{ KBO}}$ $= \$6.647128\text{M}$
	$F_1 = \text{Waterflood Case PVP @ 20\%}$ $= \$4\text{M}$	
Then:	$C = C_1 / (C_1 + F_1) = 62.4312\%$ $F = F_1 / (C_1 + F_1) = 37.5688\%$	

# AVALON (DELAWARE) FIELD WEIGHTING FACTORS FOR TRACT PARTICIPATION FORMULA

## Phase 2:

Define:	
$C_2 = \frac{\text{Total Remaining Primary Reserves at Phase 2 start; assume 1-1-97}}{\text{Primary Case PVP @ 20\% Primary Reserves Used in Economics}} *$	$= \frac{622.7 \text{ KBO}}{\$8\text{M}/1187.4 \text{ KBO}} *$
$F_2 = \frac{\text{Total Remaining Waterflood Reserves at Phase 2 start; assume 1-1-97}}{\text{Waterflood Case PVP @ 20\% Waterflood Reserves Used in Economics}} *$	$= \frac{7631.3 \text{ KBO}}{\$4\text{M}/8269.3 \text{ KBO}} *$
$I_2 = \text{Tertiary Case PVP @ 20\%}$	$= \$10\text{M}$
Then:	
$C = C_2 / (C_2 + F_2 + I_2) = 23.4552\%$	$F = F_2 / (C_2 + F_2 + I_2) = 20.6375\%$
$I = I_2 / (C_2 + F_2 + I_2) = 55.9073\%$	$= .$

EXHIBIT "C"  
SCHEDULE OF TRACT PARTICIPATION

TRACT	PHASE 1 PARTICIPATION	PHASE 2 PARTICIPATION
1	0.000000	0.285823
2	58.690598	52.122430
3-A	1.567828	1.605034
3-B	4.106300	4.234308
3-C	0.003634	0.628173
3-D	3.444980	3.054857
3-E	0.000000	0.508146
4-A	0.000000	1.195020
4-B	0.000000	0.346801
5-A	4.468684	3.968035
5-B	1.803444	2.482897
5-C	5.138700	5.567460
5-D	5.283274	5.352419
5-E	1.773341	2.144879
5-F	0.314838	0.847206
6	0.000000	2.279299
7	0.000000	0.599402
8	0.036656	0.246187
9	0.000000	0.622812
10	12.888732	9.933423
11	0.478991	1.707508
12	0.000000	0.267881
TOTAL	100.000000	100.000000

## PHASE PARTICIPATIONS BY WIO GROUP

WIO GROUP*	PHASE 1 PERCENTAGE	PHASE 2 PERCENTAGE
ANPC	4.833638	5.481625
Chevron	0.522045	1.260513
Claremont	0.211755	0.239281
Devon	0.635433	0.720320
Exxon	79.718394	72.529551
Hayes	0.000000	0.023017
Hudson	3.388077	3.828488
Kerr-McGee	0.204154	0.230691
McCall	0.000000	0.000194
Merit	0.000000	0.622812
Moore	0.000000	0.000078
MWJ	0.451003	0.663202
Oliver	0.000000	0.000048
Oxy	0.000000	0.339883
Premier	0.000000	2.279299
Redfern	0.099094	0.111975
Redfern, John	0.099094	0.111975
SSC	0.000000	0.004465
TROil	0.000000	0.002333
Yates	9.837315	11.550251
	100.000000	100.000000

\*Individual owner participation given in Exhibit "E"

AVALON ECONOMIC SUMMARY  
(EXHIBIT H-5)

WORKING INTEREST = 100%  
NET INTEREST = 87.5%

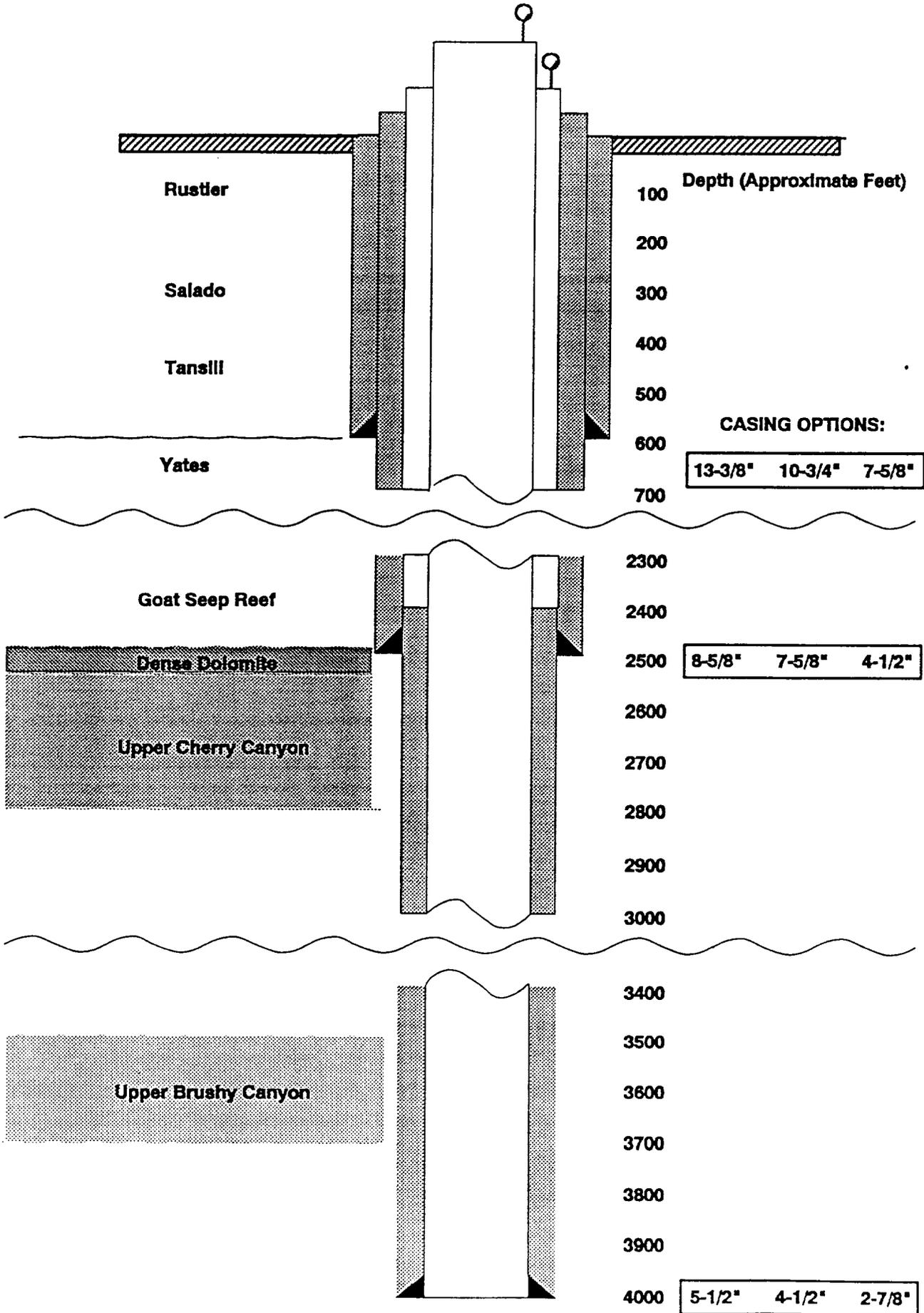
CASE#	CASE DESCRIPTION (1)	GROSS INVESTMENT (M\$)		NET RESERVES (MBO)		ROR (%)	PAYOUT (YRS)	PRESENT VALUE PROFIT (M\$)				CASE#	
		1992\$	AS SPENT \$	(MBO)	(MBO)			0%	5%	10%	15%		20%
BASE CASES:													
1	EOR PROJECT	84.2	102.7	42.2	42.2	25%	9.6	2,157	434	134	47	14	1
2	EOR PROJECT (INCREMENTAL OVER WF)	61.0	77.9	34.9	34.9	25%	-	1,927	364	106	35	10	2
PRICING SENSITIVITIES:													
3	OIL PRICE UP \$2 (\$23/BO)	84.2	102.7	42.2	42.2	27%	9.3	2,457	155	20			3
4	OIL PRICE DOWN \$2 (\$19/BO)	84.2	102.7	42.2	42.2	23%	10.0	1,857	113	8			4
5	FLAT PRICING (NO REAL GROWTH)	84.2	102.7	42.2	42.2	23%	9.9	1,177	99	8			5
6	CO2 PRICE UP \$0.25 (\$1.25/KCF)	84.2	102.7	42.2	42.2	24%	9.9	2,135	128	11			6
7	CO2 PRICE DOWN \$0.25 (\$0.75/KCF)	84.2	102.7	42.2	42.2	26%	9.4	2,179	140	17			7
8	INVESTMENTS UP 10%	92.7	113.0	42.2	42.2	23%	9.9	2,151	130	11			8
9	INVESTMENTS DOWN 10%	75.8	92.4	42.2	42.2	26%	9.4	2,163	139	18			9
PRODUCTION SENSITIVITIES:													
10	PRIMARY ONLY	0.2	0.2	1.0	1.0	>100%	-	17	13	11	9	8	10
11	WATERFLOOD	23.3	24.7	7.2	7.2	24%	5.9	230	70	28	12	4	11
12	HIGHER OIL SATURATION (+3% So)	84.2	102.7	50.6	50.6	30%	8.7	2,805	182	30			12
13	LOWER OIL SATURATION (-6% So)	84.2	102.7	25.8	25.8	17%	11.5	908	58	(9)			13
14	HIGHER INJECTIVITY (+40%)	91.0	111.1	43.7	43.7	29%	8.6	1,527	159	28			14
15	LOWER INJECTIVITY (-30%)	79.2	96.4	39.4	39.4	21%	10.8	2,667	107	3			15
16	HIGHER SLUG SIZE (.6 HCPV)	84.2	102.7	42.2	42.2	25%	9.6	2,200	131	13			16
17	LOWER SLUG SIZE (.4 HCPV)	84.2	102.7	38.3	38.3	24%	9.6	1,812	122	13			17

(1) UNLESS NOTED, ECONOMICS ARE INCREMENTAL OVER PRIMARY

## INVESTMENT OPTIMIZATION IN PROGRESS

CATEGORY	INVESTMENTS (M\$)		COMMENTS
	TECH. REPORT	CURRENT	
Drilling	9.0	6.3	4-1/2" casing (vs. 5-1/2"); 19 wells (vs. 20); no CRA
Production Facilities	7.4	0.2	No CPF
Injection Facilities	5.8	4.0	Using mostly surplus equipment
Workover	0.9	1.0	13 add pays; 1 conversion
Artificial Lift	0.3	0.3	5 upgrades
Other	0.2	0.1	Formulation evaluation
Total	23.6	11.9	

# Avalon EOR Project Proposed Drillwell



## ECONOMIC OPTIMIZATION IN PROGRESS

CASE	ROR	CHANGE
Technical Report (WF)	24%	---
New Pricing	13%	\$21/BO @ 6% Escal. --> \$15/BO @ 4% Escal. (@ Startup)
Investments	24%	\$24M --> \$12M
Updated Timing	24%	10/92 Startup --> 10/94 Startup (Unit Approval)
CO2	18%	Not completely optimized for new pricing

# Avalon Field Unitization

- **Next Meeting Proposed Agenda**
  - Significant issues (if any) provided Exxon in writing 1 week in advance of meeting
  - Review UA/UOA significant issues (if any)
    - » WIOs Present Suggested UA & UOA changes that have significant financial impact
    - » Group discusses, comments, & offers solutions
  - Provide any legal input on wording if time permits. Lawyers can coordinate in future.
- **Next Meeting Date ( June 7 ; ?? )**
  - WIO presentations on UA/UOA revisions if needed
- **Critique**

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

April 28, 1994

June 3rd Meeting Notice  
Avalon Field, Eddy Co., N. M.

Avalon Field Owners:

On April 26 we reviewed the proposed Unit Agreement (UA) and Unit Operating Agreement (UOA) for the Avalon Field. An attendance list is included as Attachment I. This review included:

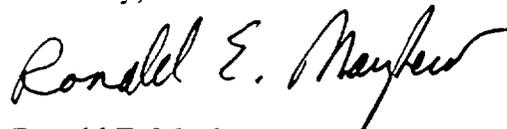
- Project Overview
- Participation Formula & Percentages
- Current Development Plan
- UOA/UA documents (enclosed)
- Effects of lower investments and current oil prices

A subsequent meeting will be held at 10 a.m. Friday, June 3 in the same conference room (Exxon PC-4 Building, Midland, Tx) to discuss your written comments/suggested changes to the UA and UOA to the Working Interest Owners (WIO). We ask that written comments or marked up copies be provided me by May 26. Your lawyers should discuss any legal/wording issues with Scott Lansdown ((915) 688-4982) in advance of the June 3 meeting.

We anticipate the ballots to ratify the UA/UOA and the election to participate in the unit will be mailed to you for approval in July.

Please RSVP (Attachment II) only if you plan to attend. I look forward to seeing those of you who can attend. Should you have questions, feel free to call me at (915) 688-7841 or Gil Beuhler (915) 688-7849.

Sincerely,



Ronald E. Mayhew  
Avalon Project Manager

wio429/REM/nh  
Attachments I, II, & UA/UOA

## Attachment I: Avalon WIO Meeting April 26, 1994

**Meeting  
Purpose**

---

**Provide potential Working Interest Owners of the Avalon  
(New Mexico) Unit with a recommended Unit Agreement  
and Unit Operating Agreement**

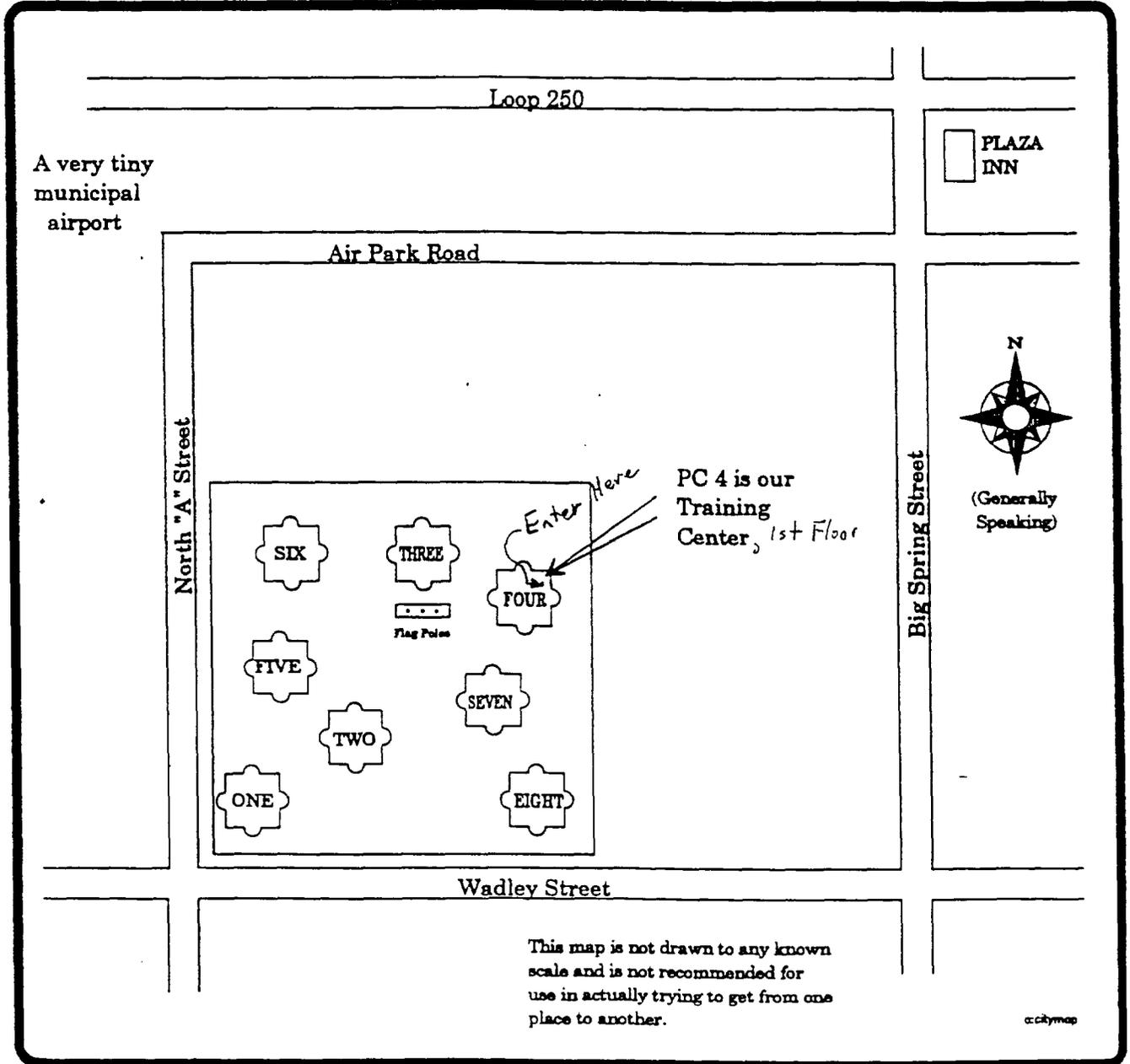
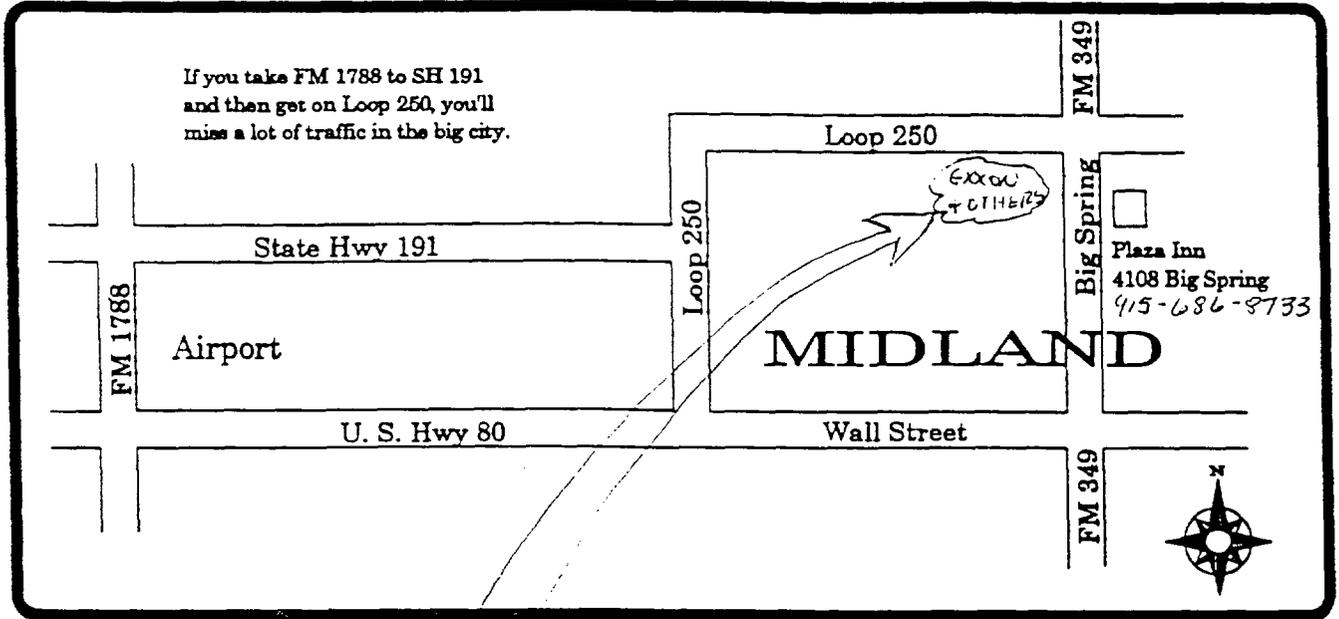
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**Attendees**

The following persons attended this WIO Meeting.

<b>Person</b>	<b>Company</b>	<b>Position</b>	<b>phone/fax</b>
Ron Mayhew	Exxon	Project Mgr.	915-688-7841/7847
Gil Beuhler	Exxon	Reservoir Engr.	915-688-7849/7847
Joe Thomas	Exxon	Landman	915-688-7162
Tom Kane	Exxon	Geologist	
Scott Lansdown	Exxon	Law	915-688-4982/4989
Larry Long	Exxon	Reservoir Engr.	
Bill Duncan	Exxon	Regulatory Affairs	
Donna Bauer	Exxon	Regulatory Affairs	
Greg Fisher	Exxon	Accounting Supr.	
Dave Boneau	Yates Petroleum	Reservoir Supr.	505-748-1471/4585
Bob Fant	Yates Petroleum	Reservoir Engr.	505-748-4185/4816
Janet Richardson	Yates Petroleum	Landman	505-748-1471
Rosalie Jones	Premier	Owner	505-748-2093
Ken Jones	Premier	Owner	214-386-6200
Paul White	Premier	Consultant	505-746-9507
Barbara Lalicker	Penzoil	Reservoir Engr.	713-546-4240/4261
Bob Hodge	MWJ Producing	Land Mgr.	915-682-5216
Bill Hayworth	American National Petroleum (ANPC)	Engr. Mgr.	713-780-9494
M. Brad Bennett	Hayes Petroleum, l	owner	

# ATTACHMENT III



**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

June 2, 1994

June 17 Meeting Notice  
Avalon Field, Eddy Co., NM

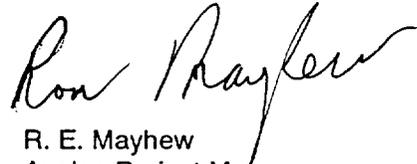
Avalon Field Owners

The June 3rd meeting to discuss your comments of the proposed Unit Agreement and Unit Operating Agreement has been rescheduled for Friday, June 17th. The meeting will be held in the same conference room as the April meeting.

Please RSVP, only if you plan to attend, by completing the statement below and faxing to me at (915) 688-7847 or call Nancee Hanks at (915) 688-7930.

I look forward to seeing those of you who can attend. Should you have any questions, feel free to call me at (915) 688-7841.

Sincerely,



R. E. Mayhew  
Avalon Project Manager

NSH

Yes, we plan to attend the June 17th meeting. \_\_\_\_\_ (#) attending

Name \_\_\_\_\_ (Please print)

Company Name \_\_\_\_\_

Phone/Fax (if different) \_\_\_\_\_



**EXXON COMPANY, U.S.A.**

POST OFFICE BOX 1600 • MIDLAND TEXAS 79702-1600

*Doc. - 64E*

June 20, 1994

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

MDA	RECEIVED				EGA
RLA	SWDV MIDLAND				JLD
RKF	JUN 22 1994				LLM
PLK					KAN
DCR	PRODUCTION LAND				JHT
JBT					SHJ
HANDLE	CALL ME	SEE ME	CIRC	FILE	

June 17 Meeting Notes  
Avalon Field, Eddy Co., N. M.

Avalon Field Owners:

On June 17 meeting attendees provided feedback on the proposed Unit Agreement (UA) and Unit Operating Agreement (UOA) for the Avalon Field. The following companies were represented:

- Exxon
- American National Petroleum
- Pennzoil
- Yates Petroleum
- MWJ Producing

*Exxon Offices*

The attached table, Avalon Working Interest Owners Meeting Summary, June 17, 1994, provides an overview of the issues discussed, the rationale behind positions, and plans for resolution. Additionally, letters commenting on the UA and UOA are enclosed. The issues identified to be high priority were:

Issue	Action
1. Participation Formula	Yates will propose a single phase formula prior to a future meeting.
2. Voting Percent	Exxon will entertain higher voting percentage requirements after equities are established.
3. Bidding Oil/CO <sub>2</sub>	Exxon will look into adding to agreements.

It is anticipated that a **Single Phase Formula** being developed by Yates Petroleum will be mailed to Working Interest Owners in mid-July. If you did not attend the June 17 meeting, but are interested in attending the next Working Interest Owner meeting please notify me (915) 688-7841 so I can inform you of the date and location.

We anticipate the ballots to ratify the UA/UOA and the election to participate in the unit will be mailed to you thereafter.

Sincerely,

Ronald E. Mayhew  
Avalon Project Manager





American  
National  
Petroleum  
Company

5847 San Felipe, Ste. 700  
Houston, Texas 77057  
P.O. Box 27725 (77227-7725)  
(713) 780-8494  
Fax: (713) 780-9254

June 15, 1994

R. E. Mayhew  
CO2 Projects Coordinator  
Exxon Company, U.S.A.  
SW Division CDA #245  
23 Desta Drive  
Midland, Texas 79705

RE: Land and Engineering  
Comments for Proposed  
Avalon Unit, Eddy Co.  
New Mexico

Dear Ron:

Please find attached comments and concerns pertaining to the proposed unit in general, the unit participation formula, the proposed Unit Agreement and proposed Unit Operating Agreement. After your review, please call if you want to discuss any issue. Mike Englert and I should be available to offer further clarification.

Again, I do apologize for the tardiness in returning our comments to you. As you and I have discussed, Patrick Petroleum Company i.e. ANPC, is for sale. The preparation of the data room has taken a significant amount of time away from day to day work.

Sincerely,  
AMERICAN NATIONAL PETROLEUM CO.

*Bill Hayworth*  
W. F. Hayworth  
Engineering Manager

Attachments

cc: M. W. Englert

### Engineering Problems & Comments

#### 1) Economic Viability

Utilizing an economic study (results presented on H-5 and H-6) with a minimum value of \$19.00 per escalated at 6% is not practical. Prior to moving forward we need to view more realistic pricing combined with the new estimated investment to verify the project viability.

##### Specific Problems:

- a) Pricing and escalation factor are out of line from reality
- b) Hudson Inc.'s comments indicate that some of their leases are burdened much heavier than the 87.5% estimated in Exxon's economics. This could significantly affect the economics.
- c) Base charges for LEES are double of other operators - need to specifically address in Unit Operating Agreement what fixed costs administrative/lease overhead costs will be included.
- e) Comparison of Net Forecasts (using 87.5%)

	Model Primary		Model Waterflood		Incremental	
	BOPD	BOPY	BOPD	BOPY	BOPD	BOPY
1993	550	200750	889	*324485	339	123735
1994	408	148920	1021	372665	613	223745
1995	325	118625	1121	409165	796	290540

\* H-6 economics match this number

Estimated remaining primary as of 1/1/93 - 1192.2 BO

Estimated remaining primary as of 1/1/94 - 986.6 BO  
DIFFERENCE 205,600 BO

Economics should have been run on incremental oil production

#### 2) Participation Formula

- a) Formula has little or no basis when you review economic run
- b) PV of 20% is arbitrary and immaterial. Keeping all other values the same, but utilizing PV of 10%, C = 24.61% and F = 75.39% (compared to PV 20% values where C = 62.43% & F = 37.5688%).
- c) Phase 1 formula uses a 1/1/93 remaining reserves denominator (1192.2) while weighting factors use a 1/1/94 remaining reserves (986.6).
- d) Using output (Present worth values) data from economic runs which have inappropriate oil prices, incorrect investments and some of the other problems identified in 1 above yields

nothing but FUNNY numbers.

- e) ANPC believes that the participants in the proposed unit need to move toward more traditional methods to determine tract factors and unit participation.

3) Waterflood Response Time

Although Exxon's model seems to predict the primary performance of the reservoir, I question the 60% increase in dayrate production for 1993 in comparison to 1992. Particularly as it relates to the start of the economic run in October 1992. It seems that the Ford Geraldine Unit response was closer to a year before significant response production was observed. What is the estimated time of fillup and response given that the reservoir has had two additional years of depletion?

4) Linking CO2 Injection with Waterflooding

If it is economically feasible, ANPC is interested in unitizing the Avalon Field for the purpose of waterflooding. Although Exxon sees great merit in initiating a CO2 Flood in the short term, ANPC is more interested in implementing a successful waterflood and based on an early response, verifying its economic viability. At that time, proceed forward in the setup a CO2 flood, if oil prices appear stable and the project is economically feasible.

ANPC prefers to drop all references to a Phase II "CO2 Flood" in the current documents. ANPC is not against the concept but believes that each phase should be managed individually. Exxon's has partially taken this approach by not equipping the wells with CO2 resistant tubulars. Given that there are a limited number of working interest owners in the proposed unit and that the reservoir responds to waterflooding as predicted by the model, it should be relatively easy to move from a secondary unit to a tertiary unit.



**American  
National  
Petroleum  
Company**

5847 San Felipe, Ste. 700  
Houston, Texas 77057  
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Fax: (713) 780-9254

June 15, 1994

Mr. Ron Mayhew  
Exxon Company, U.S.A.  
Southwest Division  
P.O. Box 1600  
Midland, Texas 79702-1600

Re: Unit and Unit Operating Agreements  
Avalon (Delaware) Unit  
Eddy County, New Mexico

Dear Ron:

Pursuant to your request, ANPC has reviewed the subject documents and have the following comments:

A. UNIT AGREEMENT:

1. Section 2., UNIT AREA AND DEFINITIONS.

- a. We ask that the location of the Exxon Yates "C" Federal #36 be verified as set forth in 2.(h).
- b. Phase 1 and Phase 2 should be defined.

2. Section 3., EXHIBITS.

- a. ANPC'S working interest needs an in-depth review and verification as ANPC's interest should now include the interest of Mrs. Francis B. Bunn as a result of a recent acquisition. We will contact your Land Department and discuss any necessary changes.

3. Section 4., EXPANSION AND CONTRACTION.

- a. "Contraction" of the unit is not specifically addressed even though the term is used.
- b. Since there are 53 separate Working Interest Owners, many of whom are grouped together, and Exxon owns 79.72% interest, we believe that voting rights and the overall approval process is critical. It is proposed that at least 50% of the Working Interest Owners owning not less than 85% should be required to approve expansions and/or contractions as well as certain other operational matters.
- c. It is proposed that no less than 50% of the Working Interest Owners owning not less than 85% interest be required to approve operational matters, including whether or not to approve or *not* approve of a Phase 2.

4. Section 11., PLAN OF OPERATIONS.

- a. Eighteen (18) months is an excessive amount of time to either commence operations or make a unilateral decision to terminate the project and agreement. It is proposed that this time frame be

Exxon Company U.S.A.  
Avalon (Delaware) Unit

shortened to six (6) months.

5. Section 13., TRACT PARTICIPATION.
  - a. ANPC's Engineering Department has *not* yet approved the Tract Participation formula and addresses this issue in its attached comments.
6. Section 15.B., EXCESS IMPUTED NEWLY DISCOVERED CRUDE OIL.
  - a. This provision needs discussion.
7. Section 15.C., EXCESS IMPUTED STRIPPER CRUDE OIL.
  - a. This provision needs discussion.
8. Section 15.D., TAKING UNITIZED SUBSTANCES IN KIND.
  - a. It is proposed that the "Prevailing Market Price" in the area include a bid process.
9. Section 24., EFFECTIVE DATE AND TERM.
  - a. It is proposed that no less than 50% of the Working Interest Owners owning not less than 85% interest be required to terminate the unit and project.
10. Section 32., NONJOINDER AND SUBSEQUENT JOINDER.
  - a. Approval to set guidelines for joinder under this provision should be agreed upon by Working Interest Owners owning no less than 85% interest.
11. Section 39., STATUTORY UNITIZATION.
  - a. This provision should be changed to read not less than 85%.

**B. UNIT OPERATING AGREEMENT:**

1. Article 3.2.4 **Expenditures.** It is proposed that at such time as project expenditures exceed AFE's by greater than 10%, except in an emergency situation, the working interest owners shall again have an option to proceed or go non-consent.
- 2.. Article 4.3.1 **Voting Interest.**, describes a "vote to proceed to Phase 2" while the Unit Agreement describes a voting procedure "*not* to proceed to Phase 2". The agreement is unclear as to the exact intent of the plan and procedure to move from Phase 1 to Phase 2. This agreement also fails to define Phase 1 and Phase 2.
- 3.. Article 4.3.2 **Voting Required-Generally.**, It is proposed that 50% of the remaining owners with not less than 10% working interest be required under this provision.

Exxon Company U.S.A.  
Avalon (Delaware) Unit

4. Article 4.3.3 **Vote Required to Amend Unit Operating Agreement.**, It is suggested that 50% of the owners be required to support an amendment of the Operating Agreement in the event one (1) party owns ninety percent (90).
5. Article 5.4 **Failure to Take Production in Kind.**, It is recommended that a bid process be established for oil sales.
6. Article 7.11 **Expenditures.** It is suggested that once a project has exceeded the AFE by 10%, each working interest owner shall have the option to again make an election to proceed or go non-consent, except in the case of an emergency situation.
7. Article 10.4 **Inventory and Valuations.**, it is recommended that an affirmative vote of 85% be binding, except where one (1) party owns or exceeds 85%, then it will require an affirmative vote of 50% of the remaining parties.
8. Article 13.8 **Carved-Out Interest.**, should be modified to provide that carved-out payments shall cease at such time as the party creating such interest ceases to be a working interest owner by virtue of a non-consent election or otherwise or that such payment is the sole responsibility of the party creating such interest.
9. Article 20.2 **Restriction of Disposition and Withdrawal.** The files indicate that the burdens on ANPC leases exceed 18.75%. At this point, the working interest owners need to be prepared to accept the burdens of record of all parties.
10. Exhibit "F", **COPAS Accounting Procedure, Section III, 1. A. Overhead - Fixed Rate Basis** should have the rates reduced to be more in line with industry standards i.e. Drilling Well Rate of \$4,500 and Producing Well Rate of \$450.

We would appreciate Exxon's consideration to our suggested changes and/or comments regarding our interpretation of the agreements.

Yours very truly,

Michael W. Englert  
Land Manager

MWE

# West Texas and Eastern New Mexico

## 5

### Oil Wells

Responses 1993	1992	Depth in Feet	Monthly Drilling Well Rates				Monthly Producing Well Rates			
			1993		1992		1993		1992	
			Mean	Median	Mean	Median	Mean	Median	Mean	Median
141	173	0 - 5,000	\$3,093	\$3,000	\$3,271	\$3,000	\$323	\$300	\$326	\$300
114	142	5,001 - 10,000	4,136	4,000	4,311	4,000	450	425	550	400
42	35	10,001 - 15,000	5,146	5,000	5,185	5,000	502	500	501	500
5	6	15,001 - 20,000	5,590	5,000	6,529	7,618	538	450	623	668
1	1	20,001 -	4,500	4,500	8,500	8,500	400	400	850	850
8	7	No Depth Limit	4,018	4,000	3,405	3,650	476	476	372	330

# West Texas and Eastern New Mexico

## 5

### Gas Wells

Responses 1993	1992	Depth in Feet	Monthly Drilling Well Rates				Monthly Producing Well Rates			
			1993		1992		1993		1992	
			Mean	Median	Mean	Median	Mean	Median	Mean	Median
72	90	0 - 5,000	\$3,138	\$3,000	\$3,138	\$3,000	\$330	\$310	\$351	\$300
60	73	5,001 - 10,000	4,270	4,000	4,325	4,141	431	425	447	400
32	26	10,001 - 15,000	5,462	5,000	5,388	5,000	548	500	514	500
4	10	15,001 - 20,000	6,259	5,500	5,209	5,000	544	537	544	575
2	2	20,001 -	6,000	6,000	8,500	8,500	425	425	600	600
8	5	No Depth Limit	4,199	4,000	4,408	3,816	486	475	430	389



May 5, 1994

Mr. Ronald E. Mayhem  
EXXON COMPANY, USA  
P. O. Box 1600  
Midland, Texas 79702-1600

RE: Avalon Field Unit  
Eddy County, New Mexico

Dear Ron:

Whiting Petroleum Corporation has reviewed the proposed unit and unit operating agreement. The following are my comments and objections.

**Comments:**

Your proposed Exhibit "B" does not reflect Whiting's interest in tracts 3c, 3d, 3e, 5a, 5b, 5d and 5f. The enclosed recorded assignment covers the lands in each tract. It was an oversight that the well names were left off.

**Objections:**

Page 5 of the COPAS accounting procedure. Your drilling and producing well rates are excessive. Recommended rates for wells of this depth should be \$4,730 drilling and \$473 for producing and well overhead.

Please make these corrections to the proposed agreement and exhibits.

Very truly yours,

WHITING PETROLEUM CORPORATION

John R. Hazlett  
Vice President - Land Department

JRH:glv:EXXON.LO3/JRH01

cc: D. Sherwin Artus

WHITING PETROLEUM CORPORATION  
MILE HIGH CENTER, 1700 BROADWAY, SUITE 2300, DENVER, COLORADO 80290-2301 (303) 837-1661 FAX (303) 861-4023  
4804 REPUBLIC TOWERS II, 325 N. ST. PAUL ST., DALLAS, TX 75201 (214) 741-1650 FAX (214) 220-3940

An IES INDUSTRIES Company

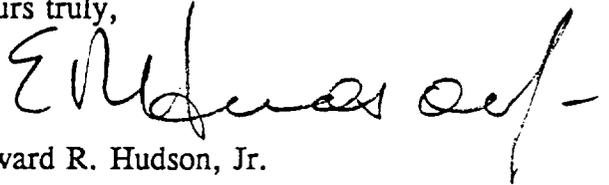
## EXHIBIT F ACCOUNTING PROCEDURE

III. OVERHEAD—We feel the fixed rate basis of \$7292 for a drilling well and \$719 for producing and injection wells is too high. The figures that we have received from Ernst & Young for their overhead survey for the West Texas and Eastern New Mexico area (copy attached), show the mean and median rates for wells of this depth are \$3000 - \$3100 for a drilling well and \$300-\$323 for producing and injection wells. The difference of monthly fees on producing and injections wells from \$300 to \$719 is about \$400. This would result in an excess charge, in our opinion, to the joint account for the 129 wells of some \$51,600 a month or \$619,200 a year, which projected over the thirty plus years for the life of the project would total about \$19,000,000. These estimates do not include any escalation provisions

We appreciate Exxon's efforts on behalf of the Unit and hope we can settle these differences. I will be unavailable on June 2, but my brother, Bill Hudson, and my son, Randall Hudson, will attend the meeting.

With best wishes,

Yours truly,

A handwritten signature in black ink, appearing to read "E. Hudson, Jr.", with a long horizontal flourish extending to the right.

Edward R. Hudson, Jr.

ERHJr/vc

## Ernst & Young Contacts in Oil and Gas Producing Areas

National Director of Energy Services  
Charles O. Buckner  
1221 McKinney, Suite 2400  
Houston, Texas 77010

### Alabama

**Birmingham**  
Lucien P. Mistrot, Jr.  
(205) 251-2000

### California

**Los Angeles**  
Barry Schehr  
(213) 977-3330  
**San Francisco**  
Timothy R. Crichfield  
(415) 951-3207

### Colorado

**Denver**  
Robert C. Caller  
(303) 628-4378

### Kansas

**Wichita**  
Robert R. Crawford  
(316) 265-9537

### Kentucky

**Louisville**  
Thomas E. Schoenbaechler  
(502) 585-1400

### Louisiana

**New Orleans**  
Philip J. Gunn  
(504) 581-4200

### Ohio

**Cleveland**  
Phillip A. Peters  
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**Canton**  
Ronald J. Manse  
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### Oklahoma

**Oklahoma City**  
Richard D. Corn  
(405) 278-6802  
**Tulsa**  
Porter R. Shults  
(918) 560-3610

### Pennsylvania

**Pittsburgh**  
Albert J. D'Alò  
(412) 644-0402

### Texas

**Dallas**  
Jack Morris  
(214) 969-8421  
**Fort Worth**  
J. Turner Almond  
(817) 878-7112  
**Houston**  
Terry Klebe  
(713) 750-8160  
**San Antonio**  
Paul Mangum  
(512) 554-0306

### Utah

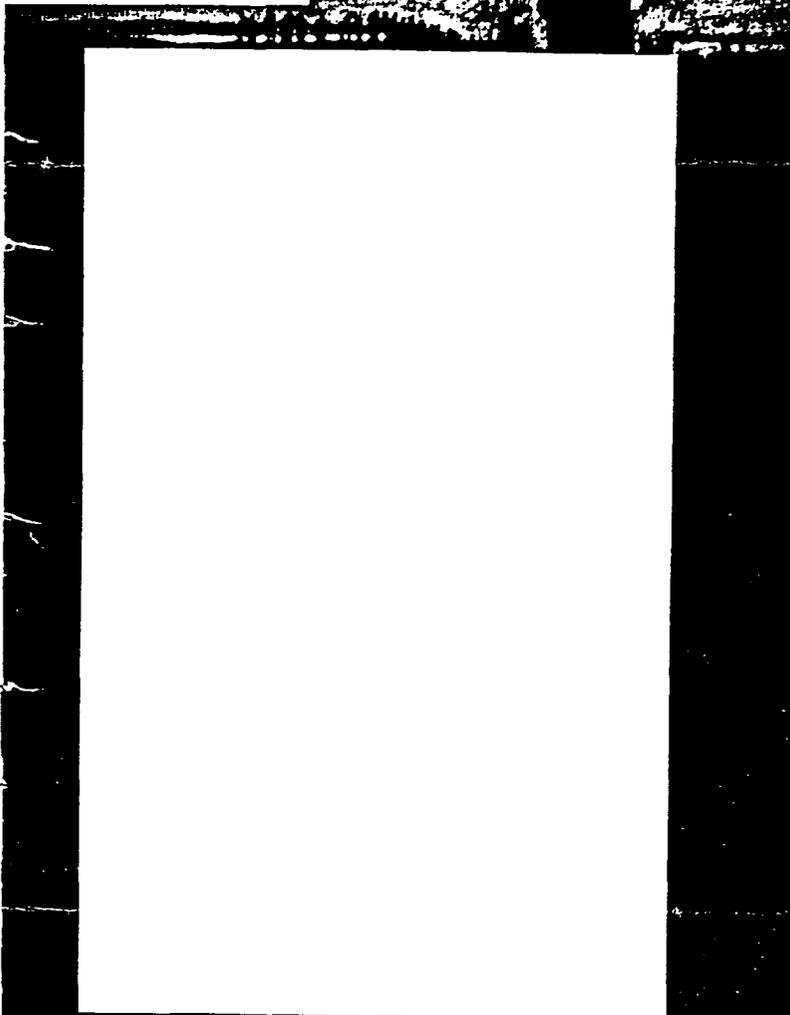
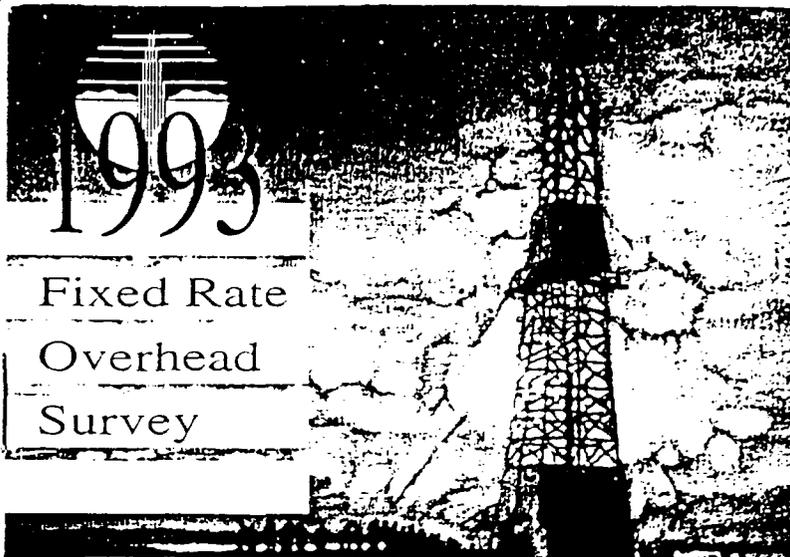
**Salt Lake City**  
Ronald M. Aoki  
(801) 350-3360

### Virginia

**Fairfax**  
Michael F. Prendergast  
(703) 846-5990

### West Virginia

**Charleston**  
Paul E. Arbogast  
(304) 343-8971



**ERNST & YOUNG**

**W. A. & E. R. HUDSON INC.**

616 TEXAS STREET

**FORT WORTH, TEXAS 76102-4612**

EDWARD R. HUDSON JR  
E. RANDALL HUDSON III

817-336-7109

FAX 817-334-0442

WILLIAM A. HUDSON II  
LINDY HUDSON

May 18, 1994

Exxon Company, U. S. A.  
P. O. Box 1600  
Midland, Tx 79702-1600

RE: Proposed Unit Agreement and Unit Operating Agreement  
Avalon Field  
Eddy County, New Mexico

Gentlemen:

We have reviewed the proposed Unit and Unit Operating Agreement and have the following comments:

**UNIT OPERATING AGREEMENT**

**Article 4, Section 4.3.2**—We feel the required affirmative vote of 75% is too low given the large interest of Exxon. The addition of the one additional vote does not seem to provide a safeguard. We propose the percentage required be 90% to 95% for approval.

**Article 20, Section 20.2 Restriction of Disposition and Withdrawal**—The provision here makes it impossible for a working interest owner to withdraw without the consent of the other working interest owners if the burdens on his lease exceed 18.75%. Reviewing the schedule of interests, in most cases the burdens on the leases already exceed 18.75%.

When the Hudsons joined the Stonewall Unit, the basis for their interests in the proposed Avalon Unit, they put in a clean federal lease without any overrides. Overriding royalties have since been put on this lease, as well as the other leases that the Hudsons' acquired under the terms of the Unit, by parties other than the Hudsons. The requirement of Section 20.2 would either make withdrawal impossible or perhaps result in a withdrawing party giving up all of his interest in the Unit, but still being required to pay any excess override over 6.25%. We feel that the provision should be changed to "grandfather" any overrides existing at the time of the execution of the Unit and Unit Operating Agreement, not to exceed total burdens of 25%.

Ron Mayhew

June 6, 1994

-2-

me. I think some combination of the second, third and fourth largest owners should be able to veto an expenditure. Thus, the affirmative vote must be set in the 85 to 90 percent range.

#### 4) APO Interests

Exxon proposed that interests be calculated as if all wells have reached payout. This seems like an unnecessary breach of earlier agreements. I think the issue does not affect Exxon's ownership interest one way or the other. Exxon is willing to do the accounting work for multiple phases, but not the accounting to maintain agreements now in force. Yates operates units with well reversions, and it's no big deal. Exxon keeps track of reversions at Fogarty Creek Unit. I just don't see a reason why payouts can't be handled correctly.

I appreciate the fact that Exxon has prepared a first draft of the necessary agreements. Hopefully, the four concerns described above can help to focus our discussions on the major points of contention so that the group can progress toward consensus.

Sincerely,



David F. Boneau  
Reservoir Engineering Supervisor

DFB/cvg

xc: Bob Fant  
Janet Ricardson  
Mike Slater  
Peyton Yates  
Randy Patterson

# P REMIER OIL AND GAS, INC.

---

May 18, 1994

Exxon Company, U.S.A.  
P. O. Box 1600  
Midland, Texas 79702-1600

Attention: Mr. Ronald E. Mayhew  
Avalon Project Manager

Re: Avalon Delaware Unitization

Dear Ron:

Thank you for the courtesy of allowing Premier to present its geological interpretation at the May 13 meeting. Premier still maintains that its interpretation of the UCC Reservoir is correct (i.e. the lower basinal sands between CM-CB markers are consistent and extend across the south half of Section 25, 20S-27E. Our view differs significantly with Exxon's interpretation of a pinch-out of the UCC at the east section line of the property).

Because of our disagreements involving the geological picks of the unit outline, the basis for Exxon's report is not a viable means of establishing a fair and reasonable equity for Premier's tract. Henceforth, we are withdrawing our tract from the proposed unit.

Thank you once again for your time and consideration.

Respectfully,



Ken Jones

*Letters Responding  
to Proposed UA/UOA*

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

June 9, 1994

Ron Mayhew  
Exxon  
P. O. Box 1600  
Midland, Texas 79702-1600

RE: Avalon Delaware

Dear Sir:

This note responds in a general way to the proposed agreements for the Avalon Delaware Unit. I will try to outline what I think are important issues and leave issues of wording, syntax and so forth for later. Major issues include:

1) Two-Phases

In earlier discussions and correspondence, Yates expressed reluctance to accept the idea that the CO<sub>2</sub> project in the developed primary area and the CO<sub>2</sub> project in the undeveloped "ring" area should be initiated at the same time under the same huge AFE. I thought Exxon eventually understood the Yates reluctance to a degree. But now, the proposed Exxon agreements return to the idea that CO<sub>2</sub> injection throughout the area is all part of a single grand Phase II. I fear that Exxon has not listened to anything Yates has said for the last two or three years. If you want multiple phases, there should be a phase break between CO<sub>2</sub> in the primary area and CO<sub>2</sub> in the ring area. I think the real answer is a single-phase formula for the unit.

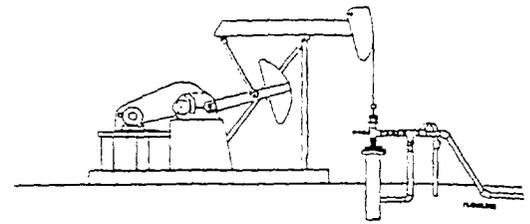
2) Participation Formula

The components of the formula proposed by Exxon are extremely arbitrary. Exxon calculated present values for the primary, waterflood and CO<sub>2</sub> portions of the project. The results of the calculations are sensitive to the discount rate used. For no explained reason, Exxon used a discount rate of 20 percent per year. Exxon also omitted the large reduction in capital costs now expected and did not include these reductions in present value calculations. Both of these factors make the proposed formula favorable to Exxon.

3) Voting Percentage

Exxon proposed that an affirmative vote of 75 percent of the ownership be required to approve expenditures. In reality, this proposal means that Exxon totally controls each vote. This seems wrong to

# Meeting Agenda



**Topic:** Proposed Avalon Field Unit  
**Date:** Friday, June 17, 1994  
**Location:** Exxon Building PC #4 Training Room, 3300 N. A St. Midland, Tx

**Purpose:** Potential Working Interest Owners of the Avalon Unit provide suggested changes to Exxon's recommended Unit Agreement and Unit Operating Agreement

## Desired Outcomes:

1. Attendees understand issues presented by other companies and contribute ideas toward resolution.
2. Agree on next step(s) to progress Unitization.

Steps	Methods/Presenter	Min.	Time
Introduction	Welcome/ Ron Mayhew	5	10:00 am
Agenda Review	Ron Mayhew	5	10:05 am
Working Interest Owner Comments	<ul style="list-style-type: none"> <li>• Each company presents issues in their letters. Priority issues clearly distinguished. WIO's offer/discuss resolutions to each issue after presented.</li> <li>• Ron Mayhew presents issues from owners not present.</li> <li>• Break where convenient</li> </ul>	110	10:10 am
Lunch	Provided onsite	30	12:00pm
Working Interest Owner Comments	<ul style="list-style-type: none"> <li>• Continue as in above.</li> </ul>	30	12:30 pm
List Next Steps to Progress Unitization	<ul style="list-style-type: none"> <li>• List Priority Items</li> <li>• Group offers suggestions on how to work them. Attempt to reach consensus. Vote if necessary.</li> </ul>	40	1:00 pm
Review notes	<ul style="list-style-type: none"> <li>• Scott scrolls through; group clarifies as necessary</li> </ul>	15	1:40pm
Next Steps/Meeting; Exxon Contacts	Ron Mayhew presents	5	1:55pm
Adjourn			2:00 pm

## To Oil and Gas Producers

We are pleased to provide you with the results of our twelfth annual survey of combined fixed-rate overhead charges.

These results are based on replies to a questionnaire distributed to oil and gas producers in cooperation with 13 organizations. The questionnaire was distributed in July 1993, thus the information should generally reflect operating agreements in effect at that time. The questionnaire was structured to obtain information for drilling and producing rates, varying well depths, and number of operating wells for that depth in 16 U.S. geographic regions (as depicted on the map located on page 34). We had an overall response rate of 45%\*. Again this year we asked participants to identify the type and size of their company and whether or not their overhead rates included salaries and expenses for technical employees. Over 93% of those responding provided the following additional information about their companies.

- 90% are privately held.
- 93% are independents with assets of less than \$50 million.
- 80% said their overhead rates do not include any salaries, wages, or personal expenses for technical or professional consultant services.
- 93% of the respondents specified that in any given depth and region they had less than 100 wells.

① Not representative of Water/CO<sub>2</sub> floods  
 ② see corky dots above

Handout

# West Texas and Eastern New Mexico

5

Oil Wells

Responses 1993	1992	Depth in Feet	Monthly Drilling Well Rates		Monthly Producing Well Rates	
			1993	1992	1993	1992
			Mean	Median	Mean	Median
141	173	0 - 5,000	\$3,093	\$3,000	\$3,271	\$3,000
114	142	5,001 - 10,000	4,136	4,000	4,311	4,000
42	35	10,001 - 15,000	5,146	5,000	5,185	5,000
5	6	15,001 - 20,000	5,590	5,000	6,529	7,618
1	1	20,001 -	4,500	4,500	8,500	8,500
8	7	No Depth Limit	4,018	4,000	3,405	3,650

**Avalon Delaware Unit**  
**June 17, 1994**

Yates Petroleum Concerns

1) Formula

- a. One Phase
- b. Exxon Present - Value Method
  - i. 20% Discount Too High
  - ii. 1-1-95 More Likely Start Date
  - iii. These Effects are Important

<u>Method</u>	<u>%</u>	<u>Exxon</u>	<u>Yates</u>
<Exxon>	20	0.756	0.108
Yates	20	0.726	0.113
Yates	15	0.696	0.123
Yates	10	0.683	0.125

- c. Traditional Formulas
  - i. Parameters
    - Original Oil in Place
    - Remaining Primary Oil
    - Waterflood + Workover Oil
    - CO<sub>2</sub> Oil
  - ii. "Reasonable" Combinations give
    - Exxon            0.704 to 0.739
    - Yates            0.116 to 0.126

2) Voting Percentage for Approval

- a. 75% too low
- b. Big Minority Owners need voice

3) After Payout Interests

- a. Exxon thinks \$250,000 wellbore adjustment will help
- b. Yates rechecking nonconsent status - 5 wells
- c. At least three wells will not payout through inventory

4) Overhead Rate

5) Non-Consent in Unit

- a. Really talking about collecting bills?
- b. Complicated with interest.

# Avalon Working Interest Owners Meeting Summary, June 17, 1994

Issue	Companies Originating Issue	Company Rationale	Exxon Rationale	Solutions and Next Steps
Withdrawal from Unit	Premier	Disagree with other WIO reservoir interpretations		<ul style="list-style-type: none"> <li>Remap unit boundaries to exclude Premier acreage [all agree]</li> </ul>
Participation Formula	<ul style="list-style-type: none"> <li>Yates Petroleum Company</li> <li>American National Petroleum (ANPC)</li> </ul>	<ul style="list-style-type: none"> <li>75% too low. Large Exxon interest.</li> <li>Should be in 85-90% range, or have some combination of 2nd, 3rd, or 4th largest owners.</li> </ul>	<p>20% is based on risks associated with CO2 Project. Capital cost reduction is water injection phase related and much is a result of minimizing preinvestment in CO<sub>2</sub> phase.</p> <p>75% plus one gave others control during CO<sub>2</sub> phase and Exxon control during water injection phase.</p>	<ul style="list-style-type: none"> <li>Yates: Will propose single phase formula and possibly 2 phase formula acceptable to Yates</li> <li>ANPC: Prefer single phase formula, but don't need to include outer ring now (can live with including it)</li> <li>Yates: Suggest using Discount Factor lower than 20%, and start date of 1/1/95</li> </ul>
Voting Percentage	<ul style="list-style-type: none"> <li>Yates Petroleum Company</li> <li>American National Petroleum (ANPC)</li> </ul>	<ul style="list-style-type: none"> <li>75% too low. Large Exxon interest.</li> <li>Should be in 85-90% range, or have some combination of 2nd, 3rd, or 4th largest owners.</li> </ul>	<p>75% plus one gave others control during CO<sub>2</sub> phase and Exxon control during water injection phase.</p> <p>Necessary to determine voting percentage and disposition of funds. Exxon perceived administrative burden to be large; therefore, unfair to impose on other WIO's.</p>	<ul style="list-style-type: none"> <li>Yates: Large minority interests should be able to preclude projects they don't like, suggest combination of 2nd-4th largest owners for approvals</li> <li>ANPC: Would prefer 90% approval requirement</li> <li>Exxon: Would prefer to focus on % requirements rather than number of WIO's</li> <li>All Agree: Wait until participation is finalized to review percentage requirements</li> </ul>
After Payout (APO)	Yates Petroleum Company	Yates won't have 3 of 5 wells paid out with intangible portion of investment equalization.	Necessary to determine voting percentage and disposition of funds. Exxon perceived administrative burden to be large; therefore, unfair to impose on other WIO's.	<ul style="list-style-type: none"> <li>Yates: Wishes to maintain status of non-consent parties that have not paid out</li> <li>Yates: If assume status, consider using bpo rather than apo ownership</li> <li>Exxon: Status of non-consent interests must be resolved among parties</li> <li>Yates will research payout status further</li> </ul>
Withdrawal from Unit / Overrides	W.A. & E.R. Hudson	Makes withdrawal subject to other WIO. Withdrawing party loses interest.	Exxon has experienced unfair cost burdens elsewhere from high override percentages. Offers other WIO's some protection.	<ul style="list-style-type: none"> <li>Pennzoil: Appears that Hudson not affected, only other interests in tract</li> <li>Exxon: No action planned unless needs are defined further</li> </ul>

## Avalon Working Interest Owners Meeting Summary, June 17, 1994 (cont.)

Issue	Companies Originating Issue	Company Rationale	Exxon Rationale	Solutions and Next Steps
Overhead	<ul style="list-style-type: none"> <li>• W.A. &amp; E.R. Hudson</li> <li>• Whiting Petroleum</li> </ul>	Median rates \$3000-\$3100 drilling, \$300-\$323 for producing, See Ernst & Young rates.	<ul style="list-style-type: none"> <li>• Rates paid Exxon in Eddy/Lea counties in \$700-\$800 range.</li> <li>• Hartzog Draw Unit (waterflood with potential CO<sub>2</sub>): &gt;\$700/well.</li> <li>• Ernst &amp; Young not representative of water nor CO<sub>2</sub> floods. See basis of Ernst &amp; Young rates.</li> </ul>	<ul style="list-style-type: none"> <li>• Various parties: Overhead rates too high</li> <li>• Exxon: Ernst &amp; Young rates quoted are not really comparable. Exxon's rates are comparable for similar operations.</li> <li>• Yates/ANPC will try to locate comparable overhead data</li> </ul>
Define Phase 1 / 2	American National Petroleum (ANPC)	Clarify		<ul style="list-style-type: none"> <li>• ANPC: Provide definitions if multiple phases retained</li> </ul>
Maximize amount received for oil	American National Petroleum (ANPC)	Process to receive competitive oil price		<ul style="list-style-type: none"> <li>• ANPC: Include bid process for selling oil</li> <li>• Exxon and ANPC will work together to resolve</li> </ul>
Minimize price paid for CO <sub>2</sub>	American National Petroleum (ANPC)	Process to receive competitive CO <sub>2</sub> price		<ul style="list-style-type: none"> <li>• ANPC Modify Section 7.13 to require Operator bid CO<sub>2</sub></li> <li>• Exxon and ANPC will work together to resolve</li> </ul>
Operating Costs	American National Petroleum (ANPC)	General Concern of major oil companies		<ul style="list-style-type: none"> <li>• ANPC believes Exxon's operating costs are too high</li> <li>• Exxon believes its costs are prudent and will work w/ANPC to resolve</li> </ul>

**Avalon Delaware Unit**  
**June 17, 1994**

*JBT*  
*11/17/94*

*Data Provided*  
*BY Yates*

Yates Petroleum Concerns

1) Formula

- a. One Phase
- b. Exxon Present - Value Method
  - i. 20% Discount Too High
  - ii. 1-1-95 More Likely Start Date
  - iii. These Effects are Important

<u>Method</u>	<u>%</u>	<u>Exxon</u>	<u>Yates</u>
<Exxon>	20	0.756	0.108
Yates	20	0.726	0.113
Yates	15	0.696	0.123
Yates	10	0.683	0.125

*11/17/94*  
*0014*

c. Traditional Formulas

- i. Parameters
  - Original Oil in Place
  - Remaining Primary Oil
  - Waterflood + Workover Oil
  - CO<sub>2</sub> Oil
- ii. "Reasonable" Combinations give
 

Exxon	0.704 to 0.739
Yates	0.116 to 0.126

}

2) Voting Percentage for Approval

- a. 75% too low  
Big Minority Owners need voice

3) After Payout Interests

- a. Exxon thinks \$250,000 wellbore adjustment will help
- b. Yates rechecking nonconsent status - 5 wells
- c. At least three wells will not payout through inventory

*\$ 250K*

4) Overhead Rate

5) Non-Consent in Unit

- a. Really talking about collecting bills?
- b. Complicated with interest.

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.00						
Rem Primary	0.43						
WF & WO	0.29						
CO2 Delta	0.28						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.001507
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.755635
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000103
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.025268
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.010588
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.001392
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.012634
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.003144
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.005524
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.008303
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.014410
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.053724
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.107768
	1.000000	1.000000	1.000000	1.000000			1.000000

AVERAGE EXXON 20% DISCOUNT CASE

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.00						
Rem Primary	0.29						
WF & WO	0.20						
CO2 Delta	0.51						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.002745
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.726117
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000168
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.026965
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.010923
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.002535
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.013482
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.005727
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.006292
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.010625
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.026246
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.054874
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.113301
	1.000000	1.000000	1.000000	1.000000			1.000000

YATES 20% DISCOUNT CASE

AVALON DELAWARE UNIT							
Weighting Factors							
	OOIP						
	Rem Primary						
	WF & WO						
	CO2 Delta						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.003499
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.695553
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000204
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.029416
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.011750
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.003231
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.014707
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.007300
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.006991
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.012301
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.033451
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.058783
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.122816
	1.000000	1.000000	1.000000	1.000000			1.000000

YATES 15 % DISCOUNT CASE

AVALON DELAWARE UNIT							
Weighting Factors							
	OOIP	0.00					
	Rem Primary	0.06					
	WF & WO	0.19					
	CO2 Delta	0.75					
		1.00					
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.004037
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.682848
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000232
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.030139
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.011889
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.003728
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.015069
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.008423
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.007322
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.013308
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.038597
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.059250
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.125158
	1.000000	1.000000	1.000000	1.000000			1.000000

YATES 10% DISCOUNT CASE

Parameter	Weight	Company	WI Partic	NRI Partici
New Rem Res	11.90%	ABO	1.136421%	0.861423%
Cum Prod		BLM	0.000000%	6.207346%
Primary RUR		Cities	0.353206%	0.309055%
Primary EUR		ZZZOthers	7.263136%	7.506554%
Workover EUR		Exxon	69.558184%	59.398970%
Workover Delta		Fee Other	0.000000%	0.279366%
WF EUR		GWA Others	0.000000%	0.000000%
WF+WO	22.49%	JJ Redfern Jr	0.117208%	0.099298%
CO2 EUR		Mary Hudson A	1.468714%	1.247991%
CO2 Delta	65.61%	Merit	0.736803%	0.644703%
Factor	Use	MWJ	0.695783%	0.594885%
YPC et al WI	12.26%	MYCO	3.353718%	2.489191%
YPC et al NRI	10.71%	Penzoil	1.235639%	1.537023%
YPC NRI-ORRI	9.25%	Premier	3.376482%	2.954421%
Total NRI/WI	87.38%	SLO	0.000000%	6.013288%
(NRI-ORRI)/WI	75.44%	W.A. Hudson, I	2.937429%	2.495985%
		Yates Acct 4	0.738291%	0.636320%
Checks	0.00	Yates Else	0.353206%	0.309055%
100.00%	100.00%	Yates ORRI	0.000000%	1.464441%
100.00%	100.00%	YDC	3.353718%	2.489191%
129796	129796	YPC	3.322062%	2.461492%
		YPC et al WI	12.257417%	10.711114%

ONE PHASE

START 1-1-95

15 % DISCOUNT FACTOR

$$C_1 = 837.7 \text{ MBO} \times \frac{\$9M}{1187.4 \text{ MBO}} = \$6.3494 \text{ Million}$$

$$F_1 = 12$$

$$I_1 = 35$$

$$C = \frac{6.3494}{6.3494 + 12 + 35} = \frac{6.3494}{53.3494} = 0.1190$$

$$F = \frac{12}{53.3494} = 0.2249$$

$$I = \frac{35}{53.3494} = 0.6561$$

Parameter	Weight	Company	WI Partic	NRI Partic
New Rem Res	5.47%	ABO	1.162133%	0.880429%
Cum Prod		BLM	0.000000%	6.057083%
Primary RUR		Cities	0.402572%	0.352250%
Primary EUR		ZZZOthers	7.412897%	7.649319%
Workover EUR		Exxon	68.233127%	58.279148%
Workover Delta		Fee Other	0.000000%	0.307685%
WF EUR		GWA Others	0.000000%	0.000000%
WF+WO	19.75%	JJ Redfern Jr	0.119265%	0.101182%
CO2 EUR		Mary Hudson A	1.510730%	1.285709%
CO2 Delta	74.78%	Merit	0.839783%	0.734810%
Factor	Use	MWJ	0.731196%	0.626228%
YPC et al WI	12.55%	MYCO	3.423240%	2.539088%
YPC et al NRI	10.89%	Penzoil	1.330711%	1.642835%
YPC NRI-ORRI	9.46%	Premier	3.848396%	3.367347%
Total NRI/WI	86.77%	SLO	0.000000%	6.135233%
(NRI-ORRI)/WI	75.42%	W.A. Hudson, I	3.021461%	2.571421%
		Yates Acct 4	0.751442%	0.646473%
Checks	0.00%	Yates Else	0.402572%	0.352250%
100.00%	100.00%	Yates ORRI	0.000000%	1.424838%
100.00%	100.00%	YDC	3.423240%	2.539088%
129796	129796	YPC	3.387235%	2.507583%
		YPC et al WI	12.549862%	10.889750%

ONE PHASE

START 1-1-95

10 % DISCOUNT FACTOR

$$C_1 = 837.7 \text{ MBO} \times \frac{\$11 \text{ M}}{1187.4 \text{ MBO}}$$

$$F_1 = 28$$

$$I_1 = 106$$

$$C = \frac{C_1}{C_1 + F_1 + I_1} = 0.0547$$

$$F = \frac{F_1}{C_1 + F_1 + I_1} = 0.1975$$

$$I = \frac{I_1}{C_1 + F_1 + I_1} = 0.7478$$

Parameter	Weight	Company	WI Partic	NRI Partic
New Rem Res	28.77%	ABO	1.049685%	0.796260%
Cur Prod		BLM	0.000000%	6.545503%
Primary RUR		Cities	0.273908%	0.239669%
Primary EUR		ZZZOthers	6.725925%	6.965178%
Workover EUR		Exxon	72.681068%	62.044651%
Workover Delta		Fee Other	0.000000%	0.224759%
WF EUR		GWA Others	0.000000%	0.000000%
WF+WO	20.35%	JJ Redfern Jr	0.109006%	0.092183%
CO2 EUR		Mary Hudson A	1.345396%	1.140795%
CO2 Delta	50.88%	Merit	0.571385%	0.499962%
Factor	Use	MWJ	0.618458%	0.527491%
YPC et al WI	11.30%	MYCO	3.105617%	2.307131%
YPC et al NRI	10.08%	Penzoil	1.062737%	1.336610%
YPC NRI-ORRI	8.53%	Premier	2.618433%	2.291129%
Total NRI/WI	89.19%	SLO	0.000000%	5.729738%
(NRI-ORRI)/WI	75.46%	W.A. Hudson, I	2.690791%	2.281593%
		Yates Acct 4	0.687179%	0.593771%
Checks	0.00%	Yates Else	0.273908%	0.239669%
100.00%	100.00%	Yates ORRI	0.000000%	1.551284%
100.00%	100.00%	YDC	3.105617%	2.307131%
129796	129796	YPC	3.080887%	2.285493%
		YPC et al WI	11.302893%	10.080740%

ONE PHASE  
 START 1-1-95  
 20% DISCOUNT

$$C_1 = 837.7 \text{ MBO} \times \frac{\$ 8 \text{ M}}{1187.4 \text{ MBO}} = \$ 5.6539 \text{ Million}$$

$$F_1 = 4$$

$$I_1 = 10$$

$$C = \frac{C_1}{C_1 + F_1 + I_1} = \frac{5.6539}{19.6539} = 0.2877$$

$$F = 0.2035$$

$$I = 0.5088$$

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.00						
Rem Primary	0.20						
WF & WO	0.60						
CO2 Delta	0.20						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.001077
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.724494
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000069
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.029340
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.012516
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.000994
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.014670
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.002246
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.006020
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.008361
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.010293
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.063872
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.126048
	1.000000	1.000000	1.000000	1.000000			1.000000

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.20						
Rem Primary	0.20						
WF & WO	0.40						
CO2 Delta	0.20						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.003350
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.704491
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000347
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.029337
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.011588
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.008266
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.014668
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.006890
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.008306
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.011107
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.021411
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.058406
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.121834
	1.000000	1.000000	1.000000	1.000000			1.000000

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.10						
Rem Primary	0.25						
WF & WO	0.40						
CO2 Delta	0.25						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.002483
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.720026
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000225
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.028362
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.011535
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.004879
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.014181
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.005130
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.007110
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.009989
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.018425
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.058345
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.119312
	1.000000	1.000000	1.000000	1.000000			1.000000

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.10						
Rem Primary	0.30						
WF & WO	0.40						
CO2 Delta	0.20						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.002213
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.729350
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000212
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.027666
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.011318
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.004630
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.013833
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.004568
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.006889
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.009424
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.015852
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.057354
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.116691
	1.000000	1.000000	1.000000	1.000000			1.000000

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.00						
Rem Primary	0.30						
WF & WO	0.50						
CO2 Delta	0.20						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.001077
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.739352
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000074
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.027667
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.011782
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.000994
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.013833
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.002246
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.005747
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.008050
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.010293
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.060087
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.118798
	1.000000	1.000000	1.000000	1.000000			1.000000

AVALON DELAWARE UNIT							
Weighting Factors							
	OOIP	0.25					
	Rem Primary	0.25					
	WF & WO	0.25					
	CO2 Delta	0.25					
		1.00					
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.004188
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.705024
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000434
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.028360
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.010838
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.010332
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.014180
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.008613
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.008824
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.012049
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.026764
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.054246
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.116152
	1.000000	1.000000	1.000000	1.000000			1.000000



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
PRESIDENT  
JOHN A. YATES  
VICE PRESIDENT  
B. W. HARPER  
SEC. - TREAS.

September 6, 1994

Exxon Company, USA  
P. O. Box 1600  
Midland, Texas 79702-1600

ATTN: Ronald E. Mayhew

RE: Avalon Delaware Unit

Dear Sir:

Yates Petroleum proposes the following participation formula for the Avalon Delaware Unit:

1. The Phase I formula will be

60% Remaining Primary  
30% Tract Waterflood Reserves  
10% Tract CO<sub>2</sub>

2. The Phase II formula will be

20% Remaining Primary  
40% Tract Waterflood Reserves  
40% Tract CO<sub>2</sub> Reserves

3. Phase I will end and Phase II will begin on 4-1-97 or when oil production from the Unit area (after 1-1-93) reaches 1190 KBO, whichever occurs earlier in time.

4. Operating Expenses during Phase I will be charged according to the Phase I formula and Operating Expenses during Phase II will be charged according to the Phase II formula.

5. Capital Expenses will be charged according to the Phase II formula at all times after unitization.

Ronald Mayhew  
September 6, 1994  
-2-

The proposed formula gives Exxon and Yates the interests shown below:

	<u>Phase I</u>	<u>Phase II</u>
Exxon	0.790822	0.724939
Yates	0.098309	0.120907

These interests increase slightly if the Premier acreage is eliminated from the Unit.

The date 4-1-97 is the time when remaining primary reserves of 1190 KBO will be produced via continued operations plus a waterflood with a start date of 7-1-95. The numbers below come from Exhibits G-11 and G-14 in the Avalon Technical Report:

<u>Year</u>	<u>G-11 Primary (KBO)</u>	<u>G-14 WF (KBO)</u>	<u>Cum KBO</u>
1993	201	0	201
1994	149	0	350
1995	119	162	631
1996	96	348	1075
1997	81	391	1547

The cumulative reaches 1190 KBO about 4-1-97.

Attachment 1 shows the interests for all owners under the assumption that Premier remains in the Unit. The numbers in Attachment 2 apply if the Premier acreage is deleted.

I ask that you forward this proposal to the Working Interest Owners and that all owners reply with questions and comments as appropriate.

Sincerely,



David F. Boneau  
Reservoir Engineering Supervisor

DFB/cvg

Attachments

	With Premier Acreage				
	G-24 1/1/93 Rem Primary	G-24 Tract Waterflood Reserves	G-24 Tract CO2 Reserves	Phase 2 20 % Primary + 40 % WF + 40 % CO2	Phase 1 60 % Primary + 30 % WF +10 % CO2
Abo Petroleum Corporation	0.6731%	1.3313%	1.1936%	1.1446%	0.9226%
American National Petroleum Corp.	2.8177%	5.5317%	4.7210%	4.6647%	3.8222%
Ard, Mary H.	0.8259%	1.6336%	1.3331%	1.3519%	1.1189%
Bello, Ernie	0.0046%	0.0088%	0.0075%	0.0074%	0.0061%
Bunn, Mrs. Francis B.	0.0046%	0.0088%	0.0075%	0.0074%	0.0061%
Chevron PBC, Inc.	0.4236%	0.6857%	1.8238%	1.0885%	0.6422%
Claremont Corporation	0.1549%	0.3063%	0.2500%	0.2535%	0.2098%
Devon Energy Corporation (NV)	0.0691%	0.1367%	0.1117%	0.1132%	0.0937%
Devon Energy Partners L.P.	0.3916%	0.7746%	0.6331%	0.6414%	0.5307%
Exxon Corporation	85.0937%	70.7857%	67.9021%	72.4939%	79.0822%
Fox, Fred A. & D. Marjean Living Trust	0.0005%	0.0000%	0.0038%	0.0016%	0.0007%
Gendron Family Revocable Tr	0.0069%	0.0132%	0.0112%	0.0111%	0.0092%
Goodnow, David	0.0046%	0.0088%	0.0075%	0.0074%	0.0061%
Hayes Partners I	0.0000%	0.0000%	0.0412%	0.0165%	0.0041%
Hodge, Joseph R.	0.0008%	0.0015%	0.0012%	0.0012%	0.0010%
Hodge, Sanford J. III	0.0008%	0.0015%	0.0012%	0.0012%	0.0010%
Holden, E. G. Testamentary Tr	0.0023%	0.0044%	0.0037%	0.0037%	0.0031%
Hudson, Edward R. Jr.	0.8259%	1.6336%	1.3331%	1.3519%	1.1189%
Hudson, William A. II	0.8259%	1.6336%	1.3331%	1.3519%	1.1189%
Kawasaki, Isaac A.	0.0046%	0.0088%	0.0075%	0.0074%	0.0061%
Keller, Betsy H.	0.0023%	0.0044%	0.0037%	0.0037%	0.0031%
Kerr-McGee Corporation	0.1493%	0.2953%	0.2410%	0.2444%	0.2023%
LAJ Corporation	0.0010%	0.0000%	0.0073%	0.0031%	0.0014%
Los Chicos	0.0000%	0.0000%	0.0100%	0.0040%	0.0010%
Martin, James L. Jr., Trust	0.0005%	0.0000%	0.0038%	0.0016%	0.0007%
Martin, Williams, & Judson	0.3496%	0.6126%	0.7825%	0.6280%	0.4718%
McCall, Jack O. Estate of	0.0000%	0.0000%	0.0003%	0.0001%	0.0000%
Merit Energy Partners, II, L.P.	0.0000%	0.0000%	0.3713%	0.1485%	0.0371%
Merit Energy Partners, III, L.P.	0.0000%	0.0000%	0.3713%	0.1485%	0.0371%
Merit Energy Partners, L.P.	0.0000%	0.0000%	0.3713%	0.1485%	0.0371%
Moore, Charles Cline	0.0115%	0.0219%	0.0189%	0.0186%	0.0154%
Munroe, Vernon	0.0046%	0.0088%	0.0075%	0.0074%	0.0061%
Myco Industries, Inc.	2.0241%	3.9938%	3.4210%	3.3708%	2.7547%
Napeco	0.0000%	0.0000%	0.0719%	0.0287%	0.0072%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0075%	0.0074%	0.0062%
Oliver, William B. Tr	0.0046%	0.0088%	0.0075%	0.0074%	0.0062%
Oxy U.S.A., Inc.	0.0000%	0.0000%	0.5361%	0.2144%	0.0536%
Premier Oil & Gas, Inc.	0.0000%	0.0000%	4.0769%	1.6308%	0.4077%
Redfern, John J. III, Indep Exec of Est of John J. Redfern,	0.0725%	0.1433%	0.1170%	0.1186%	0.0982%
Redfern, Rosalind	0.0725%	0.1433%	0.1170%	0.1186%	0.0982%
Schlagal, John L.	0.0005%	0.0000%	0.0032%	0.0014%	0.0006%
Martl, Adolph P. Schuman Tr	0.0046%	0.0088%	0.0075%	0.0074%	0.0061%
Seventy-Seven Corporation	0.0000%	0.0000%	0.0080%	0.0032%	0.0008%
Sigmar, Inc.	0.0016%	0.0000%	0.0111%	0.0048%	0.0021%
Space Building Corp.	0.0115%	0.0219%	0.0187%	0.0186%	0.0154%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4468%	0.5052%	0.4334%
TR Oil Corporation	0.0000%	0.0000%	0.0042%	0.0017%	0.0004%
Van Vranken, J. F. Jr.	0.0046%	0.0088%	0.0075%	0.0074%	0.0061%
Whiting Petroleum Corporation	0.3199%	0.6561%	0.4468%	0.5052%	0.4334%
Yates Drilling Company	2.0192%	3.9938%	3.3864%	3.3559%	2.7483%
Yates Petroleum Corporation	2.4800%	4.9051%	4.3094%	4.1818%	3.3905%
Yates, John A.	0.0049%	0.0000%	0.0446%	0.0188%	0.0074%
Yates, S. P.	0.0049%	0.0000%	0.0346%	0.0148%	0.0064%
	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
YPC Et al	7.2063%	14.2240%	12.3996%	12.0907%	9.8309%

	Without Premier Acreage				
	G-24 1/1/93 Rem Primary	G-24 Tract Waterflood Reserves	G-24 Tract CO2 Reserves	20 % Primary + 40 % WF + 40 % CO2	60 % Primary + 30 % WF +10 % CO2
Abo Petroleum Corporation	0.6731%	1.3313%	1.2443%	1.1649%	0.9277%
American National Petroleum Corp.	2.8177%	5.5317%	4.9217%	4.7449%	3.8423%
Ard, Mary H.	0.8259%	1.6336%	1.3898%	1.3745%	1.1246%
Bello, Ernie	0.0046%	0.0088%	0.0078%	0.0076%	0.0062%
Bunn, Mrs. Francis B.	0.0046%	0.0088%	0.0078%	0.0076%	0.0062%
Chevron PBC, Inc.	0.4236%	0.6857%	1.9014%	1.1195%	0.6500%
Claremont Corporation	0.1549%	0.3063%	0.2606%	0.2577%	0.2109%
Devon Energy Corporation (NV)	0.0691%	0.1367%	0.1165%	0.1151%	0.0941%
Devon Energy Partners, L.P.	0.3916%	0.7746%	0.6600%	0.6522%	0.5334%
Exxon Corporation	85.0937%	70.7857%	70.7881%	73.6483%	79.3708%
Fox, Fred A. & D. Marjean Living Trust	0.0005%	0.0000%	0.0040%	0.0017%	0.0007%
Gendron Family Revocable Tr	0.0069%	0.0132%	0.0117%	0.0113%	0.0093%
Goodnow, David	0.0046%	0.0088%	0.0078%	0.0076%	0.0062%
Hayes Partners I	0.0000%	0.0000%	0.0429%	0.0172%	0.0043%
Hodge, Joseph R.	0.0008%	0.0015%	0.0013%	0.0013%	0.0010%
Hodge, Sanford J. III	0.0008%	0.0015%	0.0013%	0.0013%	0.0010%
Holden, E. G. Testamentary Tr	0.0023%	0.0044%	0.0039%	0.0038%	0.0031%
Hudson, Edward R. Jr.	0.8259%	1.6336%	1.3898%	1.3745%	1.1246%
Hudson, William A. II	0.8259%	1.6336%	1.3898%	1.3745%	1.1246%
Kawasaki, Isaac A.	0.0046%	0.0088%	0.0078%	0.0076%	0.0062%
Keller, Betsy H.	0.0023%	0.0044%	0.0039%	0.0038%	0.0031%
Kerr-McGee Corporation	0.1493%	0.2953%	0.2512%	0.2485%	0.2033%
LAJ Corporation	0.0010%	0.0000%	0.0076%	0.0033%	0.0014%
Los Chicos	0.0000%	0.0000%	0.0104%	0.0042%	0.0010%
Martin, James L. Jr., Trust	0.0005%	0.0000%	0.0040%	0.0017%	0.0007%
Martin, Williams, & Judson	0.3496%	0.6126%	0.8157%	0.6413%	0.4751%
McCall, Jack O. Estate of	0.0000%	0.0000%	0.0004%	0.0001%	0.0000%
Merit Energy Partners, II, L.P.	0.0000%	0.0000%	0.3871%	0.1548%	0.0387%
Merit Energy Partners, III, L.P.	0.0000%	0.0000%	0.3871%	0.1548%	0.0387%
Merit Energy Partners, L.P.	0.0000%	0.0000%	0.3871%	0.1548%	0.0387%
Moore, Charles Cline	0.0115%	0.0219%	0.0197%	0.0189%	0.0155%
Munroe, Vernon	0.0046%	0.0088%	0.0078%	0.0076%	0.0062%
Myco Industries, Inc.	2.0241%	3.9938%	3.5664%	3.4289%	2.7693%
Napoco	0.0000%	0.0000%	0.0749%	0.0300%	0.0075%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0079%	0.0076%	0.0062%
Oliver, William B. Tr	0.0046%	0.0088%	0.0079%	0.0076%	0.0062%
Oxy U.S.A., Inc.	0.0000%	0.0000%	0.5589%	0.2235%	0.0559%
Premier Oil & Gas, Inc.	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Redfern, John J. III, Indep Exec of Est of John J. Redfern,	0.0725%	0.1433%	0.1219%	0.1206%	0.0987%
Redfern, Rosalind	0.0725%	0.1433%	0.1219%	0.1206%	0.0987%
Schlagal, John L.	0.0005%	0.0000%	0.0034%	0.0014%	0.0006%
Martl, Adolph P. Schuman Tr	0.0046%	0.0088%	0.0078%	0.0076%	0.0062%
Seventy-Seven Corporation	0.0000%	0.0000%	0.0083%	0.0033%	0.0008%
Sigmar, Inc.	0.0016%	0.0000%	0.0116%	0.0049%	0.0021%
Space Building Corp.	0.0115%	0.0219%	0.0195%	0.0189%	0.0154%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4658%	0.5128%	0.4353%
TR Oil Corporation	0.0000%	0.0000%	0.0044%	0.0017%	0.0004%
Van Vranken, J. F. Jr.	0.0046%	0.0088%	0.0078%	0.0076%	0.0062%
Whiting Petroleum Corporation	0.3199%	0.6561%	0.4658%	0.5128%	0.4353%
Yates Drilling Company	2.0192%	3.9938%	3.5303%	3.4135%	2.7627%
Yates Petroleum Corporation	2.4800%	4.9051%	4.4925%	4.2550%	3.4088%
Yates, John A.	0.0049%	0.0000%	0.0465%	0.0196%	0.0076%
Yates, S. P.	0.0049%	0.0000%	0.0361%	0.0154%	0.0065%
	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
YPC Et al	7.2063%	14.2240%	12.9266%	12.3015%	9.8836%

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

December 5, 1994

Exxon Company, USA  
P. O. Box 1600  
Midland, Texas 79702-1600

ATTN: Ronald E. Mayhew

RE: Avalon Delaware Unit

Dear Sir:

Yates Petroleum proposes two additional participation formulas (Yates Proposal B and Yates Proposal C) for the Avalon Delaware Unit:

I. Yates Proposal B

1. The Phase I formula will be

70% Remaining Primary  
20% Tract Waterflood Reserves  
10% Tract CO<sub>2</sub> Reserves

2. The Phase II formula will be

20% Remaining primary  
40% Tract Waterflood Reserves  
40% Tract CO<sub>2</sub> Reserves

3. Phase I will end and Phase II will begin on 1-1-98 or when oil production from the Unit area (after 1-1-93) reaches 1190 KBO, whichever occurs earlier in time.

4. Capital Expenses during Phase I will be charged according to the Phase I formula and Capital Expenses during Phase II will be charged according to the Phase II formula. These will be a reequalization of monies when the phase change occurs so that all Capital Expenses will ultimately be paid according to the Phase II formula.

Ron Mayhew  
December 5, 1994

-2-

5. The initial overhead rate will be \$550 per producing well per month. The overhead rate will increase by 27 percent when CO<sub>2</sub> injection begins and shall continue at the elevated rate as long as CO<sub>2</sub> is injected into any Unit wells. When CO<sub>2</sub> injection ceases, the overhead rate will decrease by 22 percent.

## II. Yates Proposal C

1. The Phase I formula will be

60% Remaining Primary  
30% Tract Waterflood Reserves  
10% Tract CO<sub>2</sub> Reserves

2. Phase II formula as above
3. Phase change as above
4. Capital Expenses will be charged according to the Phase II formula at all times after unitization with the exception described in the next few sentences. "Special Phase II Owners" are those owners with non-zero Tract CO<sub>2</sub> Reserves, but with zero Remaining Primary and zero Tract Waterflood Reserves. Capital Expenses to these "Special Phase II Owners" will be charged according to the Phase I formula during Phase I, and there will be a reequalization of monies when the phase change occurs. The result will be "unbilled" Capital Expenses of about \$180,000 during Phase I. These "unbilled" Capital Expenses will be charged 8/9 to Exxon and 1/9 to Yates Petroleum. The effect is an interest-free loan from Exxon and Yates to the "Special Phase II Owners."
5. Overhead as above

On the subject of APO interests, Yates agrees that the Stonewall YE #1, WM #1, WM #2, EP #6 and EP #7 should all enter the Unit on an APO basis. The wellbore and equipment at Stonewall YE #1 is owned on a different basis (shown in Attachment 1). To repeat, Yates agrees that the participation formula should be based on APO interests for all wells; and Yates asks that the inventory adjustment for Stonewall YE #1 use the actual equipment owners as shown in Attachment 1.

Ron Mayhew  
December 5, 1994

-3-

The rest of this note explains that the Yates proposals do not meet the Exxon present-value target, but do meet the present-value target defined by Exxon's share of the primary oil reserves plus Exxon's share of the secondary oil reserves. As you have heard before, I believe the Exxon present-value target has been set unreasonably high by Exxon. You will see that the Yates proposals calculate to be fair on a present-value basis.

On November 21, 1994, you told Bob Fant and me that the Exxon proposal of April (adjusted to a WF start date of 7-1-95) has a present value of \$3.98 million at a discount rate of 20 percent per year. We at Yates adjusted and normalized our economic calculations to give a present value at a discount rate of 20% per year equal to the same \$3.98 million with the same production flow streams and ownership assumed by Exxon. The present values calculated by Yates at 10% and 15% discount rates are shown in Line 1 of Attachment 2. I believe that Line 1 represents a reasonable description of the present-value target selected by Exxon.

Next Yates calculated present values for a) primary production with Exxon WI = 0.851 and b) secondary production with Exxon WI = 0.708 and a waterflood start date of 1-1-96. The Capital and Operating Expenses were the same as were used in "duplicating" the Exxon present-value of \$3.98 million. These two results are shown in Lines 2 and 3 of Attachment 2 with the two cases summed in Line 4. My contention is that Line 4 represents a fair present-value target for Exxon in these discussions and Yates should try to meet the collective target in Line 4. Obviously, this target is lower than the target selected by Exxon, the target displayed in Line 1.

Line 5 of Attachment 2 shows the present value of Exxon interest under Yates Proposal A that you received in September of 1994. My comparison of Line 4 and Line 5 says that our original proposal was "fair" as defined by Yates.

Line 6 shows the present value of the Exxon interest under Yates Proposal B outlined at the start of this note. Again, the present values in Lines 4 and 6 are very similar. From another point of view, Yates has taken away the benefit to Exxon of capital costs being billed at Phase II during Phase I. In our "pseudo Exxon framework", we calculate that this change decreases Exxon's present value at 15 percent discount by \$147K.

Ron Mayhew  
December 5, 1994

-4-

Yates has given Exxon a later date for the automatic phase change which is worth \$50K. Yates has also given Exxon a higher interest in Phase I which is worth \$63K. The result is that Proposal B gives Exxon a present value about \$30K less than provided by Proposal A.

Line 7 of Attachment 2 shows the present value calculated by Yates for the Exxon interest under Proposal C. Compared to Proposal A, Exxon loses about \$30K to cover interest on the loan to the "Special Phase II Owners" and Exxon gains about \$50K by moving back the date of the automatic phase change. The result is that Proposal C gives Exxon a present value about \$20K more than provided by Proposal A.

In conclusion, all three Yates proposals give present values clustered very near what Exxon would get from its absolute share of the Remaining Primary and from its absolute share of the Tract Waterflood Reserves. I have tried to make it clear to Exxon why Yates thinks its proposals are fair and how much room Yates has to balance the various components. We are in trouble if the Exxon target remains far from the Yates target, but we can reach agreement if we can see both targets from the same firing position.

Sincerely,



David F. Boneau  
Reservoir Engineering Supervisor

DFB/cvg

Attachments

xc: Mike Slater  
Janet Richardson  
Bob Fant

Attachment 1

Stonewall YE #1 SWD System

<u>Working Interest Owners</u>	<u>WI</u>
Abo Petroleum Corporation	0.04305167
Claremont Corporation	0.00990534
Coquina Oil Corporation	0.21972916
Flag-Redfern Oil Company	0.00954979
Edward R. Heidson, Jr.	0.15848528
MWJ	0.01981069
Mobil Producing TX NM	0.11326129
MYCO Industrices, Inc.	0.12915504
Rosalind Redfern	0.00927066
Yates Drilling Company	0.12915504
Yates Petroleum Corporation	0.12915502
YPC, Account 4	<u>0.02947102</u>
	1.00000000

Attachment 2

Avalon Delaware - Comparison of Present Values for Exxon/Yates Proposals

Line	Case	Present Value in Million of Dollars					Date of Phase Change	Phase Modeled in Economics	Capital WI in Phase I
		Exxon PV at 10%	Exxon PV at 15%	Exxon PV at 20%	Exxon WI Phase I	Exxon WI Phase II			
1	Exxon 4/94	9.33	6.09	3.98*	0.789	NA	Vote to change WI for CO <sub>2</sub>	Primary & Secondary	Phase I
2	Exxon Primary	2.64	2.27	2.00	0.851	---		Primary only	
3	Exxon Secondary	6.65	3.57	1.88	---	0.708	Start WF 1-1-96	Secondary only	
4	Exxon Primary & Secondary	9.29	5.85	3.88	0.851	0.708	Start WF 1-1-96	Primary & Secondary	
5	Yates Proposal A (9/94)	9.33	5.85	3.85	0.791	0.725	4-1-97	Primary & Secondary	Phase II
6	Yates Proposal B (12/94)	9.35	5.82	3.80	0.805	0.725	1-1-98	Primary & Secondary	Phase I
7	Yates Proposal C (12/94)	9.38	5.87	3.87	0.791	0.725	1-1-98	Primary & Secondary	Phase II**

\* Calculated by Exxon and matched by Yates economics. All other PV numbers came from Yates economic calculations.

\*\* Exception for "Special Phase II Owners" as explained in cover letter.

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT  
SOUTHWESTERN DIVISION

October 10, 1994

Re: Yates Letter: Sept. 6, 1994  
Avalon (Delaware) Field, Eddy Co., N.M.

David Boneau, Reservoir Engineering Supervisor  
Yates Petroleum Corporation  
105 S. Fourth Street  
Artesia, N. M. 88210

Dear Mr. Boneau:

One of the action items from our 6/17/94 Working Interest Owners' Meeting was for you to provide an alternative Equity Formula.

We have reviewed your proposal dated September 6, 1994. Instead of immediately circulating your letter, followed by our response, to the Working Interest Owners (WIO's) we believe it would be simpler if Yates and Exxon attempt to reach agreement on these matters, or at least clarify our positions as much as possible, prior to transmitting to WIOs. Our fundamental difference lies in equity resulting from how Phase 1 and 2 are defined. The waterflood is the reason the Unit has value to all of us and your representation of Phase 1 would be acceptable to us for the waterflood. The CO<sub>2</sub> flood has some probability of happening/not happening and your representation of Phase 2 is acceptable if a CO<sub>2</sub> flood is in the future at Avalon.

If your proposal is modified as follows we could support it:

- **Reference Item 4, your letter:** We prefer to vote for a Phase change coincident with WIO's agreeing to proceed with a CO<sub>2</sub> flood. However, if this is a problem, a compromise we would offer is to revise the automatic phase change date closer to an risked CO<sub>2</sub> injection date, such as the earlier of 12/31/2004 or the actual date of CO<sub>2</sub> injection.
- **Clarification, Item 5:** Investment equalization is not covered. It would seem consistent to treat it similar to Capital Expenditures, basing it on Phase 2 participation.
- **Clarification if Premier Acreage not in Unit:** Attachment 2 in your letter assumes a similar development plan if Premier acreage is not in the Unit. If Premier is not in the unit the 20 acre swath adjoining their 4 tracts could not be flooded; therefore, those reserves in those tracts would not be included in the calculation.

Our response to other areas of interest to you and other owners from our Working Interest Owners meeting are summarized in Attachment I. If these counterproposals are acceptable to you we will circulate the correspondence to all owners and request a vote under the pre-unit voting agreement.

Sincerely,



Ronald E. Mayhew  
Avalon Project Manager

## Attachment I: Other areas of interest, Avalon Unitization

Topic	WIO Issue	Exxon Proposal
<b>Voting Percentage</b>	75% approval level would give Exxon control of vote during Phase 1	Agree with WIO issue in concept; will work out exact details and numbers when participation determined
<b>After Payout (APO)</b>	requires a change in previous agreements	Unclear what Exxon as operator would need to do. Willing to consider if clear understanding of how to administer can be obtained.
<b>Overhead</b>	seems high compared to Ernst & Young data	<p><u>As discussed in WIO Meeting:</u></p> <ul style="list-style-type: none"> <li>• Ernst &amp; Young not comparable .</li> <li>• no change unless comparable data for Avalon is submitted for discussion</li> </ul>
<b>Bidding Crude &amp; CO<sub>2</sub></b>	would like UOA to incorporate bidding of CO <sub>2</sub> and crude oil by operator for WIO's	Done: Wording submitted to ANPC 8/25/94, who made this request

Ron Mayhew  
February 9, 1995  
-2-

3. Non Consents - Our reading of the Proposed Agreements leads me to believe that the Yates interest can not increase significantly via the non-consent procedures. If Yates chooses to pick up non-consents to the maximum extent, we gain 0.1 percent while Exxon gains 0.6 so that the Exxon ownership grows rapidly. If everyone else goes non-consent, the final tally is Exxon 86 percent and Yates 14 percent. You need to explain better what Exxon fears in this area.

At this point, Peyton Yates has said Yates would accept the following variation of your earlier proposal:

Ballots submitted for approval to Working Interest Owners will be considered approved if both of the two conditions below are met:

1. 80% of the WIO participation approves the ballot, and
2. the largest owner plus 15% of the remaining *consenting owners* approve the ballot.

I think you can see that this proposal reflects the philosophy outlined above.

Sincerely,



David F. Boneau  
Manager of Non-Op Properties

DFB/cvg

Attachment

xc: Peyton Yates  
Randy Patterson  
Janet Richardson  
Bob Fant

Dave Boreum, Yates Pet  
505 - 748 - 4585

## Avalon Voting Approaches

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### Philosophy

- Exxon agrees that some significant level of WI should agree with ballots for them to be approved.
  - Yates Petroleum agrees that they should not have veto power under current ownership or the future (with considerations of acquisitions and potential for WIO's to go non-consent)
- 

### Recommended Procedure

The following voting procedure is recommended to meet the philosophy above.

- Approval = Largest Owner + 20% of (Unit WI less Yates & Exxon), unless...
  - there are < 6 non-Yates, non-Exxon owners; then largest owner can approve  
Note: Approval = Exxon plus 2.81% under current ownership (76.73%)
- 

### Alternate Procedure

The following voting procedure can also meet the philosophy above.

- Approval = 76.7 %, unless
  - Exxon > 76.7 % or Yates > 19%; then largest owner plus 3 consenting WIOs approve, unless
  - there are < 6 non-Yates, non-Exxon owners; then largest owner can approve
- 

### Procedure Clarifications

The following clarifications are provided to clarify the 2 above procedures.

- Yates: The WI of the 7 companies with Avalon WI affiliated with Yates Petroleum Company
  - If 1 or more of the Yates 7 companies and/or another Yates Petroleum affiliate acquires additional WI, then this WI is added to Yates WI
  - Non-consent WI will be added to the voting WI of the WIOs who carry them
- 

*Continued on next page*

## Avalon Voting Approach, Continued

**Largest WIOs** The largest WIO voting groups are listed below in Columns 1 & 2.

Column 3 shows Cumulative WIO (excluding Yates, ANPC, and 2 Hudsons); where Ard, Premier, and Chevron/PBC with Exxon would exceed 76.5%.

Column 4 shows Cumulative WIO (excluding Yates, ANPC, and 2 Hudsons); where Tipperary, Whiting, MWJ, Devons, and Chevron/PBC would exceed 76.5%.

1. WIO	2. %	3. Cumulative w/o Yates, ANPC, Hudson (large to small)	4. Cumulative w/o Yates, ANPC, Hudson (small to large)
Exxon	73.92	73.92	73.92
Yates et al	12.01		
ANPC	4.65		
Hudsons(2)	2.71		
1. Ard	1.36	75.28	79.59
2. Premier	1.02	76.30	78.23
3. Chevron/ PBC	0.90	77.20	77.21
4. Devon(2)	0.76	77.96	76.31
5. MWJ	0.59	78.55	75.55
6. Whiting	0.52	79.07	74.96
7. Tipperary	0.52	79.59	74.44
30 others	1.04		

The table below shows WIO needed for various approval %. The rationale for needing 76.5% is that 3 of 7 largest OR 5 of 7 smallest are needed to make 76.5%.

Approval %	WIO needed large to small	WIO needed small to large
75	1	5,6,7
75.5	1,2	5,6,7
76	1,2	4,5,6,7
76.5	1,2,3	3,4,5,6,7
77	1,2,3	3,4,5,6,7
77.5	1,2,3,4	2,3,4,5,6,7
78	1,2,3,4,5	2,3,4,5,6,7

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT  
MIDLAND PRODUCTION ORGANIZATION

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JBT		LM
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		TT
HANDLE	REVIEW	SEE ME
		CIRC
		FILE

February 22, 1995

Avalon (Delaware) Field Unitization  
Eddy Co., N. M.

**Working Interest Owners:**

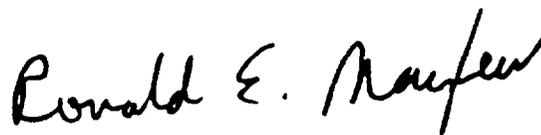
We are in the process of preparing revised Unit and Unit Operating Agreements (UA/UOA) for your approval to form the Avalon (Delaware) Field Unit with modifications that address all of the issues raised at the June 17, 1994 Working Interest Owner (WIO) Meeting (summarized in my letter of June 20, 1994). We appreciate the feedback provided by WIO's to develop these revisions, which are summarized in Attachment II.

The primary issue at the WIO Meeting was the framework for the equity formula. At that meeting, several WIO's expressed a strong interest for a single phase formula. An action item of the meeting was for Yates Petroleum to develop an alternative participation formula to the two-phase formula proposed by Exxon.

Letters that cover various formulas are attached for your information, dated September 6, October 10 and December 5, 1994. The resulting formula agreeable to both Yates and Exxon is summarized in Attachment II with WIO participation shown on Attachment III.

At this time we are requesting either 1.) your concurrence with provisions that are now acceptable to both Exxon and Yates Petroleum or 2.) your proposed changes/rationale (**return Attachment I by March 17, 1995**). This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding. Should you have questions feel free to call me at (915) 688-7841. We appreciate your continued support.

Sincerely,



Ronald E. Mayhew  
Avalon Project Manager

Attachments I-III



# Attachment I: Response to Exxon on Revised Unitization Proposal

Responses requested by March 17, 1995

Mail to: R. E. Mayhew, Avalon Response  
Exxon USA  
P.O. Box 1600  
Midland, TX 79702-1600 or fax to (915) 688-6258

Please provide your response by checking one box and completing the information below:

Company Name (s): \_\_\_\_\_  
\_\_\_\_\_

- We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

- We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

## Attachment II: Summary Description of Proposed Modifications to Avalon Field Unit and Unit Operating Agreements

**Abbreviations** The following abbreviations are used:

WI working interest  
WIO working interest owner  
AFE Authority For Expenditure

**Equity** The table below describes proposed revisions to equity participation in the Avalon (Delaware) Field Unit from what Exxon proposed in the previously provided Unit and Unit Operating Agreements.

Feature	Description								
Phases	Participation will be in a single phase only; which was requested by several attendees at the June 94 WIO meeting.								
Reserve Weighting Factors	<p>Participation will be based on tract reserves with the following Reserve Weighting Factors:</p> <table border="1"> <thead> <tr> <th>Reserve Weighting</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>25 % Remaining Primary</td> <td>low risk near term production highest value</td> </tr> <tr> <td>50 % Waterflood</td> <td>main purpose of unitization</td> </tr> <tr> <td>25 % CO<sub>2</sub></td> <td>highest technical, economic, and implementation risk</td> </tr> </tbody> </table> <p>Note: These percentages are multiplied by each owners tract reserves percentage (by Primary, Waterflood, and CO<sub>2</sub>), then summed to obtain a Unit Equity (percentage) as shown on Attachment III.</p>	Reserve Weighting	Rationale	25 % Remaining Primary	low risk near term production highest value	50 % Waterflood	main purpose of unitization	25 % CO <sub>2</sub>	highest technical, economic, and implementation risk
Reserve Weighting	Rationale								
25 % Remaining Primary	low risk near term production highest value								
50 % Waterflood	main purpose of unitization								
25 % CO <sub>2</sub>	highest technical, economic, and implementation risk								
Owner participation	A summary of owner participation is provided in Attachment III.								

**Bidding of CO<sub>2</sub> and crude** The bidding of crude oil sales and CO<sub>2</sub> supply have been incorporated into the agreements. Contact Scott Lansdown (915) 688-4982 if you would like to review wording.

*Continued on next page*

## Attachment II: Summary Description of Proposed Modifications to Avalon Field Unit and Unit Operating Agreements, Continued

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### Capital Expenditures & Contributed Investments

All expenditures (capital and operating expense), along with existing investments of use to the Unit would be at the Single Phase participation percentage shown on Attachment III.

Examples:

- Capital Expenditure: \$1M and/or future AFEs/ballots: Each owner pays WI fraction times \$1M and/or ballot amounts
  - Operating Expense: Each owner pays WI fraction times monthly operating cost
  - Investment Equalization: If a well or portion of surface facility equipment can be utilized in waterflood or CO<sub>2</sub> operations each owner will be credited with the determined value. Then each owner will be debited with an amount equal to their WI fraction times the sum of the values of all wells/equipment brought into the Unit.
- 

### Overhead

Overhead rate will be charged as follows:

- initial overhead rate will be \$550/ producing and injection well
- overhead will increase 27% when a CO<sub>2</sub> project is approved by Unit Owners
- overhead will decrease 22% when CO<sub>2</sub> injection ceases

Exception: Exxon may submit AFE's prior to approval of a CO<sub>2</sub> Project to WIOs to conduct CO<sub>2</sub> Project Studies that will be considered as an operating expense outside the overhead category for the purpose of recovering costs for company and consulting personnel.

Examples: These studies could include computer modeling, injectivity test planning & analysis, cost/production estimates, etc. Note: for approval requirements see Voting below

---

### Voting

Ballots/AFE's to WIOs will be considered approved if:

Note: AFE's under \$100k do not require WIO approval

- **CO<sub>2</sub> Study AFE's** (see Overhead above) and **CO<sub>2</sub> Project AFE's** (both pilot and full scale): Largest 2 owners must approve in addition to \$ requirement.  
Note: Yates Petroleum's 7 affiliates are defined as a single owner for this purpose. Should these Yates interests be sold a new 2nd largest owner could occur.
  - **AFE's < \$ 1M (to be escalated 3%/year)**: Largest Owner + 10% remaining WI
  - **AFE's ≥ \$1M (to be escalated 3%/year)**: 84 % of the WIO participation
-

Attachment III: Avalon (Delaware) Participation (25,50,25)

	G-24 1/1/93 Rem Primary	G-24 Tract Waterflood Reserves	G-24 Tract CO2 Reserves	Single Phase Formula Participation: 25% Primary, 50% Waterflood, and 25% CO2 flood
Abo Petroleum Corporation	0.6731%	1.3313%	1.1936%	1.1323%
American National Pet. Corp.	2.8177%	5.5317%	4.7210%	4.6505%
Ard, Mary H.	0.8259%	1.6336%	1.3331%	1.3566%
Bello, Ernie	0.0046%	0.0088%	0.0075%	0.0074%
Bunn, Mrs. Francis B.	0.0046%	0.0088%	0.0075%	0.0074%
Chevron PBC, Inc.	0.4236%	0.6857%	1.8238%	0.9047%
Claremont Corporation	0.1549%	0.3063%	0.2500%	0.2544%
Devon Energy Corporation (NV)	0.0691%	0.1367%	0.1117%	0.1136%
Devon Energy Partners L.P.	0.3916%	0.7746%	0.6331%	0.6435%
Exxon Corporation	85.0939%	70.7855%	67.9026%	73.6419%
Fox, Fred A. & D. Marjean Living Trust	0.0005%	0.0000%	0.0038%	0.0011%
Gendron Family Revocable Trust	0.0069%	0.0132%	0.0112%	0.0111%
Goodnow, David	0.0046%	0.0088%	0.0075%	0.0074%
Hayes Partners I	0.0000%	0.0000%	0.0412%	0.0103%
Hodge, Joseph R.	0.0008%	0.0015%	0.0012%	0.0013%
Hodge, Sanford J. III	0.0008%	0.0015%	0.0012%	0.0013%
Holden, E. G. Testamentary Tr	0.0023%	0.0044%	0.0037%	0.0037%
Hudson, Edward R. Jr.	0.8259%	1.6336%	1.3331%	1.3566%
Hudson, William A. II	0.8259%	1.6336%	1.3331%	1.3566%
Kawasaki, Isaac A.	0.0046%	0.0088%	0.0075%	0.0074%
Keller, Betsy H.	0.0023%	0.0044%	0.0037%	0.0037%
Kerr-McGee Corporation	0.1493%	0.2953%	0.2410%	0.2452%
LAJ Corporation	0.0010%	0.0000%	0.0073%	0.0021%
Los Chicos	0.0000%	0.0000%	0.0100%	0.0025%
Martin, James L. Jr., Trust	0.0005%	0.0000%	0.0038%	0.0011%
Martin, Williams, & Judson	0.3496%	0.6126%	0.7825%	0.5893%
McCall, Jack O. Estate of	0.0000%	0.0000%	0.0003%	0.0001%
Merit Energy Partners, II, L.P.*	0.0000%	0.0000%	0.3713%	0.0928%
Merit Energy Partners, III, L.P.*	0.0000%	0.0000%	0.3713%	0.0928%
Merit Energy Partners, L.P.*	0.0000%	0.0000%	0.3713%	0.0928%
Moore, Charles Cline	0.0115%	0.0219%	0.0189%	0.0186%
Munroe, Vernon	0.0046%	0.0088%	0.0075%	0.0074%
Myco Industries, Inc.	2.0241%	3.9938%	3.4210%	3.3582%
Napeco	0.0000%	0.0000%	0.0719%	0.0180%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0075%	0.0074%
Oliver, William B. Tr	0.0046%	0.0088%	0.0075%	0.0074%
Oxy U.S.A., Inc.	0.0000%	0.0000%	0.5361%	0.1340%
Premier Oil & Gas, Inc.	0.0000%	0.0000%	4.0769%	1.0192%
Redfern, John J. III, Indep Exec of Est of	0.0725%	0.1433%	0.1170%	0.1190%
Redfern, Rosalind	0.0725%	0.1433%	0.1170%	0.1190%
Schlagal, John L.	0.0005%	0.0000%	0.0032%	0.0009%
Martl, Adolph P. Schuman Tr	0.0046%	0.0088%	0.0075%	0.0074%
Seventy-Seven Corporation	0.0000%	0.0000%	0.0080%	0.0020%
Sigmar, Inc.	0.0016%	0.0000%	0.0111%	0.0032%
Space Building Corp.	0.0115%	0.0219%	0.0187%	0.0185%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4468%	0.5197%
TR Oil Corporation	0.0000%	0.0000%	0.0042%	0.0011%
Van Vranken, J. F. Jr.	0.0046%	0.0088%	0.0075%	0.0074%
Whiting Petroleum Corporation	0.3199%	0.6561%	0.4468%	0.5197%
Yates Drilling Company	2.0192%	3.9938%	3.3864%	3.3483%
Yates Petroleum Corporation	2.4800%	4.9051%	4.3094%	4.1499%
Yates, John A.	0.0049%	0.0000%	0.0446%	0.0124%
Yates, S. P.	0.0049%	0.0000%	0.0346%	0.0099%
	100.0000%	100.0000%	100.0000%	100.0000%

\*Note: Exxon purchased Merit interest in 1/95

February 23, 1995

Avalon (Delaware) Field Unitization  
Eddy Co., N. M.

David F. Boneau, Manager Non-Op Properties  
Yates Petroleum Corporation  
105 S. Fourth St.  
Artesia, NM 88210

**Dear Dave:**

We will agree with the 4 requests in your fax dated today, to foster a spirit of cooperation and to progress the project. This is with the assumption that these are the final changes. The wording that I will pass on to our Unit Agreement Drafting Committee is provided below:

<b>Voting</b>	<b>Ballots/AFE's to WIOs will be considered approved if:</b> <b>Note:</b> AFE's under \$100k do not require WIO approval <ul style="list-style-type: none"><li>• <b>CO<sub>2</sub> Study AFE's (see Overhead above) and Tertiary Project AFE's (both pilot and full scale, both primary and ring areas):</b> Largest 2 owners must approve in addition to \$ requirement. <b>Note:</b> Yates Petroleum's 7 affiliates are defined as a single owner for this purpose. Should these Yates interests be sold a new 2nd largest owner could occur.</li><li>• <b>AFE's &lt; \$ 1M:</b> Largest Owner + 10% remaining WI; Minimum of 75%</li><li>• <b>AFE's ≥ \$1M and drilling of one or more wells:</b> 85 % of the WIO participation</li></ul>
---------------	---

I look forward to continuing our work in forming the Avalon Unit and in implementing the project.

Sincerely,



Ronald E. Mayhew  
Avalon Project Manager



MARTIN YATES, III  
1912 - 1985  
RANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
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SECRETARY  
DENNIS G. KINSEY  
TREASURER

February 9, 1995

Post-It™ brand fax transmittal memo 7671 # of pages > 2

To Ron Mayhew	From Dave Boneau
Co. Exxon	Co. YPC
Dept.	Phone # 505-748-4175
Fax # 915-688-6258	Fax # 505-748-4585

Ron Mayhew  
Exxon Company USA  
P. O. Box 1600  
Midland, Texas 79702-1600

RE: Avalon Delaware Voting

Dear Ron,

As you did in your fax dated February 8, I wish to clarify the philosophy related to Avalon voting. Also, this note tries to bring you up to date on relevant activities here at Yates.

Bob Fant and I met with Peyton Yates for an hour or more Monday evening. I met with Randy Patterson, Land Manager, for a long time on Tuesday morning and Randy met with Peyton yesterday before he left for the Dallas Federal Reserve meeting. It is now clearer to me where Exxon and Yates agree and disagree on the approach to the problem.

These are three philosophical areas where clarity might help:

1. Veto - I told you and Yates Management agrees that a minority owner of 15 percent or less should not be able to veto action. Yates Management believes that a minority owners of 20 percent should be able to veto action since the Avalon project is expensive in our eyes. I think Exxon believes that no minority owner should ever have a veto, so we have a clear problem to address.
2. Buyouts - Yates has purchased no interests in the Avalon Delaware area whereas Exxon has purchased Mesa wells plus interests in wells operated by Yates plus interests in non-producing acreage. Recently, Exxon bought the Merit interests. It is true that Yates has made offers to a few owners. These have been rejected. Yates is simply not going to seek aggressively to increase its ownership in a project that is risky and expensive.



FAC no MCO no EWIS 74.15

BALLOT # 95-02-38

AFE S AMT -0-

PROPERTY Avalon

% REQUIRED 100%

DATE MAILED 2.23-95

DESC OF WORK UOA/UA Approval

OWNER	DATE RECEIVED	INTEREST	TOTAL
Edson		73.6419	
ER Hudson	3-3-95	1.3566	
WA Hudson	2	1.3566	
Ord	3-14-95	1.3566	
Claremont		.2544	
* Premier		disapprove	
Devon		.7571	
Sigmar	3-22-95	.0032	
Schlagel		.0009	
MWE 2		.5893	
ABO		1.1323	
Vates 1		.0124	
Vates 2		.0099	
Vates Orig		3.3483	
Vates Retro		4.1499	
Muco		3.3582	
Los Chicos		.0025	
Williams		.0011	
Unit		4.6505	
* Whiting	3-27-95	disapprove	
Supperary	2	.5197	96.5014
Rennsie	4-3-95	.9047	
A C Oliver	4-19-95	.0074	
Joy	4-28-95	.0011	97.4146

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): Mary T. Hudson Ard

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): Mary T. Hudson Ard Title: \_\_\_\_\_

Signature: Mary T. Ard Phone: (817) 377-4830

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

MDA	RECEIVED	MPC
RLA	LAND SERVICES	RGG
RKF		RTL
SHJ		TAL
PLK	MAR 17 1995	JBE
DCR		SHK
JBT		LLM
		SES
	MPO - MIDLAND	JHT
HANDLE	REVIEW	SEE ME
		CIRC
		FILE

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Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): Frances B. Bunn

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): Frances B. Bunn Title: owner

Signature: Frances B. Bunn Phone: (808) 521-9207

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

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# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

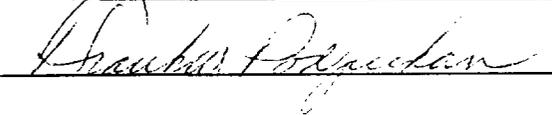
Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): CLAREMONT CORPORATION

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): Frank W. Podpechan Title: President

Signature:  Phone: 918/341-6622

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

## Attachment II: Summary Description of Proposed Modifications to Avalon Field Unit and Unit Operating Agreements

**Abbreviations** The following abbreviations are used:  
 WI working interest  
 WIO working interest owner  
 AFE Authority For Expenditure

**Equity** The table below describes proposed revisions to equity participation in the Avalon (Delaware) Field Unit from what Exxon proposed in the previously provided Unit and Unit Operating Agreements.

Feature	Description								
Phases	Participation will be in a single phase only; which was requested by several attendees at the June 94 WIO meeting.								
Reserve Weighting Factors	<p>Participation will be based on tract reserves with the following Reserve Weighting Factors:</p> <table border="1"> <thead> <tr> <th>Reserve Weighting</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>25 % Remaining Primary</td> <td>low risk near term production highest value</td> </tr> <tr> <td>50 % Waterflood</td> <td>main purpose of unitization</td> </tr> <tr> <td>25 % CO<sub>2</sub></td> <td>highest technical, economic, and implementation risk</td> </tr> </tbody> </table> <p>Note: These percentages are multiplied by each owners tract reserves percentage (by Primary, Waterflood, and CO<sub>2</sub> ), then summed to obtain a Unit Equity (percentage) as shown on Attachment III.</p>	Reserve Weighting	Rationale	25 % Remaining Primary	low risk near term production highest value	50 % Waterflood	main purpose of unitization	25 % CO <sub>2</sub>	highest technical, economic, and implementation risk
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25 % Remaining Primary	low risk near term production highest value								
50 % Waterflood	main purpose of unitization								
25 % CO <sub>2</sub>	highest technical, economic, and implementation risk								
Owner participation	A summary of owner participation is provided in Attachment III.								

**Bidding of CO<sub>2</sub> and crude** The bidding of crude oil sales and CO<sub>2</sub> supply have been incorporated into the agreements. Contact Scott Lansdown (915) 688-4982 if you would like to review wording.

*Continued on next page*

## Attachment II: Summary Description of Proposed Modifications to Avalon Field Unit and Unit Operating Agreements, Continued

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### Capital Expenditures & Contributed Investments

All expenditures (capital and operating expense), along with existing investments of use to the Unit would be at the Single Phase participation percentage shown on Attachment III.

Examples:

- **Capital Expenditure:** \$1M and/or future AFEs/ballots: Each owner pays WI fraction times \$1M and/or ballot amounts
  - **Operating Expense:** Each owner pays WI fraction times monthly operating cost
  - **Investment Equalization:** If a well or portion of surface facility equipment can be utilized in waterflood or CO<sub>2</sub> operations each owner will be credited with the determined value. Then each owner will be debited with an amount equal to their WI fraction times the sum of the values of all wells/equipment brought into the Unit.
- 

### Overhead

Overhead rate will be charged as follows:

- initial overhead rate will be \$550/ producing and injection well
- overhead will increase 27% when a CO<sub>2</sub> project is approved by Unit Owners
- overhead will decrease 22% when CO<sub>2</sub> injection ceases

**Exception:** Exxon may submit AFE's prior to approval of a CO<sub>2</sub> Project to WIOs to conduct CO<sub>2</sub> Project Studies that will be considered as an operating expense outside the overhead category for the purpose of recovering costs for company and consulting personnel.

**Examples:** These studies could include computer modeling, injectivity test planning & analysis, cost/production estimates, etc. Note: for approval requirements see Voting below

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### Voting

Ballots/AFE's to WIOs will be considered approved if:

Note: AFE's under \$100k do not require WIO approval

- **CO<sub>2</sub> Study AFE's** (see Overhead above) **and CO<sub>2</sub> Project AFE's** (both pilot and full scale): Largest 2 owners must approve in addition to \$ requirement.

Note: Yates Petroleum's 7 affiliates are defined as a single owner for this purpose. Should these Yates interests be sold a new 2nd largest owner could occur.

- **AFE's < \$ 1M (to be escalated 3%/year):** Largest Owner + 10% remaining WI
  - **AFE's ≥ \$1M (to be escalated 3%/year):** 84 % of the WIO participation
-

**Attachment III: Avalon (Delaware) Participation (25,50,25)**

	G-24 1/1/93 Rem Primary	G-24 Tract Waterflood Reserves	G-24 Tract CO2 Reserves	Single Phase Formula Participation: 25% Primary, 50% Waterflood, and 25% CO2 flood
Abo Petroleum Corporation	0.6731%	1.3313%	1.1936%	1.1323%
American National Pet. Corp.	2.8177%	5.5317%	4.7210%	4.6505%
Ard, Mary H.	0.8259%	1.6336%	1.3331%	1.3566%
Bello, Emie	0.0046%	0.0088%	0.0075%	0.0074%
Bunn, Mrs. Francis B.	0.0046%	0.0088%	0.0075%	0.0074%
Chevron PBC, Inc.	0.4236%	0.6857%	1.8238%	0.9047%
Claremont Corporation	0.1549%	0.3063%	0.2500%	0.2544%
Devon Energy Corporation (NV)	0.0691%	0.1367%	0.1117%	0.1136%
Devon Energy Partners L.P.	0.3916%	0.7746%	0.6331%	0.6435%
Exxon Corporation	85.0939%	70.7855%	67.9026%	73.6419%
Fox, Fred A. & D. Marjean Living Trust	0.0005%	0.0000%	0.0038%	0.0011%
Gendron Family Revocable Trust	0.0069%	0.0132%	0.0112%	0.0111%
Goodnow, David	0.0046%	0.0088%	0.0075%	0.0074%
Hayes Partners I	0.0000%	0.0000%	0.0412%	0.0103%
Hodge, Joseph R.	0.0008%	0.0015%	0.0012%	0.0013%
Hodge, Sanford J. II	0.0008%	0.0015%	0.0012%	0.0013%
Holden, E. G. Testamentary Tr	0.0023%	0.0044%	0.0037%	0.0037%
Hudson, Edward R. Jr.	0.8259%	1.6336%	1.3331%	1.3566%
Hudson, William A. II	0.8259%	1.6336%	1.3331%	1.3566%
Kawasaki, Isaac A.	0.0046%	0.0088%	0.0075%	0.0074%
Keller, Betsy H.	0.0023%	0.0044%	0.0037%	0.0037%
Kerr-McGee Corporation	0.1493%	0.2953%	0.2410%	0.2452%
LAJ Corporation	0.0010%	0.0000%	0.0073%	0.0021%
Los Chicos	0.0000%	0.0000%	0.0100%	0.0025%
Martin, James L. Jr., Trust	0.0005%	0.0000%	0.0038%	0.0011%
Martin, Williams, & Judson	0.3496%	0.6126%	0.7825%	0.5893%
McCall, Jack O. Estate of	0.0000%	0.0000%	0.0003%	0.0001%
Merit Energy Partners, II, L.P.*	0.0000%	0.0000%	0.3713%	0.0928%
Merit Energy Partners, III, L.P. *	0.0000%	0.0000%	0.3713%	0.0928%
Merit Energy Partners, L.P. *	0.0000%	0.0000%	0.3713%	0.0928%
Moore, Charles Cline	0.0115%	0.0219%	0.0189%	0.0186%
Munroe, Vernon	0.0046%	0.0088%	0.0075%	0.0074%
Myco Industries, Inc.	2.0241%	3.9938%	3.4210%	3.3582%
Napeco	0.0000%	0.0000%	0.0719%	0.0180%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0075%	0.0074%
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Oxy U.S.A., Inc.	0.0000%	0.0000%	0.5361%	0.1340%
Premier Oil & Gas, Inc.	0.0000%	0.0000%	4.0769%	1.0192%
Redfern, John J. III. Indep Exec of Est of	0.0725%	0.1433%	0.1170%	0.1190%
Redfern, Rosalind	0.0725%	0.1433%	0.1170%	0.1190%
Schlagal, John L.	0.0005%	0.0000%	0.0032%	0.0009%
Martl, Adolph P. Schuman Tr	0.0046%	0.0088%	0.0075%	0.0074%
Seventy-Seven Corporation	0.0000%	0.0000%	0.0080%	0.0020%
Sigmar, Inc.	0.0016%	0.0000%	0.0111%	0.0032%
Space Building Corp.	0.0115%	0.0219%	0.0187%	0.0185%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4468%	0.5197%
TR Oil Corporation	0.0000%	0.0000%	0.0042%	0.0011%
Van Vranken, J. F. Jr.	0.0046%	0.0088%	0.0075%	0.0074%
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Yates Drilling Company	2.0192%	3.9938%	3.3864%	3.3483%
Yates Petroleum Corporation	2.4800%	4.9051%	4.3094%	4.1499%
Yates, John A.	0.0049%	0.0000%	0.0446%	0.0124%
Yates, S. P.	0.0049%	0.0000%	0.0346%	0.0099%
	100.0000%	100.0000%	100.0000%	100.0000%
*Note: Exxon purchased Merit interest in 1/95				

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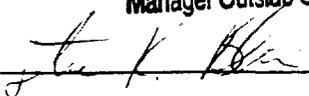
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P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): DEVON ENERGY

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): STEVEN K. BLAIR Title: \_\_\_\_\_  
Manager Outside Operations

Signature:  Phone: 405 552-4522

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

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Hayes Partners I	0.0000%	0.0000%	0.0412%	0.0103%
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Hodge, Sanford J. III	0.0008%	0.0015%	0.0012%	0.0013%
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Martin, Williams, & Judson	0.3496%	0.6126%	0.7825%	0.5893%
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Merit Energy Partners, L.P. *	0.0000%	0.0000%	0.3713%	0.0928%
Moore, Charles Cline	0.0115%	0.0219%	0.0189%	0.0186%
Munroe, Vernon	0.0046%	0.0088%	0.0075%	0.0074%
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Napeco	0.0000%	0.0000%	0.0719%	0.0180%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0075%	0.0074%
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Seventy-Seven Corporation	0.0000%	0.0000%	0.0080%	0.0020%
Sigmar, Inc.	0.0016%	0.0000%	0.0111%	0.0032%
Space Building Corp.	0.0115%	0.0219%	0.0187%	0.0185%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4468%	0.5197%
TR Oil Corporation	0.0000%	0.0000%	0.0042%	0.0011%
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Yates Drilling Company	2.0192%	3.9938%	3.3864%	3.3483%
Yates Petroleum Corporation	2.4800%	4.9051%	4.3094%	4.1499%
Yates, John A.	0.0049%	0.0000%	0.0446%	0.0124%
Yates, S. P.	0.0049%	0.0000%	0.0346%	0.0099%
	100.0000%	100.0000%	100.0000%	100.0000%
*Note: Exxon purchased Merit interest in 1/95				

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to:           Operations Accounting Secretary  
                  Exxon Co., U.S.A.  
                  P. O. Box 51040  
                  Midland, Texas 79710-1040                   or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): Fred A. & D. Marjean Fox Living Trust

---

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.  
By (typed or written): Fred A. Fox Title: Trustee  
Signature: Fred A. Fox Phone: (360) 757-0693

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.  
By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_  
Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

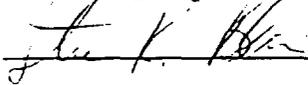
Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): DEVON ENERGY

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): STEVEN K. BLAIR Title: \_\_\_\_\_  
Manager Outside Operations

Signature:  Phone: (409) 552-4522

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

## Attachment II: Summary Description of Proposed Modifications to Avalon Field Unit and Unit Operating Agreements

**Abbreviations** The following abbreviations are used:

WI working interest  
WIO working interest owner  
AFE Authority For Expenditure

**Equity** The table below describes proposed revisions to equity participation in the Avalon (Delaware) Field Unit from what Exxon proposed in the previously provided Unit and Unit Operating Agreements.

Feature	Description								
Phases	Participation will be in a single phase only; which was requested by several attendees at the June 94 WIO meeting.								
Reserve Weighting Factors	<p>Participation will be based on tract reserves with the following Reserve Weighting Factors:</p> <table border="1"> <thead> <tr> <th>Reserve Weighting</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>25 % Remaining Primary</td> <td>low risk near term production highest value</td> </tr> <tr> <td>50 % Waterflood</td> <td>main purpose of unitization</td> </tr> <tr> <td>25 % CO<sub>2</sub></td> <td>highest technical, economic, and implementation risk</td> </tr> </tbody> </table> <p>Note: These percentages are multiplied by each owners tract reserves percentage (by Primary, Waterflood, and CO<sub>2</sub>), then summed to obtain a Unit Equity (percentage) as shown on Attachment III.</p>	Reserve Weighting	Rationale	25 % Remaining Primary	low risk near term production highest value	50 % Waterflood	main purpose of unitization	25 % CO <sub>2</sub>	highest technical, economic, and implementation risk
Reserve Weighting	Rationale								
25 % Remaining Primary	low risk near term production highest value								
50 % Waterflood	main purpose of unitization								
25 % CO <sub>2</sub>	highest technical, economic, and implementation risk								
Owner participation	A summary of owner participation is provided in Attachment III.								

**Bidding of CO<sub>2</sub> and crude** The bidding of crude oil sales and CO<sub>2</sub> supply have been incorporated into the agreements. Contact Scott Lansdown (915) 688-4982 if you would like to review wording.

*Continued on next page*

## Attachment II: Summary Description of Proposed Modifications to Avalon Field Unit and Unit Operating Agreements, Continued

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### Capital Expenditures & Contributed Investments

All expenditures (capital and operating expense), along with existing investments of use to the Unit would be at the Single Phase participation percentage shown on Attachment III.

Examples:

- **Capital Expenditure:** \$1M and/or future AFEs/ballots: Each owner pays WI fraction times \$1M and/or ballot amounts
- **Operating Expense:** Each owner pays WI fraction times monthly operating cost
- **Investment Equalization:** If a well or portion of surface facility equipment can be utilized in waterflood or CO<sub>2</sub> operations each owner will be credited with the determined value. Then each owner will be debited with an amount equal to their WI fraction times the sum of the values of all wells/equipment brought into the Unit.

---

### Overhead

Overhead rate will be charged as follows:

- initial overhead rate will be \$550/ producing and injection well
- overhead will increase 27% when a CO<sub>2</sub> project is approved by Unit Owners
- overhead will decrease 22% when CO<sub>2</sub> injection ceases

**Exception:** Exxon may submit AFE's prior to approval of a CO<sub>2</sub> Project to WIOs to conduct CO<sub>2</sub> Project Studies that will be considered as an operating expense outside the overhead category for the purpose of recovering costs for company and consulting personnel.

**Examples:** These studies could include computer modeling, injectivity test planning & analysis, cost/production estimates, etc. Note: for approval requirements see Voting below

---

### Voting

Ballots/AFE's to WIOs will be considered approved if:

Note: AFE's under \$100k do not require WIO approval

- **CO<sub>2</sub> Study AFE's** (see Overhead above) and **CO<sub>2</sub> Project AFE's** (both pilot and full scale): Largest 2 owners must approve in addition to \$ requirement.

Note: Yates Petroleum's 7 affiliates are defined as a single owner for this purpose. Should these Yates interests be sold a new 2nd largest owner could occur.

- **AFE's < \$ 1M (to be escalated 3%/year):** Largest Owner + 10% remaining WI
  - **AFE's ≥ \$1M (to be escalated 3%/year):** 84 % of the WIO participation
-

**Attachment III: Avalon (Delaware) Participation (25,50,25)**

	G-24 1/1/93 Rem Primary	G-24 Tract Waterflood Reserves	G-24 Tract CO2 Reserves	Single Phase Formula Participation: 25% Primary, 50% Waterflood, and 25% CO2 flood
Abo Petroleum Corporation	0.6731%	1.3313%	1.1936%	1.1323%
American National Pet. Corp.	2.8177%	5.5317%	4.7210%	4.6505%
Ard, Mary H.	0.8259%	1.6336%	1.3331%	1.3566%
Bello, Ernie	0.0046%	0.0088%	0.0075%	0.0074%
Bunn, Mrs. Francis B.	0.0046%	0.0088%	0.0075%	0.0074%
Chevron PBC, Inc.	0.4236%	0.6857%	1.8238%	0.9047%
Claremont Corporation	0.1549%	0.3063%	0.2500%	0.2544%
Devon Energy Corporation (NV)	0.0691%	0.1367%	0.1117%	0.1136%
Devon Energy Partners L.P.	0.3916%	0.7746%	0.6331%	0.6435%
Exxon Corporation	85.0939%	70.7855%	67.9026%	73.6419%
Fox, Fred A. & D. Marjean Living Trust	0.0005%	0.0000%	0.0038%	0.0011%
Gendron Family Revocable Trust	0.0069%	0.0132%	0.0112%	0.0111%
Goodnow, David	0.0046%	0.0088%	0.0075%	0.0074%
Hayes Partners I	0.0000%	0.0000%	0.0412%	0.0103%
Hodge, Joseph R.	0.0008%	0.0015%	0.0012%	0.0013%
Hodge, Sanford J. III	0.0008%	0.0015%	0.0012%	0.0013%
Holden, E. G. Testamentary Tr	0.0023%	0.0044%	0.0037%	0.0037%
Hudson, Edward R. Jr.	0.8259%	1.6336%	1.3331%	1.3566%
Hudson, William A. II	0.8259%	1.6336%	1.3331%	1.3566%
Kawasaki, Isaac A.	0.0046%	0.0088%	0.0075%	0.0074%
Keller, Betsy H.	0.0023%	0.0044%	0.0037%	0.0037%
Kerr-McGee Corporation	0.1493%	0.2953%	0.2410%	0.2452%
LAJ Corporation	0.0010%	0.0000%	0.0073%	0.0021%
Los Chicos	0.0000%	0.0000%	0.0100%	0.0025%
Martin, James L. Jr., Trust	0.0005%	0.0000%	0.0038%	0.0011%
Martin, Williams, & Judson	0.3496%	0.6126%	0.7825%	0.5893%
McCall, Jack O. Estate of	0.0000%	0.0000%	0.0003%	0.0001%
Merit Energy Partners, II, L.P.*	0.0000%	0.0000%	0.3713%	0.0928%
Merit Energy Partners, III, L.P. *	0.0000%	0.0000%	0.3713%	0.0928%
Merit Energy Partners, L.P. *	0.0000%	0.0000%	0.3713%	0.0928%
Moore, Charles Cline	0.0115%	0.0219%	0.0189%	0.0186%
Munroe, Vernon	0.0046%	0.0088%	0.0075%	0.0074%
Mycos Industries, Inc.	2.0241%	3.9938%	3.4210%	3.3582%
Napco	0.0000%	0.0000%	0.0719%	0.0180%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0075%	0.0074%
Oliver, William B. Tr	0.0046%	0.0088%	0.0075%	0.0074%
Oxy U.S.A., Inc.	0.0000%	0.0000%	0.5361%	0.1340%
Premier Oil & Gas, Inc.	0.0000%	0.0000%	4.0769%	1.0192%
Redfern, John J. III, Indep Exec of Est of	0.0725%	0.1433%	0.1170%	0.1190%
Redfern, Rosalind	0.0725%	0.1433%	0.1170%	0.1190%
Schlalag, John L.	0.0005%	0.0000%	0.0032%	0.0009%
Martl, Adolph P. Schuman Tr	0.0046%	0.0088%	0.0075%	0.0074%
Seventy-Seven Corporation	0.0000%	0.0000%	0.0080%	0.0020%
Sigmar, Inc.	0.0016%	0.0000%	0.0111%	0.0032%
Space Building Corp.	0.0115%	0.0219%	0.0187%	0.0185%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4468%	0.5197%
TR Oil Corporation	0.0000%	0.0000%	0.0042%	0.0011%
Van Vranken, J. F. Jr.	0.0046%	0.0088%	0.0075%	0.0074%
Whiting Petroleum Corporation	0.3199%	0.6561%	0.4468%	0.5197%
Yates Drilling Company	2.0192%	3.9938%	3.3864%	3.3483%
Yates Petroleum Corporation	2.4800%	4.9051%	4.3094%	4.1499%
Yates, John A.	0.0049%	0.0000%	0.0446%	0.0124%
Yates, S. P.	0.0049%	0.0000%	0.0346%	0.0099%
	100.0000%	100.0000%	100.0000%	100.0000%
*Note: Exxon purchased Merit interest in 1/95				

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040

or FAX (915) 688-6643 <sup>6258</sup>

Please provide your response by checking one box and completing the information below:

Company Name (s): Edward R. Hudson Jr and William A. Hudson, II

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): Edward R. Hudson, Jr. Title: \_\_\_\_\_

Signature: *E R Hudson Jr* Phone: 817 336 7109

W A HUDSON II  
*William A Hudson II*

✓ ✓

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

February 28, 1995

Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040

Re: Avalon (Delaware) Field Unitization  
Eddy Co., N.M.  
Ballot #95-02-38

Gentlemen:

Enclosed is the captioned ballot which has been signed by William A. Hudson, II and myself agreeing with your unitization proposal .

Yours truly,

Edward R. Hudson, Jr.

ERHJr/vc

Enclosure

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): Brown Brothers Harriman Trust  
Company of Texas, TRUSTEE A.C. OLIVER TRUST

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): Robert G. McKenzie Title: EXECUTIVE VICE-PRESIDENT

Signature: R.G. McKenzie Phone: 214-979-0034

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

MDA	RECEIVED				MPC
RLA	LAND SERVICES				RGG
RKF					RTL
SHJ	APR 20 1995				TAL
PLK					JBE
DCR					SHK
JBT					LLM
	MPO - MIDLAND				SES
					JHT
HANDLE	REVIEW	SEE ME	CIRC	FILE	

Joe Thomas

# MWJ PRODUCING COMPANY

★ PETROLEUM PRODUCERS ★

400 WEST ILLINOIS SUITE 1100  
MIDLAND, TEXAS 79701  
TELEPHONE (915) 682-5216

March 14, 1995

Exxon Company, USA  
P. O. Box 1600  
Midland, Texas 79702-1600

Attn: Mr. Ronald Mayhew

MDA	RECEIVED	MPC		
RLA	LAND SERVICES	RGG		
RKF		RTL		
SHJ		TAL		
PLK	MAR 20 1995	JBE		
DCR		SHK		
JBY		LLM		
		SES		
	MPO - MIDLAND	JHT		
HANDLE	REVIEW	SEE ME	CIRC	FILE

Re: Exxon-Avalon Unit  
T-20-S, R-28-E  
Eddy Co., New Mexico  
MWJ #2224

Dear Mr. Mayhew:

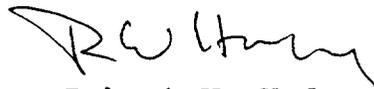
Enclosed please find the response to Exxon on the Revised Unitization Proposal for the following:

Martin Living Trust  
R. Ken Williams  
Edward H. Judson  
Sigmar, Inc.  
John Schlagal

If there are questions, please call.

Very truly yours,

MWJ PRODUCING COMPANY



Robert W. Hodge  
Land Manager

RWH:sc  
Encl.

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

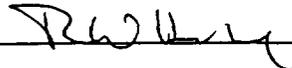
Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): MARTIN LIVING TRUST, R. KEN WILLIAMS, EDWARD H. JUDSON, SIGMAR, INC., JOHN SCHLAGAL

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): Robert W. Hodge Title: Land Manager

Signature:  Phone: (915) 682-5216

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

F4I  
JR

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): ESTATE OF JACK O. MCCALL

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): DOLORES L. MCCALL Title: EXECUTRIX

Signature: *Dolores L. McCall* Phone: (915) 682-5662

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

# Attachment I: Response to Exxon on Revised Unitization Proposal

Responses requested by March 17, 1995

Mail to: R. E. Mayhew, Avalon Response  
Exxon USA  
P.O. Box 1600  
Midland, TX 79702-1600 or fax to (915) 688-6258

Please provide your response by checking one box and completing the information below:

Company Name (s): Pennzoil Exploration and Production Company

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: Wayne A. Grunwald Phone: 3-30-95

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

**Note:** This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

F4I  
JR

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): ESTATE OF JACK O. MCCALL

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): DOLORES L. MCCALL Title: EXECUTRIX

Signature: *Dolores L. McCall* Phone: (915) 682-5662

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

# Attachment I: Response to Exxon on Revised Unitization Proposal

Responses requested by March 17, 1995

Mail to: R. E. Mayhew, Avalon Response  
Exxon USA  
P.O. Box 1600  
Midland, TX 79702-1600 or fax to (915) 688-6258

Please provide your response by checking one box and completing the information below:

Company Name (s): Pennzoil Exploration and Production Company

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: Wayne A. Grawalt Phone: 3-30-95

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

# P REMIER OIL AND GAS, INC.

---

March 7, 1995

Exxon Company, U.S.A.  
Attention: Ronald E. Mayhew  
P. O. Box 1600  
Midland, TX 79702-1600

RE: Avalon (Delaware) Field Unitization  
Ballot #95-02-38

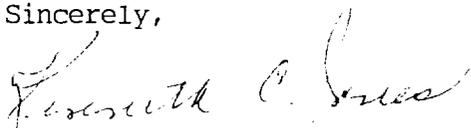
Dear Ron:

Premier Oil and Gas appreciates the opportunity to review the new unit equity formula. Although the new formula simplifies some matters, we are still withdrawing our tracts from the proposed unit. Our differences of opinion on the geological pick, unit outline, and the primary and secondary production for our tracts, still creates an unfair and unreasonable equity for Premier's interest.

If the unit chooses to proceed with statutory unitization, I would appreciate a minimum of sixty days notification. Furthermore, the months of August and September are not available for court proceedings.

Once more, thank you for your time and consideration.

Sincerely,

  
Kenneth C. Jones  
Vice President

Enclosure: Ballot #95-02-38

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

## Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): Premier Oil & Gas, Inc.

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): Rosalie Jones Title: President

Signature:  Phone: (505) 748-2093

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

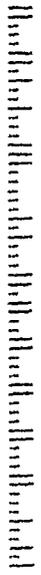
P. O. Box 1246  
Artesia, NM 88211-1246



Exxon Company, U.S.A.  
Attention: Ronald E. Mayhew  
P. O. Box 1600  
Midland, TX 79702-1600

*ML 70*

79702-1600



# Attachment I: Response to Exxon on Revised Unitization Proposal

Responses requested by March 17, 1995

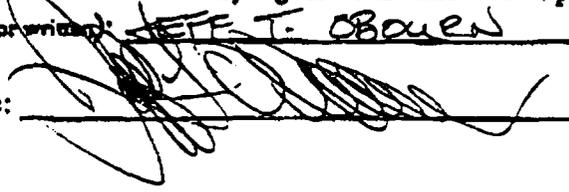
Mail to: R. E. Mayhew, Avalon Response  
Exxon USA  
P.O. Box 1600  
Midland, TX 79702-1600 or fax to (915) 688-6258

Please provide your response by checking one box and completing the information below:

Company Name (s): TIPPERARY OIL & GAS CORPORATION

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): JEFF T. OBOUEN Title: VICE PRESIDENT - UVA

Signature:  Phone: 303 - 293 - 9379

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

**Note:** This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.



March 22, 1995

Mr. R. E. Mayhew, Avalon Response  
EXXON U.S.A.  
P.O. Box 1600  
Midland, Texas 79702-1600

Dear Mr. Mayhew:

Pursuant to our telephone conversations March 21, 1995, we "conceptually" agree with your proposal to unitize. We do disagree with two components of the proposal: 1) Overhead Rate; and, 2) AFE approval limits.

Whiting Petroleum has working interests in several wells in the Avalon field as well as numerous other properties in the area, and the Overhead Rate for these properties average less than \$500/month. We believe an Overhead Rate of \$500/month would be appropriate.

Your proposed AFE approval limit of \$100,000 seems far too high, considering the type of project and depth of wells. As I mentioned, the SACROC Unit has a \$40,000 limit which seems to be more reasonable. We request you reconsider your \$100,000 approval limit.

Your consideration of these two concerns would be appreciated.

Very truly yours,

WHITING PETROLEUM CORPORATION

D. Sherwin Artus  
Vice President, Operations Department

DSA:glv:EXXON.U01/JRHB2

cc: Yates Petroleum Corp.  
David Boneau  
105 S. 4th St.  
Artesia, NM 88210

WHITING PETROLEUM CORPORATION  
MILE HIGH CENTER, 1700 BROADWAY, SUITE 2300, DENVER, COLORADO 80290-2301 (303) 837-1661 FAX (303) 861-4023  
4804 REPUBLIC TOWERS II, 325 N. ST. PAUL ST., DALLAS, TX 75201 (214) 741-1650 FAX (214) 220-3940

An IES INDUSTRIES Company

# Attachment I: Response to Exxon on Revised Unitization Proposal

Responses requested by March 17, 1995

Mail to: R. E. Mayhew, Avalon Response  
Exxon USA  
P.O. Box 1600  
Midland, TX 79702-1600 or fax to (915) 688-6258

Please provide your response by checking one box and completing the information below:

Company Name (s): WHITING PETROLEUM CORPORATION

- We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

- We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): Sherwin Artus Title: VP-Operations

Signature: Sherwin Artus Phone: 303-837-1661

*Please see attached letter.*

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

*Please change my address to TR Oil Corp  
9 Arrowhead Lane  
DeKalb, IL 60115*

Please provide your response by checking one box and completing the information below:

Company Name (s): TR Oil Corp

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: Thomas H. Reubens Phone: 407 798 5717

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

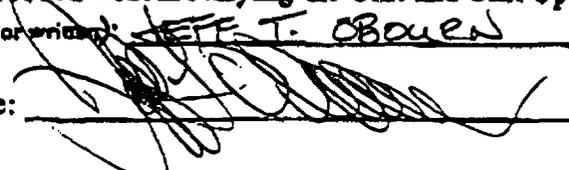
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Responses requested by March 17, 1995

Mail to: R. E. Mayhew, Avalon Response  
Exxon USA  
P.O. Box 1600  
Midland, TX 79702-1600 or fax to (915) 688-6258

Please provide your response by checking one box and completing the information below:

Company Name (s): TIPPERARY OIL & GAS CORPORATION

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.  
By (typed or written): JEFF T. OBOWEN Title: VICE PRESIDENT - UVA  
Signature:  Phone: 303 - 293 - 9379

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.  
By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_  
Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

**Note:** This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.



**UNIT PETROLEUM COMPANY**

A Subsidiary of Unit Corporation

March 10, 1995

Ronald E. Mayhew  
Exxon Company USA  
P. O. Box 1600  
Midland Texas 79702-1600

RE: Avalon Waterflood  
Eddy County, New Mexico  
Avalon Prospect

Dear Mr. Mayhew:

Enclosed is an executed copy of your Attachment I concerning revisions to the proposed Unit Agreement.

Please make note that effective January 1, 1994 American National Petroleum Company purchased the interest of Vernon Munroe. Effective May 1, 1994 Unit Petroleum Company purchased the interest of American National Petroleum Company.

Copies of the recorded Assignments are enclosed for your files. We ask that you update your records accordingly.

Should you have any questions, do not hesitate to contact us.

Respectfully yours,

  
Leslie J. Naughton  
Senior Landman

LJN/lls

Enclosures

321jn07.doc

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
Exxon Co., U.S.A.  
P. O. Box 51040  
Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): UNIT PETROLEUM COMPANY

- We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.

By (typed or written): PHILIP M. KEELEY Title: VICE PRESIDENT

Signature:  Phone: (918) 493-7700

- We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.

By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

Joe Thomas



March 22, 1995

Mr. R. E. Mayhew, Avalon Response  
EXXON U.S.A.  
P.O. Box 1600  
Midland, Texas 79702-1600

Dear Mr. Mayhew:

Pursuant to our telephone conversations March 21, 1995, we "conceptually" agree with your proposal to unitize. We do disagree with two components of the proposal: 1) Overhead Rate; and, 2) AFE approval limits.

Whiting Petroleum has working interests in several wells in the Avalon field as well as numerous other properties in the area, and the Overhead Rate for these properties average less than \$500/month. We believe an Overhead Rate of \$500/month would be appropriate.

Your proposed AFE approval limit of \$100,000 seems far too high, considering the type of project and depth of wells. As I mentioned, the SACROC Unit has a \$40,000 limit which seems to be more reasonable. We request you reconsider your \$100,000 approval limit.

Your consideration of these two concerns would be appreciated.

Very truly yours,

WHITING PETROLEUM CORPORATION

D. Sherwin Artus  
Vice President, Operations Department

DSA:glv:EXXON.U01/JRH2

cc: Yates Petroleum Corp.  
David Boneau  
105 S. 4th St.  
Artesia, NM 88210

WHITING PETROLEUM CORPORATION  
MILE HIGH CENTER, 1700 BROADWAY, SUITE 2300, DENVER, COLORADO 80290-2301 (303) 837-1661 FAX (303) 861-4023  
4804 REPUBLIC TOWERS II, 325 N. ST. PAUL ST., DALLAS, TX 75201 (214) 741-1650 FAX (214) 220-3940

An IES INDUSTRIES Company

# Attachment I: Response to Exxon on Revised Unitization Proposal

Responses requested by March 17, 1995

Mail to: R. E. Mayhew, Avalon Response  
Exxon USA  
P.O. Box 1600  
Midland, TX 79702-1600 or fax to (915) 688-6258

Please provide your response by checking one box and completing the information below:

Company Name (s): WHITING PETROLEUM CORPORATION

We agree with the unitization proposal as described in this letter (and Attachments). Exxon should proceed with modifying the Unit and Unit Operating Agreements.  
By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_  
Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.  
By (typed or written): Sherwin Artus Title: VP-Operations  
Signature: Sherwin Artus Phone: 303-837-1661

*Please see attached letter.*

Note: This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

# Attachment I: Response to Exxon on Revised Unitization Proposal

Ballot # 95-02-38

## Responses requested by March 17, 1995

Mail to: Operations Accounting Secretary  
 Exxon Co., U.S.A.  
 P. O. Box 51040  
 Midland, Texas 79710-1040 or FAX (915) 688-6643

Please provide your response by checking one box and completing the information below:

Company Name (s): Yates Petroleum Corporation, Yates Drilling Company, MVCO Industries, Inc., Abo Petroleum Corporation, Los Chicos, John A. Yates and S.P. Yates

We agree with the unitization proposal as described in this letter (and Attachments)\*. Exxon should proceed with modifying the Unit and Unit Operating Agreements.  
 By (typed or written): David F. Boneau Title: MANAGER NOW OF PROPERTIES  
 Signature: David F. Boneau Phone: (505) 748-1471

\* and amended by letter of February 23, 1995 and subject to adding the following sentence to the Voting procedure: "The intent of the owners is that a project will not be divided into multiple AFE's in order to circumvent the voting procedure."

We disagree with the unitization proposal as described in this letter (and Attachments). Our proposal for changes along with our rationale is provided in the attached letter.  
 By (typed or written): \_\_\_\_\_ Title: \_\_\_\_\_  
 Signature: \_\_\_\_\_ Phone: \_\_\_\_\_

**Note:** This is not considered to be approval of the Unit/Unit Operating Agreements, but an endorsement to modify provisions in them; therefore is non-binding.

COMPANY, U.S.A.  
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

May 2, 1995

Request for Preliminary Approval of  
Unitization Agreement  
Avalon (Delaware) Unit  
Eddy County, New Mexico

Armando Lopez, Roswell District  
Bureau of Land Management  
1717 W. 2nd St.  
Roswell, New Mexico 88201

Dear Mr. Lopez:

Exxon Corporation requests Bureau of Land Management (BLM) preliminary approval of the Avalon (Delaware) Unit, and the Unit Agreement which is being delivered to you today. Exxon plans to request approval of the New Mexico Oil Conservation Division in June under the New Mexico Statutory Unitization Act, and we understand that final BLM approval and ratification of the Unit agreement will occur after that time. However, we would like to begin circulating the Unit Agreement and Unit Operating agreement for ratification by the owners next week. If there are any changes that you believe need to be made prior to ratification, we would appreciate having those within the next week.

Please call me if you wish to discuss any part of the proposed project, or the Agreement. My phone number is (915) 688-7841.

Sincerely,

Ronald E. Mayhew  
Avalon Project Manager

attachment

# Unit Conference

05/02/95

Name	Company	Phone #
John S. Simitz	BLM Geologist	627-0288
Tony Ferguson	BLM	505-627-0298
Tim O'Brien	BLM-Carlsbad	505-887-6544
Bill Duncan	Exxon	915 688 6174
Scott Lausdown	Exxon	915-688-4982
Ken Mathew	Exxon	915-688-7841
<del>Tom</del>	Exxon	915-6258
<u>Joe B Thomas</u>	Edwin	915-688-7162
		Fax - 915-688-7155
Armando Lopez	BLM-Roswell	505-627-0248
Mary Lou Ormseth	BLM	505-627-0258

**AGENDA**

<b>Topic</b>	<b>Presenter</b>	<b>Time, Min:</b>
Geology	Ron Mayhew	5
Reserves and Development Plan	Ron Mayhew	5
Investments	Ron Mayhew	5
Equity	Ron Mayhew	10
Unit Agreement	Joe Thomas - Land & UA Committee Lead Bill Duncan - UA Committee Scott Lansdown - UA Committee	30
Closing	Ron Mayhew	5
		60

**EQUITY: FORMULA**

• **Formula**

$$\begin{aligned}
 \text{Participation} &= .25 \text{ Remaining Primary Reserves} + .50 \text{ Total Remaining Primary Reserves} \\
 &+ .25 \text{ Waterflood Reserves} + \text{CO}_2 \text{ Reserves} \\
 &= \text{Total Waterflood Reserves} + \text{Total CO}_2 \text{ Reserves}
 \end{aligned}$$

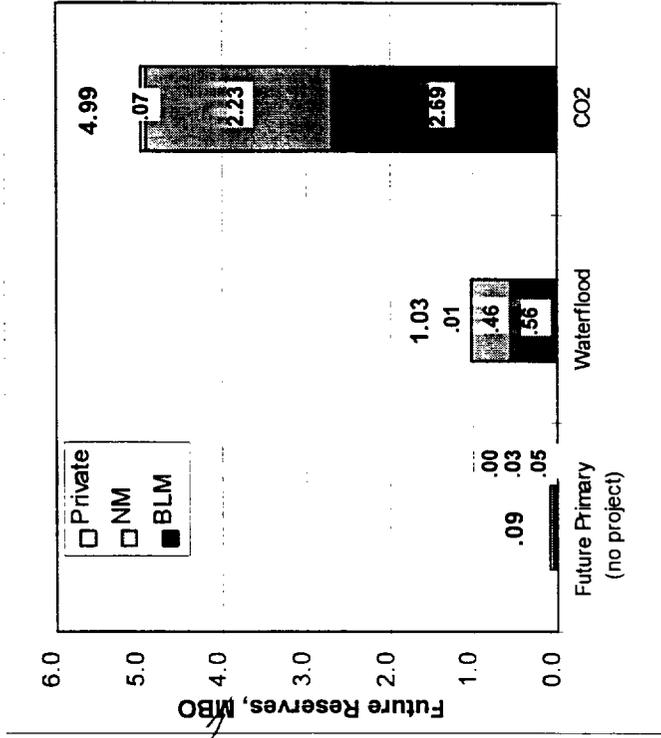
		Gross Reserves, MMBO		Sum of Tract Participation %*		Royalty Participation*
Acres	Remaining Primary	Waterflood	CO <sub>2</sub>			
State	1,156	3,832	19,442	45	.0559	
Federal	783	4,368	19,199	54	.0675	
Private	201	70	1,242	1	.0017	
<b>Total</b>	<b>2,140</b>	<b>8,269</b>	<b>39,883</b>	<b>100</b>	<b>.1251</b>	

\*Note: Excludes overriding royalty interests

• **Considerations**

- Reserves vary areally
- Investments
- Operating expenses
- Production timing
- Oil & gas price

**Royalty Share**



# STATE LAND OFFICE

## MEETING RE AVALON (DELAWARE) UNIT

JOE B THOMAS	(915) 688-7162	EXXON
Ron Mayhew	" 688-7841	EXXON
Bill Duncan	" 688-6174	"
Jeff Albers	505 827-5759	SLO
Janet Richardson	505-748-1471	Yates Petroleum
JAMI BAILEY	505-827-5745	SLO
PETE MARTINEZ	505-827-5791	SLO
ELEANORE NEESTERUSE	505-827-3748	SLC
CHARLES D. ENGELKE	827-5880	OSC
DAVE BONEAU	505-748-1471	YATES PETROLEUM
Jim Bruce	505-982-4534	EXXON (Hunkle firm)
Scott Lansdown	915-688-4982	EXXON

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT  
MIDLAND PRODUCTION ORGANIZATION

May 11, 1995

Proposed Avalon (Delaware) Unit  
Unit and Unit Operating Agreements  
Eddy County, N.M.

Mr. D. Sherwin Artus  
Vice President, Operations Department  
Whiting Petroleum Corporation  
1700 Broadway Suite 2300  
Denver, CO 80290-2301

**Dear Mr. Artus:**

I appreciate your time and interest in reviewing my letter of February 22, 1995. I was pleased that the equity formula and most terms were agreeable to you. I could have done a better job explaining our basis when I talked with you by phone and that is the purpose of this letter. Your letter of March 22, 1995 indicated concern regarding both overhead rates and the AFE balloting level of \$100,000. Other owners did not consider these issues, but I wanted to offer our rationale, which is provided on the attachment.

We will be mailing you Unit and Unit Operating Agreements shortly and plan to have a hearing with the NMOCD on June 1, 1995. I hope we can count on your support. Please call me should you have questions or concerns (915) 688 - 7841.

Sincerely,



Ronald E. Mayhew  
Avalon Project Manager

Attachments  
rem/whiting.doc

## Overhead Rates

---

**Rates**                    Unit Operating Agreement: \$ 550/well/month  
Your Proposal:                    \$ 500/well/month

---

**Background**                    As you know we initially proposed an overhead rate of \$ 729/well, which we felt was necessary to recoup costs associated with a somewhat unique waterflood project and the planning for a tertiary project. Exxon has already done a very large amount of technical, land, and accounting work that won't be reimbursed by Working Interest Owners. We agreed to lower the rate to \$ 550/well to close negotiations and enable the project to proceed.

---

**Comparable Rates**                    1. Ernst & Young rates were suggested as a comparable basis for rates: We disagree with this point on several accounts:

- respondents to survey are primarily small companies having smaller technical and support staffs
- respondents are primarily operators of primary oil production, not water and CO<sub>2</sub> floods
- the overhead rates by most major oil companies are either not included or not weight averaged

Rates in the area: We agree that rates in the area have a wide range; however \$ 550/well/yr is within the range. If interested I can provide example leases. I verbally provided examples in N. Mexico and Rockies at the June 17 WIO meeting.

---

**What makes Avalon unique?**                    Avalon's overhead rate is warranted based on the level of engineering surveillance for proper reservoir management. The long life, slow processing rates and very low permeability require more monitoring and work compared to typical Permian Basin fields. Additionally, Avalon has 2 zones which will need to be monitored separately. One could rationalizing even higher rates with that as a basis. Our original plan (Technical Report for WIO's, Aug. 1992) included separate wells for the Cherry and Brushy for injection. We now believe we have a design for dual string injector.

---

## AFE Ballot Level

---

<b>Amount</b>	The Unit Operating Agreement ballot level is \$ 100,000.
<b>Original Exxon proposal</b>	The original proposal provided in the 4/26/94 WIO meeting was 75 %, when our proposed Phase I participation was 79.7 %. With a single phase formula we realized this was not reasonable.
<b>Exxon need</b>	We have the need of conducting routine operations without the administrative burden of balloting working interest owners. Well work such as stimulations, refracs, and replacing/repairing submersible pumps typically exceed \$ 40,000.
<b>WIO needs</b>	Several WIO's indicated their need to have influence when large expenditures (above \$ 100,000) were planned, wells were to be drilled and when a CO <sub>2</sub> Project was planned. Major work like adding another water source well (\$ 160,000) would require a WIO ballot.
<b>Compromise</b>	Exxon agreed to the provisions in the Unit Operating Agreement as a compromise to best meet Exxon and WIO needs. The ballot level of \$ 100,000 was an Exxon need, the other ballot provisions/voting requirements align more with WIO needs.

---

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

MIDLAND PRODUCTION ORGANIZATION

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

Surface Owners/Tenants of Land within the  
Avalon (Delaware) Unit Area

Enclosed is Exxon's Application for Authority to Institute an Improved Oil Recovery Project and to Qualify for Recovered Oil Tax. The associated Injection Application was sent to you under separate cover, dated May 10, 1995.

Exxon has requested that this application be set for hearing before the New Mexico Oil Conservation Division at 8:15a.m. MSDT, on June 1, 1995, at 2040 South Pacheco, Santa Fe, New Mexico. Failure to appear at that time will preclude you from objecting to this application at a later date.

If you have any questions, please call Mr. Joe Thomas at 915/688-7162.

Sincerely,



R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

**EXXON** COMPANY, U.S.A.  
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

MIDLAND PRODUCTION ORGANIZATION

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

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If you have any questions, please call Mr. Joe Thomas at 915/688-7162.

Sincerely,



R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

RECEIVED

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

MAY 1995

Oil Conservation Division

APPLICATION OF EXXON CORPORATION  
FOR AUTHORITY TO INSTITUTE AN  
IMPROVED OIL RECOVERY PROJECT,  
AND TO QUALIFY THE PROJECT FOR  
THE RECOVERED OIL TAX RATE,  
EDDY COUNTY, NEW MEXICO

No. \_\_\_\_\_

APPLICATION

Exxon Corporation hereby applies for an order approving the institution of an enhanced oil recovery project for the recovery of hydrocarbons in the proposed Avalon Delaware Unit located in Eddy County, New Mexico, and to qualify the project for the Recovered Oil Tax Rate, and in support thereof, states:

1. Exxon, in a related application, has requested Division approval of statutory unitization and of the Unit Agreement and Unit Operating Agreement for the proposed Avalon Delaware Unit in Eddy County, New Mexico. The Unit Area, Unitized Formation, Unit Agreement, and Unit Operating Agreement are described in said application.

2. Exxon is the operator of the proposed Unit, and its address is Post Office Box 1600, Midland, Texas 79702.

3. Exxon proposes to institute a waterflood project for the enhanced recovery of oil and gas from the Unitized Formation within the Unit Area.

4. By converting certain presently producing wells to injection wells, and by drilling additional injection wells, Exxon proposes to inject fluids into the Cherry Canyon and Brushy Canyon members of the Delaware Mountain Group (Avalon Delaware Pool) in the Avalon Delaware Unit. Attached hereto as

Exhibit 1 is a plat showing the location of all wells located within the Unit Area which are proposed to be used as producing wells and injection wells during the waterflood project.

5. The water to be used for injection is produced water and source water from the Delaware wells serving the Unit. During the initial three year period (approximately) of the project, 10,000 barrels of water per day will be injected. Thereafter, it is anticipated that 9,000 barrels of water per day will be injected.

6. Applicant requests authorization to apply surface pressures in excess of 0.2 psi per foot of depth to the top of the injection zone upon administrative approval as provided by Division rules and regulations.

7. Approval of the enhanced oil recovery project will substantially increase recoverable reserves to be produced within the useful life of the new production facilities which will be installed, thereby preventing waste and protecting correlative rights.

8. A Form C-108 relating to the proposed Unit is attached hereto as Exhibit 2.

9. Exxon also requests that the project be qualified for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, N.M. Stat. Ann. §§ 7-29A-1 et seq. (1993 Repl. Pamp.), and Division Order No. R-9708.

10. The project area, containing 2140.14 acres, more or less, is described as follows:

Township 20 South, Range 27 East

Section 25: E½E½

Section 35: E½E½

Township 20 South, Range 28 East

Section 29: SW¼SW¼

Section 30: SW¼NE¼, Lots 1-4, E½W½, SE¼

Section 31: Lots 1-4, E½W½, E½ (All)

Section 32: SW¼NE¼, W½, W½SE¼

Township 21 South, Range 28 East

Section 4: Lot 4

Section 5: Lots 1, 2

Section 6: Lots 1, 2

A plat outlining the project area is attached as Exhibit "A" to the Unit Agreement submitted in the related unitization application. The leases, lessors, and lessees within the project area are identified in Exhibit "B" attached to the Unit Agreement.

11. Project data includes:

- |   |                            |
|---|----------------------------|
| (a) Number of project producing wells:                                    | 27                         |
| (b) Number of project injection wells:                                    | 19                         |
| (c) Capital cost of additional facilities:                                | \$ 14,400,000              |
| (d) Estimated value of incremental production recovered from the project: | \$123,000,000 <sup>1</sup> |

---

<sup>1</sup> Based on oil at \$15 per barrel, unescalated.

- (e) Anticipated injection commencement date: First Quarter 1996, or upon authorization by the Division.
- (f) Type of fluids injected: Produced and source water.
- (g) Anticipated injection volumes: 10,000 barrels of water per day.

12. The production history of the project area, and the projected oil production from the project area, is exhibited on the graph attached hereto as Exhibit 3.

WHEREFORE, Exxon Corporation requests that this application be set for hearing before the Division on June 1, 1995, and that after hearing the Division enter its order approving the enhanced oil recovery project, qualifying this project as an Enhanced Oil Recovery Project. Exxon further requests the establishment of an allowable for each producing well, in accordance with Division Rules 505(D) and 701(G), equal to the capability of each well to produce.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD  
& HENSLEY



---

James Bruce  
Post Office Box 2068  
Santa Fe, New Mexico 87504-2068  
(505) 982-4554

Attorneys for Exxon Corporation

VERIFICATION

STATE OF TEXAS

ss.

COUNTY OF MIDLAND

I, Ronald E. Mayhew, being duly sworn upon his oath, deposes and states that. He is a project manager and an employee of Exxon Corporation. he is familiar with the matters set forth in the foregoing Application, and the statements therein are true and correct to the best of his knowledge.

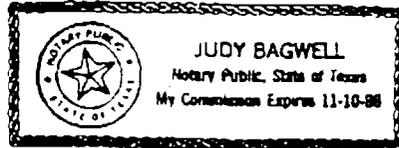
Ronald E. Mayhew

SUBSCRIBED AND SWORN TO before me this 9th day of May, 1995. BY Ronald E. Mayhew

Judy Bagwell  
Notary Public

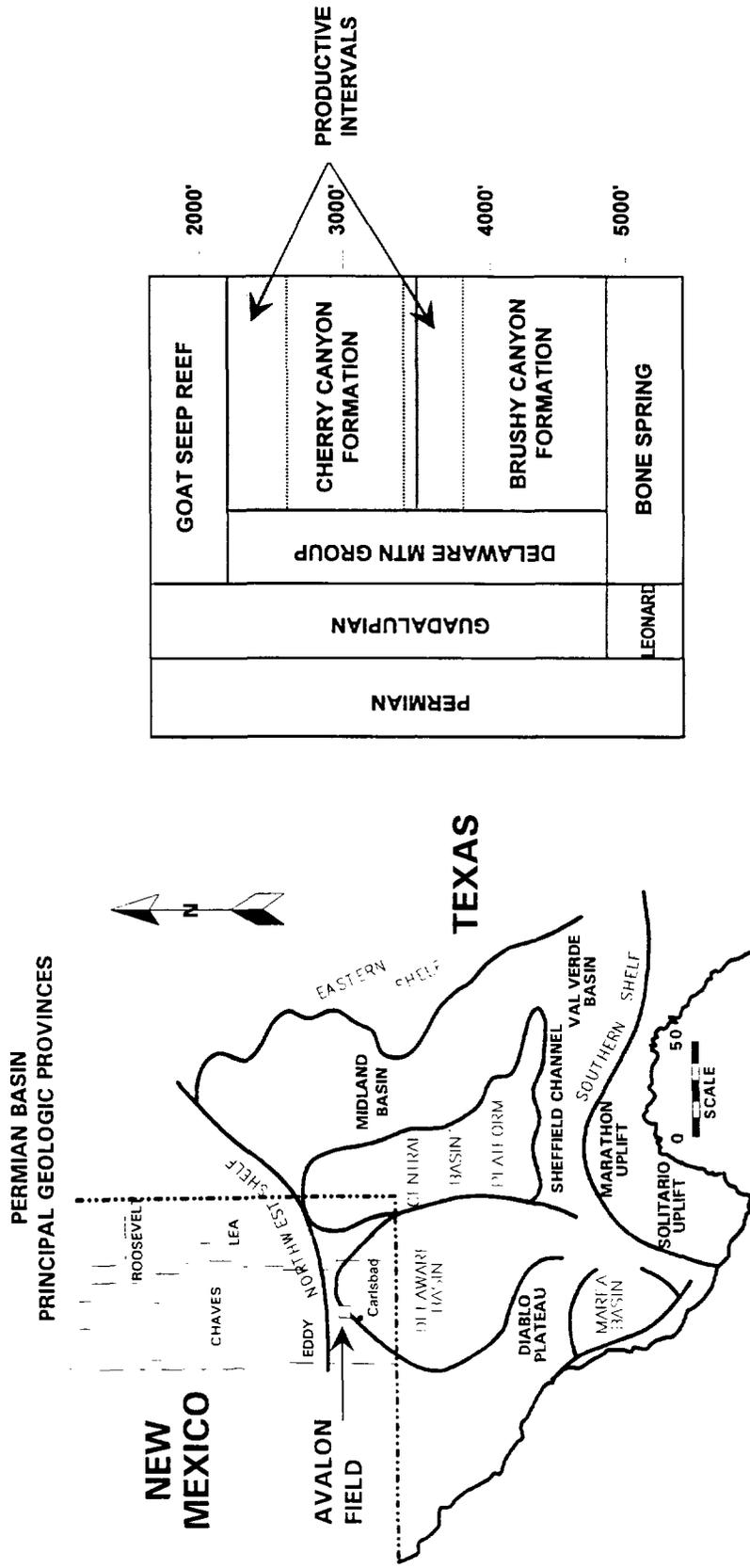
My Commission Expires:  
11-10-96

exxaval.app



# AVALON (DELAWARE) UNIT

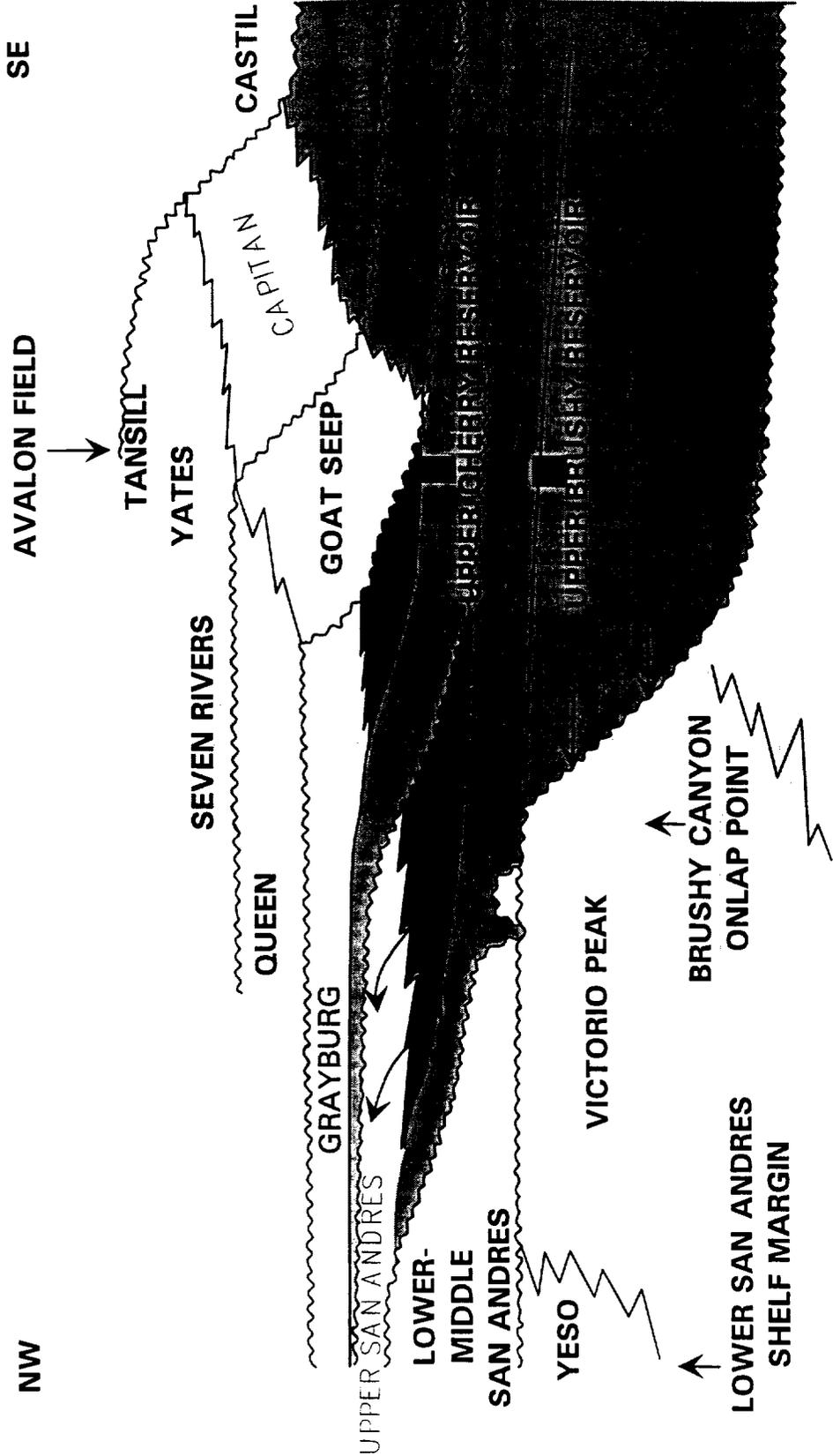
## GEOLOGIC OVERVIEW



RESERVOIR DESCRIPTION	
PRODUCING FORMATION	UPPER CHERRY CANYON
DEPTH	2600 FT
RESERVOIR LITHOLOGIES	SAND
NET THICKNESS (PAY)	132 FT
AVERAGE $\phi$	14.4%
AVERAGE K	2.3 md
LOWER CHERRY CANYON/ UPPER BRUSHY CANYON	3400 FT SAND & SILTSTONE
	272 FT 14.9%
	1.1 md

**AVALON (DELAWARE) UNIT**

**STRATIGRAPHY**



## **GEOLOGIC MODEL DATABASE AND RESULTS**

- **Database**
  - Extensive outcrop studies conducted by Exxon and academia in Guadalupe and Delaware Mountains 60 miles south
  - Published seismic line 6 miles north
  - Avalon geologic model
    - 4 cored wells
    - 71 wells with modern-vintage digital log data
      - + GR, CNL/LDT and DLL/MSFL logs
      - + study area approx 16 sections, Unit 3 sections
    - 35 wells with mudlog data
    - 13 wells with dipmeter information
    - Production data from 32 wells
  
- **Results & Validation**
  - Developed integrated sequence-keyed stratigraphic framework describing reservoir architecture and geometry
  - Developed reservoir models describing reservoir quality and fluid distribution
  - Validated these models with:
    - core
    - mudlog data
    - production data
      - + 33 well tests
      - + saturations derived from fractional flow were within 2% of log derived saturations
  
- **Technical Reviews**
  - Depositional model reviewed by Deep Water Reservoir Study experts
  - Geologic and reservoir models reviewed with Exxon Production Research

**DEVELOPMENT PLAN: WATERFLOOD**

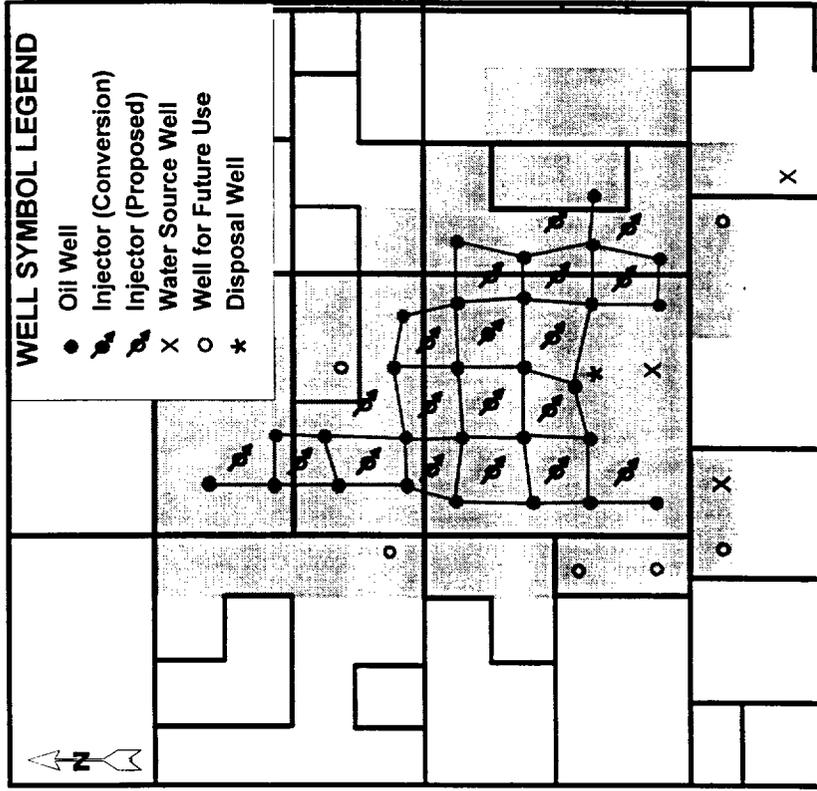
• **Reserves**

	Primary	Secondary	CO <sub>2</sub>
Incremental Estimated Ultimate Recovery, MMBO	4.2*	8.3	39.9
Cumulative EUR (% OOIP)	4.9	15.5	30.6

\*Note: About 3.5 MMBO have been produced

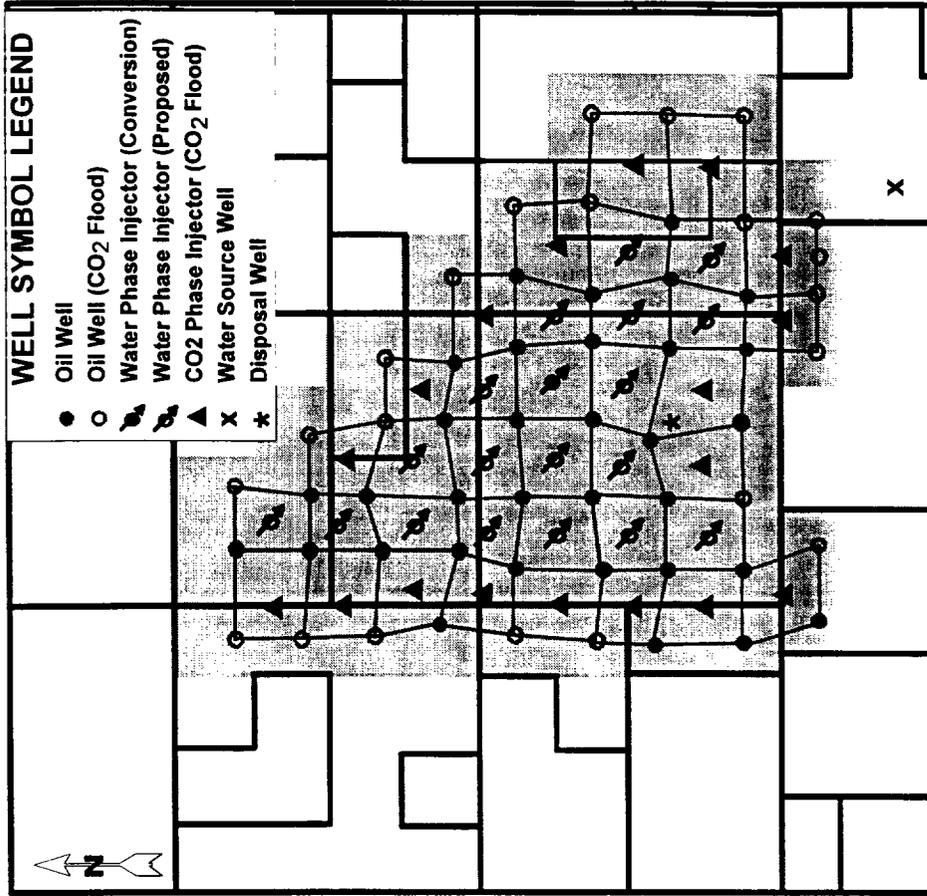
• **Scope**

- 40-year life
- 19 water injection patterns, 1100 acres in developed area
- 18 injector drillwells/1 conversion
- Water treating and injection facility



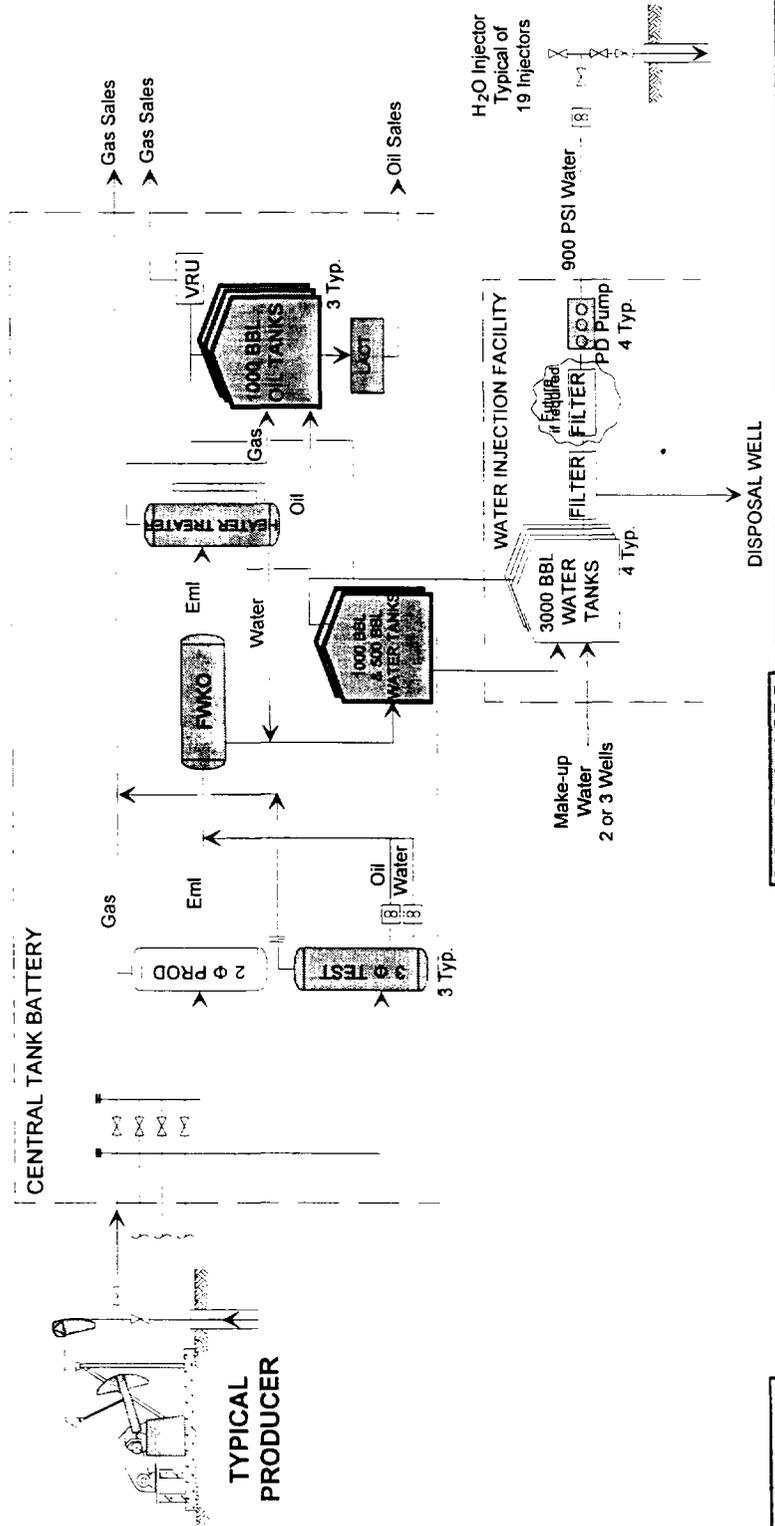
**POTENTIAL DEVELOPMENT PLAN: CO<sub>2</sub> FLOOD**

- **Scope**
  - 37 patterns, 2100 acres expanding into outer ring
  - Dual CO<sub>2</sub> injection (Cherry/Brushy)
  - Pipeline from Vacuum
  - CO<sub>2</sub> recycle compression
- **Issues**
  - Attain miscibility pressure: 3+ years
  - Waterflood performance
  - Injectivity test/pilot
  - Oil price



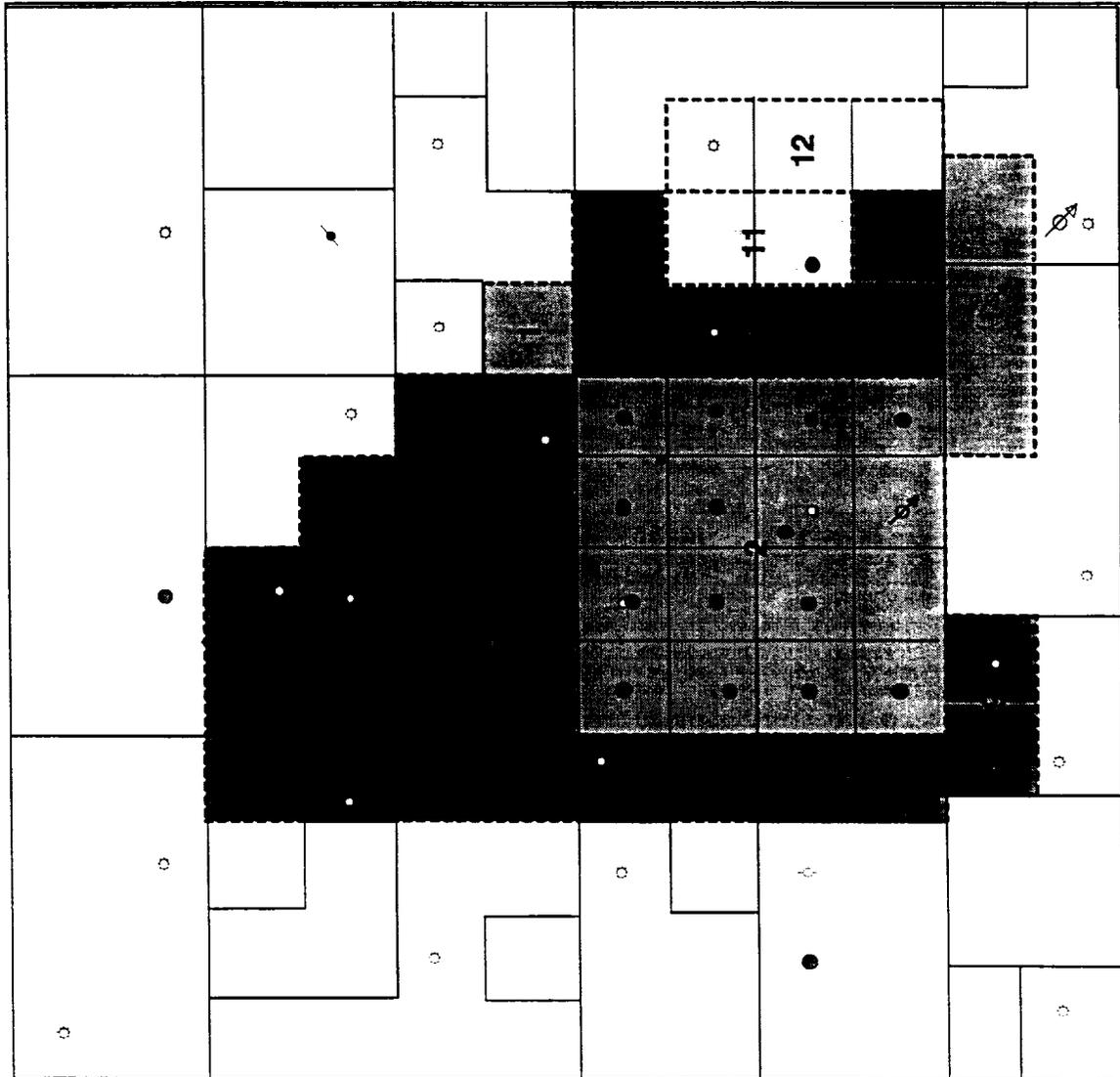
**WATERFLOOD INVESTMENTS**

Category	Investments \$MM Gross
1. Drilling & Completion	7.34
2. Facilities	0.58
• Production & Source Water	2.44
• Water Treating	0.77
• Water Injection System	0.83
3. Workover	0.1
4. Formation Evaluation	2.29
5. Allowances	14.35
<b>Total</b>	<b>14.35</b>



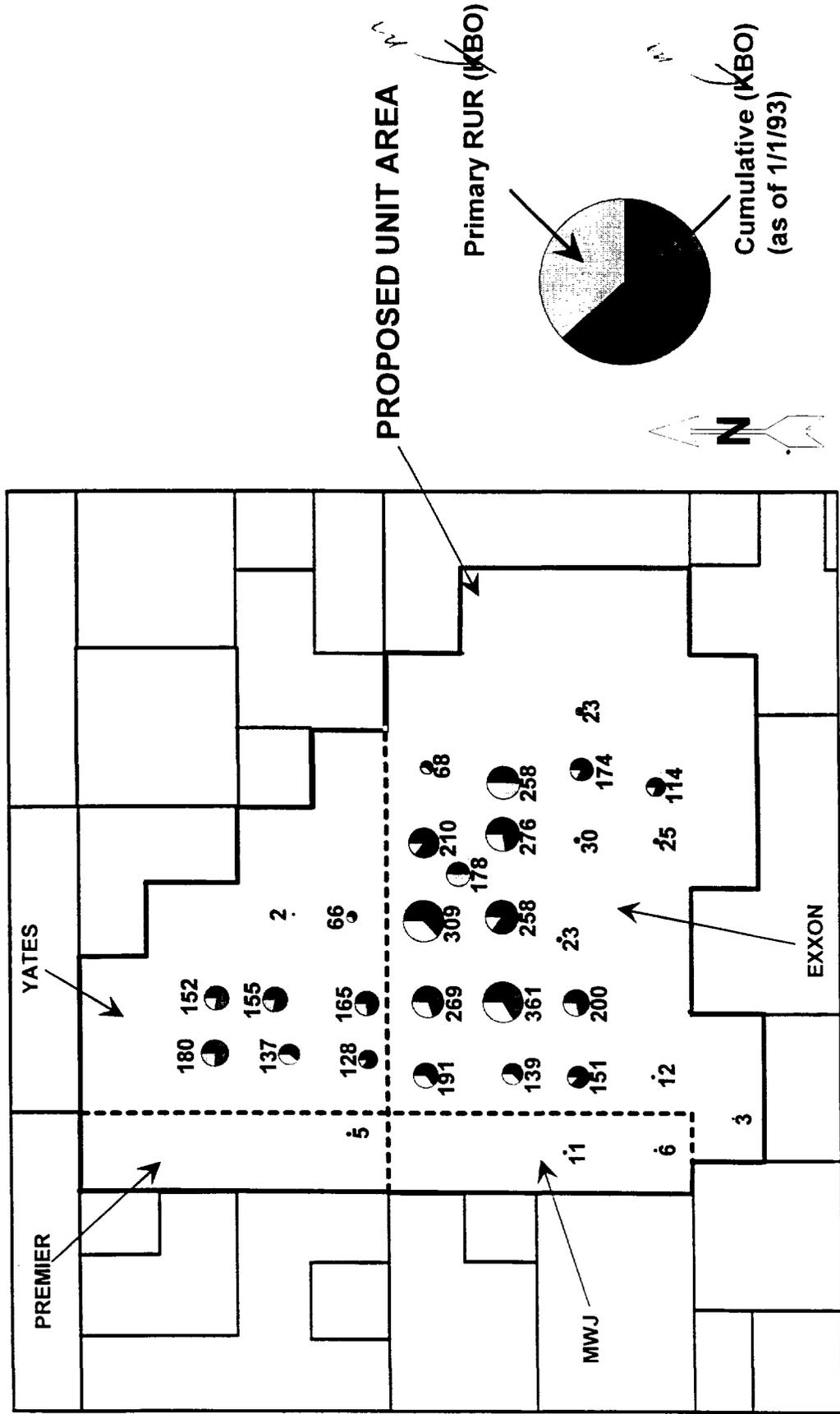
# AVALON (DELAWARE) UNIT

## EQUITY: TRACT MAP



ROYALTY	TRACTS	ACRES	%
State	3 - 10	1156	54
Federal	1, 2	783	37
Private	11, 12	201	9
Total		2140	100

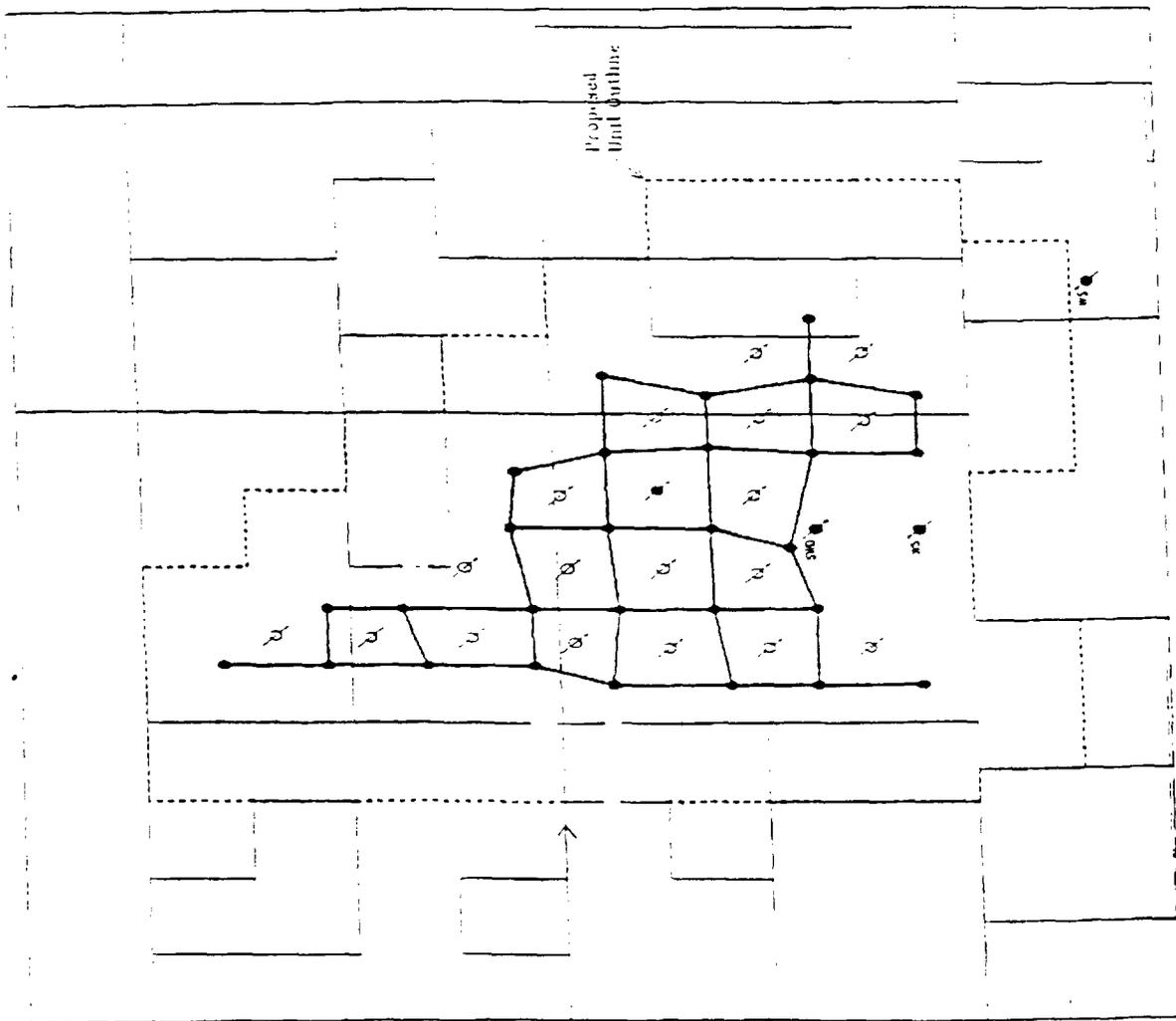
EQUITY: PRODUCTION MAP



WELL SYMBOL LEGEND

- ON WELL
- ON WELL (PROPOSED)
- WATER DISPOSAL
- INJECTOR
- PRODUCTION (INDICATED)
- WATER SOURCE

DESIGNED BY: M.A.P. & C. CO.  
 DRAWN BY: (SIGNED) J.R.D.  
 GEO. ENGINEER, NEW YORK



Shimberg No. 0110  
**EXHIBIT**

APPLICATION FOR AUTHORIZATION TO INJECT

I. Purpose:  Secondary Recovery  Pressure Maintenance  Disposal  Storage  
Application qualifies for administrative approval?  yes  no

II. Operator: Exxon Corp.

Address: PO Box 1600 Midland, TX 79702

Contact party: Marsha Wilson Phone: (915) 688-7871

III. Well data: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project?  yes  no  
If yes, give the Division order number authorizing the project \_\_\_\_\_

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.

VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.

VII. Attach data on the proposed operation, including:

1. Proposed average and maximum daily rate and volume of fluids to be injected;
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).

VIII. Attach appropriate geological data on the injection zone including appropriate lithologic detail, geological name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such source known to be immediately underlying the injection interval.

IX. Describe the proposed stimulation program, if any.

X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division they need not be resubmitted.)

XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.

XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.

XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.

XIV. Certification

I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: Marsha Wilson Title Staff Office Assistant

Signature: Marsha Wilson Date: 5-8-95

\* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be duplicated and resubmitted. Please show the date and circumstance of the earlier submittal.

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate district office.

EXHIBIT  
2

# AVALON PROJECT FLOWSTREAMS

## WATERFLOOD VERSUS CONTINUED PRIMARY

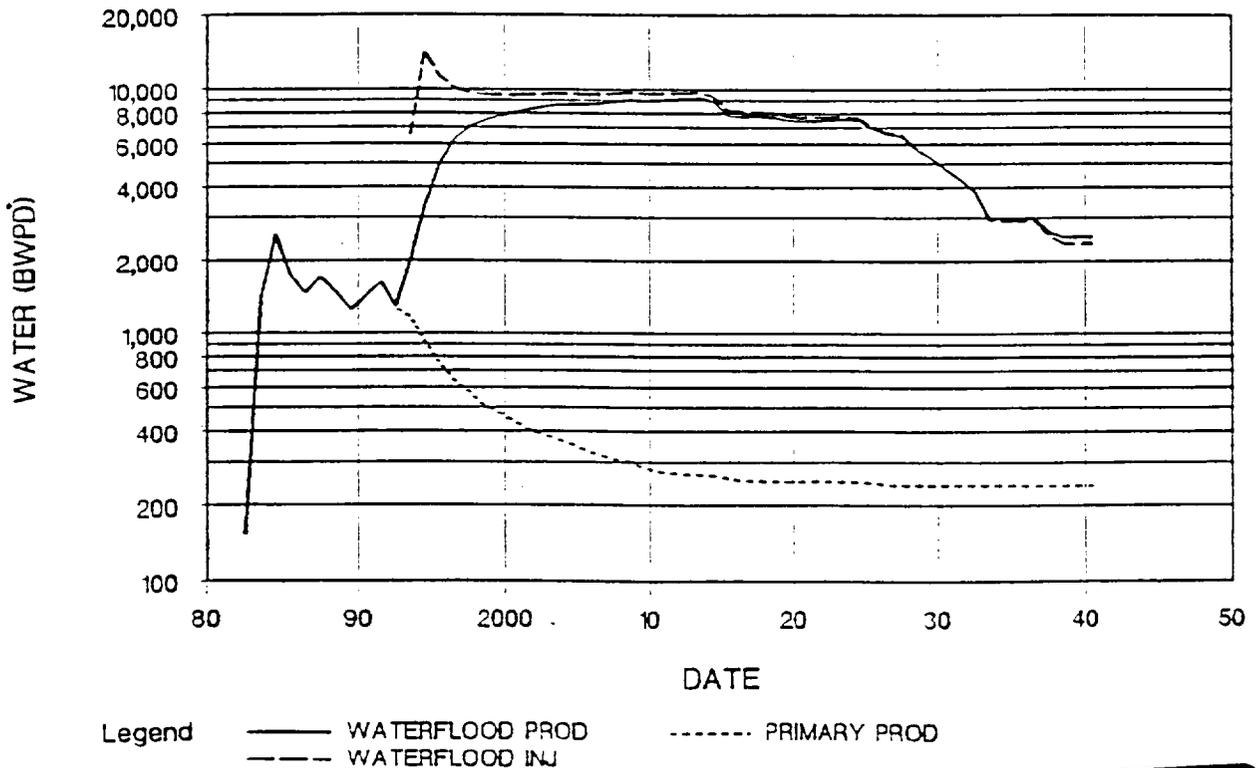
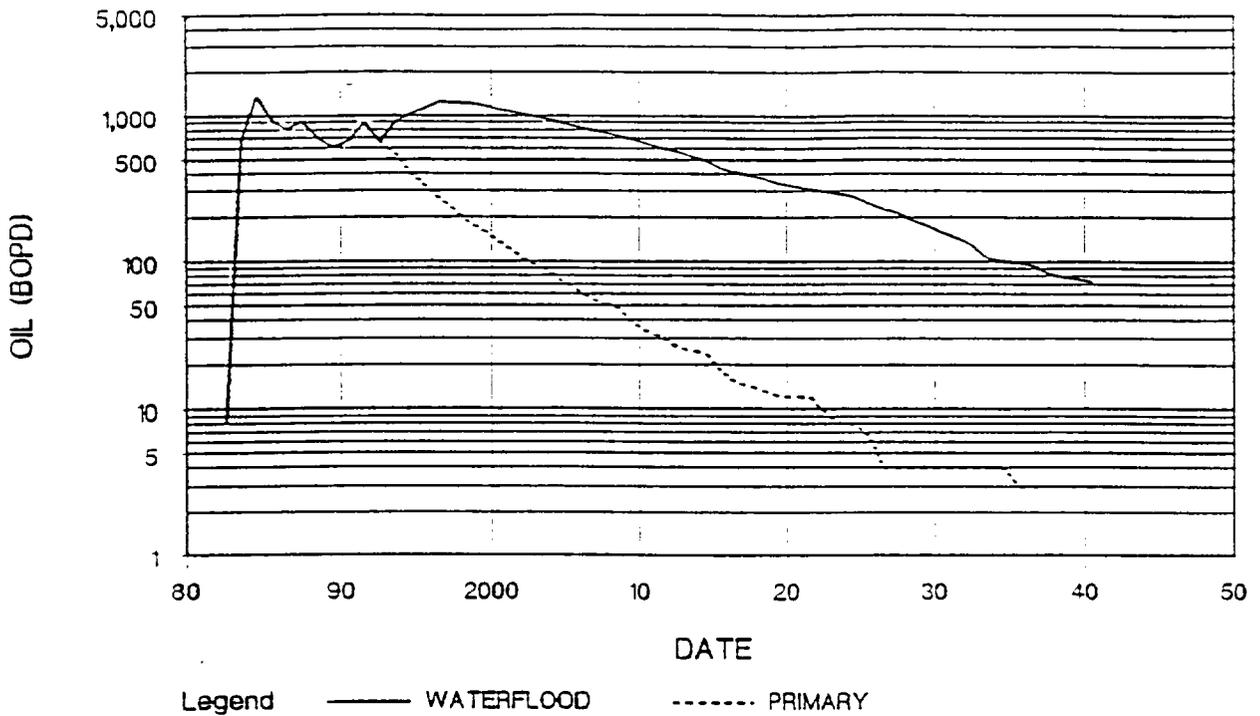


EXHIBIT  
3

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

Working Interest Owners  
Avalon (Delaware) Unit

Enclosed are the following materials relating to the captioned unit:

1. Unit Agreement for the captioned unit, and four copies of the Ratification for such Unit Agreement;
2. Unit Operating Agreement for the captioned unit, four copies of the signature page for the Unit Operating Agreement, and two copies of the signature page for the Memorandum of the Unit Operating Agreement;
3. Notice of Election for Working Interest Owners in the captioned unit;
4. Application for Statutory Unitization and for approval of unorthodox well locations;
5. Application for Authority to Institute an Improved Oil Recovery Project and to Qualify for Recovered Oil Tax. The associated Injection Application was sent to you under separate cover, dated May 10, 1995.

Exxon has requested that the applications that are items 4 and 5 be set for hearing before the New Mexico Oil Conservation Division at 8:15a.m. MDST, on June 1, 1995, at 2040 South Pacheco, Santa Fe, New Mexico. Failure to appear at that time will preclude you from objecting to these applications at a later date.

We hereby request that you agree to the unitization proposed by Exxon by:

- Executing four copies of the Ratification of the Unit Agreement (Item 1) and arranging for them to be notarized;
- Executing four signature pages of the Unit Operating Agreement (Item 2) and two signature pages for the Memorandum of the Unit Operating Agreement, and arranging for the Memorandum to be notarized;
- Completing the Notice of Election (Item 3) in accordance with the instructions contained therein, and executing it.

All of the executed items should be returned to the attention of Mr. Joe Thomas at the letterhead address. Please note that your agreement to be bound by the Unit and Unit Operating Agreements does not preclude you from electing to be carried as to Unit Expenses; such election to be carried is controlled by the Notice of Election.

If you have any questions, please call Mr. Thomas at 915/688-7162.

Sincerely,

A handwritten signature in cursive script that reads "R. E. Mayhew".

R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

MIDLAND PRODUCTION ORGANIZATION

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

Royalty and Overriding Royalty Owners  
Avalon (Delaware) Unit

Enclosed are the following materials relating to the captioned unit:

1. Unit Agreement for the captioned unit, and <sup>four</sup>two copies of the Ratification for such Unit Agreement;
2. Application for Statutory Unitization and for approval of unorthodox well locations.

We hereby request that you agree to the unitization proposed by Exxon by executing four copies of the Ratification of the Unit Agreement (Item 1), arranging for them to be notarized, and returning them the attention of Mr. Joe Thomas at the letterhead address.

Exxon has requested that the application that is item 2 be set for hearing before the New Mexico Oil Conservation Division at 8:15a.m. MDST, on June 1, 1995, at 2040 South Pacheco, Santa Fe, New Mexico. Failure to appear at that time will preclude you from objecting to this application at a later date.

If you have any questions, please call Mr. Thomas at 915/688-7162.

Sincerely,



R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

MIDLAND PRODUCTION ORGANIZATION  
LAND SERVICES

June 12, 1995

Avalon (Delaware) Unit  
Eddy County, NM

To Royalty and Overriding Royalty Owners

Enclosed are revised Exhibits to replace Exhibits "A" and "B" that were previously sent to you. These Exhibits have been revised to show:

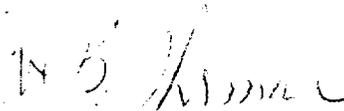
- Shading for Exhibit "A" to show the three types of land, (i.e. Federal, State and Fee land)
- Change of Exhibit "A" and "B" acreage to agree with the BLM/State tract acreage
- Changes of ownership since the previous Exhibits were mailed out.
- Correction of a misspelled name of a WIO (Frances Bunn)
- Correction of a Company's name (Tipperary Oil & Gas Corporation)
- Merger of three interests (Napeco merged into Oxy; Chevron PBC into Pennzoil, E. Davis Trust and L. Davis Trust into Davis Bros. L. L. C.)
- Addition of the 4% Boling/Wilson ORR for Tracts 3e,5e, and 5f.

There has been no change in the WIO ownership percentages.

Please replace the previous Exhibits with the new ones.

Thank you.

Very truly yours,



Joe B. Thomas

(915)-688-7162 (office)

(915)-688-7154 (Fax)

7-5 TEST. COPY

AVALON (DELAWARE)  
UNIT  
ROYALTY AND  
OVERRIDING ROYALTY  
OWNERS

Mary L. Boling  
c/o Robert Michael Boling  
305 S. 5th Street  
Artesia, NM 88210

Robert Michael Boling and  
Janet Richardson Personal  
Representatives of the  
Estate of Robert E. Boling  
305 S. 5th Street  
Artesia, NM 88210

Davis Bros. L. L. C.  
One Williams Center  
Suite 2000  
Tulsa, OK 74172

William C. Eiland  
P. O. Drawer 11228  
Midland, TX 79702-1228

Robert L. Haynie And  
Sue Haynie  
5655 S. Yosemite, Ste 305  
Englewood, CO 80111

Oryx Energy Company  
P. O. Box 2880  
Dallas, TX 75221-2880

Pennzoil Exploration &  
Production Company  
Attn: Mr. Jim Covey  
P. O. Box 2967  
Houston, TX 77252-2967

Patricia Nell Rigg  
1303 N. Walnut  
Tucson, AZ 85712

NationsBank of Texas N.A.  
Tr Sabine Royalty Trust  
P. O. Box 830308  
Dallas, TX 75283-0308

Singer Bros.  
P. O. Box 755  
Tulsa, OK 74101

SRT Trust No 1  
United New Mexico Trust  
Co-Tr  
P. O. Box 5614  
Hobbs, NM 88241

Commissioner of Public  
Lands  
The State of New Mexico  
310 Old Santa Fe Trail  
Santa Fe, NM 87501

Texas Commerce Bank Tr  
Delta-Flag Royalty Tr  
P. O. Box 2097  
Midland, TX 79702-2097

Bureau of Land  
Management  
Roswell District Office  
1717 West Second Street  
Roswell, NM 88201

Venessa H. Shotwell  
2200 196th St SE #18  
Bothell, WA 98011

Mark D. Wilson  
4501 Greentree Blvd  
Midland, TX 79707

Martin Yates III Est  
S. P. Yates Per Rep  
Peyton Yates Per Rep  
P. O. Box 840  
Artesia, NM 88211-0840

Harvey E. Yates  
P. O. Box 1933  
Roswell, NM 88210

John Ashby Yates  
105 South Fourth St  
Artesia, NM 88210

Lillie Mae Yates Est  
S. P. Yates Per Rep  
Frank Yates, Jr. Per Rep  
B. W. Harper Per Rep  
P. O. Box 840  
Artesia, NM 88211-0840

S. P. Yates  
105 S 4th St  
Artesia, NM 88210

Peggy A. Yates Est  
John A. Yates Pers Rep  
105 S 4th St  
Artesia, NM 88210

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

MIDLAND PRODUCTION ORGANIZATION  
LAND SERVICES

June 12, 1995

Avalon (Delaware) Unit  
Eddy County, NM

To Working Interest Owners

Enclosed are revised Exhibits to replace Exhibits "A"; "B" and "E" that were previously sent to you. Exhibits "A" & "B" are found in the Unit Agreement and Exhibit "E" is found in the Unit Operating Agreement. These Exhibits have been revised to show:

- Shading for Exhibit "A" to show the three types of land, (i.e. Federal, State and Fee land)
- Change of Exhibit "A" and "B" acreage to agree with the BLM/State tract acreage
- Changes of ownership since the previous Exhibits were mailed out.
- Correction of a misspelled name of a WIO (Frances Bunn)
- Correction of a Company's name (Tipperary Oil & Gas Corporation)
- Merger of three interests (Napeco merged into Oxy; Chevron PBC into Pennzoil, E. Davis Trust and L. Davis Trust into Davis Bros. L. L. C.)
- Addition of the 4% Boling/Wilson ORR for Tracts 3e, 5e, and 5f.

There has been no change in the WIO ownership percentages.

Please replace the previous Exhibits with the new ones.

Very truly yours,



Joe B. Thomas  
(915)-688-7162 (office)  
(915)-688-7154 (Fax)

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF EXXON CORPORATION  
FOR STATUTORY UNITIZATION,  
EDDY COUNTY, NEW MEXICO

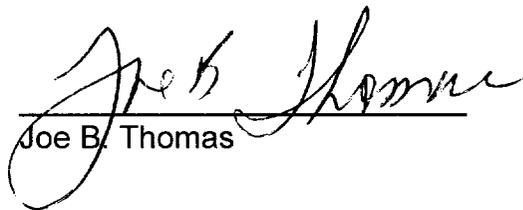
CASE NO. 11298

**AFFIDAVIT REGARDING NOTICE**

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

JOE B. THOMAS, being duly sworn upon his oath, deposes  
and states:

1. I am over the age of 18 and have personal knowledge of the matters stated herein
2. I am a Landman for Applicant.
3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by mailing each of them, by certified mail, a copy of the Application. Copies of the notice letters and certified return receipts are attached hereto.
5. Applicant has complied with the notice provisions of Division Rule 1207.

  
\_\_\_\_\_  
Joe B. Thomas

SUBSCRIBED AND SWORN TO before me this 26<sup>th</sup> day of  
June, 1995 by JOE B. THOMAS.

  
\_\_\_\_\_  
Notary Public

My Commission expires:

8-8-97



Exhibit No. 8  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

MIDLAND PRODUCTION ORGANIZATION

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

Royalty and Overriding Royalty Owners  
Avalon (Delaware) Unit

Enclosed are the following materials relating to the captioned unit:

1. Unit Agreement for the captioned unit, and <sup>five</sup> two copies of the Ratification for such Unit Agreement;
2. Application for Statutory Unitization and for approval of unorthodox well locations.

We hereby request that you agree to the unitization proposed by Exxon by executing four copies of the Ratification of the Unit Agreement (Item 1), arranging for them to be notarized, and returning them the attention of Mr. Joe Thomas at the letterhead address.

Exxon has requested that the application that is item 2 be set for hearing before the New Mexico Oil Conservation Division at 8:15a.m. MDST, on June 1, 1995, at 2040 South Pacheco, Santa Fe, New Mexico. Failure to appear at that time will preclude you from objecting to this application at a later date.

If you have any questions, please call Mr. Thomas at 915/688-7162.

Sincerely,



R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

# EXHIBIT

## ROYALTY OWNERS

### OVERRIDING ROYALTY OWNERS

Is your RETURN A id on the reverse side?	<b>SENDER:</b> • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.	I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to:  Commissioner of Public Lands The State of New Mexico 310 Old Santa Fe Trail Santa Fe, NM 87501	4a. Article Number P-322-573-626	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature (Addressee) 	7. Date of Delivery MAY 15 1991 	
6. Signature (Agent)	8. Addressee's Address (Only if requested and fee is paid)	
PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1992-307-530 <b>DOMESTIC RETURN RECEIPT</b>		

Is your RETURN A id on the reverse side?	<b>SENDER:</b> • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.	I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to:  Bureau of Land Management Roswell District Office 1717 West Second Street Roswell, NM 88201	4a. Article Number P-322-573-625	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature (Addressee) 	7. Date of Delivery 5-15-95	
6. Signature (Agent)	8. Addressee's Address (Only if requested and fee is paid)	
PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1992-307-530 <b>DOMESTIC RETURN RECEIPT</b>		

<b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.	
1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address.	2. <input type="checkbox"/> Restricted Delivery (Extra charge)
Murrell Abbott and Clyde Abbott P. O. Box 637 Hobbs, NM 88240	4. Article Number P-168-945-832
5. Signature -- Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
6. Signature -- Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 5-17-95	8. Addressee's Address (ONLY if requested and fee paid)
PS Form 3811, Mar. 1988 ☆ U.S.G.P.O. 1988-212-865 <b>DOMESTIC RETURN RECEIPT</b>	

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  Vanessa H. Shotwell 2200 196th Street, SE #18 Bothell, WA 98011	4. Article Number P-322-573-616 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address <i>Vanessa Shotwell</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5-16-95	

PS Form 3811, Mar. 1988      \* U.S.G.P.O. 1988-212-865      DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  Singer Brothers P. O. Box 755 Tulsa, OK 74101	4. Article Number P-322-573-617 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery <i>John Wells</i>	

PS Form 3811, Mar. 1988      \* U.S.G.P.O. 1988-212-865      DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  Robert L. Spears P. O. Box 33384 Kerrville, TX 78029	4. Article Number P-322-573-618 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X <i>Marcia Spears</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery MAY 18 1995	

PS Form 3811, Mar. 1988      \* U.S.G.P.O. 1988-212-865      DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: NationsBank of Texas N.A. Trustee (Succ) Escrow Agent Sabine Royalty Trust P. O. Box 830308 Dallas, TX 75283-0308	4. Article Number P-168-945-843 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X C WORTHY	
7. Date of Delivery MAY 1 9 1995	

Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Oryx Energy Company P. O. Box 2880 Dallas, TX 75221-2880	4. Article Number P-168-945-844 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X 	
7. Date of Delivery MAY 1 7 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to: Patricia Nell Rigg 1303 North Walnut Tucson, AZ 85712	4. Article Number P-322-573-6N Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 578	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete Items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

3. Ralph S. Harris II  
7624 E. Morelos Place  
Tucson, AZ 85710

4. Article Number  
P-168-945-837

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *Mary Harris*

7. Date of Delivery  
5/15/95

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete Items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
Robert S. Harris  
7624 E. Morelos Place  
Tucson, AZ 85710

4. Article Number  
P-168-945-840

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *Robert S. Harris*

7. Date of Delivery  
5/15/95

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete Items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

3. Len Mayer  
United Bank of Denver Dep. Acct.  
Energy and Minerals Group  
1700 Broadway  
Denver, CO 80274

4. Article Number  
P-168-945-839

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X

7. Date of Delivery  
MAY 16 1995

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

Leon Davis Trust  
U/D/O 3/1/68  
One William Center, Suite 2000  
Tulsa, OK 74172

4. Article Number  
P-168-945-838

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X *Betty Thomson*

6. Signature - Agent  
X

7. Date of Delivery  
MAY 15 1995

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

Elliott Davis Mineral Trust  
U/D/O 3/1/68  
One William Center, Suite 2000  
Tulsa, OK 74172

4. Article Number  
P-168-945-835

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X *Betty Thomson*

6. Signature - Agent  
X

7. Date of Delivery  
MAY 15 1995

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

First City National Bank, Trustee of the  
Delta-Flag Royalty Trust  
P. O. Box 2097  
Midland, TX 79702-2097

4. Article Number  
P-168-945-833

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X

6. Signature - Agent  
X *[Signature]*

7. Date of Delivery  
MAY 15 1995

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)  
 2.  Restricted Delivery (Extra charge)

SRT Trust No. 1  
 United New Mexico Trust Co-Trustee  
 P. O. Box 5614  
 Hobbs, NM 88241

4. Article Number  
 P-168-945-841

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Address  
 X *[Signature]*

6. Signature - Agent  
 X *[Signature]*

7. Date of Delivery  
 5/15/95

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)  
 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Chris Lee Tietz  
 9501 East Myra Drive  
 Tucson, AZ 85730

4. Article Number  
 P-168-945-842

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Address  
 X *[Signature]*

6. Signature - Agent  
 X

7. Date of Delivery  
 5-17-95

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address.		2. <input type="checkbox"/> Restricted Delivery (Extra charge)	
Robert Michael Boling and Janet Richardson Personal Representatives of the Estate of Robert E. Boling 727 Three Cross Drive Roswell, NM 88201			
4. Article Number P-168-945-834		Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.			
5. Signature - Address X <i>Robert Michael Boling</i>		8. Addressee's Address (ONLY if requested and fee paid) MAY 26 1995	
6. Signature - Agent X			
7. Date of Delivery			

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address.		2. <input type="checkbox"/> Restricted Delivery (Extra charge)	
3. A Mary L. Boling c/o Robert Michael Boling 727 Three Cross Drive Roswell, NM 88201			
4. Article Number P-168-945-836		Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.			
5. Signature - Address X <i>Robert Michael Boling</i>		8. Addressee's Address (ONLY if requested and fee paid) MAY 26 1995	
6. Signature - Agent X			
7. Date of Delivery			

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address.		2. <input type="checkbox"/> Restricted Delivery (Extra charge)	
3. Article Addressed to: Mr. W. C. Eiland P. O. Drawer 11228 Midland, TX 79702			
4. Article Number P-322-573-627		Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.			
5. Signature - Address X <i>W. C. Eiland</i>		8. Addressee's Address (ONLY if requested and fee paid)	
6. Signature - Agent X <i>W. C. Eiland</i>			
7. Date of Delivery MAY 18 1995			

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

Working Interest Owners  
Avalon (Delaware) Unit

Enclosed are the following materials relating to the captioned unit:

1. Unit Agreement for the captioned unit, and four copies of the Ratification for such Unit Agreement;
2. Unit Operating Agreement for the captioned unit, four copies of the signature page for the Unit Operating Agreement, and two copies of the signature page for the Memorandum of the Unit Operating Agreement;
3. Notice of Election for Working Interest Owners in the captioned unit;
4. Application for Statutory Unitization and for approval of unorthodox well locations;
5. Application for Authority to Institute an Improved Oil Recovery Project and to Qualify for Recovered Oil Tax. The associated Injection Application was sent to you under separate cover, dated May 10, 1995.

Exxon has requested that the applications that are items 4 and 5 be set for hearing before the New Mexico Oil Conservation Division at 8:15a.m. MDST, on June 1, 1995, at 2040 South Pacheco, Santa Fe, New Mexico. Failure to appear at that time will preclude you from objecting to these applications at a later date.

We hereby request that you agree to the unitization proposed by Exxon by:

- Executing four copies of the Ratification of the Unit Agreement (Item 1) and arranging for them to be notarized;
- Executing four signature pages of the Unit Operating Agreement (Item 2) and two signature pages for the Memorandum of the Unit Operating Agreement, and arranging for the Memorandum to be notarized;
- Completing the Notice of Election (Item 3) in accordance with the instructions contained therein, and executing it.

All of the executed items should be returned to the attention of Mr. Joe Thomas at the letterhead address. Please note that your agreement to be bound by the Unit and Unit Operating Agreements does not preclude you from electing to be carried as to Unit Expenses; such election to be carried is controlled by the Notice of Election.

If you have any questions, please call Mr. Thomas at 915/688-7162.

Sincerely,

A handwritten signature in cursive script that reads "R. E. Mayhew".

R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

# EXHIBIT

## WORKING INTEREST OWNERS

Is your RETURN ADDRESS completed on the reverse side?	<p><b>SENDER:</b></p> <ul style="list-style-type: none"> <li>• Complete items 1 and/or 2 for additional services.</li> <li>• Complete items 3, and 4a &amp; b.</li> <li>• Print your name and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> <li>• Write "Return Receipt Requested" on the mailpiece below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>	I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to:  ATTN DAVE BONEAU ABO 105 S FOURTH STREET ARTESIA NM 88210		4a. Article Number P 322 573 571
5. Signature (Addressee) 		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
6. Signature (Agent)		7. Date of Delivery 5-15-95
8. Addressee's Address (Only if requested and fee is paid)		

PS Form 3811, December 1991 \* U.S.G.P.O.: 1992-307-530 **DOMESTIC RETURN RECEIPT**

<p><b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p>	
1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)	
2. <input type="checkbox"/> Restricted Delivery (Extra charge)	
3. Article Addressed to:  ARD MARY HUDSON 4808 WESTRIDGE AVENUE FT WORTH TX 76116	4. Article Number P-322-573-582
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5-15-95	

S Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 **DOMESTIC RETURN RECEIPT**

<p><b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p>	
1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)	
2. <input type="checkbox"/> Restricted Delivery (Extra charge)	
3. Article Addressed to:  ERNIE BELLO 3325 ALA AKULIKULI STREET HONOLULU HI 96818	4. Article Number P-322-573-603
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5/16/95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service...

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  FRANCIS B BUNN 2493 MAKIKI HEIGHTS HONOLULU HI 96822	4. Article Number <b>P-322-573-604</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED.</u>
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Francis Bunn</i>	
7. Date of Delivery <i>5/16/95</i>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

Is your RETURN ADDRESS completed on the reverse side?

3. Article Addressed to:  CHEVRON PBC (PENNZOIL) ATTN JAMES SPILLANDE P O BOX 2967 HOUSTON TX 77525-2967	4a. Article Number <b>P-322-573-572</b> 4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise 7. Date of Delivery <b>MAY 18 1995</b>
5. Signature (Addressee)	8. Addressee's Address (Only if requested and fee is paid)
6. Signature (Agent) <i>James Spillande</i>	

PS Form 3811, December 1991 \* U.S.G.P.O. 1992-307-530 DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  CLAREMONT P O BOX 549 CLAREMONT OK 74018-0549	4. Article Number <b>P-322-573-583</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED.</u>
5. Signature — Address X <i>Shelton</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X	
7. Date of Delivery <b>MAY 15 1995</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  DEVON ENERGY CORP 1500 MID AMERICA TOWER 20 N BROADWAY OKLAHOMA CITY OK 73102-3260	4. Article Number <b>P-322-573-594</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>[Signature]</i>	
7. Date of Delivery <i>5-15</i>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

Is your RETURN ADDRESS completed on the reverse side?

3. Article Addressed to:  F A & D M FOX 1288 EAGLE DRIVE BURLINGTON WA 98233	4a. Article Number <b>P-322-573-573</b> 4b. Service Type: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise 7. Date of Delivery
5. Signature (Addressee) <i>[Signature]</i>	8. Addressee's Address (Only if requested and fee is paid)
6. Signature (Agent) <i>[Signature]</i>	

PS Form 3811, December 1991 \* U.S.G.P.O. : 1992-307-530 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  GENDRON FAMILY TRUST MARY G GENDRON TRUSTEE 1280 ENCINO DRIVE SAN MATEO CA 94108	4. Article Number <del>XXXXXXXXXX</del> <b>P-168-945-828</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery <i>5-16-95</i>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

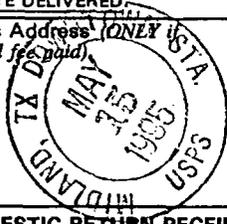
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  DAVID GOODNOW 230 RIDGEFIELD ROAD WILTON CA 06897	4. Article Number P-322573-610 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address X <i>David Goodnow</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5/15	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  HAYES PARTNERS I P O BOX 3700 MIDLAND TX 79702-3700	4. Article Number P-322573-608 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)  
6. Signature - Agent X <i>M. L. Owen</i>	
7. Date of Delivery	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  JOSEPH R HODGE P O BOX 5090 AUSTIN TX 78763	4. Article Number P-322573-602 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address X <i>Joseph R Hodge</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery MAY 16 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  SANFORD J HODGE III 4324 HANOVER AVENUE DALLAS TX 75225	4. Article Number <b>P-322-573-606</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address <b>X</b> <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <b>X</b>	
7. Date of Delivery <b>5-16-95</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  E G HOLDEN TEST TRUST BETSY H KELLER TRUSTEE 2524 UNION STREET SAN FRANCISCO CA 94123	4. Article Number <b>P-322-573-592</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address <b>X</b> <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent <b>X</b>	
7. Date of Delivery <b>MAY 16 1995</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
  
E R HUDSON JR  
616 TEXAS STREET  
FT WORTH TX 76102-4612

4a. Article Number  
**P-322-573-574**

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
**MAY 15 1995**

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \* U.S.G.P.O. 1992-307-530 DOMESTIC RETURN RECEIPT

s your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  W A HUDSON II 616 TEXAS STREET FT WORTH TX 76102-4612	4. Article Number P-322-573-581 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>W. Clark</i>	
7. Date of Delivery <del>MAY 12 1995</del> MAY 15 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  E H JUDSON ATTN BOB HODGE 400 W ILLINOIS SUITE 1100 MIDLAND TX 79701	4. Article Number P-322-573-587 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Ernie Guggen</i>	
7. Date of Delivery 05-15-95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  ISAAC A KAWASAKI 734 KALANIPUU STREET HONOLULU HI 96822	4. Article Number P-322-573-609 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature - Address X <i>Ruby Kawasaki</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5/16/95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
BETSY H KELLER  
2524 UNION STREET  
SAN FRANCISCO CA 94123

4. Article Number  
P-322-573-605

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X *B.H. Keller*

6. Signature - Agent  
X

7. Date of Delivery  
MAY 16 1995

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

3. Article Addressed to:  
KERR MCGEE CORP  
U S ONSHORE REGION  
ATTN JOINT VENTURE OPS  
211 N ROBINSON SUITE 700  
OKLAHOMA CITY OK 73102

4a. Article Number  
P-322-573-575

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
MAY 18 1995  
731

5. Signature (Addressee)

6. Signature (Agent)  
*[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \* U.S.G.P.O.: 1992-307-530 DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
LOS CHICOS  
ATTN DAVE BONEAU  
105 S FOURTH STREET  
ARTESIA NM 88210

4. Article Number  
P-322-573-599

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X *[Signature]*

6. Signature - Agent  
X

7. Date of Delivery  
5-15-95

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

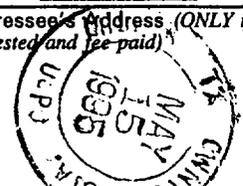
<b>SENDER:</b> <ul style="list-style-type: none"> <li>• Complete items 1 and/or 2 for additional services.</li> <li>• Complete items 3, and 4a &amp; b.</li> <li>• Print your name and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> <li>• Write "Return Receipt Requested" on the mailpiece below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to:  Martin Living Trust Attn: Bob Hodge 400 W. Illinois, Ste. 1100 Midland, TX 79701		4a. Article Number <b>P-322-573-624</b>	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery <b>5/15/95</b>	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) <i>Ernie Guggen</i>			
PS Form 3811, December 1991 ☆ U.S.G.P.O. : 1992-307-530 <b>DOMESTIC RETURN RECEIPT</b>			

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

<b>SENDER:</b> <ul style="list-style-type: none"> <li>• Complete items 1 and/or 2 for additional services.</li> <li>• Complete items 3, and 4a &amp; b.</li> <li>• Print your name and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> <li>• Write "Return Receipt Requested" on the mailpiece below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to:  JAMES L MARTIN JR RT 5 BOX 494 CLAREMORE OK 74017		4a. Article Number <b>P-322-573-576</b>	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery <b>5/18/95</b>	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) <i>James L Martin Jr</i>			
PS Form 3811, December 1991 ☆ U.S.G.P.O. : 1992-307-530 <b>DOMESTIC RETURN RECEIPT</b>			

Thank you for using Return Receipt Service.

<b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.			
1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)		2. <input type="checkbox"/> Restricted Delivery (Extra charge)	
3. Article Addressed to:  JACK O MCCALL ESTATE 1210 MIDLAND NAT BNK TOWER 500 W TEXAS AVENUE MIDLAND TX 79701		4. Article Number <b>P-322-573-593</b>	
		Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
		Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X		8. Addressee's Address (ONLY if requested and fee paid) 	
6. Signature - Agent X <i>Cosie Holme</i>			
7. Date of Delivery <b>5/18/95</b>			

P 168 945 829

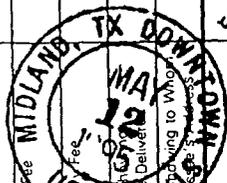
Receipt for Certified Mail

No Insurance Coverage Provided



CHARLES CLINE MOORE  
138 HARVARD AVENUE  
MILL VALLEY CA 94941

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt to Whom & Date Delivered	
Return Receipt to Whom, Date, and Address	
TOTAL Postage & Fees	\$
Postmark or Date	



envelope to the

3800, June 1991

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:

MYCO  
ATTN DAVE BONEAU  
105 S FOURTH STREET  
ARTESIA NM 88210

4. Article Number  
P-322-573-598

Type of Service:

Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature - Address  
X *[Signature]*

6. Signature - Agent  
X *[Signature]*

8. Addressee's Address (ONLY if requested and fee paid)

7. Date of Delivery  
MAY 19 1995

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:

NAPECO  
ATTN WILLIAM ESTEP  
P O BOX 3908  
TULSA OK 74102

4a. Article Number  
P-322-573-577

4b. Service Type

Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
5-15-95

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \* U.S.G.P.O. 1992-307-530 DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  AGNES C OLIVER TRUST BROWN BRO HARRIMAN TRST CO 2001 ROSS AVENUE STE 1150 DALLAS TX 75201	4. Article Number <b>P-322-573-607</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature — Address <input checked="" type="checkbox"/>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent <input checked="" type="checkbox"/>	
7. Date of Delivery <b>MAY 18 1995</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  WM B OLIVER TRUST ACT 0805400 P O BOX 100871 HOUSTON TX 77212	4. Article Number <b>P-168-945-830</b> Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature — Address <input checked="" type="checkbox"/>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent <b>L. DUPREE</b> <input checked="" type="checkbox"/>	
7. Date of Delivery <b>MAY 16 1995</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  OXY ATTN WILLIAM ESTEP P O BOX 3908 TULSA OK 74102	4. Article Number <b>P-322-573-588</b> Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature — Address <input checked="" type="checkbox"/>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent <input checked="" type="checkbox"/>	
7. Date of Delivery <b>5-15-95</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

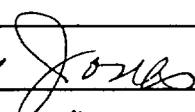
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  Pennzoil Exploration & Production Co. P. O. Box 2967 Houston, TX 77252-2967	4. Article Number P-322-573-614 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X 	
7. Date of Delivery MAY 16 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

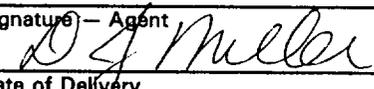
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  PREMIER P O BOX 1246 ARTESIA NM 88210	4. Article Number P-322-573-599 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X 	
7. Date of Delivery 5-15-95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  J.J. REDFERN III EXEC. of JOHN REDFERN P.O. BOX 50896 MIDLAND TX 79710	4. Article Number P-322-573-578 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
6. Signature - Agent X 	8. Addressee's Address (ONLY if requested and fee paid)
7. Date of Delivery 5-18-95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  ROSALIND REDFERN ATTN ROSSON KILLINGSTED P O BOX 2127 MIDLAND TX 79702	4. Article Number P-322-573-589 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery MAY 15 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  JOHN L SCHLAGAL ATTN BOB HODGE 400 W ILLINOIS SUITE 1100 MIDLAND TX 79701	4. Article Number P-322-573-600 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery MAY 15 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  ADOLPH P SCHUMAN MARITAL TRUST C/O JAMES CRAFTS JR 400 SAN SOME STREET SAN FRANCISCO CA 94111	4. Article Number P-322-573-613 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5-16-98	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  77 CORP P O BOX 51006 MIDLAND TX 79702	4. Article Number <b>P-322-573-584</b>
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Address X <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery <b>MAY 15 1995</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  SIGMAR INC ATTN BOB HODGE 400 W ILLINOIS STE 1100 MIDLAND TX 79701	4. Article Number <b>P-322-578-579</b>
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>[Signature]</i>	
7. Date of Delivery <b>005-B95</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

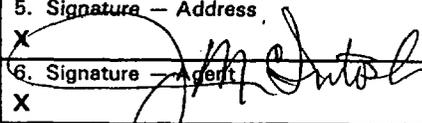
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  SPACE BUILDING CORP 250 CAPE HWY RTE 44 EAST TAUNTON MA 02718	4. Article Number <b>P-322-573-612</b>
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Address X <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery <b>5/15/95</b>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

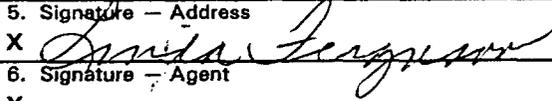
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  TIPPERARY OIL CORP 633 17TH STREET SUITE 1550 DENVER CO 80202	4. Article Number P-322-573-581 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Address X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 15 MAY 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

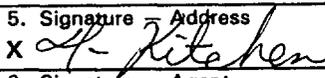
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  TR OIL CORP 9 ARROWHEAD DEKALB IL 60115	4. Article Number P-322-573-595 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Address X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery MAY 17 1995	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
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1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  UNIT PETROLEUM 7130 S LEWIS STE 100 TULSA OK 74136	4. Article Number P-322-573-611 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise
Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .	
5. Signature - Address X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5.15.95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

P 168 945 831

Receipt for Certified Mail

No Insurance Coverage Provided



J F VAN VRANKEN JR  
S C BERNSTEIN & CO  
767 FIFTH AVENUE  
NEW YORK NY 101153

Postage	\$
Certified Fee	
Special Delivery	
Restricted Delivery	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

- 1.  Show to whom delivered, date, and addressee's address. (Extra charge)
- 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:

WHITING PETROLEUM CORP  
1700 BROADWAY SUITE 2300  
DENVER CO 80290-2301

4. Article Number  
P-322-573-596

Type of Service:

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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- 1.  Show to whom delivered, date, and addressee's address. (Extra charge)
- 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:

R KEN WILLIAMS  
400 W ILLINOIS STE 1100  
MIDLAND TX 79701

4. Article Number  
P-322-573-586

Type of Service:

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *James H. ...*

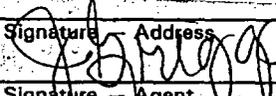
7. Date of Delivery  
05-15-95

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

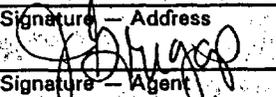
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  YATES DRILLING ATTN DAVE BONEAU 105 S FOURTH STREET ARTESIA NM 88210	4. Article Number P-322-573-580 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5-15-95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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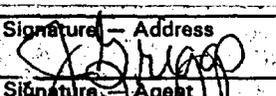
1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  YATES PETROLEUM ATTN DAVE BONEAU 105 S FOURTH STREET ARTESIA NM 88210	4. Article Number P-322-573-591 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5-15-95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  JOHN A YATES ATTN DAVE BONEAU 105 S FOURTH STREET ARTESIA NM 88210	4. Article Number P-322-573-590 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5-15-95	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1.  Show to whom delivered, date, and addressee's address. (Extra charge)      2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
  
S P YATES  
ATTN DAVE BONEAU  
105 S FOURTH STREET  
ARTESIA NM 88210

4. Article Number  
**P-322-573-601**

Type of Service:  
 Registered       Insured  
 Certified       COD  
 Express Mail       Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature - Address  
X *[Handwritten Signature]*

6. Signature - Agent  
X

7. Date of Delivery  
**5.15.95**

8. Addressee's Address (ONLY if requested and fee paid)

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

APPLICATION OF EXXON CORPORATION  
FOR A WATERFLOOD PROJECT, QUALIFICATION  
FOR THE RECOVERED OIL TAX RATE, AND  
FOR 18 NON-STANDARD OIL WELL LOCATIONS,  
EDDY COUNTY, NEW MEXICO

CASE NO. 11297

**AFFIDAVIT REGARDING NOTICE**

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

JOE B. THOMAS, being duly sworn upon his oath, deposes  
and states:

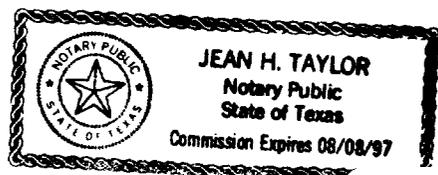
1. I am over the age of 18 and have personal knowledge of the matters stated herein.
2. I am a Landman for Applicant.
3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by mailing each of them, by certified mail, a copy of the Application. Copies of the notice letters and certified return receipts are attached hereto.
5. Applicant has complied with the notice provisions of Form C-108 and Division Rule 1207.

*Joe B. Thomas*  
\_\_\_\_\_  
Joe B. Thomas

SUBSCRIBED AND SWORN TO before me this 26<sup>th</sup> day of  
June, 1995 by JOE B. THOMAS.

*Jean H. Taylor*  
\_\_\_\_\_  
Notary Public

My Commission expires:  
8-8-97



**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

MIDLAND PRODUCTION ORGANIZATION

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

Surface Owners/Tenants of Land within the  
Avalon (Delaware) Unit Area

Enclosed is Exxon's Application for Authority to Institute an Improved Oil Recovery Project and to Qualify for Recovered Oil Tax. The associated Injection Application was sent to you under separate cover, dated May 10, 1995.

Exxon has requested that this application be set for hearing before the New Mexico Oil Conservation Division at 8:15a.m. MSDT, on June 1, 1995, at 2040 South Pacheco, Santa Fe, New Mexico. Failure to appear at that time will preclude you from objecting to this application at a later date.

If you have any questions, please call Mr. Joe Thomas at 915/688-7162.

Sincerely,



R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge) 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Commissioner of Public Lands  
 The State of New Mexico  
 310 Old Santa Fe Trail  
 Santa Fe, New Mexico 87501

4. Article Number  
 P-322-573-619

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature - Address  
 X *Mark Casada*

6. Signature - Agent  
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee is paid)  
 15  
 1995

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Harley Ballard  
 P. O. Box 1777  
 Carlsbad, NM 88221

4a. Article Number  
 P-322-573-622

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 15  
 1995

5. Signature (Addressee)  
*Deby Ballard*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \* U.S.G.P.O.: 1992-307-530 DOMESTIC RETURN RECEIPT

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Bureau of Land Management  
 Carlsbad Resource Office  
 P. O. Box 1778  
 Carlsbad, NM 88220

4a. Article Number  
 P-322-573-620

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 17  
 1995

5. Signature (Addressee)

6. Signature (Agent)  
*Deby Ballard*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \* U.S.G.P.O.: 1992-307-530 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)  
 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Bruce Riggs  
 P. O. Box 847  
 Carlsbad, NM 88221

4. Article Number  
 P-322-573-621

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

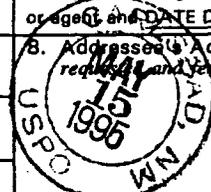
Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
 X *Bruce Riggs*

6. Signature - Agent  
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)



PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

! also wish to receive the following services (for an extra fee):

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Don Raines  
 P. O. Box 847  
 Carlsbad, NM 88221

4a. Article Number  
 P-322-573-623

4b. Service Type:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)  
*Don Raines*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 ☆ U.S.G.P.O. : 1992-307-530 DOMESTIC RETURN RECEIPT

May 12, 1995

Avalon (Delaware) Unit Area  
Eddy County, New Mexico

Working Interest Owners  
Avalon (Delaware) Unit

Enclosed are the following materials relating to the captioned unit:

1. Unit Agreement for the captioned unit, and four copies of the Ratification for such Unit Agreement;
2. Unit Operating Agreement for the captioned unit, four copies of the signature page for the Unit Operating Agreement, and two copies of the signature page for the Memorandum of the Unit Operating Agreement;
3. Notice of Election for Working Interest Owners in the captioned unit;
4. Application for Statutory Unitization and for approval of unorthodox well locations;
5. Application for Authority to Institute an Improved Oil Recovery Project and to Qualify for Recovered Oil Tax. The associated Injection Application was sent to you under separate cover, dated May 10, 1995.

Exxon has requested that the applications that are items 4 and 5 be set for hearing before the New Mexico Oil Conservation Division at 8:15a.m. MDST, on June 1, 1995, at 2040 South Pacheco, Santa Fe, New Mexico. Failure to appear at that time will preclude you from objecting to these applications at a later date.

We hereby request that you agree to the unitization proposed by Exxon by:

- Executing four copies of the Ratification of the Unit Agreement (Item 1) and arranging for them to be notarized;
- Executing four signature pages of the Unit Operating Agreement (Item 2) and two signature pages for the Memorandum of the Unit Operating Agreement, and arranging for the Memorandum to be notarized;
- Completing the Notice of Election (Item 3) in accordance with the instructions contained therein, and executing it.

All of the executed items should be returned to the attention of Mr. Joe Thomas at the letterhead address. Please note that your agreement to be bound by the Unit and Unit Operating Agreements does not preclude you from electing to be carried as to Unit Expenses; such election to be carried is controlled by the Notice of Election.

If you have any questions, please call Mr. Thomas at 915/688-7162.

Sincerely,

A handwritten signature in cursive script that reads "R. E. Mayhew".

R. E. Mayhew  
Avalon Project Manager

REM:lkc  
enclosures

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

MIDLAND PRODUCTION ORGANIZATION  
OPERATIONS INTEGRITY

May 10, 1995

Fluid Injection Application  
Avalon Unit  
Avalon Field  
Eddy County, New Mexico

Surface Owners  
Offset Operators  
Working Interest Owners

Attached is a copy of the Form C-108 and its attachments for 19 wells in the Avalon Unit for fluid injection. This application has been submitted to the New Mexico State Oil Conservation Division for approval.

If there are any questions, please call me at 915/688-7871.

Sincerely,



Marsha Wilson  
Operations Integrity

/mw  
Attachments

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

The following were mailed copies of NMOCD Form C-108 and its attachments on 5/10/95.

**SURFACE OWNERS**

SEC. 30, T20S, R28E                      ✓ THE STATE OF NEW MEXICO  
Office of the State Land Commissioner  
310 Old Santa Fe Trail  
SANTE FE, NEW MEXICO 87503                      ✓ HARLEY BALLARD  
P. O. BOX 1777  
CARLSBAD, N.M. 88221

SEC. 31, T20S, R28E                      ✓ BUREAU OF LAND MANAGEMENT  
CARLSBAD RESOURCE OFFICE  
P.O. BOX 1778  
CARLSBAD, N.M. 88220                      ✓ HARLEY BALLARD  
P. O. BOX 1777  
CARLSBAD, N.M. 88221

SEC. 32, T20S, R28E                      ✓ BRUCE RIGGS  
P. O. BOX 847  
CARLSBAD, N.M. 88221                      ✓ DON RAINES  
P. O. BOX 847  
CARLSBAD, NM 88221

✓ THE STATE OF NEW MEXICO  
Office of the State Land Commissioner  
310 Old Santa Fe Trail  
SANTA FE, NEW MEXICO 87503

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

✓ ABO  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

✓ MARY HUDSON ARD  
4804 WESTRIDGE AVENUE  
FT WORTH, TX 76116

✓ JACK O MCCALL ESTATE  
1210 MIDLAND NAT BNK TOWER  
500 W. TEXAS AVENUE  
MIDLAND, TX 79701

✓ CHEVRON PBC (PENNZOIL)  
ATTN: JAMES SPILLANDE  
P. O. BOX 2967  
HOUSTON, TX 77525-2967

✓ CLAREMONT  
P. O. BOX 549  
CLAREMONT, OK 74018-0549

✓ DEVON ENERGY CORP.  
1500 MID AMERICAN TOWER  
20 N. BROADWAY  
OKLAHOMA CITY, OK 73102-8260

✓ F A & D M FOX  
1288 EAGLE DRIVE  
BURLINGTON, WA 98233

✓ 77 CORP.  
P. O. BOX 51006  
MIDLAND, TX 79702

✓ TR OIL COPR.  
C/O DEKALB CORP.  
3100 SYCAMORE ROAD  
DEKALB, IL 60115

✓ E. R. HUDSON, JR.  
616 TEXAS STREET  
FT. WORTH, TX 76102-4612

✓ W. A. HUDSON II  
616 TEXAS STREET  
FT. WORTH, TX 76102-4612

✓ WHITING PETROLEUM CORP.  
1700 BROADWAY, STE. 2300  
DENVER, CO 80290-2301

✓ KERR MCGEE CORP.  
U.S. ONSHORE REGION  
ATTN JOINT VENTURE OPS  
211 N. ROBINSON, STE. 700  
OKLAHOMA CITY, OK 73102

✓ R. KEN WILLIAMS  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

✓ LOS CHICOS  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

✓ JAMES L. MARTIN, JR.  
RT. 5, BOX 494  
CLAREMORE, OK 74017

✓ E. H. JUDSON  
ATTN: BOB HODGE  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

✓ MYCO  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

✓ NAPECO  
ATTN: WILLIAM ESTEP  
P. O. BOX 3908  
TULSA, OK 74102

✓ OXY  
ATTN: WILLIAM ESTEP  
P. O. BOX 3908  
TULSA, OK 74102

✓ PREMIER  
P. O. BOX 1246  
ARTESIA, NM 88210

✓ J. J. REDFERN III  
EXEC OF JOHN REDFERN  
CLAYDESTA NAT BANK  
STE. 6300  
MIDLAND, TX 79705

✓ ROSALIND REDFERN  
ATTN: ROSSON KIELLINGSTED  
P. O. BOX 2127  
MIDLAND, TX 79702

✓ JOHN L. SCHLAGAL  
ATTN: BOB HODGE  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

✓ SIGMAR INC.  
ATTN: BOB HODGE  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

✓ JOHN A. YATES  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

✓ S. P. YATES  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

✓ YATES DRILLING  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

✓ YATES PETROLEUM  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

✓ JOSEPH R. HODGE  
P. O. BOX 5090  
AUSTIN, TX 78763

✓ TIPPERARY OIL CORP.  
633 17TH STREET, STE. 1550  
DENVER, CO 80202

✓ E. G. HOLDEN TEST TRUST  
BETSY H. KELLER TRUSTEE  
2524 UNION STREET  
SAN FRANCISCO, CA 94123

✓ ERNIE BELLO  
3325 ALA AKULIKULI STREET  
HONOLULU, HI 96818

✓ FRANCIS B. BUNN  
2493 MAKIKI HEIGHTS  
HONOLULU, HI 96822

✓ ISAAC A. KAWASAKI  
734 KALANIPUU STREET  
HONOLULU, HI 96822

✓ GENDRON FAMILY TRUST  
MARY G. GENDRON TRUSTEE  
1280 ENCINO DRIVE  
SAN MATEO, CA 91108

✓ BETSY H. KELLER  
2524 UNION STREET  
SAN FRANCISCO, CA 94123

✓ DAVID GOODNOW  
230 RIDGEFIELD ROAD  
WILTON, CA 06897

CHARLES CLINE MOORE  
138 HARVARD AVENUE  
MILL VALLEY, CA 94941

✓ SANFORD J. HODGE III  
4324 HOANOVER AVENUE  
DALLAS, TX 75225

✓ UNIT PETROLEUM  
7130 S. LEWIS, STE 100  
TULSA, OK 74136

✓ WM B OLIVER TRUST  
ACT 0805400  
P. O. BOX 100871  
HOUSTON, TX 77212

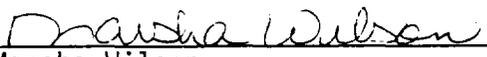
✓ AGNES C OLIVER TRUST  
BROWN BRO HARRIMAN TRST  
CO.  
2001 ROSS AVENUE, STE. 1150  
DALLAS, TX 75201

✓ SPACE BUILDING CORP.  
250 CAPE HWY RTE 44  
EAST TAUTON, MA 02718

✓ J.F. VAN VRANKEN JR.  
S.C. BERNSTEIN & CO.  
767 FIFTH AVENUE  
NEW YORK, NY 101153

✓ HAYES PARTNERS I  
P. O. BOX 3700  
MIDLAND, TX 79702-3700

✓ ADOLPH P. SCHUMAN MARITAL  
TRUST  
C/O JAMES CRAFTS, JR.  
400 SAN SOME STREET  
SAN FRANCISCO, CA 94111

  
Marsha Wilson  
Operations Integrity

**AWALON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number. The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

TIPPERARY OIL CORP.  
633 17TH STREET, STE. 1550  
DENVER, CO 80202

4a. Article Number  
**Z 740 407 723**

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery  
**15 MAY 1995**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

**AWALON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number. The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

F A & D M FOX  
1288 EAGLE DRIVE  
BURLINGTON, WA 98233

4a. Article Number

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery  
**15 MAY 1995**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \*U.S.G.P.O.: 1992-307-530

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

**AWALON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number. The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

ISAAC A. KAWASAKI  
734 KALANIPUU STREET  
HONOLULU, HI 96822

4a. Article Number  
**Z 740 407 727**

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery  
**5/16/95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

**AWALON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number. The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

TR OIL COPR.  
C/O DEKALB CORP.  
3100 SYCAMORE ROAD  
DEKALB, IL 60115

4a. Article Number  
**Z 740 407 701**

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Express Mail
- Return Receipt for Merchandise

7. Date of Delivery  
**5-17-95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \*U.S.G.P.O.: 1992-307-530

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

**DAVID GOODNOW**  
230 RIDGEFIELD ROAD  
WILTON, CA 06897

3. Article Addressed to:

4a. Article Number  
**Z 740 407 730**

4b. Service Type  
 Registered  
 Certified  
 Insured  
 COD  
 Express Mail  
 Return Receipt for Merchandise

7. Date of Delivery  
**5/15**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*David Goodnow*

6. Signature (Agent)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

**ADOLPH P. SCHUMAN MARITAL TRUST**  
C/O JAMES CRAFTS, JR.  
400 SAN SOME STREET  
SAN FRANCISCO, CA 94111

3. Article Addressed to:

4a. Article Number  
**Z 740 407 739**

4b. Service Type  
 Registered  
 Certified  
 Insured  
 COD  
 Express Mail  
 Return Receipt for Merchandise

7. Date of Delivery  
**MAY 15 1995**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*Adolph P. Schuman*

6. Signature (Agent)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

**ERNIE BELLO**  
3325 ALA AKULIKULI STREET  
HONOLULU, HI 96818

3. Article Addressed to:

4a. Article Number  
**Z 740 407 725**

4b. Service Type  
 Registered  
 Certified  
 Insured  
 COD  
 Express Mail  
 Return Receipt for Merchandise

7. Date of Delivery  
**5/14/95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*Ernie Bello*

6. Signature (Agent)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

**FRANCIS B. BUNN**  
2493 MAKIKI HEIGHTS  
HONOLULU, HI 96822

3. Article Addressed to:

4a. Article Number  
**Z 740 407 726**

4b. Service Type  
 Registered  
 Certified  
 Insured  
 COD  
 Express Mail  
 Return Receipt for Merchandise

7. Date of Delivery  
**5/15/95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*F. B. Bunn*

6. Signature (Agent)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

**Audlon**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 731**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
**J.F. VAN VRANKEN JR.**  
**S.C. BERNSTEIN & CO.**  
**767 FIFTH AVENUE**  
**NEW YORK, NY 10113**

6. Signature (Agent)  
**J. Rotas**

7. Date of Delivery  
**5-1**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1989-352-714 **DOMESTIC RETURN RECEIPT**

**Audlon**

- Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
- Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available: Consult postmaster for fees and check boxes for additional service(s) requested.
- Show to whom delivered, date, and addressee's address.
- Restricted Delivery (Extra charge)

3. Article Addressed to:

OXY  
ATTN: WILLIAM ESTEP  
P. O. BOX 3908  
TULSA, OK 74102

4. Article Number  
**Z 740 407 712**

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
**X**

6. Signature - Agent  
**X**

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)



PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-236-875 **DOMESTIC RETURN RECEIPT**

Is your RETURN ADDRESS completed on the reverse side? Thank you for using Return Receipt Service.

**Audlon**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 724**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
**E. G. HOLDEN TEST TRUST**  
**BETSY H. KELLER-TRUSTEE**  
**2524 UNION STREET**  
**SAN FRANCISCO, CA 94123**

6. Signature (Agent)  
**[Signature]**

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1989-352-714 **DOMESTIC RETURN RECEIPT**

**Audlon**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

CLAREMONT  
P. O. BOX 549  
CLAREMONT, OK 74018-0549

4a. Article Number  
**Z 740 407 697**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

7. Date of Delivery  
**MAY 15 1995**

8. Addressee's Address (Only if requested and fee is paid)



PS Form 3811, December 1991 \*U.S.G.P.O. 1992-307-530 **DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995

**Autolon**

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes! For additional services requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)  
 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:

WHITING PETROLEUM CORP.  
 1700 BROADWAY, STE. 2300  
 DENVER, CO 80290-2301

4. Article Number  
**Z 740 407 704**

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
*C. Sakist*

6. Signature - Agent  
*C. Sakist*

7. Date of Delivery  
**MAY 15 1985**

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815

**DOMESTIC RETURN RECEIPT**

**Autolon**

**SENDER:**

Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:

BETSY H. KELLER  
 2524 UNION STREET  
 SAN FRANCISCO, CA 94123

4a. Article Number  
**Z 740 409 729**

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*Betsy H. Keller*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

**Autolon**

**SENDER:**

Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:

GENDRON FAMILY TRUST  
 MARY G. GENDRON TRUSTEE  
 1280 ENCINO DRIVE  
 SAN MATEO, CA 91108

4a. Article Number  
**Z 740 407 728**

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
**5-15-91**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714

**DOMESTIC RETURN RECEIPT**

**Autolon**

**SENDER:**

Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:

SPACE BUILDING CORP.  
 250 CAPE HWY RTE 44  
 EAST TAUTON, MA 02718

4a. Article Number  
**Z 740 407 736**

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
**5/15/95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714

**DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995

**AVULON**

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested.

1.  Show to whom delivered, date, and addressee's address. (Extra charge)  
 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:

NAPECO  
 ATTN: WILLIAM ESTEP  
 P. O. BOX 3908  
 TULSA, OK 74102

4. Article Number  
 Z 740 407 711

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee

6. Signature Agent

7. Date of Delivery  
 5-15-95

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 DOMESTIC RETURN RECEIPT

**AVULON**

**SENDER:** Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:

BRUCE RIGGS  
 P. O. BOX 847  
 CARLSBAD, N.M. 88221

4a. Article Number  
 Z 740 407 743

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

5. Signature (Addressee)

6. Signature (Agent)

7. Date of Delivery  
 MAY 15 1995

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714 DOMESTIC RETURN RECEIPT

**AVULON**

**SENDER:** Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:

SANFORD J. HODGE III  
 4324 HOANOVER AVENUE  
 DALLAS, TX 75225

4a. Article Number  
 Z 740 407 732

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

5. Signature (Addressee)

6. Signature (Agent)

7. Date of Delivery  
 5-13-95

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714 DOMESTIC RETURN RECEIPT

**AVULON**

**SENDER:** Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:

HARLEY BALLARD  
 P. O. BOX 1777  
 CARLSBAD, N.M. 88221

4a. Article Number  
 Z 740 407 741

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

5. Signature (Addressee)

6. Signature (Agent)

7. Date of Delivery  
 MAY 15 1995

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714 DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

Exhibit No. \_\_\_\_\_  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995

*A. Wilson*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 740**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*Mary Hudson Ard*

6. Signature (Agent)

7. Date of Delivery  
**5-18-95**

8. Addressee's Address (Only if requested and fee is paid)

THE STATE OF NEW MEXICO  
Office of the State Land Commissioner  
310 Old Santa Fe Trail  
SANTE FE, NEW MEXICO 87503

PS Form 3811, December 1991 \*U.S.G.P.O.: 1989-352-714

**DOMESTIC RETURN RECEIPT**

*A. Wilson*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 733**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*Agnes C Oliver*

6. Signature (Agent)

7. Date of Delivery  
**5-18-95**

8. Addressee's Address (Only if requested and fee is paid)

UNIT PETROLEUM  
7130 S. LEWIS, STE 100  
TULSA, OK 74136

PS Form 3811, December 1991 \*U.S.G.P.O.: 1989-352-714

**DOMESTIC RETURN RECEIPT**

*A. Wilson*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 735**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*Agnes C Oliver*

6. Signature (Agent)

7. Date of Delivery  
**MAY 15 1995**

8. Addressee's Address (Only if requested and fee is paid)

AGNES C OLIVER TRUST  
BROWN BRO HARRIMAN TRST  
CO.  
2001 ROSS AVENUE, STE. 1150  
DALLAS, TX 75201

PS Form 3811, December 1991 \*U.S.G.P.O.: 1989-352-714

**DOMESTIC RETURN RECEIPT**

*A. Wilson*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 694**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*Mary Hudson Ard*

6. Signature (Agent)

7. Date of Delivery  
**5-18-95**

8. Addressee's Address (Only if requested and fee is paid)

MARY HUDSON ARD  
4804 WESTRIDGE AVENUE  
FT WORTH, TX 76116

PS Form 3811, December 1991 \*U.S.G.P.O.: 1992-307-530

**DOMESTIC RETURN RECEIPT**

*A. Wilson*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

1.  Addressee's Address  
2.  Restricted Delivery  
Consult postmaster for fee.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 735**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*Agnes C Oliver*

6. Signature (Agent)

7. Date of Delivery  
**MAY 15 1995**

8. Addressee's Address (Only if requested and fee is paid)

AGNES C OLIVER TRUST  
BROWN BRO HARRIMAN TRST  
CO.  
2001 ROSS AVENUE, STE. 1150  
DALLAS, TX 75201

PS Form 3811, December 1991 \*U.S.G.P.O.: 1989-352-714

**DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

**AVULON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4 and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

JOSEPH R. HODGE  
P. O. BOX 5090  
AUSTIN, TX 78763

5. Signature (Addressee)

*Joseph R. Hodge*

Signature (Agent)

4a. Article Number

Z 740 407 7a2

4b. Service Type

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

7. Date of Delivery

MAY 16 1995

8. Addressee's Address (Only if requested and fee is paid)

I also wish to receive the following services (for an extra fee):

- 1.  Addressee's Address
- 2.  Restricted Delivery

Consult postmaster for fee.

is your RETURN ADDRESS completed on the reverse side? Thank you for using Return Receipt Service.

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714 DOMESTIC RETURN RECEIPT

**AVULON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4 and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

W. A. HUDSON II  
616 TEXAS STREET  
FT. WORTH, TX 76102-4612

5. Signature - Addressee

*W. A. Hudson II*

Signature - Agent

Date of Delivery

MAY 12 1995

4. Article Number

Z 740 407 703

Type of Service:

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee is paid)

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4 and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

77 CORP.  
P. O. BOX 51006  
MIDLAND, TX 79701

5. Signature (Addressee)

*W. A. Hudson II*

Signature (Agent)

4a. Article Number

Z 740 407 700

4b. Service Type

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

7. Date of Delivery

MAY 12 1995

8. Addressee's Address (Only if requested and fee is paid)

I also wish to receive the following services (for an extra fee):

- 1.  Addressee's Address
- 2.  Restricted Delivery

Consult postmaster for fee.

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 DOMESTIC RETURN RECEIPT

PS Form 3811, December 1991 \*U.S.G.P.O. 1993-352-714 DOMESTIC RETURN RECEIPT

PS Form 3811, December 1991 \*U.S.G.P.O. 1992-307-530 DOMESTIC RETURN RECEIPT

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

AWALON

**SENDER:** Complete items 1 and 2 for additional services. Complete items 3, 4a & b. Print your name and address on the reverse of this form so that we can return this card to you. Attach this form to the front of the mailpiece, or on the back if space does not permit. Write "Return Receipt Requested" on the mailpiece below the article number. The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

CHEVRON PBC (PENNZOIL)  
ATTN: JAMES SPILLANDE  
P. O. BOX 2967  
HOUSTON, TX 77255-2967

4a. Article Number  
Z 740 407 696

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

7. Date of Delivery  
5-12-95

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

PS Form 3811, December 1991 \* U.S.G.P.O. : 1992-307-530

DOMESTIC RETURN RECEIPT

AWALON

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested. Show to whom delivered, date, and addressee's address. Restricted Delivery (Extra charge)

3. Article Addressed to:

KERR MCGEE CORP.  
U.S. ONSHORE REGION  
ATTN JOINT VENTURE OPS  
211 N. ROBINSON, STE. 700  
OKLAHOMA CITY OK 73102

4. Article Number  
Z 740 407 705

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

5. Signature - Addressee  
X

6. Signature - Agent  
X

7. Date of Delivery  
MAY 15 AM 1995

PS Form 3811, Apr. 1989 \* U.S.G.P.O. : 1989-238-815

DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested. Show to whom delivered, date, and addressee's address. Restricted Delivery (Extra charge)

3. Article Addressed to:

JAMES L. MARTIN, JR.  
RT. 5, BOX 494  
CLAREMORE, OK 74017

4. Article Number  
Z 740 407 708

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

5. Signature - Addressee  
X *[Signature]*

6. Signature - Agent  
X

7. Date of Delivery  
2-13-95

PS Form 3811, Apr. 1989 \* U.S.G.P.O. : 1989-238-815

DOMESTIC RETURN RECEIPT

AWALON

**SENDER:** Complete items 1 and/or 2 for additional services. Complete items 3, 4a & b. Print your name and address on the reverse of this form so that we can return this card to you. Attach this form to the front of the mailpiece, or on the back if space does not permit. Write "Return Receipt Requested" on the mailpiece below the article number. The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

SIGMAR INC.  
ATTN: BOB HODGE  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

4. Article Number  
Z 740 407 717

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
5-11-95

PS Form 3811, December 1991 \* U.S.G.P.O. : 1992-352-714

DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side? Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

**AVULON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

HAYES PARTNERS I  
P. O. BOX 3700  
MIDLAND, TX 79702-3700

4a. Article Number  
**Z 740 407 738**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

7. Date of Delivery  
**5-11-95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
*James Schlagal*

6. Signature (Agent)  
*James Schlagal*

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**



Thank you for using Return Receipt Service.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

**AVULON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

E. H. JUDDSON  
ATTN: BOB HODGE  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

4. Article Number  
**Z 740 407 709**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

7. Date of Delivery  
**5-11-95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature - Addressee  
**X**

6. Signature - Agent  
*James Schlagal*

7. Date of Delivery  
**5-11-95**

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

Is your RETURN ADDRESS completed on the reverse side?

**AVULON**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

JOHN L. SCHLAGAL  
ATTN: BOB HODGE  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

4a. Article Number  
**Z 740 407 716**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

7. Date of Delivery  
**5-11-95**

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
**X**

6. Signature (Agent)  
*James Schlagal*

7. Date of Delivery  
**5-11-95**

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

**AVULON**

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.

- Show to whom delivered, date, and addressee's address.
- Restricted Delivery (Extra charge)

3. Article Addressed to:

E. H. JUDDSON  
ATTN: BOB HODGE  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

4. Article Number  
**Z 740 407 709**

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
**X**

6. Signature - Agent  
*James Schlagal*

7. Date of Delivery  
**5-11-95**

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815

**DOMESTIC RETURN RECEIPT**

**AVULON**

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.

- Show to whom delivered, date, and addressee's address.
- Restricted Delivery (Extra charge)

3. Article Addressed to:

R. KEN WILLIAMS  
400 W. ILLINOIS, STE. 1100  
MIDLAND, TX 79701

4. Article Number  
**Z 740 407 706**

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Insured  
 COD  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
**X**

6. Signature - Agent  
*James Schlagal*

7. Date of Delivery  
**5-11-95**

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815

**DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 20 1995

*Avallon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

JACK O MCCALL ESTATE  
1210 MIDLAND NAT BNK TOWER  
500 W. TEXAS AVENUE  
MIDLAND, TX 79701

4a. Article Number  
**Z 740 407 695**

4b. Service Type

Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery **5-11-95**

5. Signature (Addressee)

6. Signature (Agent) *J. L. Dupree*

PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1992-307-530

**DOMESTIC RETURN RECEIPT**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

BUREAU OF LAND MANAGEMENT  
CARLSBAD RESOURCE OFFICE  
P.O. BOX 1778  
CARLSBAD, N.M. 88220

4a. Article Number  
**Z 740 407 742**

4b. Service Type

Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery **5-12-95**

5. Signature (Addressee)

6. Signature (Agent) *J. Reynolds*

PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1992-307-530

**DOMESTIC RETURN RECEIPT**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

WM B OLIVER TRUST  
ACT 0805400  
P. O. BOX 100871  
HOUSTON, TX 77212

4a. Article Number  
**Z 740 407 934**

4b. Service Type

Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery **MAY 12 1995**

5. Signature (Addressee)

6. Signature (Agent) **L. DUPREE**

PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1993-352-714

**DOMESTIC RETURN RECEIPT**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

DEVON ENERGY CORP.  
1500 MID AMERICAN TOWER  
20 N. BROADWAY  
OKLAHOMA CITY, OK 73102-8260

4a. Article Number  
**Z 740 407 698**

4b. Service Type

Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery **5-12-95**

5. Signature (Addressee)

6. Signature (Agent) *J. Reynolds*

PS Form 3811, December 1991 ☆ U.S.G.P.O.: 1992-307-530

**DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

Is your RETURN ADDRESS completed on the reverse side? Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side? Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Is your RETURN ADDRESS completed on the reverse side?

*Avalon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 715**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*Rosalind Redfern*

6. Signature (Agent)  
*Avalon*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)  
 ROSALIND REDFERN  
 ATTN: ROSSON KIELLINGSTED  
 P. O. BOX 2127  
 MIDLAND, TX 79702

PS Form 3811, December 1991 \*U.S. G.P.O. 1993-352-714

**DOMESTIC RETURN RECEIPT**

*Avalon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 744**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*Don Raines*

6. Signature (Agent)  
*Avalon*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)  
 DON RAINES  
 P. O. BOX 847  
 CARLSBAD, NM 88221

PS Form 3811, December 1991 \*U.S. G.P.O. 1993-352-714

**DOMESTIC RETURN RECEIPT**

*Avalon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 714**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*J.J. Redfern III*

6. Signature (Agent)  
*Avalon*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)  
 J. J. REDFERN III  
 EXEC OF JOHN REDFERN  
 CLAYDESTA NAT BANK  
 STE. 6300  
 MIDLAND, TX 79705

PS Form 3811, December 1991 \*U.S. G.P.O. 1993-352-714

**DOMESTIC RETURN RECEIPT**

*Avalon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

4a. Article Number  
**Z 740 407 70**

4b. Service Type  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

5. Signature (Addressee)  
*J.J. Redfern III*

6. Signature (Agent)  
*Avalon*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)  
 LOS CHICOS  
 ATTN: DAVE BONEAU  
 105 S. FOURTH STREET  
 ARTESIA, NM 88210

PS Form 3811, Apr. 1989 \*U.S. G.P.O. 1989-238-915

**DOMESTIC RETURN RECEIPT**

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

PS Form 3811, December 1991 \*U.S. G.P.O. 1993-352-714

**DOMESTIC RETURN RECEIPT**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

4. Article Number  
**Z 740 407 70**

Type of Service:  
 Registered  
 Certified  
 Express Mail  
 Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)  
 LOS CHICOS  
 ATTN: DAVE BONEAU  
 105 S. FOURTH STREET  
 ARTESIA, NM 88210

PS Form 3811, Apr. 1989 \*U.S. G.P.O. 1989-238-915

**DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995

*Aurilon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

YATES PETROLEUM  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

5. ~~Signature (Addressee)~~  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

*Aurilon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

YATES DRILLING  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

5. ~~Signature (Addressee)~~  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

*Aurilon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ABO  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

5. ~~Signature (Addressee)~~  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

*Aurilon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ABO  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

5. ~~Signature (Addressee)~~  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-307-530

**DOMESTIC RETURN RECEIPT**

*Aurilon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ABO  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

5. ~~Signature (Addressee)~~  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-307-530

**DOMESTIC RETURN RECEIPT**

*Aurilon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ABO  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

5. ~~Signature (Addressee)~~  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-307-530

**DOMESTIC RETURN RECEIPT**

*Aurilon*

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

S. P. YATES  
ATTN: DAVE BONEAU  
105 S. FOURTH STREET  
ARTESIA, NM 88210

5. ~~Signature (Addressee)~~  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 20 1995

**Avalon**

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services(s) requested.  
1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery (Extra charge)

3. Article Addressed to:  
**MYCO**  
**ATTN: DAVE BONEAU**  
**105 S. FOURTH STREET**  
**ARTESIA, NM 88210**

4. Article Number  
**Z 740 407 710**

Type of Service:  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
*[Signature]*

6. Signature - Agent  
*[Signature]*

7. Date of Delivery  
**MAY 11 1995**

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815

**DOMESTIC RETURN RECEIPT**

**SENDER:**  
• Complete items 1 and/or 2 for additional services.  
• Complete items 3, and 4a & b.  
• Print your name and address on the reverse of this form so that we can return this card to you.  
• Attach this form to the front of the mailpiece, or on the back if space does not permit.  
• Write "Return Receipt Requested" on the mailpiece below the article number.  
• The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:  
**JOHN A. YATES**  
**ATTN: DAVE BONEAU**  
**105 S. FOURTH STREET**  
**ARTESIA, NM 88210**

4a. Article Number  
**Z 740 407 718**

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1989-352-714

**DOMESTIC RETURN RECEIPT**

is your RETURN ADDRESS completed on the reverse side?

**Avalon**

**SENDER:**  
• Complete items 1 and/or 2 for additional services.  
• Complete items 3, and 4a & b.  
• Print your name and address on the reverse of this form so that we can return this card to you.  
• Attach this form to the front of the mailpiece, or on the back if space does not permit.  
• Write "Return Receipt Requested" on the mailpiece below the article number.  
• The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:  
**PREMIER**  
**P. O. BOX 1246**  
**ARTESIA, NM 88210**

4a. Article Number  
**Z 740 407 713**

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
**5-11-95**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1989-352-714

**DOMESTIC RETURN RECEIPT**

**SENDER:**  
• Complete items 1 and/or 2 for additional services.  
• Complete items 3, and 4a & b.  
• Print your name and address on the reverse of this form so that we can return this card to you.  
• Attach this form to the front of the mailpiece, or on the back if space does not permit.  
• Write "Return Receipt Requested" on the mailpiece below the article number.  
• The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:  
**JOHN A. YATES**  
**ATTN: DAVE BONEAU**  
**105 S. FOURTH STREET**  
**ARTESIA, NM 88210**

4a. Article Number  
**Z 740 407 718**

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
**MAY 11 1995**

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 \*U.S.G.P.O. 1989-352-714

**DOMESTIC RETURN RECEIPT**

Exhibit No. \_\_\_\_\_  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 20 1995

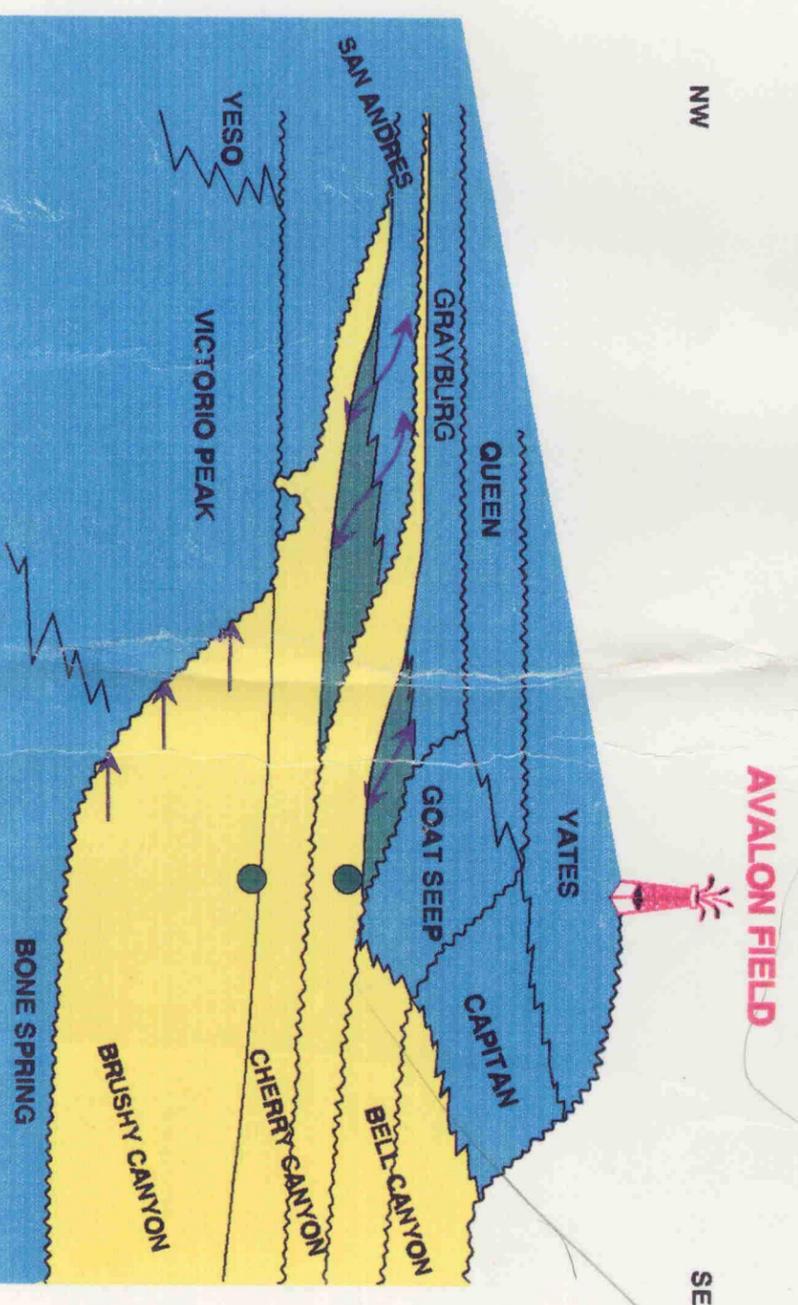
# AVALON (DELAWARE) FIELD

EDDY COUNTY, NEW MEXICO

REPORT OF THE  
TECHNICAL COMMITTEE  
FOR THE

WORKING INTEREST OWNERS

VOLUME II - MAPS AND CROSS SECTIONS



EXXON COMPANY, USA  
SOUTHWESTERN PRODUCTION DIVISION  
RESERVOIR TECHNOLOGY GROUP

AUGUST, 1992

Exhibit No. 10  
Exxon Corporation  
Cases 11297 & 11298  
Hearing Date: Dec. 14, 1995

AVALON (DELAWARE) FIELD  
Eddy County, New Mexico

REPORT OF THE TECHNICAL COMMITTEE  
FOR THE WORKING INTEREST OWNERS

VOLUME II - TEXT AND EXHIBITS

With Contributions By:

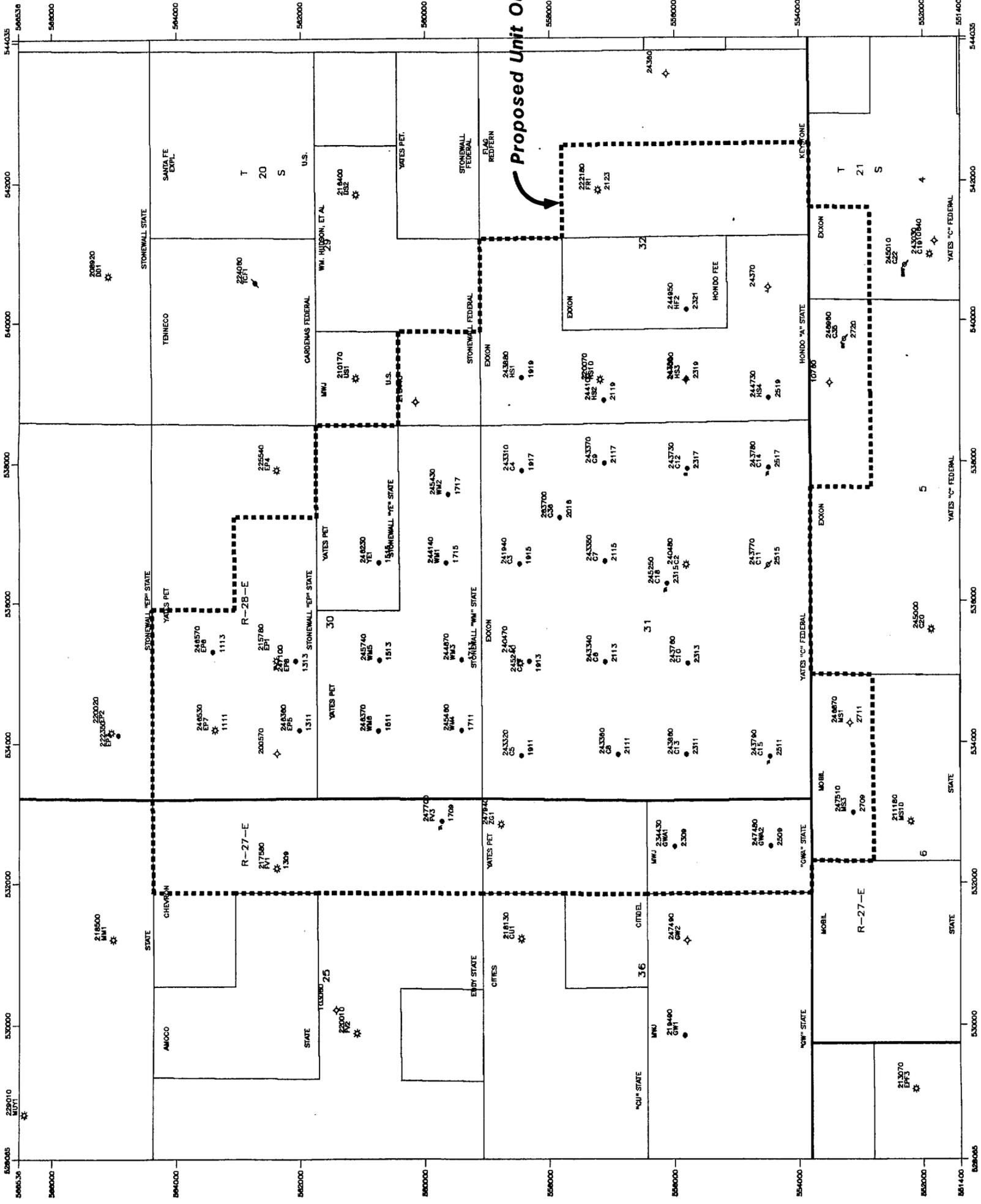
G. G. Beuhler  
T. W. Brannon  
A. C. Brummert  
D. L. Cantrell  
J. M. Goodwin  
F. M. Haynes  
T. V. Kane  
R. M. Stuart

August 1992

## VOLUME II - MAPS ANDS CROSS SECTIONS

- Map 1 Avalon (Delaware) Field Basemap
  - Map 2 Lower Cherry/Upper Brushy Canyon Top Reservoir (LCHT) Structure Map
  - Map 3 Top Bone Spring - Base Delaware (BSPG) Structure Map
  - Map 4 Lower Cherry/Upper Brushy Canyon Gross Thickness
  - Map 5 Upper Cherry Canyon - Top Reservoir (UCH-DLS) Structure Map
  - Map 6 Upper Cherry Canyon - Base Reservoir (UCHB) Structure Map
  - Map 7 Upper Cherry Canyon - Gross Thickness
  - Map 8 Lower Cherry/Upper Brushy Canyon - Net to Gross Ratio
  - Map 9 Lower Cherry/Upper Brushy Canyon - Net Thickness
  - Map 10 Lower Cherry/Upper Brushy Canyon - Average Porosity
  - Map 11 Lower Cherry/Upper Brushy Canyon - Porosity Thickness
  - Map 12 Lower Cherry/Upper Brushy Canyon - Average Water Saturation
  - Map 13 Lower Cherry/Upper Brushy Canyon - Hydrocarbon Porosity Thickness with Limits of Primary Production
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  - Map 16 Upper Cherry Canyon - Net Thickness
  - Map 17 Upper Cherry Canyon - Average Porosity
  - Map 18 Upper Cherry Canyon - Porosity Thickness
  - Map 19 Upper Cherry Canyon - Average Water Saturation
  - Map 20 Upper Cherry Canyon - Hydrocarbon Porosity Thickness with Limits of Primary Production
  - Map 21 Upper Cherry Canyon - Top Reservoir (UCH-DLS) Structure Map with Limits of Primary Production
  - Map 22 Total Reservoir - Hydrocarbon Porosity Thickness
  - Map 23 Avalon Field Well-Tracts
- 
- North-South Structural Cross Section B1
  - North-South Structural Cross Section 1
  - Northwest-Southeast Structural Cross Section A2
  - Northwest-Southeast Structural Cross Section 2
  - Northwest-Southeast Structural Cross Section 3
  - Northwest-Southeast Structural Cross Section A3
  - Northwest-Southeast Structural Cross Section B3
  - Northwest-Southeast Structural Cross Section 4

# AVALON (DELAWARE) FIELD BASEMAP



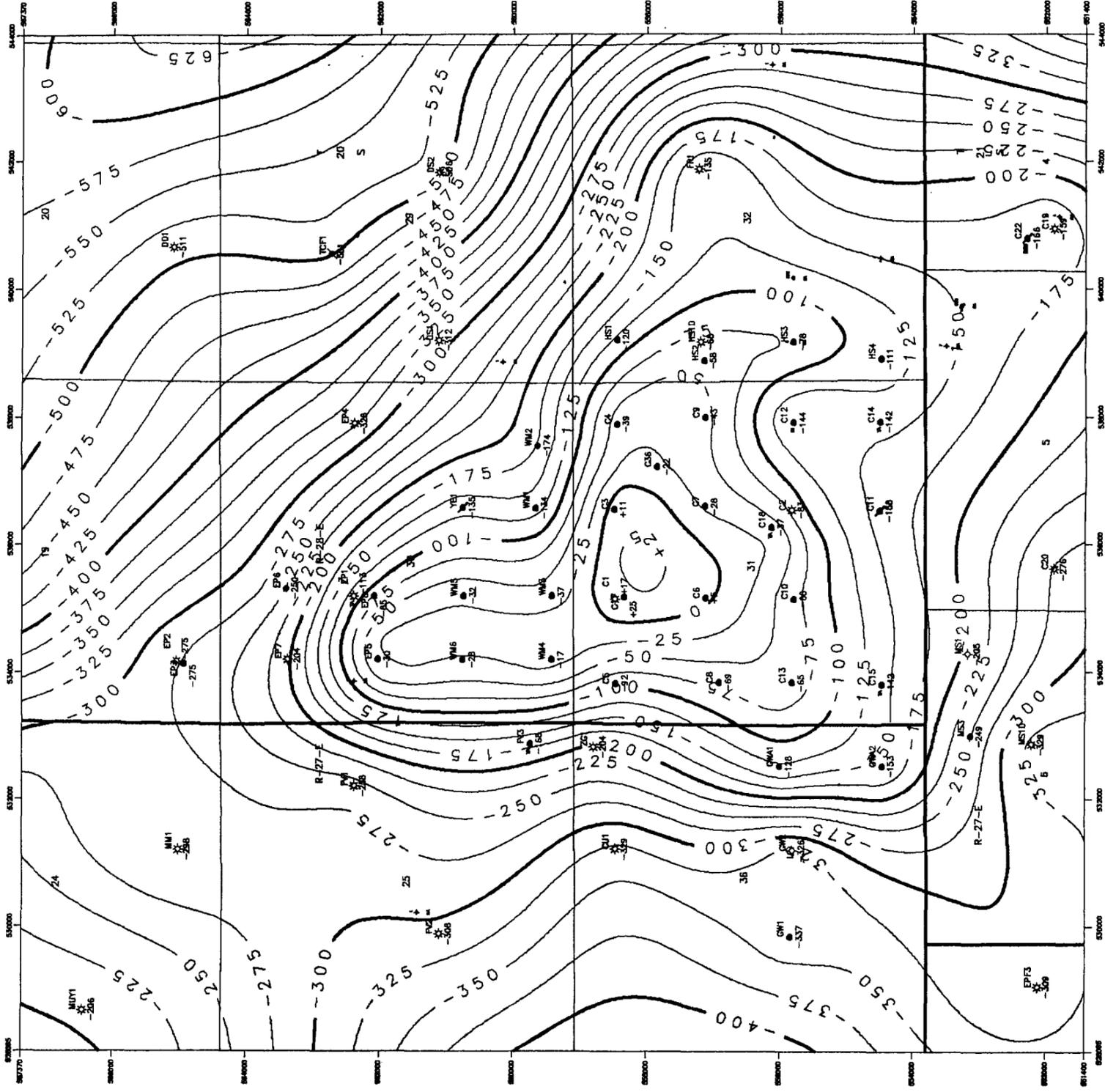
Map 1

**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP

BASE MAP  
 AVALON (DELAWARE) FIELD  
 EDDY COUNTY, NEW MEXICO  
 API REFNO'S, WELLIDS AND NEW WELL NUMBERS  
 ARE ANNOTATED AT EACH WELL SPOT  
 PRODUCED BY EXXON COMPANY USA (1992)

0 1000 2000 3000 FEET  
 SCALE=1000 FEET/INCH  
 D.L. CANTRELL AUGUST 15, 1992

# LOWER CHERRY / UPPER BRUSHY CANYON Top Reservoir (LCHT)



## WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊙ TEMPORARILY ABANDONED OIL WELL
- ⊙ PRODUCING GAS WELL
- ⊙ TEMPORARILY ABANDONED GAS WELL
- ⊙ ACTIVE INJECTION WELL
- ⊙ SALT WATER INJECTION WELL
- ⊙ SALT WATER DISPOSAL WELL
- ⊙ DRY HOLE
- ⊙ DRY HOLE, JUNKED AND ABANDONED

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CREATING THIS MAP.

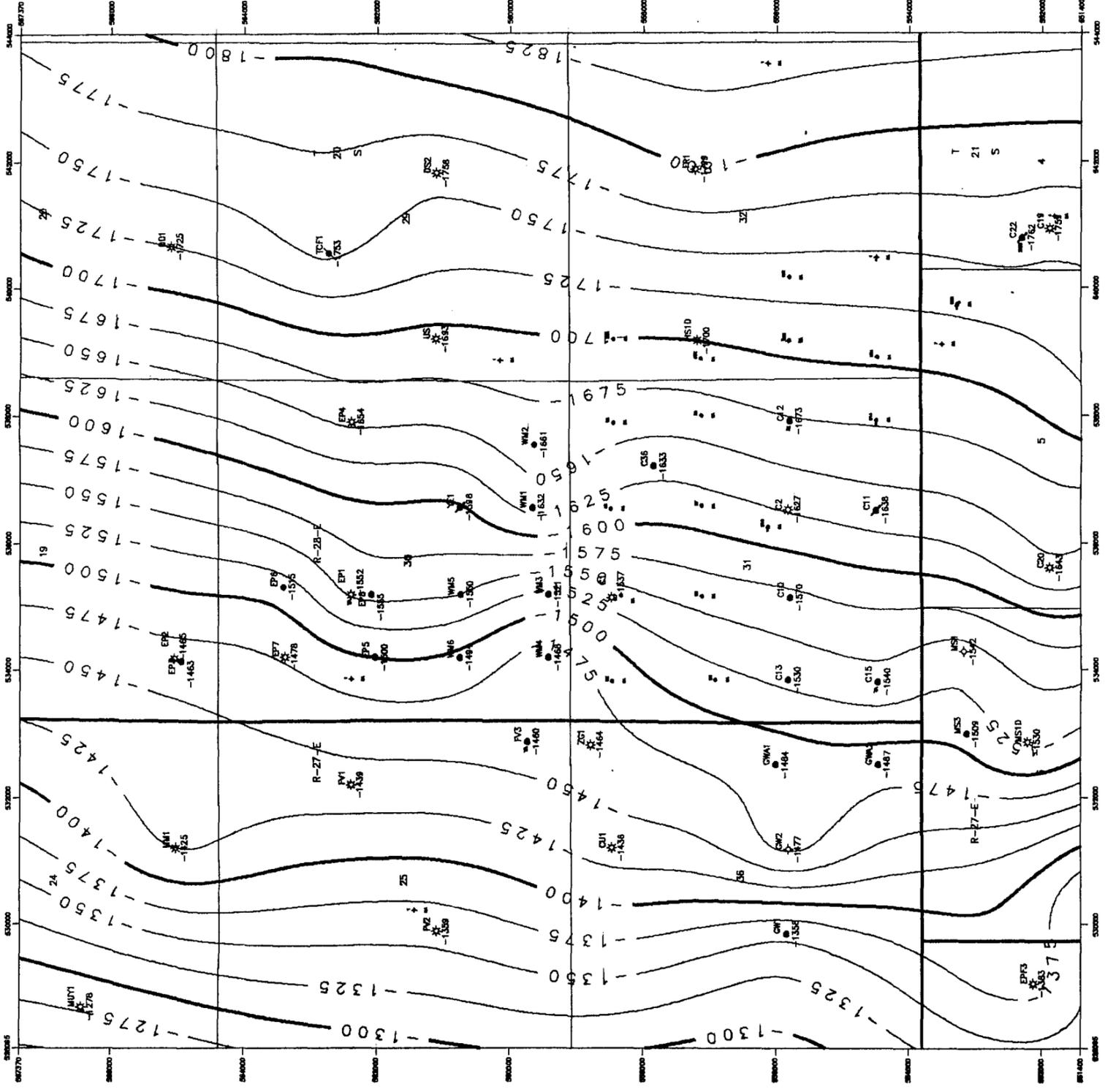
## COMMENT CODE LEGEND

NA : PICK NOT AVAILABLE

Map 2

<b>EXXON COMPANY USA</b>	
PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION	
RESERVOIR TECHNOLOGY GROUP - GEOLOGY	
STRUCTURE (FT) MAP, DATUM = MSL	
LOWER CHERRY CANYON TOP	
AMALON (DELAWARE) FIELD	
EDDY COUNTY, NEW MEXICO	
PREPARED BY: JAMES W. GIBSON AND CHARLES R. BERT	
0	1000
1000	2000
2000	3000
3000	4000
4000	5000
5000	6000
6000	7000
7000	8000
8000	9000
9000	10000
SCALE: 1000 FEET/INCH	
T.W. BRANNON, CL. CHEYENNE, WY. DRAWN	
JULY 29, 1962	

# TOP BONE SPRING - Base Delaware (BSPG)



## WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- TEMPORARILY ABANDONED OIL WELL
- ABANDONED OIL WELL
- PRODUCING GAS WELL
- TEMPORARILY ABANDONED GAS WELL
- ACTIVE INJECTION WELL
- SALT WATER INJECTION WELL
- SALT WATER DISPOSAL WELL
- ◇ DRY HOLE
- ◇ DRY HOLE, JUNKED AND ABANDONED

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTAINING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CURRENTING THIS MAP.

## COMMENT CODE LEGEND

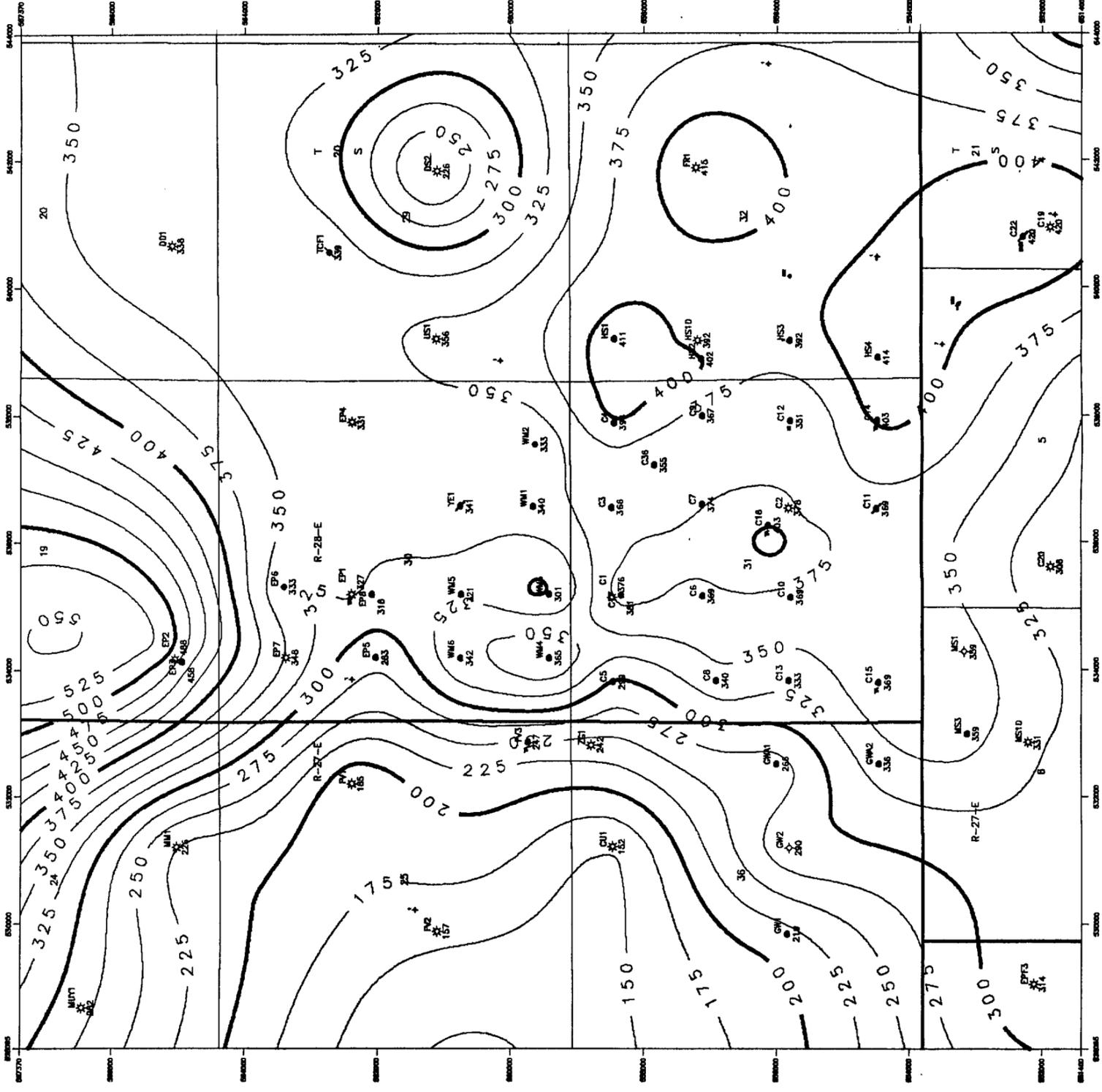
NA : PICK NOT AVAILABLE

Map 3

<b>EXXON COMPANY USA</b>	
PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION	
RESEARCH/TECHNOLOGY GROUP - GEOLOGY	
STRUCTURE (FT) MAP, DATUM = MSL	
BONE SPRINGS TOP	
ANLON (DELAWARE) FIELD	
EDDY COUNTY, NEW MEXICO	
PRODUCTION/TECHNOLOGY GROUP/STAFF/1818	
0	1000
2000	4000
CENT-25 GRT-400	
FEET SCALE=1000 FEET/INCH	
BY SPANGLER, L. CONTRELL, T. BONE	
JULY 29, 1982	

# LOWER CHERRY / UPPER BRUSHY CANYON

## Gross Thickness



### WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊙ TEMPORARILY ABANDONED OIL WELL
- ⊖ ABANDONED OIL WELL
- ⊕ PRODUCING GAS WELL
- ⊙ TEMPORARILY ABANDONED GAS WELL
- ⊖ ACTIVE INJECTION WELL
- ⊕ SALT WATER INJECTION WELL
- ⊖ SALT WATER DISPOSAL WELL
- ⊙ DRY HOLE
- ⊖ DRY HOLE, JUNKED AND ABANDONED
- ⊙ ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTINUOUS. SMALL SYMBOLS REFLECT WELLS NOT USED IN ORIGINAL 1983 MAP.

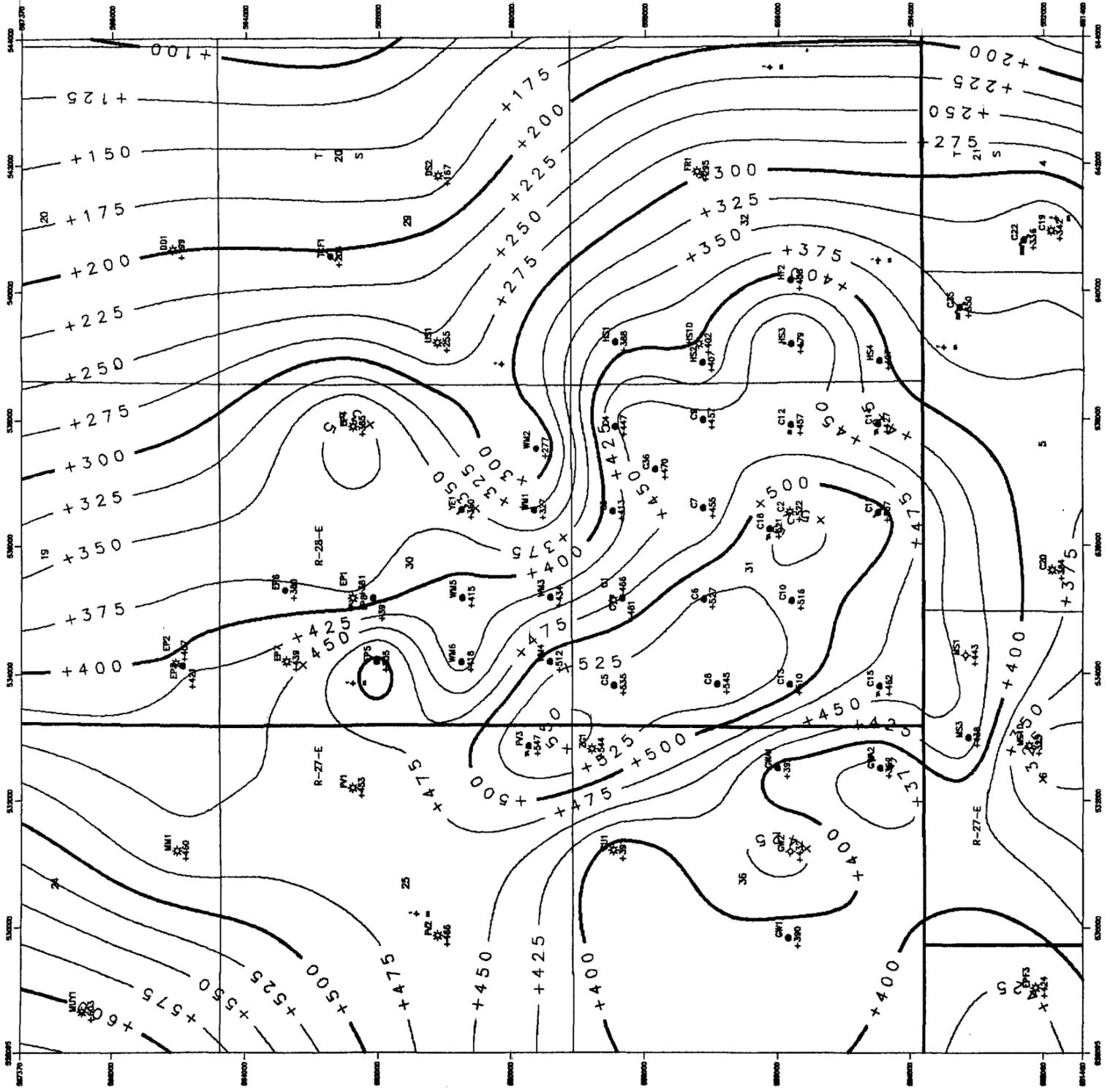
Map 4

**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHERN DISTRICT  
 RESERVE/REPLACEMENT GROUP - GEOLOGY

**TOTAL GROSS THICKNESS MAP**  
 ANALYSIS OF ZONES LISTED IN THIS MAP  
 ARLIN (DELAWARE) FIELD  
 EDDY COUNTY, NEW MEXICO  
 ANNOTATIONS: WELLS, THICKNESS (FT)  
 1000 2000 3000 4000 5000  
 SCALE: 1000 FEET/INCH  
 THE BRIMMOND, D. CAMPBELL, TV ENGINEER JULY 25, 1982



# UPPER CHERRY CANYON - Base Reservoir (UCHB)



## WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- TEMPORARILY ABANDONED OIL WELL
- ABANDONED OIL WELL
- PRODUCING GAS WELL
- TEMPORARILY ABANDONED GAS WELL
- ACTIVE INJECTION WELL
- SALT WATER INJECTION WELL
- SALT WATER DISPOSAL WELL
- DRY HOLE
- DRY HOLE, JUNKED AND ABANDONED

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR FIELD USE.  
FOR CONTOURING, SMALL SYMBOLS REFLECT BELLS NOT  
USED IN CREATING THIS MAP.

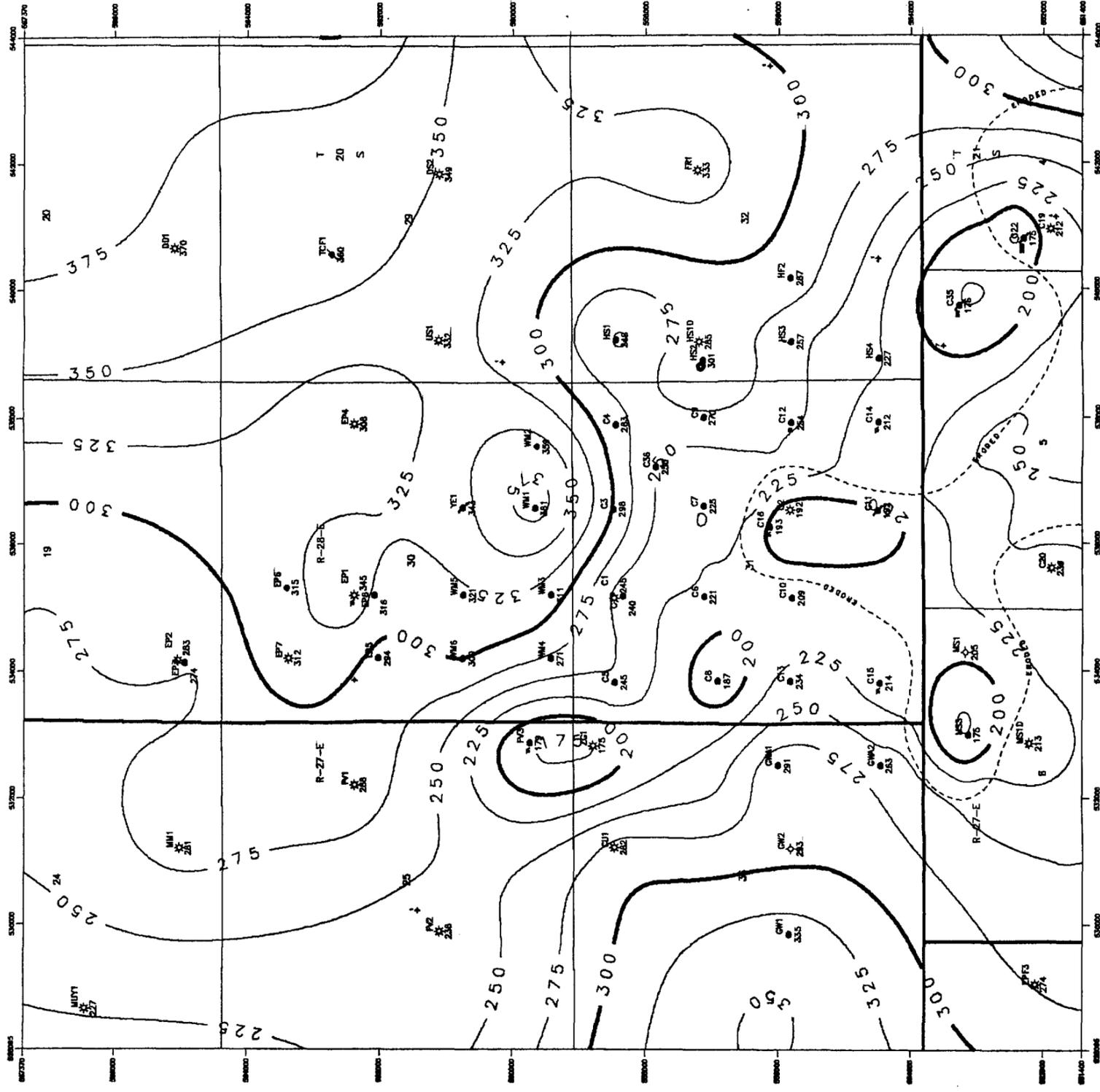
## COMMENT CODE LEGEND

NA : PICK NOT AVAILABLE

Map 6

<b>EXXON COMPANY USA</b>	
PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION	RESERVOIR TECHNOLOGY GROUP - GEOLOGY
STRUCTURE (FT) MAP, DATUM = MSL	
UPPER CHERRY CANYON BASE	
ANALON (DELAWARE) FIELD	
EDDY COUNTY, NEW MEXICO	
PREPARED BY: J. G. CHAPPELL, JR.	DATE: JULY 29, 1982
SCALE: 1000 FEET/INCH	DATE: JULY 29, 1982

# UPPER CHERRY CANYON - Gross Thickness



## WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊙ TEMPORARILY ABANDONED OIL WELL
- ⊙ TEMPORARILY ABANDONED GAS WELL
- ⊙ PRODUCING GAS WELL
- ⊙ TEMPORARILY ABANDONED GAS WELL
- ⊙ ACTIVE INJECTION WELL
- ⊙ SALT WATER INJECTION WELL
- ⊙ SALT WATER DISPOSAL WELL
- ⊙ DRY HOLE
- ⊙ DRY HOLE, JUNKED AND ABANDONED
- ⊙ ABANDONED LOCATION

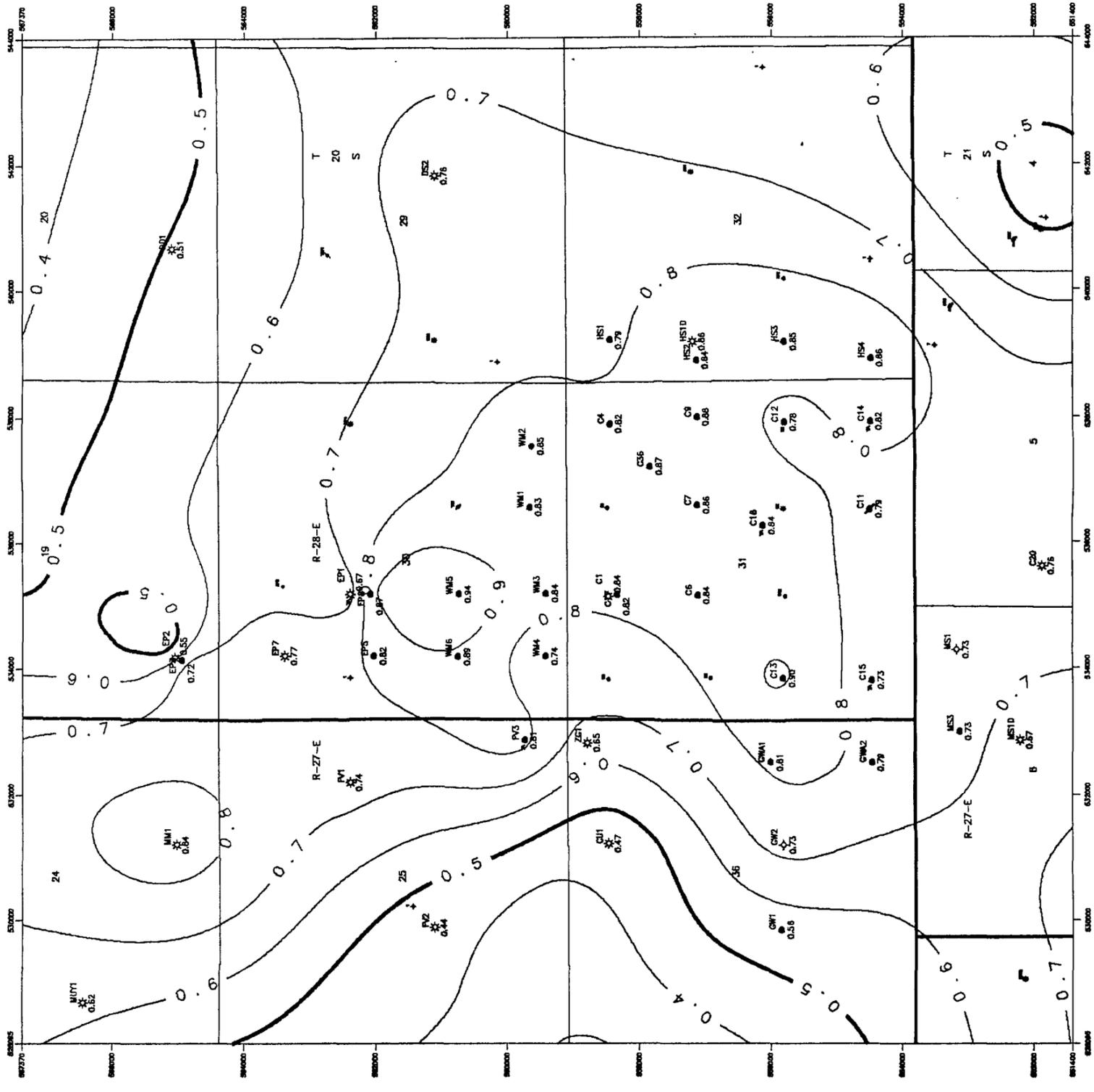
NOTE: WELLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CREATING THIS MAP.

Map 7

<b>EXXON COMPANY USA</b>	
PRODUCTION DEPARTMENT - SOUTHERN DIVISION	
RESERVOIR TECHNOLOGY GROUP - GEOLOGIST	
<b>TOTAL GROSS THICKNESS MAP</b>	
ANALYSIS OF ZONES OCMZ	
ANALON (DELAWARE) FIELD	
EDDY COUNTY, NEW MEXICO	
ANALYSIS BY: WELLS, THORNS (T)	
DATE: 10/15/82	
SCALE: 1:50,000	DATE: 10/15/82
BY: [Signature]	DATE: 10/15/82

# LOWER CHERRY/UPPER BRUSHY CANYON

## Net To Gross Ratio



### WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ◐ TEMPORARILY ABANDONED OIL WELL
- ◑ ABANDONED OIL WELL
- ✱ PRODUCING GAS WELL
- ✱ TEMPORARILY ABANDONED GAS WELL
- ✱ ACTIVE INJECTION WELL
- ✱ SALT WATER INJECTION WELL
- ✱ SALT WATER DISPOSAL WELL
- ✱ DRY HOLE
- ✱ DRY HOLE, JUNKED AND ABANDONED
- ✱ ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURING. SMALL SYMBOLS REFLECT WELLS NOT USED IN OREGONING THIS MAP.

Map 8

**EXXON COMPANY USA**

RESERVOIR TECHNOLOGY GROUP - GEOLOGIST

AVERAGE NET TO GROSS RATIO MAP

DATE - 1978

UNITS - FEET - 1/4" = 100' - 1/8" = 50'

SCALE - 1:1000 FEET/INCH

PROJECT - LOWER CHERRY/UPPER BRUSHY CANYON

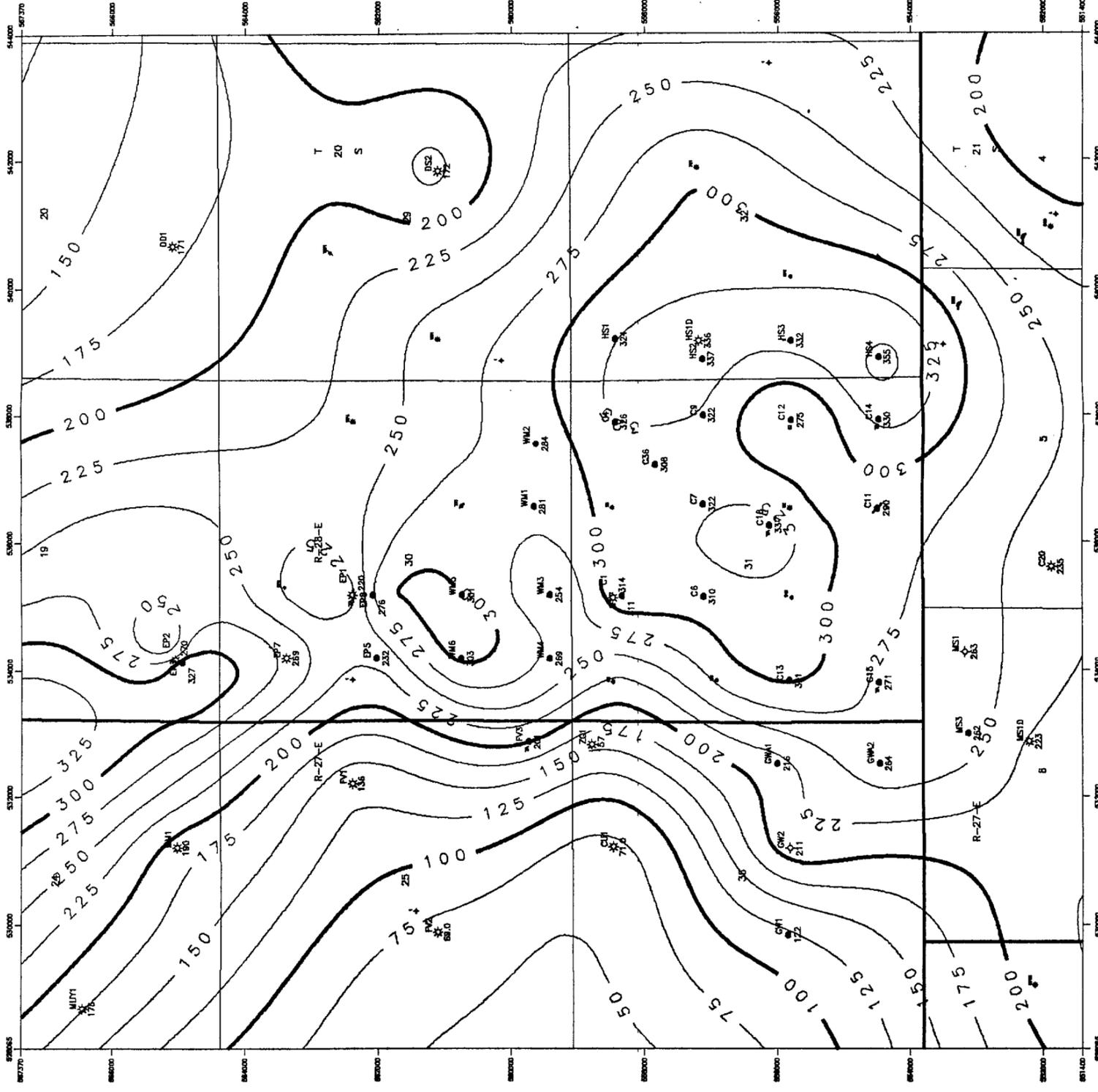
PREPARED BY: [Name]

CHECKED BY: [Name]

DATE: AUGUST 1, 1978

# LOWER CHERRY / UPPER BRUSHY CANYON

## Net Thickness



### WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- TEMPORARILY ABANDONED OIL WELL
- ABANDONED OIL WELL
- PRODUCING GAS WELL
- TEMPORARILY ABANDONED GAS WELL
- ACTIVE INJECTION WELL
- SALT WATER INJECTION WELL
- SALT WATER DISPOSAL WELL
- DRY HOLE
- DRY HOLE, JUNKED AND ABANDONED
- ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CREATING THIS MAP.

Map 9

**EXXON COMPANY USA**

RESERVOIR TECHNOLOGY GROUP - GEOLOGY

PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION

TOTAL NET THICKNESS MAP

LOWER CHERRY: 10 AND 11' TO 20' - 200

UPPER BRUSHY: 11' AND 12' TO 20' - 200

ABANDONMENT OF ZONES: 11' AND 12' TO 20' - 200

EDDY COUNTY, NEW MEXICO

AMITY/FAYETTE WELLS, THICKNESS (FT)

SCALE: 1" = 1000 FEET / INCH

DATE: AUGUST 4, 1992

BY: [Signature]

APP. BY: [Signature]

DATE: [Date]

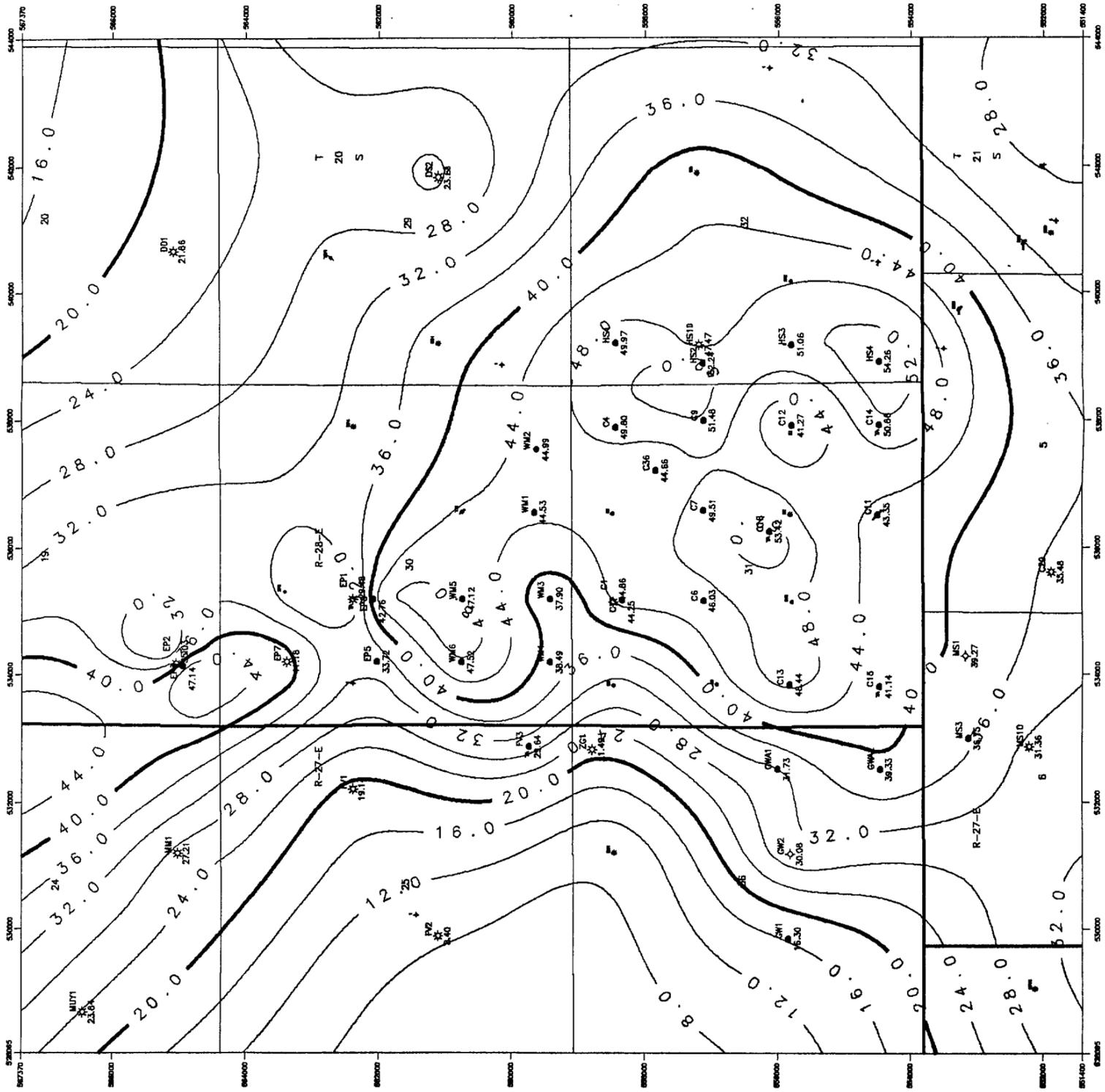
SCALE: 1" = 1000 FEET / INCH

DATE: AUGUST 4, 1992



# LOWER CHERRY/UPPER BRUSHY CANYON

## Porosity Thickness



### WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊙ TEMPORARILY ABANDONED OIL WELL
- ⊖ ABANDONED OIL WELL
- ⊕ PRODUCING GAS WELL
- ⊙ TEMPORARILY ABANDONED GAS WELL
- ⊖ ACTIVE INJECTION WELL
- ⊕ SALT WATER INJECTION WELL
- ⊖ SALT WATER DISPOSAL WELL
- ⊙ DRY HOLE
- ⊖ DRY HOLE, JUNKED AND ABANDONED
- ⊙ ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURS. SMALL SYMBOLS REFLECT WELLS NOT USED IN CREATING THIS MAP.

Map 11

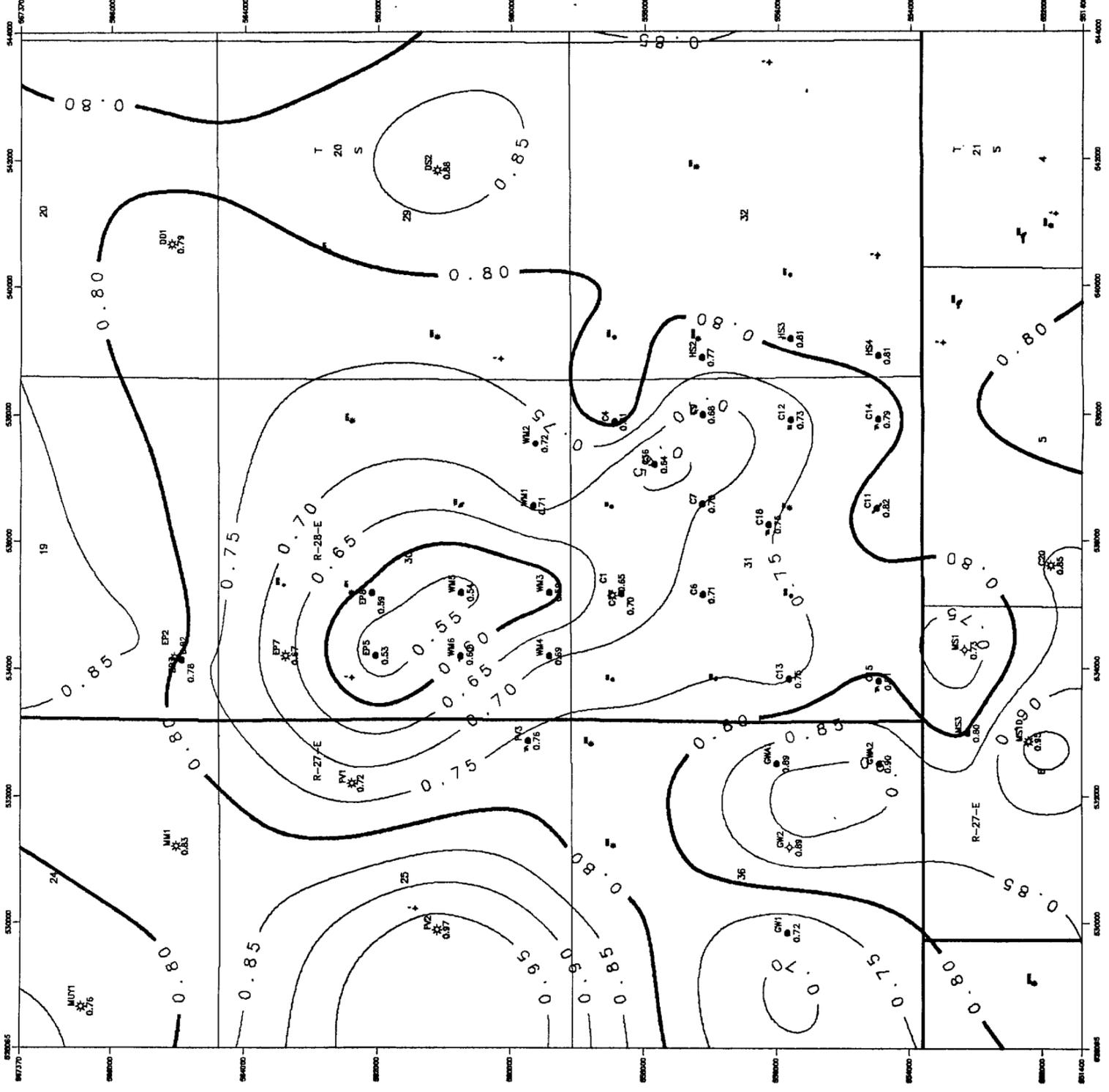
**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

TOTAL NET POROSITY THICKNESS MAP  
 UPPER CHERRY: 10 AND 20 - 24, 28000 - 30000  
 UPPER BRUSHY: 11 AND 20 - 24, 30000 - 32000  
 FRESHWATER: 11 AND 20 - 24, 32000 - 34000  
 FRESHWATER: 11 AND 20 - 24, 34000 - 36000  
 FRESHWATER: 11 AND 20 - 24, 36000 - 38000  
 FRESHWATER: 11 AND 20 - 24, 38000 - 40000  
 FRESHWATER: 11 AND 20 - 24, 40000 - 42000  
 FRESHWATER: 11 AND 20 - 24, 42000 - 44000  
 FRESHWATER: 11 AND 20 - 24, 44000 - 46000  
 FRESHWATER: 11 AND 20 - 24, 46000 - 48000  
 FRESHWATER: 11 AND 20 - 24, 48000 - 50000  
 FRESHWATER: 11 AND 20 - 24, 50000 - 52000  
 FRESHWATER: 11 AND 20 - 24, 52000 - 54000  
 FRESHWATER: 11 AND 20 - 24, 54000 - 56000  
 FRESHWATER: 11 AND 20 - 24, 56000 - 58000  
 FRESHWATER: 11 AND 20 - 24, 58000 - 60000  
 FRESHWATER: 11 AND 20 - 24, 60000 - 62000  
 FRESHWATER: 11 AND 20 - 24, 62000 - 64000  
 FRESHWATER: 11 AND 20 - 24, 64000 - 66000  
 FRESHWATER: 11 AND 20 - 24, 66000 - 68000  
 FRESHWATER: 11 AND 20 - 24, 68000 - 70000  
 FRESHWATER: 11 AND 20 - 24, 70000 - 72000  
 FRESHWATER: 11 AND 20 - 24, 72000 - 74000  
 FRESHWATER: 11 AND 20 - 24, 74000 - 76000  
 FRESHWATER: 11 AND 20 - 24, 76000 - 78000  
 FRESHWATER: 11 AND 20 - 24, 78000 - 80000  
 FRESHWATER: 11 AND 20 - 24, 80000 - 82000  
 FRESHWATER: 11 AND 20 - 24, 82000 - 84000  
 FRESHWATER: 11 AND 20 - 24, 84000 - 86000  
 FRESHWATER: 11 AND 20 - 24, 86000 - 88000  
 FRESHWATER: 11 AND 20 - 24, 88000 - 90000  
 FRESHWATER: 11 AND 20 - 24, 90000 - 92000  
 FRESHWATER: 11 AND 20 - 24, 92000 - 94000  
 FRESHWATER: 11 AND 20 - 24, 94000 - 96000  
 FRESHWATER: 11 AND 20 - 24, 96000 - 98000  
 FRESHWATER: 11 AND 20 - 24, 98000 - 100000

SCALE: 1:10000  
 DATE: AUGUST 4, 1982

# LOWER CHERRY/UPPER BRUSHY CANYON

## Average Water Saturation



### WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- TEMPORARILY ABANDONED OIL WELL
- ABANDONED OIL WELL
- PRODUCING GAS WELL
- TEMPORARILY ABANDONED GAS WELL
- ACTIVE INJECTION WELL
- SALT WATER INJECTION WELL
- SALT WATER DISPOSAL WELL
- DRY HOLE
- DRY HOLE, JUNKED AND ABANDONED
- ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CREATING THIS MAP.

Map 12

**EXXON COMPANY USA**

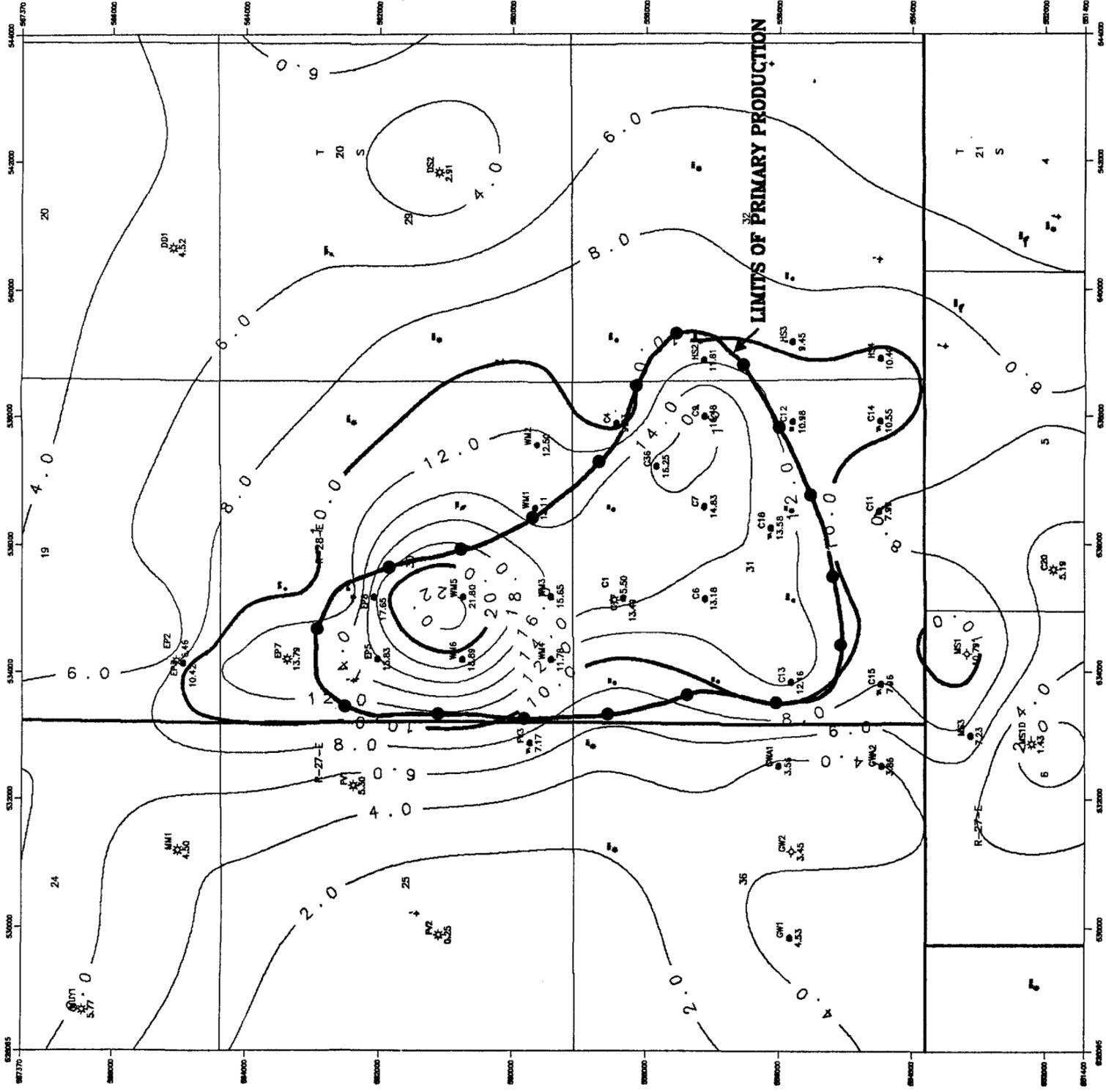
PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

AVERAGE NET AVERAGE WATER SATURATION MAP

DATE: 1982  
 BY: J. L. WILSON, JR., M.S., P.E.  
 CHECKED BY: J. L. WILSON, JR., M.S., P.E.  
 APPROVED BY: J. L. WILSON, JR., M.S., P.E.  
 TITLE: AVERAGE NET AVERAGE WATER SATURATION MAP  
 SHEET: 12 OF 12  
 PROJECT: LOWER CHERRY/UPPER BRUSHY CANYON

SCALE: 1:50,000  
 GRIFF: 50,000,000 GRIFF: 400  
 DATE: 1982  
 DRAWN BY: J. L. WILSON, JR., M.S., P.E.  
 CHECKED BY: J. L. WILSON, JR., M.S., P.E.  
 APPROVED BY: J. L. WILSON, JR., M.S., P.E.

# LOWER CHERRY/UPPER BRUSHY CANYON Hydrocarbon Porosity Thickness



## WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- TEMPORARILY ABANDONED OIL WELL
- ABANDONED OIL WELL
- PRODUCING GAS WELL
- TEMPORARILY ABANDONED GAS WELL
- ACTIVE INJECTION WELL
- SALT WATER INJECTION WELL
- SALT WATER DISPOSAL WELL
- DRY HOLE
- DRY HOLE, JUNKED AND ABANDONED
- ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR OUTLINING. SMALL SYMBOLS REFLECT WELLS NOT USED IN OUTLINING THIS MAP.

Map 13

**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

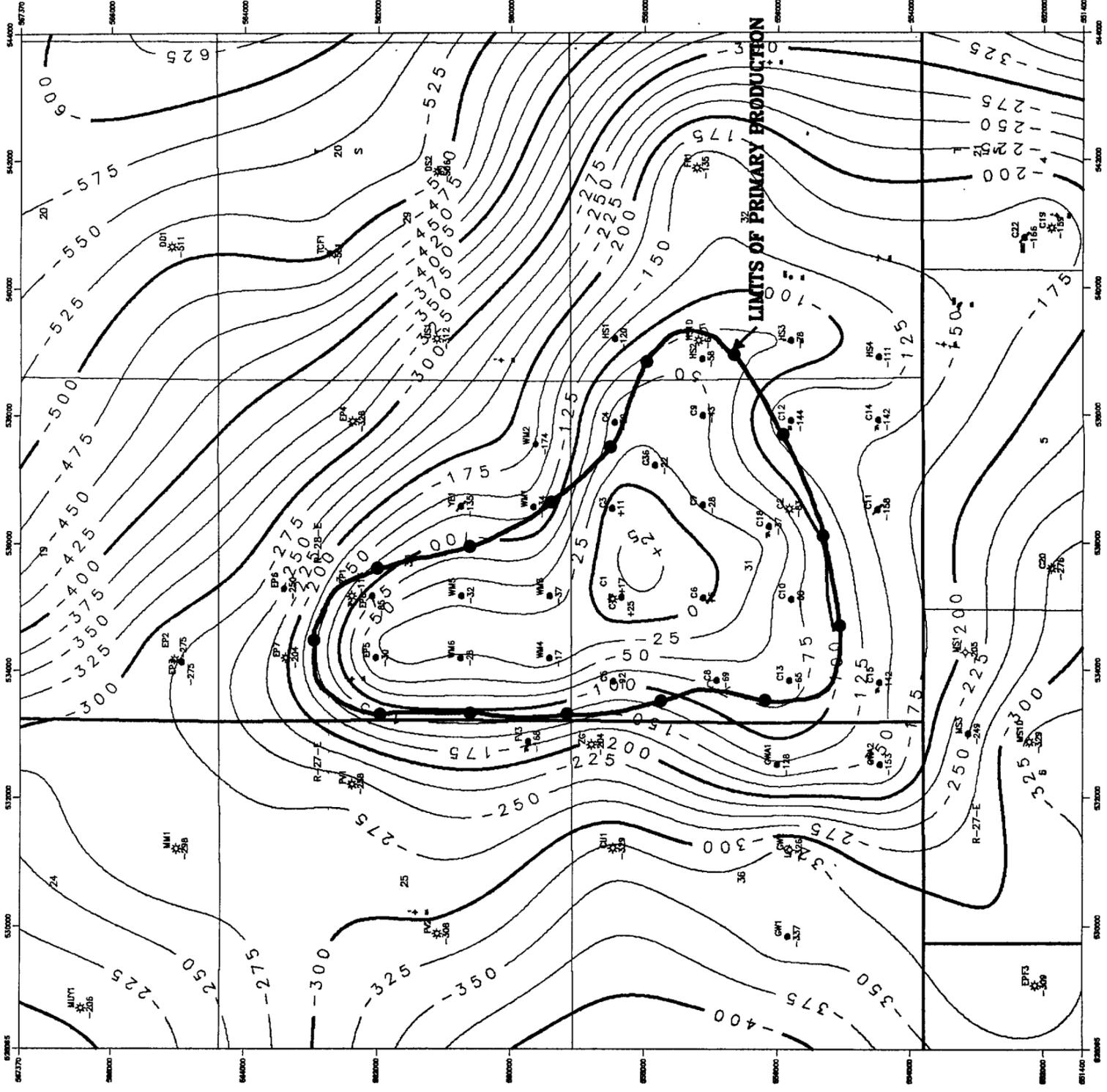
TOTAL NET RESERVOIR HYDROCARBON POROSITY THICKNESS AT RES COND MAP

SCALE: 1:100,000 (FEET/INCH)

DATE: AUGUST 1, 1982

BY: [Name]

# LOWER CHERRY/UPPER BRUSHY CANYON Top Reservoir (LCHT)



## WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊙ TEMPORARILY ABANDONED OIL WELL
- ⊙ TEMPORARILY ABANDONED GAS WELL
- ⊙ ACTIVE INJECTION WELL
- ⊙ SALT WATER INJECTION WELL
- ⊙ SALT WATER DISPOSAL WELL
- ⊙ DRY HOLE
- ⊙ DRY HOLE, JUNKED AND ABANDONED

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CREATING THIS MAP.

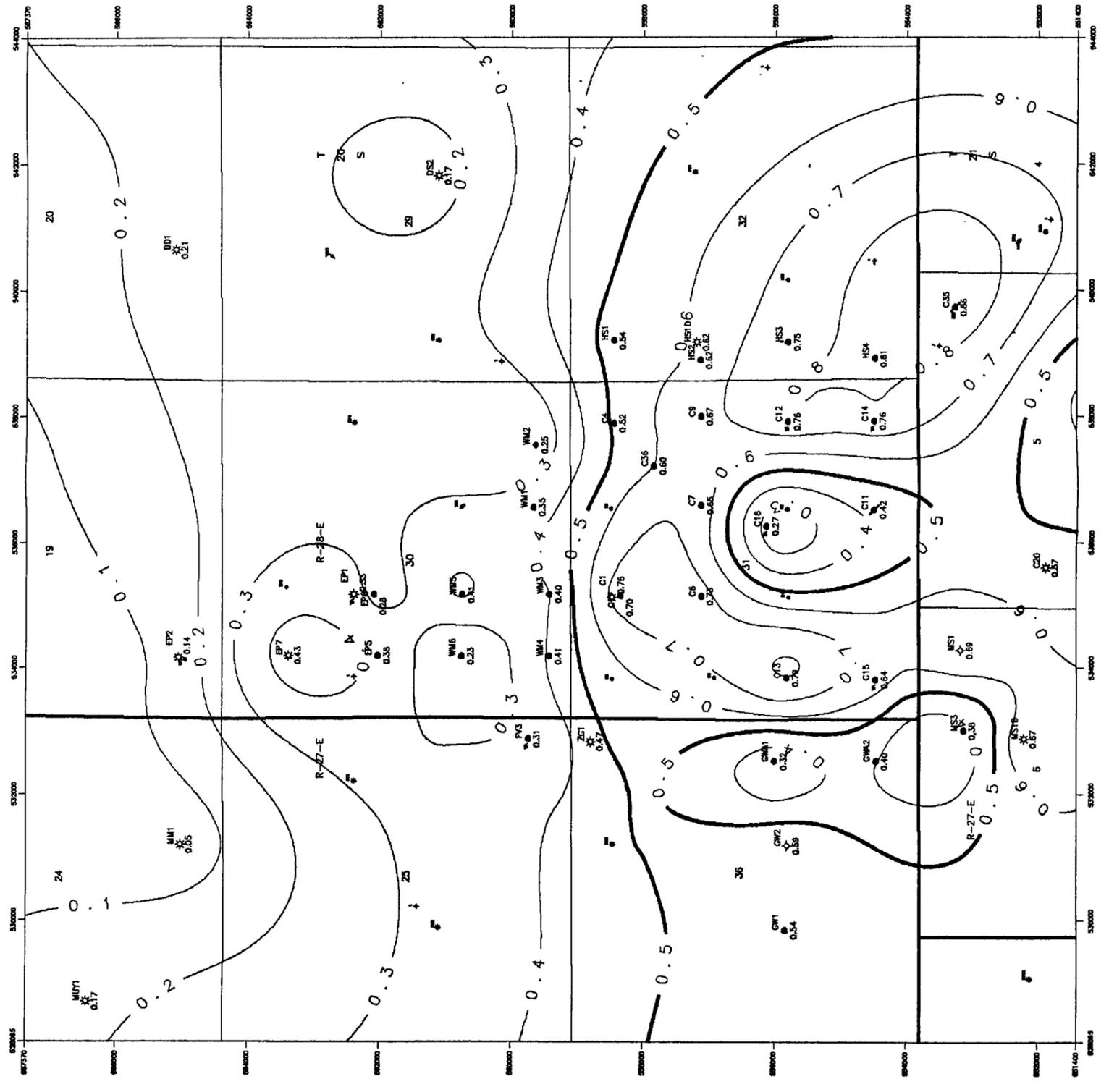
## COMMENT CODE LEGEND

NA : PICK NOT AVAILABLE

Map 14

<b>EXXON COMPANY USA</b>	
PRODUCTION DEPARTMENT - SOUTHEASTERN DIVISION	
RESERVOIR TECHNOLOGY GROUP - GEOLOGY	
STRUCTURE (FT) MAP, DATUM = MSL	
LOWER CHERRY CANYON TOP	
AMALON (DELAWARE) FIELD	
EDDY COUNTY, NEW MEXICO	
PRODUCTION NO. 1000	
0	1000
2000	SCALE = 1000 FEET/INCH
4000	DATE: 11/19/82
6000	BY: J. G. CONTRELL, JR. NAME
8000	ALBERT, S. 1982

# UPPER CHERRY CANYON - Net To Gross Ratio



## WELL STATUS SYMBOL LEGEND

- UNDEFINED
- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊖ TEMPORARILY ABANDONED OIL WELL
- ⊕ ABANDONED OIL WELL
- ⊙ PRODUCING GAS WELL
- ⊖ TEMPORARILY ABANDONED GAS WELL
- ⊕ ACTIVE INJECTION WELL
- ⊙ SALT WATER INJECTION WELL
- ⊖ SALT WATER DISPOSAL WELL
- ⊕ DRY HOLE
- ⊖ DRY HOLE, JUNKED AND ABANDONED
- ⊙ ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTAINING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CREATING THIS MAP.

Map 15

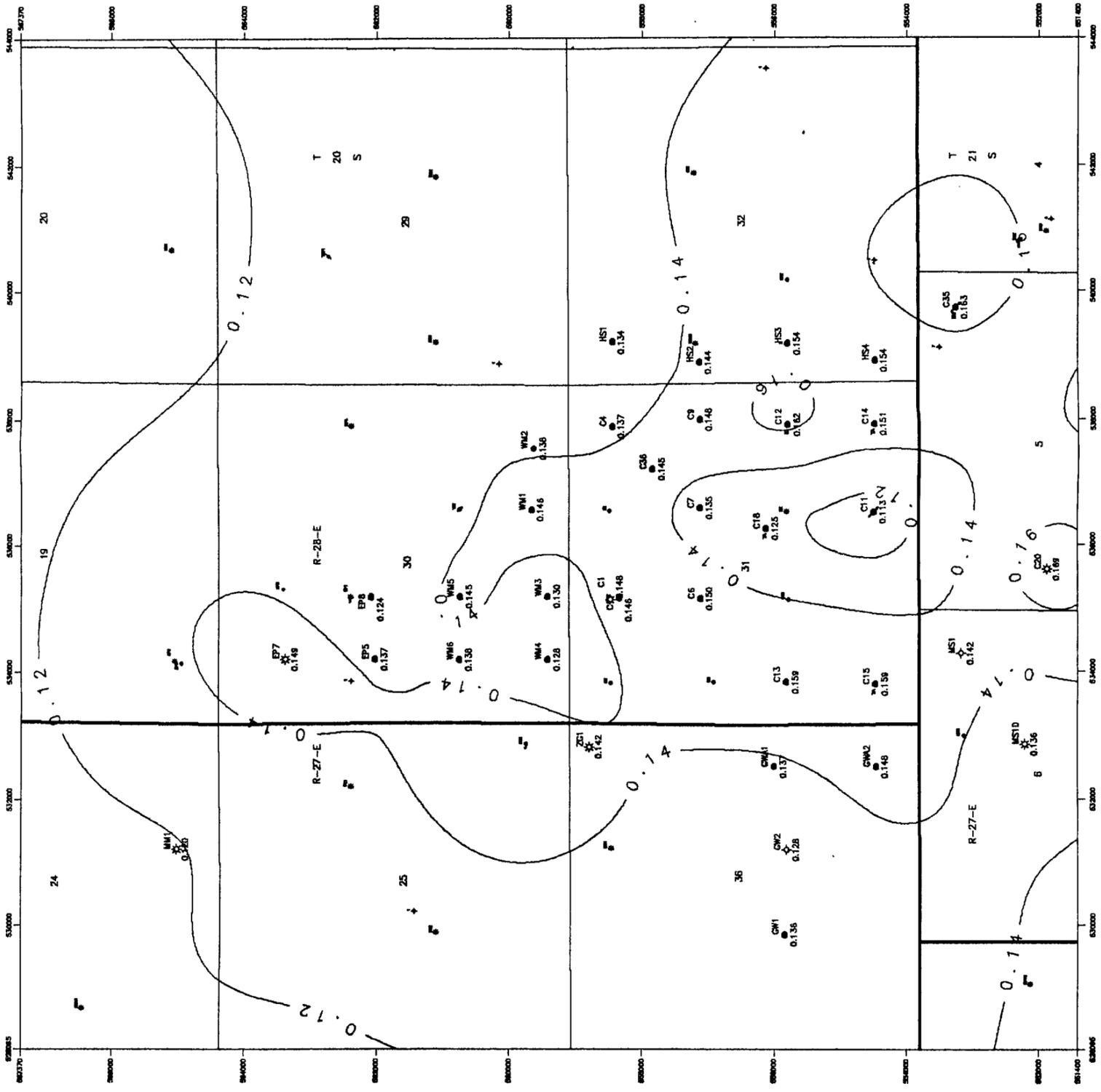
**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

AVERAGE NET TO GROSS RATIO MAP  
 DATE: 1992  
 UPPER CHERRY CANYON - 11 1/2 INCHES X 14 INCHES - 250  
 MAP NUMBER: 15-11 1/2 INCHES X 14 INCHES - 250  
 PREPARED BY: JAMES DAVID CHEN  
 CHECKED BY: JAMES DAVID CHEN  
 APPROVED BY: JAMES DAVID CHEN  
 APPROVED BY: JAMES DAVID CHEN

1500  
 CENT-10, 10000000 CRT-400  
 SCALE: 1:1000 FEET/INCH  
 0 1000 2000 3000 4000 5000 6000 7000 8000 9000 10000  
 FEET  
 THE ENVIRONMENTAL CONTROL SYSTEMS DIVISION  
 DATE: 06.25.1992



# UPPER CHERRY CANYON - Average Porosity



## WELL STATUS SYMBOL LEGEND

- UNDEFINED
- PRODUCING OIL WELL
- SHUT IN OIL WELL
- TEMPORARILY ABANDONED OIL WELL
- ABANDONED OIL WELL
- PRODUCING GAS WELL
- TEMPORARILY ABANDONED GAS WELL
- ACTIVE INJECTION WELL
- SALT WATER INJECTION WELL
- DRY HOLE
- DRY HOLE, JUNKED AND ABANDONED
- ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURS. SMALL SYMBOLS REFLECT WELLS NOT USED IN DRAWING THIS MAP.

Map 17

**EXXON COMPANY USA**

PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
RESERVOIR TECHNOLOGY GROUP - GEOLOGY

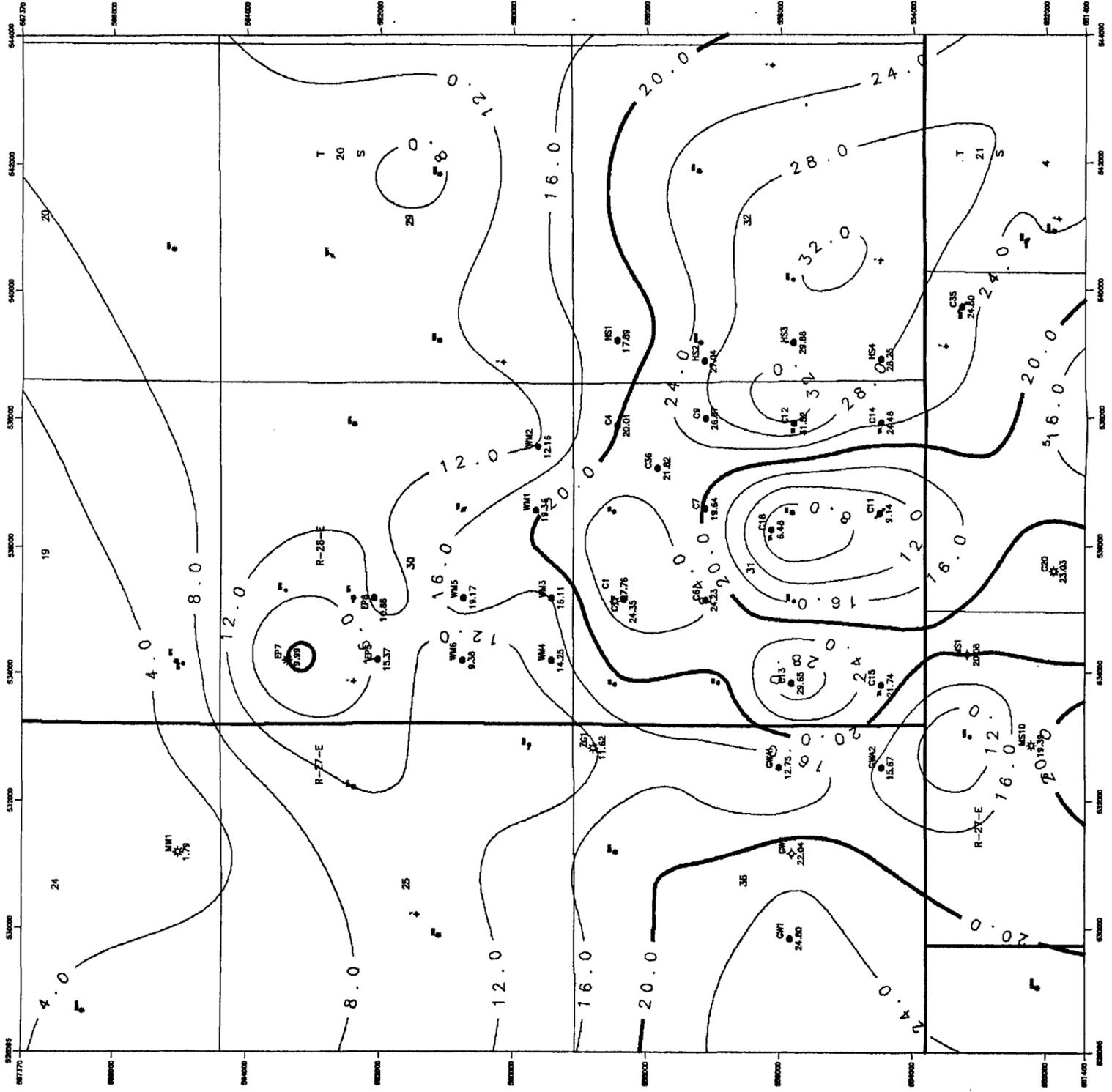
AVERAGE NET AVERAGE POROSITY MAP

UNIT: METERS  
 UPPER CASE: FT - 1/8 INCH = 1/16 INCH = 2/32 INCH  
 LOWER CASE: FT - 1/16 INCH = 1/32 INCH = 2/64 INCH  
 HORIZONTAL SCALE: 1/8 INCH = 100 FEET  
 VERTICAL SCALE: 1/8 INCH = 100 FEET

1:000  
 CMT-0100000000 CMT-400  
 THE BRIMSON, O. CHITWELL, Y. WINE SCALE: 1:000 11/17/85  
 JUNE 25, 1985



# UPPER CHERRY CANYON - Porosity Thickness



## WELL STATUS SYMBOL LEGEND

- UNDEFINED
- PRODUCING OIL WELL
- ◐ SHUT IN OIL WELL
- ◑ TEMPORARILY ABANDONED OIL WELL
- ◒ ABANDONED OIL WELL
- ◓ PRODUCING GAS WELL
- ◔ TEMPORARILY ABANDONED GAS WELL
- ◕ ACTIVE INJECTION WELL
- ◖ SALT WATER INJECTION WELL
- ◗ SALT WATER DISPOSAL WELL
- ◘ DRY HOLE
- ◙ DRY HOLE, JUNKED AND ABANDONED
- ◚ ABANDONED LOCATION

NOTE: ABOVE SYMBOLS ARE ACTUAL SIZE FOR WELLS USED FOR CONTOURING. SMALL SYMBOLS REFLECT WELLS NOT USED IN DRAWING THIS MAP.

Map 18

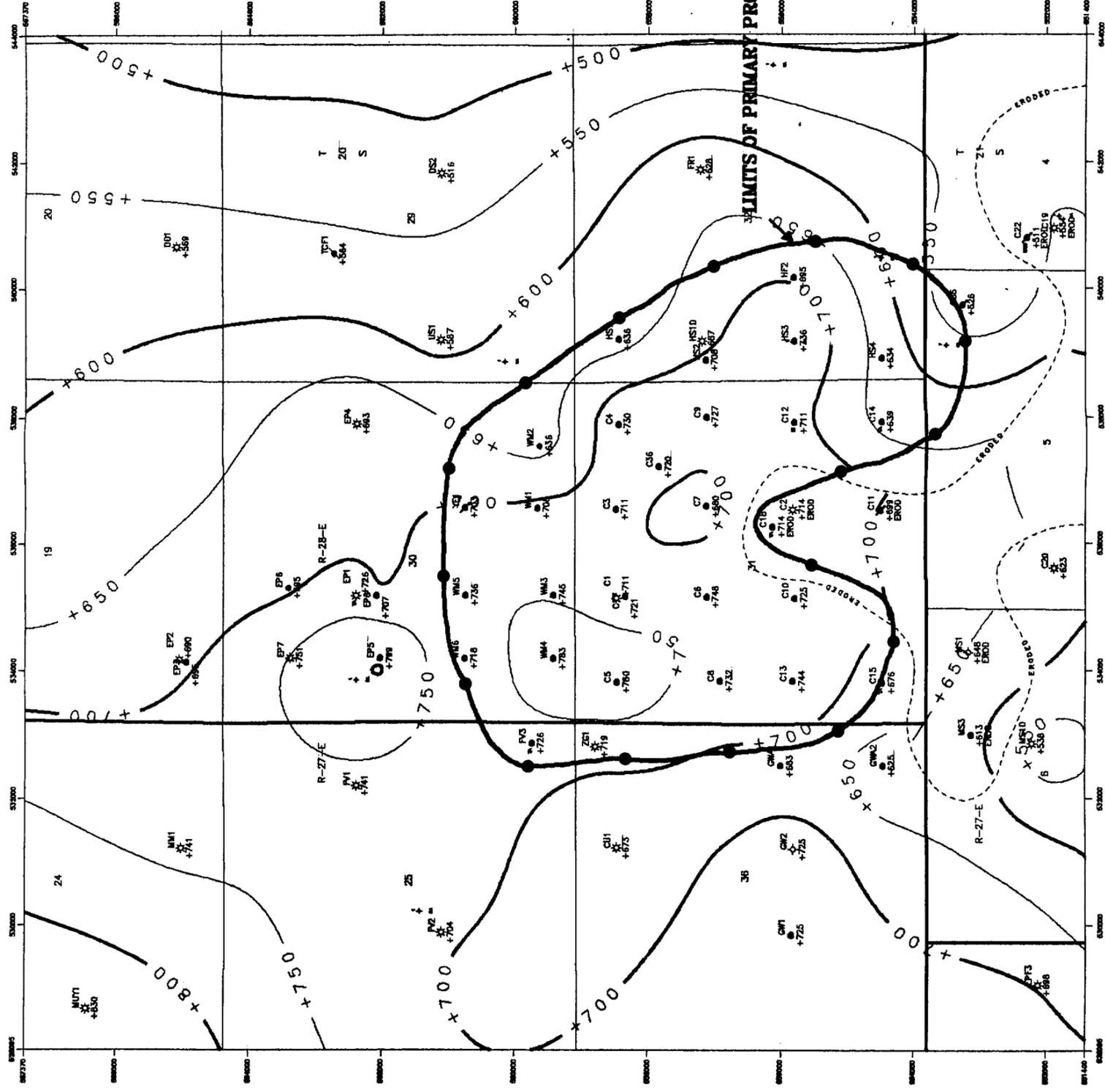
**EXXON COMPANY USA**

PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
RESERVOIR TECHNOLOGY GROUP - GEOLOGY

TOTAL NET POROSITY THICKNESS MAP  
Upper Cherry Canyon - 10 Acre Oil - 74, 20000 - 220  
Upper Cherry Canyon - 10 Acre Gas - 74, 20000 - 220  
Upper Cherry Canyon - 10 Acre Water - 74, 20000 - 220  
ANALYST (DATE/TIME) FIELD  
EXXON COMPANY, NEW BRUNSWICK, NEW JERSEY  
DATE: 06/25/82  
SCALE: 1000 FEET/INCH  
CMT: 4 GRT-400  
BY: BRANSON, D. CONTROLL, T. NAME  
JUNE 25, 1982



# UPPER CHERRY CANYON - Top Reservoir (UCH-DLS)



## WELL STATUS SYMBOL LEGEND

- PRODUCING OIL WELL
- SHUT IN OIL WELL
- ⊗ TEMPORARILY ABANDONED OIL WELL
- ⊘ ABANDONED OIL WELL
- ⊙ PRODUCING GAS WELL
- ⊚ TEMPORARILY ABANDONED GAS WELL
- ⊛ ACTIVE INJECTION WELL
- ⊜ SALT WATER INJECTION WELL
- ⊝ SALT WATER DISPOSAL WELL
- ⊞ DRY HOLE
- ⊟ DRY HOLE, JUNKED AND ABANDONED

NOTE: HOLE SYMBOLS ARE ACTUAL SIZE FOR WELLS LISTED FOR CONTINUING. SMALL SYMBOLS REFLECT WELLS NOT USED IN CURRENT PROGRAM.

## COMMENT CODE LEGEND

EROD : PICK MISSING DUE TO EROSION, DEPTH OF UNCONFORMITY POSTED  
 NA : PICK NOT AVAILABLE

Map 21

<b>EXXON COMPANY USA</b>	
PRODUCED BY DEPARTMENT - SURVEILLANCE DIVISION	REVISIONS TO THIS MAP - 06/01/01
STRUCTURE (FT) MAP, DATUM = MSL	
UPPER CHERRY CANYON DOWNLAP SURFACE	
CONTOUR INDE ERODED AREAS ARE BASE OF OAK SLEEP REEF	
ANALYST (DELAWARE) FIELD	
EDDY COUNTY, NEW MEXICO	
REVISIONS TO THIS MAP - 06/01/01	
0	1000
2000	SCALE: 1:50,000 (VERTICAL)
3000	DATE: 06/01/01
4000	BY: JAMES E. BROWN





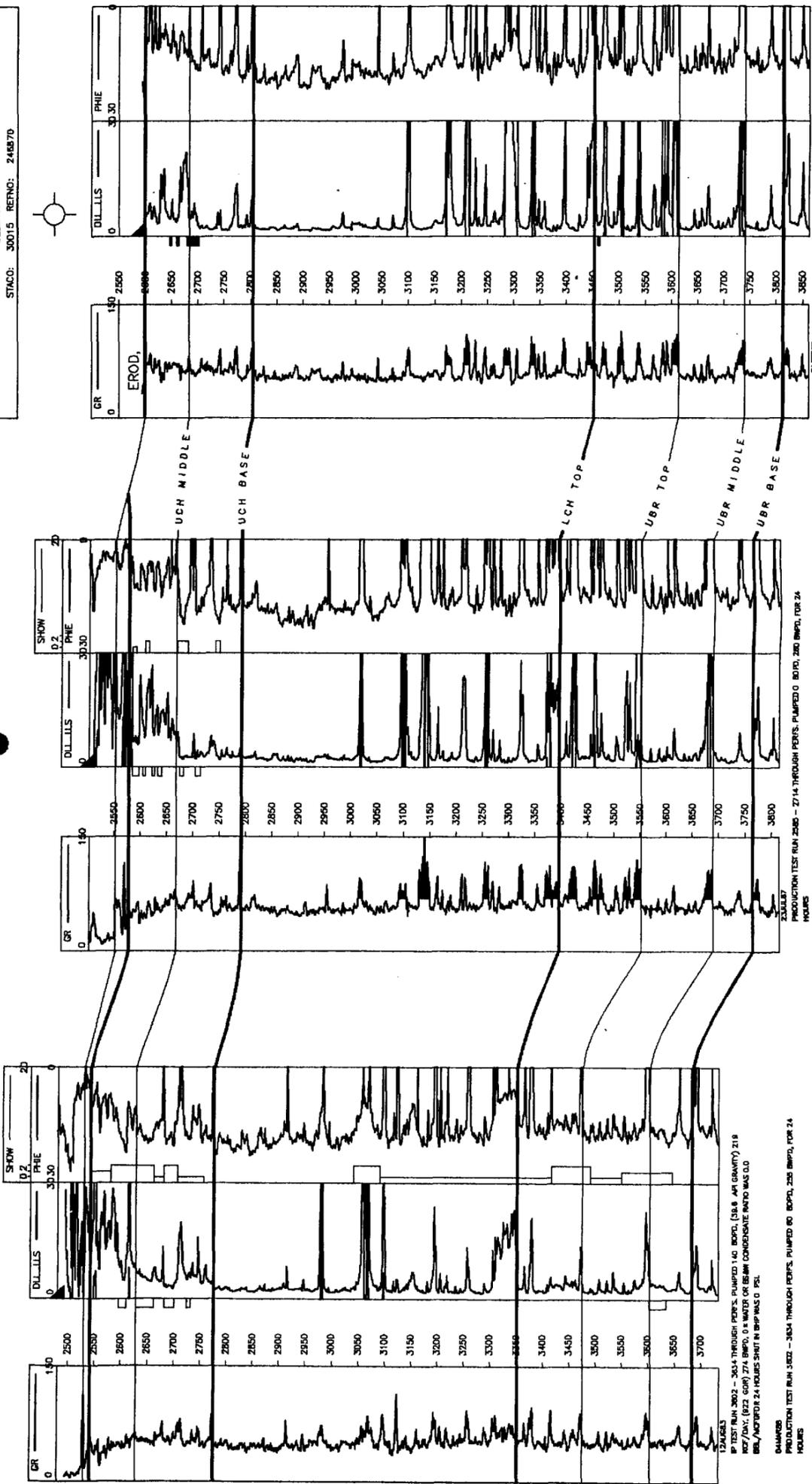
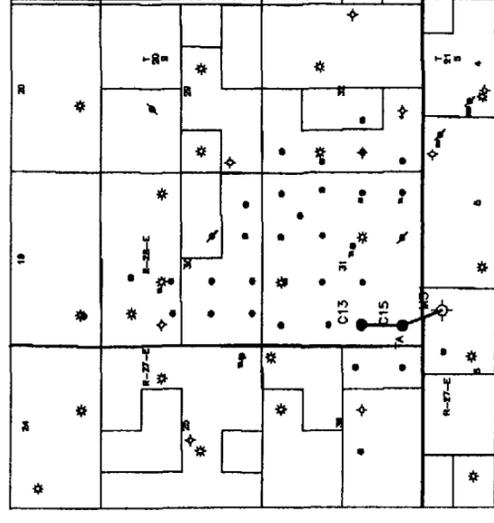


# NORTH AVALON (DELAWARE) FIELD STRUCTURAL CROSS SECTION 1 SOUTH

**C13**  
 OPERATOR: EXXON CORP LEASE: YATES "C" FEDERAL  
 WELLNO: 13  
 STACD: 30015 REFNO: 243860

**C15**  
 OPERATOR: EXXON CORP LEASE: YATES "C" FEDERAL  
 WELLNO: 15  
 STACD: 30015 REFNO: 243790

**MS1**  
 OPERATOR: MOBIL PROD. TX & NM LEASE: BURTON FLAT "SEC 6"  
 WELLNO: 1  
 STACD: 30015 REFNO: 246870



**EXXON COMPANY USA**

PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

**STRUCTURAL CROSS SECTION 1**  
 AVALON (DELAWARE) FIELD  
 EDDY COUNTY, NEW MEXICO  
 GAMMA RAY SHADED ABOVE 75 API UNITS

**PICK COMMENT LEGEND**

EROD: PICK MISSING DUE TO EROSION, ONLY ERODED SURFACE SHOWN  
 ONLAP: PICK MISSING DUE TO ONLAP, ONLY ONLAPPED SURFACE SHOWN  
 GENZ: PICK ESTIMATED FROM GRID MODEL BECAUSE NOT ORIGINALLY PICKED

TW BRANNON, DL CANTRELL, TV KANE      AUGUST 18, 1992

**C13**  
 15 15:00  
 PHIE 0.2  
 SHOW 30.30  
 DILLIS 0  
 GR 0  
 150  
 2500  
 2600  
 2650  
 2700  
 2750  
 2800  
 2850  
 2900  
 2950  
 3000  
 3050  
 3100  
 3150  
 3200  
 3250  
 3300  
 3350  
 3400  
 3450  
 3500  
 3550  
 3600  
 3650  
 3700

PRODUCTION TEST RUN 3402 - 3404 THROUGH PERFS. PUMPED 60 BOPD, 235 BHPD, FOR 24 HOURS

30 MAR 88  
 15 15:00  
 PHIE 0.2  
 SHOW 30.30  
 DILLIS 0  
 GR 0  
 150  
 2500  
 2600  
 2650  
 2700  
 2750  
 2800  
 2850  
 2900  
 2950  
 3000  
 3050  
 3100  
 3150  
 3200  
 3250  
 3300  
 3350  
 3400  
 3450  
 3500  
 3550  
 3600  
 3650  
 3700

PRODUCTION TEST RUN 3402 - 3404 THROUGH PERFS. PUMPED 60 BOPD, 235 BHPD, FOR 24 HOURS

30 MAR 88  
 15 15:00  
 PHIE 0.2  
 SHOW 30.30  
 DILLIS 0  
 GR 0  
 150  
 2500  
 2600  
 2650  
 2700  
 2750  
 2800  
 2850  
 2900  
 2950  
 3000  
 3050  
 3100  
 3150  
 3200  
 3250  
 3300  
 3350  
 3400  
 3450  
 3500  
 3550  
 3600  
 3650  
 3700

PRODUCTION TEST RUN 3402 - 3404 THROUGH PERFS. PUMPED 60 BOPD, 235 BHPD, FOR 24 HOURS

30 MAR 88

**F15**  
 Wellbore: 241101  
 Wellbore ID: 241101  
 Wellbore Name: 241101

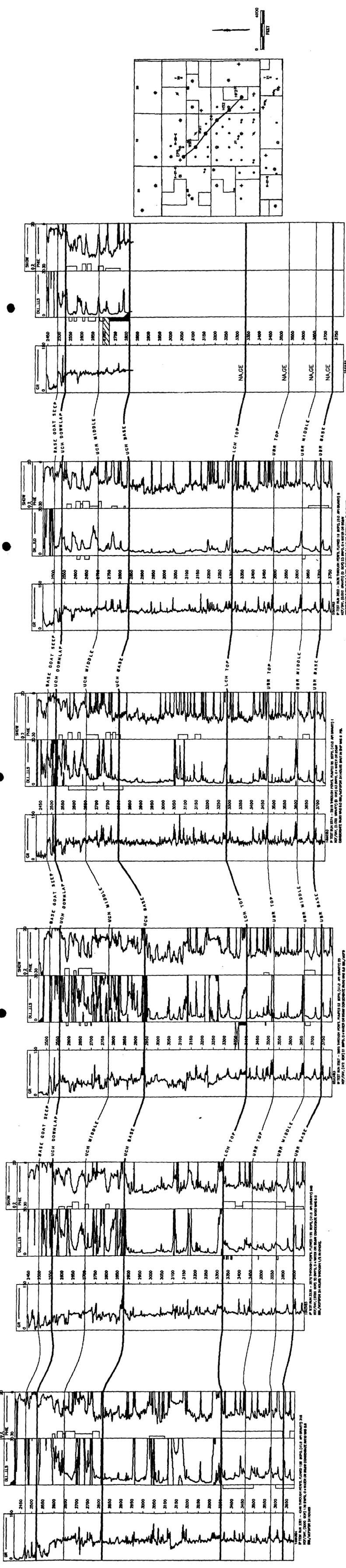
**W146**  
 OPERATOR: WATSON PETROLEUM, STONEMOUNT, WYOMING  
 WELLBORE: W146  
 SURFACE: 241101

**W141**  
 OPERATOR: WATSON PETROLEUM, STONEMOUNT, WYOMING  
 WELLBORE: W141  
 SURFACE: 241101

**C4**  
 OPERATOR: WATSON PETROLEUM, STONEMOUNT, WYOMING  
 WELLBORE: C4  
 SURFACE: 241101

**H52**  
 OPERATOR: WATSON PETROLEUM, STONEMOUNT, WYOMING  
 WELLBORE: H52  
 SURFACE: 241101

**H53**  
 OPERATOR: WATSON PETROLEUM, STONEMOUNT, WYOMING  
 WELLBORE: H53  
 SURFACE: 241101



**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY  
 STRUCTURAL CROSS SECTION B3  
 AVALON (DELAWARE) FIELD  
 EDDY COUNTY, NEW MEXICO  
 OHAMA RAY SHOWN ABOVE 75 API UNITS

**PACK COMMENT LEGEND**  
 ERD: PICK MISSING DUE TO EROSION, ONLY ERODED SURFACE SHOWN  
 ONLAP: PICK MISSING DUE TO ONLAP, ONLY UNLAPPED SURFACE SHOWN  
 GENZ: PICK ESTIMATED FROM GRID MODEL BECAUSE NOT ORIGINALLY PICKED

VERTICAL SCALE = 250 FEET/INCH  
 HORIZONTAL SCALE = 1500 FEET/INCH





NORTHWEST

AVALON (DELAWARE) FIELD STRUCTURAL CROSS SECTION 3

SOUTHEAST

**WM4**  
 OPERATOR: YATES PET. LEASE: STONEMAN "M" STATE  
 WELLS: 4  
 STAGE: 30015 REFNO: 245480

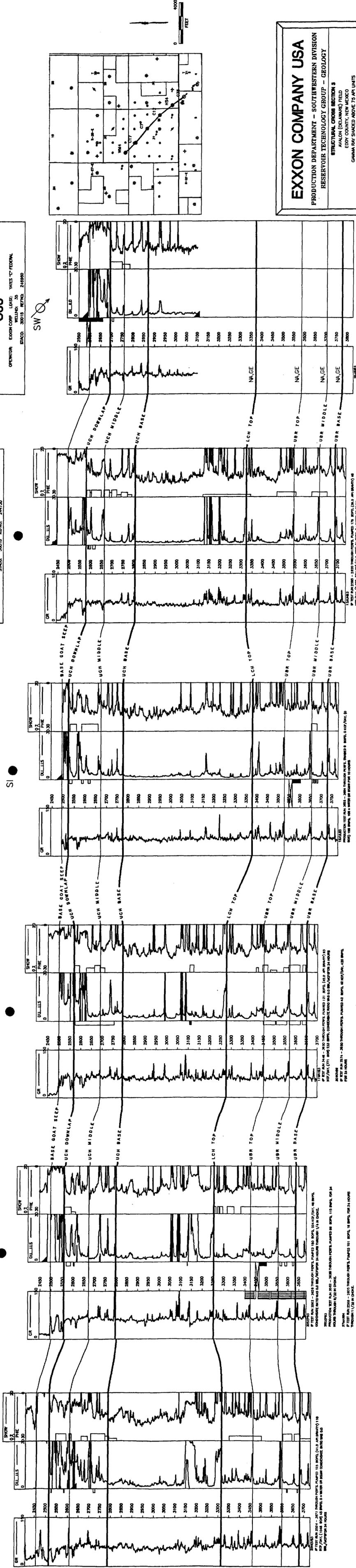
**C17**  
 OPERATOR: EXXON CORP. LEASE: YATES "C" FEDERAL  
 WELLS: 17  
 STAGE: 30015 REFNO: 245240

**C7**  
 OPERATOR: EXXON CORP. LEASE: YATES "C" FEDERAL  
 WELLS: 7  
 STAGE: 30015 REFNO: 243350

**C12**  
 OPERATOR: EXXON CORP. LEASE: YATES "C" FEDERAL  
 WELLS: 2  
 STAGE: 30015 REFNO: 243730

**HS4**  
 OPERATOR: MESA PET. LEASE: HONDU "A" STATE  
 WELLS: 2  
 STAGE: 30015 REFNO: 244730

**C35**  
 OPERATOR: EXXON CORP. LEASE: YATES "C" FEDERAL  
 WELLS: 35  
 STAGE: 30015 REFNO: 246880



**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

**STRUCTURAL CROSS SECTION 3**  
 AVALON (DELAWARE) FIELD  
 CDP COUNTY, NEW MEXICO  
 GAMMA RAY STAGED ABOVE 75 API UNITS

**PICK COMMENT LEGEND**  
 EROD: PICK MISSING DUE TO EROSION, ONLY ERODED SURFACE SHOWN  
 ONLAP: PICK MISSING DUE TO ONLAP, ONLY UNLAPPED SURFACE SHOWN  
 GENZ: PICK ESTIMATED FROM GRID MODEL BECAUSE NOT ORIGINALLY PICKED

PROBABLE AVALON DEVELOPMENT APPLICABLE TO 18-43  
 VERTICAL SCALE = 250 FEET/INCH  
 HORIZONTAL SCALE = 1500 FEET/INCH

TW BRANNON, DL CANTRELL, TV KANE      AUGUST 18, 1992

# NORTHWEST

# AVALON (DELAWARE) FIELD STRUCTURAL CROSS SECTION 2

# SOUTHEAST

**FV1**  
 OPERATOR: GULF OIL LEASE: EDDY 'TV' STATE COM.  
 WELLNO: 1  
 STAGE: 30015 REFNO: 21700



TA ●

**FV3**  
 OPERATOR: GULF OIL LEASE: EDDY 'TV' STATE  
 WELLNO: 3  
 STAGE: 30015 REFNO: 24700

TA ●

**C5**  
 OPERATOR: EXXON CORP. LEASE: YATES 'C' FEDERAL  
 WELLNO: 5  
 STAGE: 30015 REFNO: 24330

TA ●

**C6**  
 OPERATOR: EXXON CORP. LEASE: YATES 'C' FEDERAL  
 WELLNO: 6  
 STAGE: 30015 REFNO: 24340

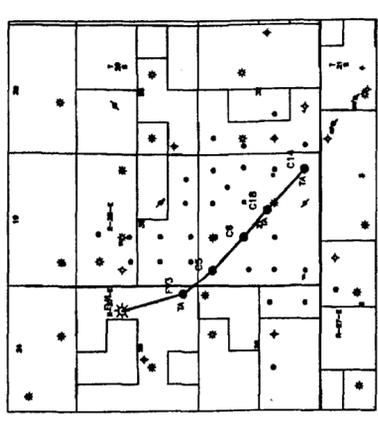
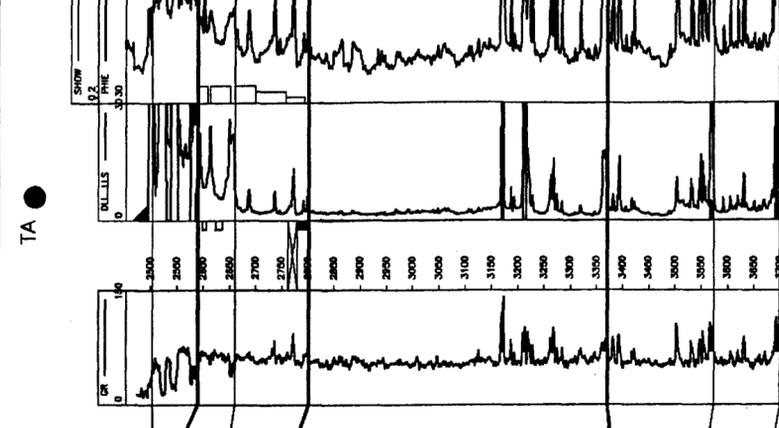
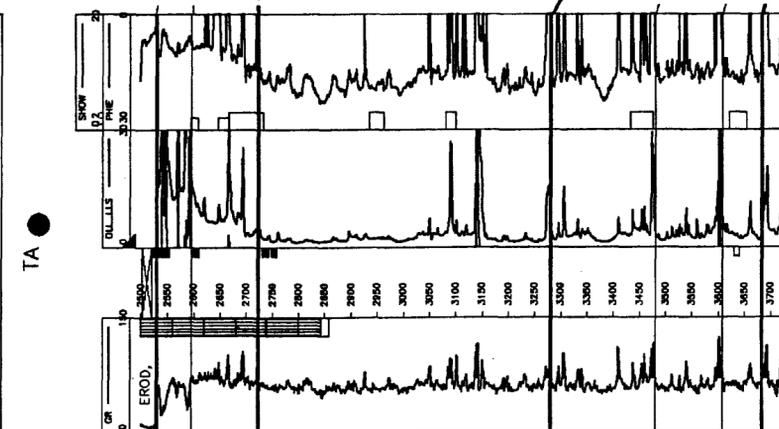
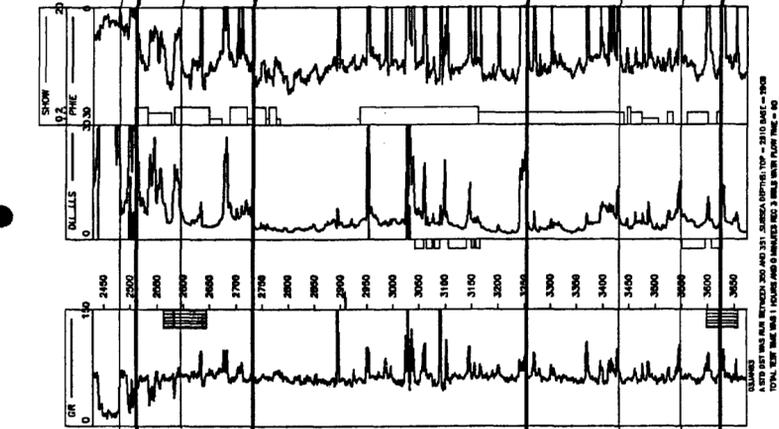
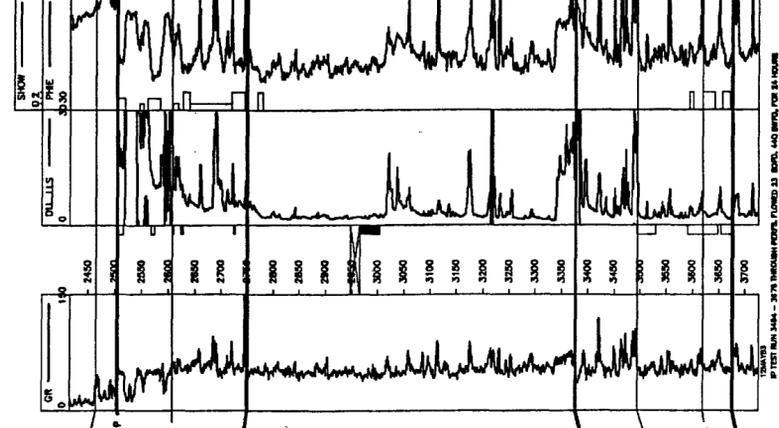
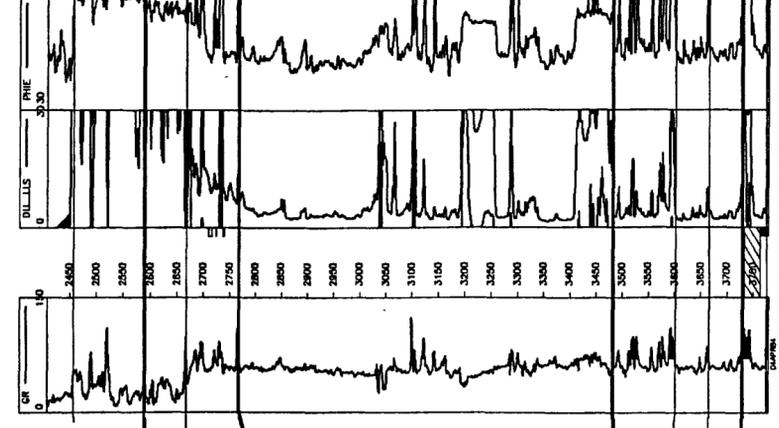
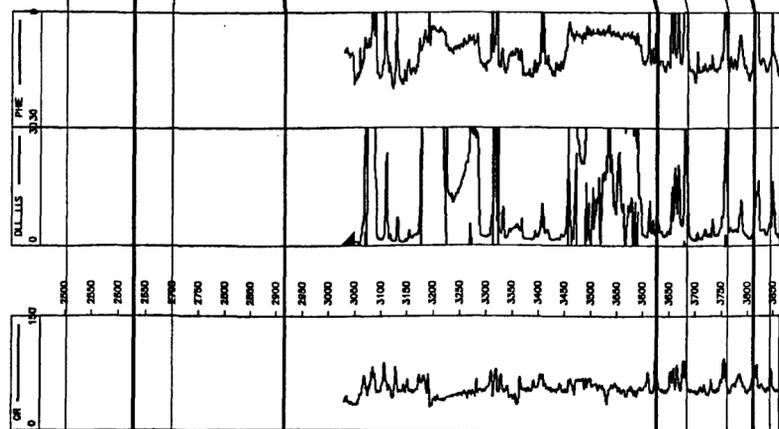
TA ●

**C18**  
 OPERATOR: EXXON CORP. LEASE: YATES 'C' FEDERAL  
 WELLNO: 18  
 STAGE: 30015 REFNO: 24350

TA ●

**C14**  
 OPERATOR: EXXON CORP. LEASE: YATES 'C' FEDERAL  
 WELLNO: 14  
 STAGE: 30015 REFNO: 24370

TA ●



**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

STRUCTURAL CROSS SECTION 2  
 AVALON (DELAWARE) FIELD  
 EDDY COUNTY, NEW MEXICO  
 CHAMA RAY SHADED ABOVE 75 API UNITS

**PICK COMMENT LEGEND**  
 EROD.: PICK MISSING DUE TO EROSION, ONLY ERODED SURFACE SHOWN  
 ONLAP: PICK MISSING DUE TO ONLAP, ONLY UNLAPPED SURFACE SHOWN  
 GENZ.: PICK ESTIMATED FROM GRID MODEL BECAUSE NOT ORIGINALLY PICKED

VERTICAL SCALE = 250 FEET/INCH  
 HORIZONTAL SCALE = 1500 FEET/INCH

TW BRANNON, DL CARTRELL, TY KANE      AUGUST 13, 1992

**FV1**  
 11/14/78  
 PRODUCTION TEST RUN 2710 - 2740 THROUGH PERFOR. PLUMBED 28. 800PS, 1.301 1027/DAY.  
 API GRADIENT 0.057/DAY. (0.000 GRADIENT) @ 2000' 300' API, 8" INCHES ON BLANK  
 CONDUCTIVITY TEST RUN 2710 - 2740 THROUGH PERFOR. PLUMBED 28. 800PS, 1.301 1027/DAY.  
 TOTAL TEST TIME 34 HOURS AND 5 MINUTES SEC. 3 SHELL FLOOR TIME = 00 MINUTES

**FV3**  
 11/14/78  
 PRODUCTION TEST RUN 2704 - 2740 THROUGH PERFOR. PLUMBED 28. 800PS, 1.301 1027/DAY.  
 API GRADIENT 0.057/DAY. (0.000 GRADIENT) @ 2000' 300' API, 8" INCHES ON BLANK  
 CONDUCTIVITY TEST RUN 2704 - 2740 THROUGH PERFOR. PLUMBED 28. 800PS, 1.301 1027/DAY.  
 TOTAL TEST TIME 34 HOURS AND 5 MINUTES SEC. 3 SHELL FLOOR TIME = 00 MINUTES

**C5**  
 11/14/78  
 PRODUCTION TEST RUN 2698 - 2738 THROUGH PERFOR. PLUMBED 34. 800PS, 1.700 800PS, FOR 24 HOURS  
 TOTAL TEST TIME 34 HOURS AND 5 MINUTES SEC. 3 SHELL FLOOR TIME = 00 MINUTES

**C6**  
 11/14/78  
 PRODUCTION TEST RUN 2698 - 2738 THROUGH PERFOR. PLUMBED 34. 800PS, 1.700 800PS, FOR 24 HOURS  
 TOTAL TEST TIME 34 HOURS AND 5 MINUTES SEC. 3 SHELL FLOOR TIME = 00 MINUTES

**C18**  
 11/14/78  
 PRODUCTION TEST RUN 2698 - 2738 THROUGH PERFOR. PLUMBED 34. 800PS, 1.700 800PS, FOR 24 HOURS  
 TOTAL TEST TIME 34 HOURS AND 5 MINUTES SEC. 3 SHELL FLOOR TIME = 00 MINUTES

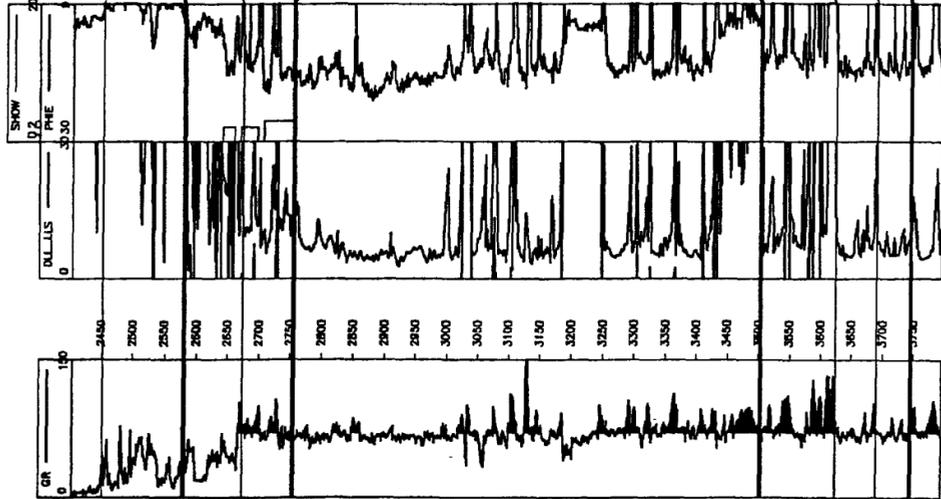
**C14**  
 11/14/78  
 PRODUCTION TEST RUN 2698 - 2738 THROUGH PERFOR. PLUMBED 34. 800PS, 1.700 800PS, FOR 24 HOURS  
 TOTAL TEST TIME 34 HOURS AND 5 MINUTES SEC. 3 SHELL FLOOR TIME = 00 MINUTES

NORTHWEST

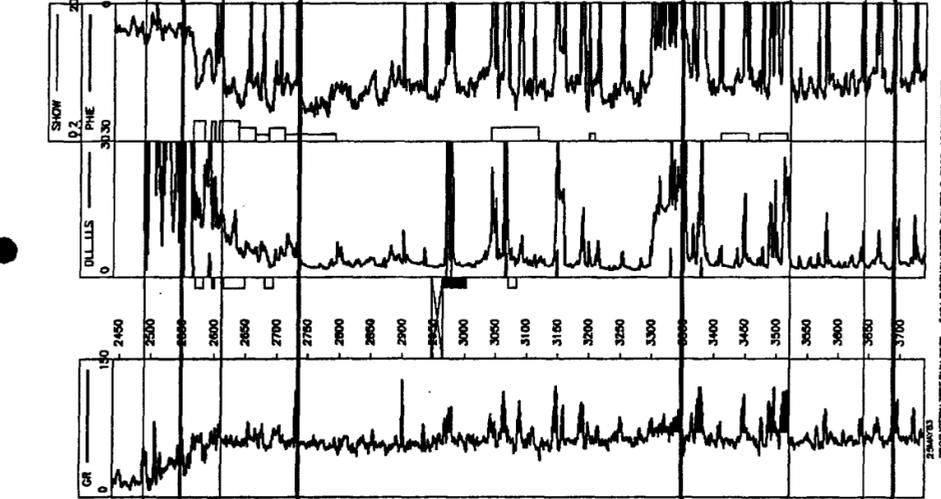
AVALON (DELAWARE) FIELD STRUCTURAL CROSS SECTION A2

SOUTHEAST

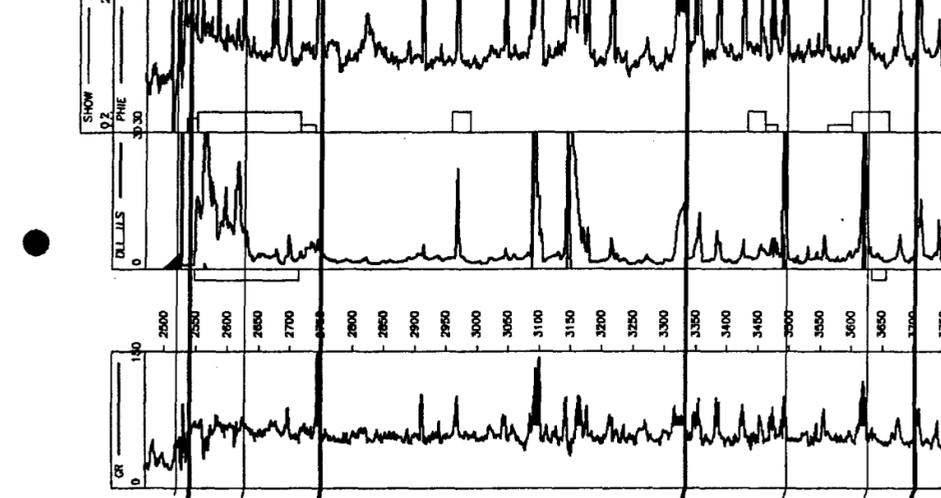
**ZG1**  
 OPERATOR: YATES PET LEASE: CINDAL "ZG"  
 WELLNO: 1  
 STACO: 30015 REFNO: 217940



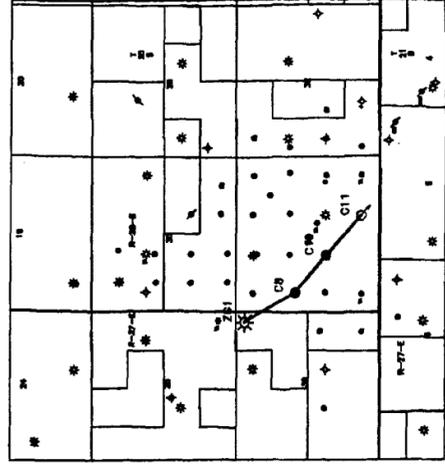
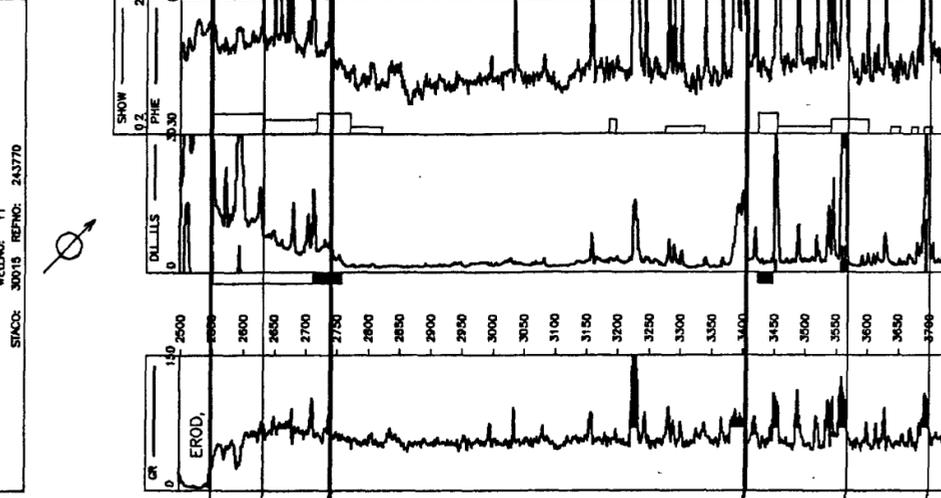
**C8**  
 OPERATOR: EXXON CORP LEASE: YATES "C" FEDERAL  
 WELLNO: 8  
 STACO: 30015 REFNO: 243380



**C10**  
 OPERATOR: EXXON CORP LEASE: YATES "C" FEDERAL  
 WELLNO: 10  
 STACO: 30015 REFNO: 243780



**C11**  
 OPERATOR: EXXON CORP LEASE: YATES "C" FEDERAL  
 WELLNO: 11  
 STACO: 30015 REFNO: 243770



**EXXON COMPANY USA**  
 PRODUCTION DEPARTMENT - SOUTHWESTERN DIVISION  
 RESERVOIR TECHNOLOGY GROUP - GEOLOGY

STRUCTURAL CROSS SECTION A2  
 AVALON (DELAWARE) FIELD  
 EDDY COUNTY, NEW MEXICO  
 GAMMA RAY SHADED ABOVE 75 API UNITS

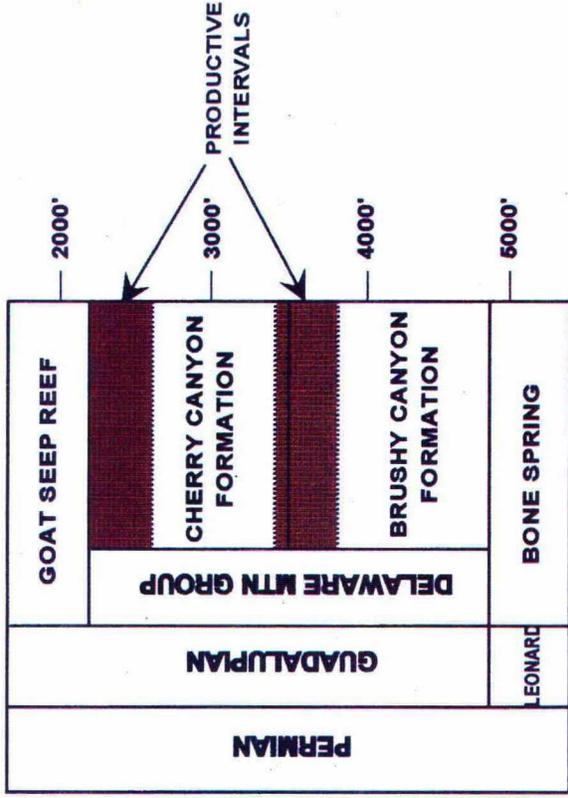
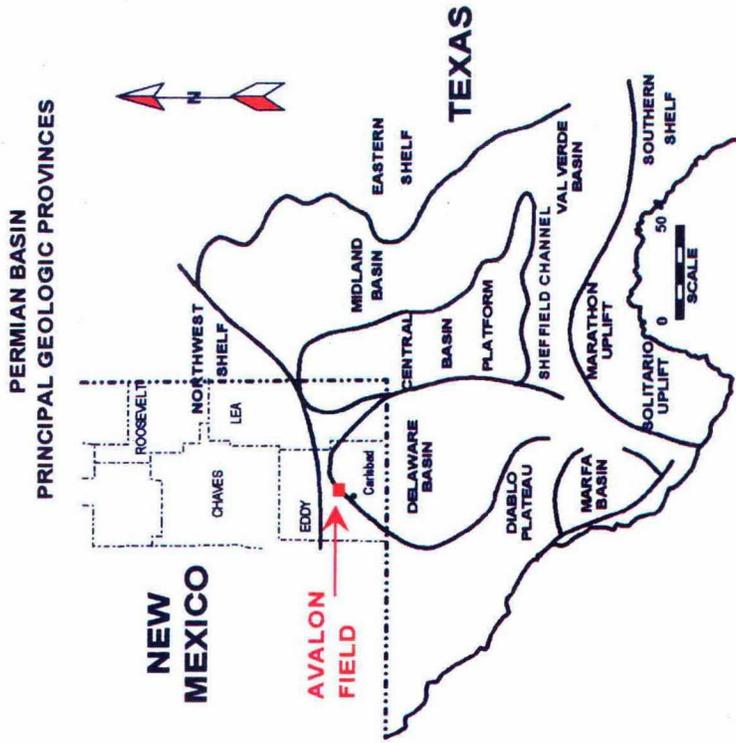
**PICK COMMENT LEGEND**  
 EROD: PICK MISSING DUE TO EROSION, ONLY ERODED SURFACE SHOWN  
 ONLAP: PICK MISSING DUE TO ONLAP, ONLY UNLAPPED SURFACE SHOWN  
 GENZ: PICK ESTIMATED FROM GRID MODEL BECAUSE NOT ORIGINALLY PICKED

PROJ: DELAWARE/RESERVOIR/AVLON/SECTION A2  
 WELL: ZG1  
 VERTICAL SCALE = 250 FEET/INCH  
 HORIZONTAL SCALE = 1500 FEET/INCH

TW BRANNON, DL CANTRELL, TY KANE      AUGUST 18, 1992

# AVALON (DELAWARE) UNIT

## GEOLOGIC OVERVIEW



MM = Million

Exhibit No. **11**  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995

RESERVOIR DESCRIPTION	
PRODUCING FORMATION	UPPER CHERRY CANYON
DEPTH	2600 FT
RESERVOIR LITHOLOGIES	SAND
NET THICKNESS	131 FT
AVERAGE POROSITY	14.4%
AVERAGE PERMEABILITY	2.3 md
OIL ORIGINALLY IN PLACE	107 MMBO
	LOWER CHERRY CANYON/ UPPER BRUSHY CANYON
	SAND & SILTSTONE
	3400 FT
	272 FT
	14.9%
	1.1 md
	141 MMBO

June, 1995

NMOCD Hearing

**AVALON (DELAWARE) UNIT**

**STRATIGRAPHY**

- DATABASE**
- 4 cored wells
  - 71 wells with modern-vintage digital log data
  - 35 wells with mudlog data
  - 13 wells with dipmeter information
  - Production data from 32 wells

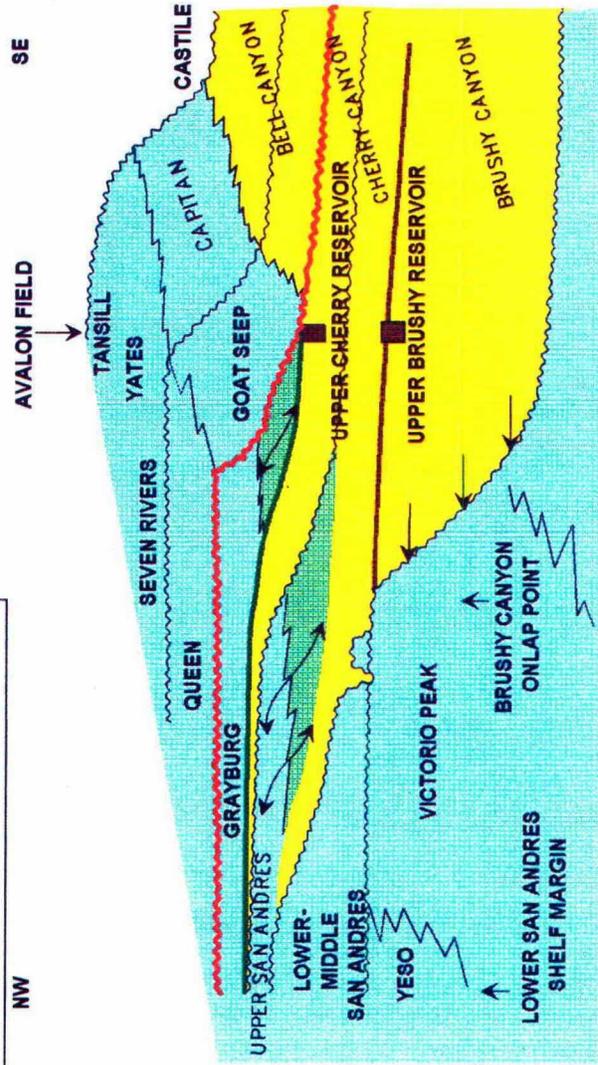
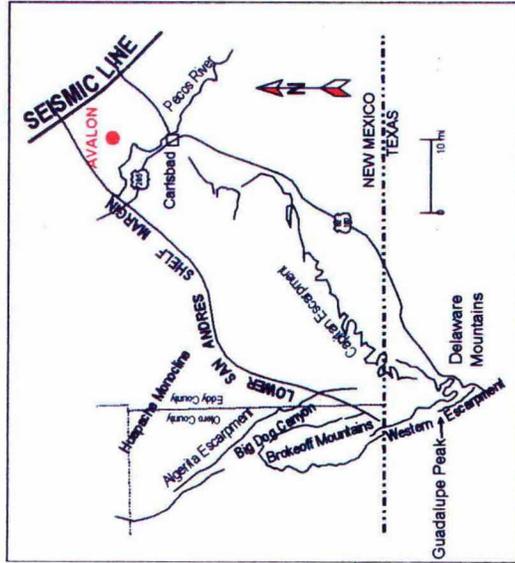


Exhibit No. **12**  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

EXXON  
Yates "C" Federal #36

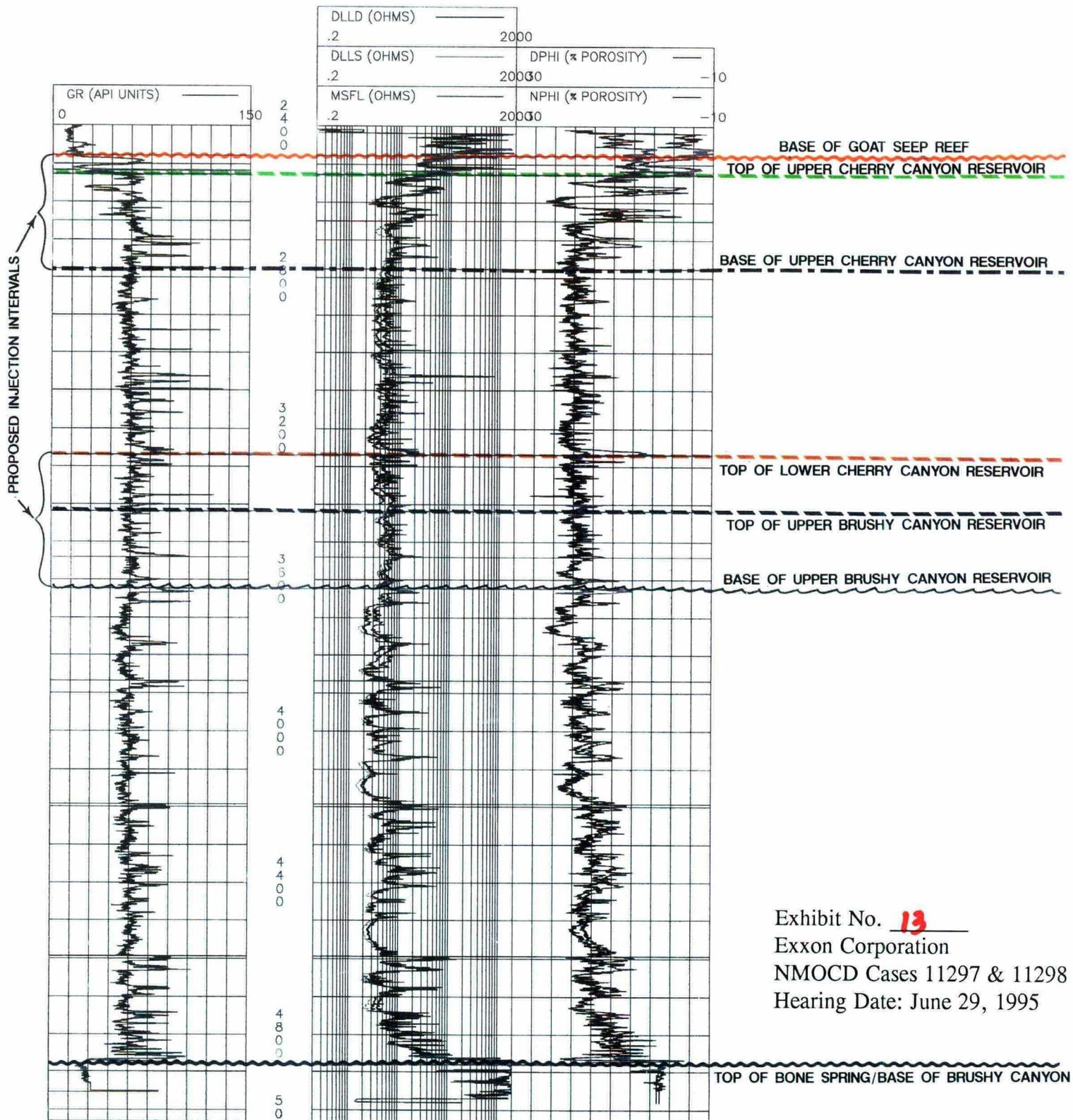


Exhibit No. **13**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

**AVALON (DELAWARE) UNIT**

**BRUSHY CANYON FORMATION  
SCHEMATIC CROSS SECTION**

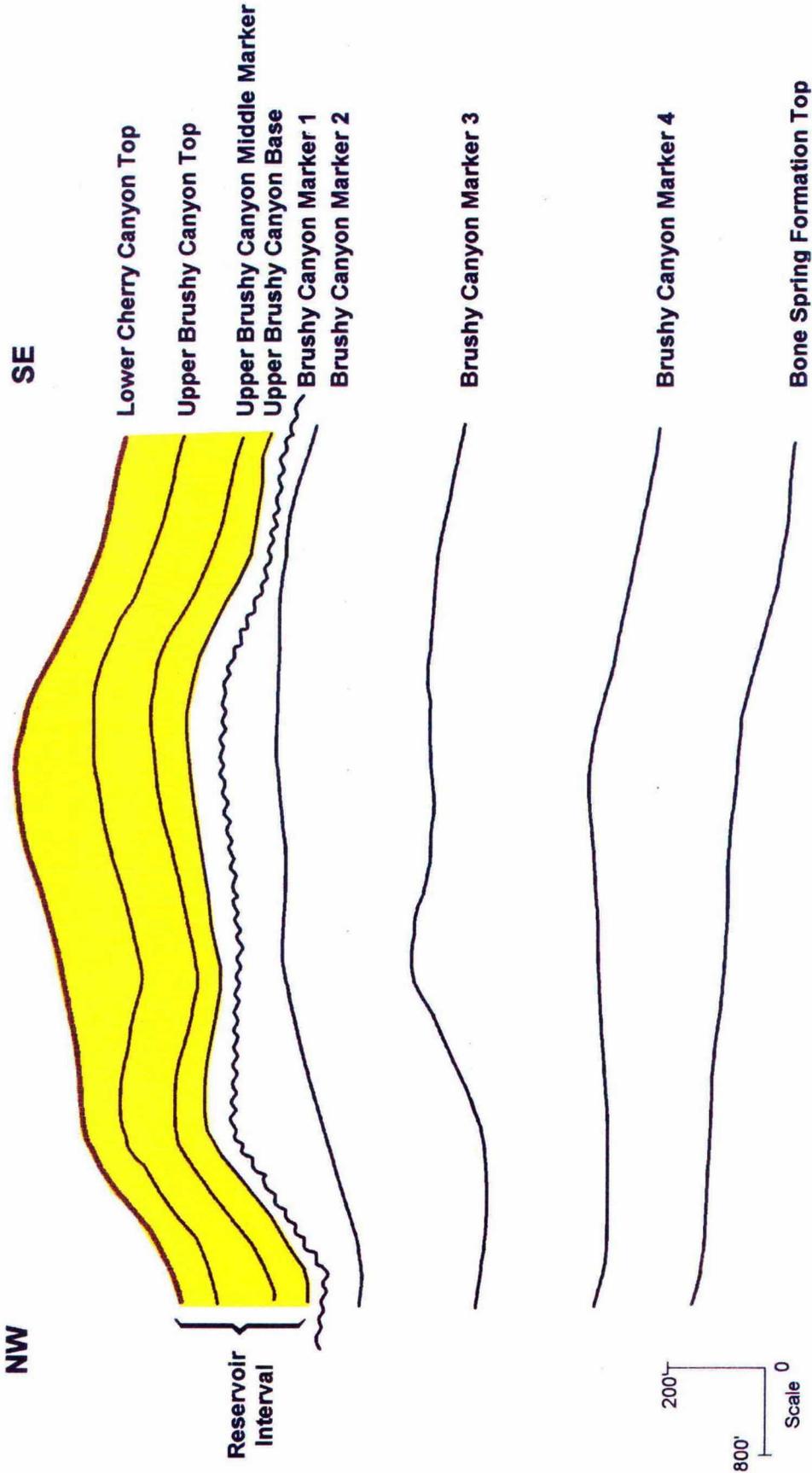


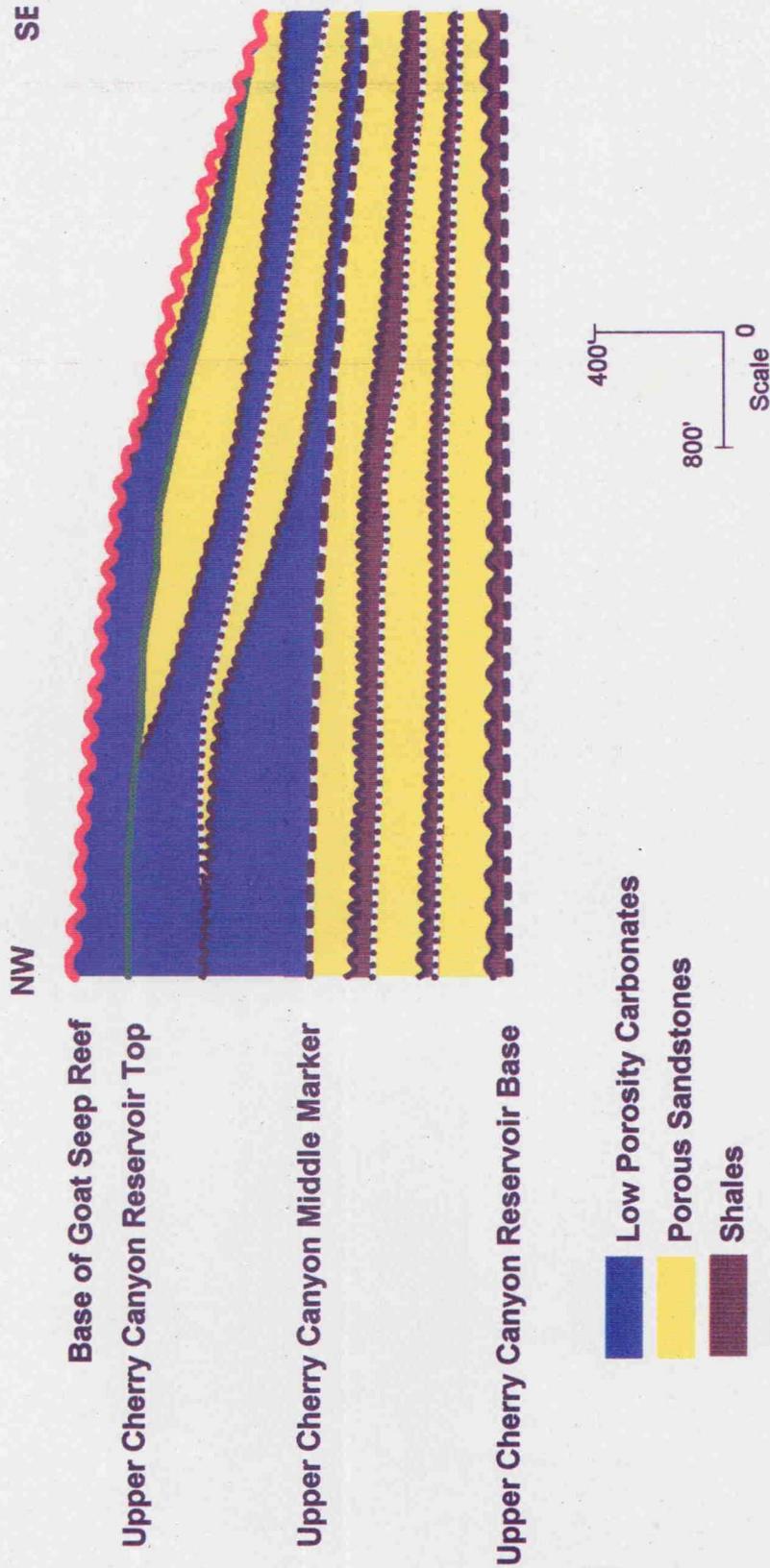
Exhibit No. **14**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

**AVALON (DELAWARE) UNIT**

**UPPER CHERRY CANYON  
SCHEMATIC CROSS SECTION**



Base of Goat Seep Reef

Upper Cherry Canyon Reservoir Top

Upper Cherry Canyon Middle Marker

Upper Cherry Canyon Reservoir Base

- Low Porosity Carbonates
- Porous Sandstones
- Shales

Exhibit No. **15**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

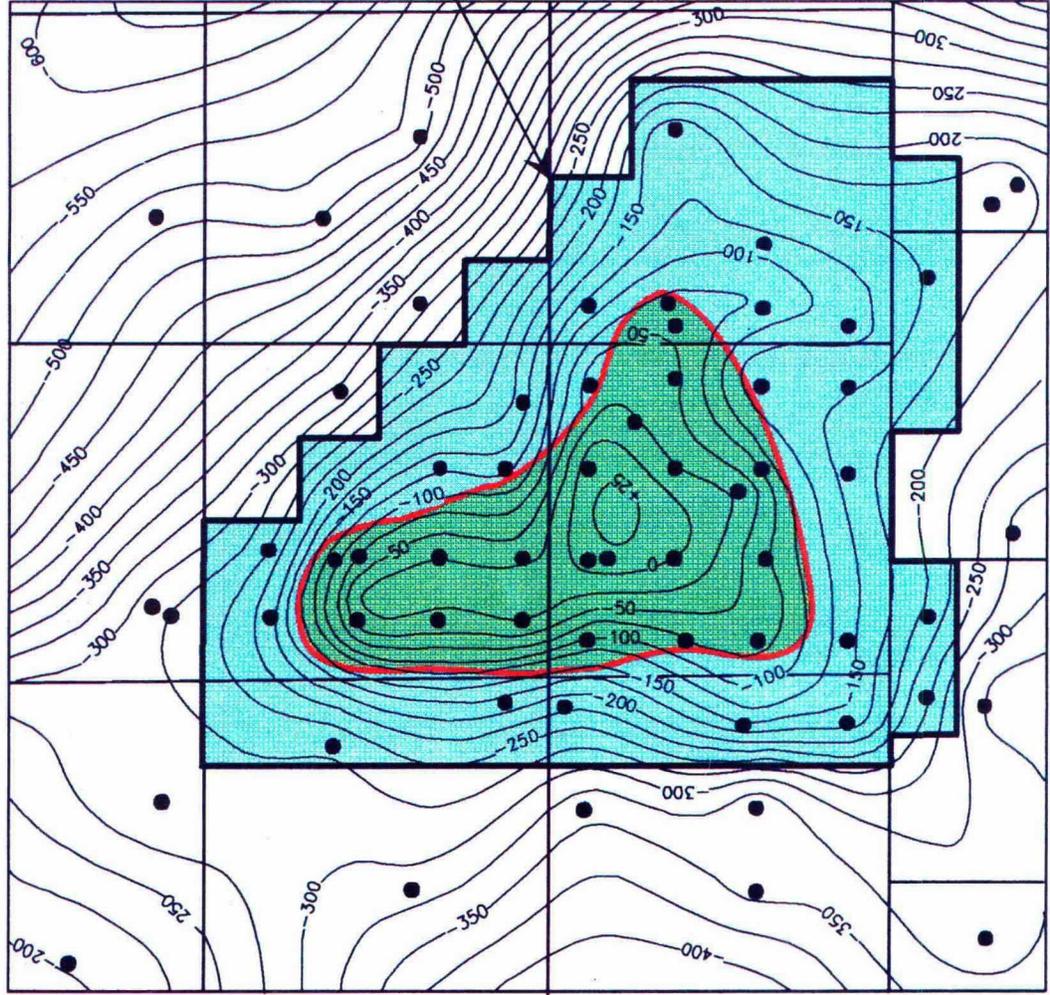
June, 1995

NMOCD Hearing

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE

**AVALON (DELAWARE) UNIT**

**LOWER CHERRY/UPPER BRUSHY CANYON  
TOP STRUCTURE MAP**



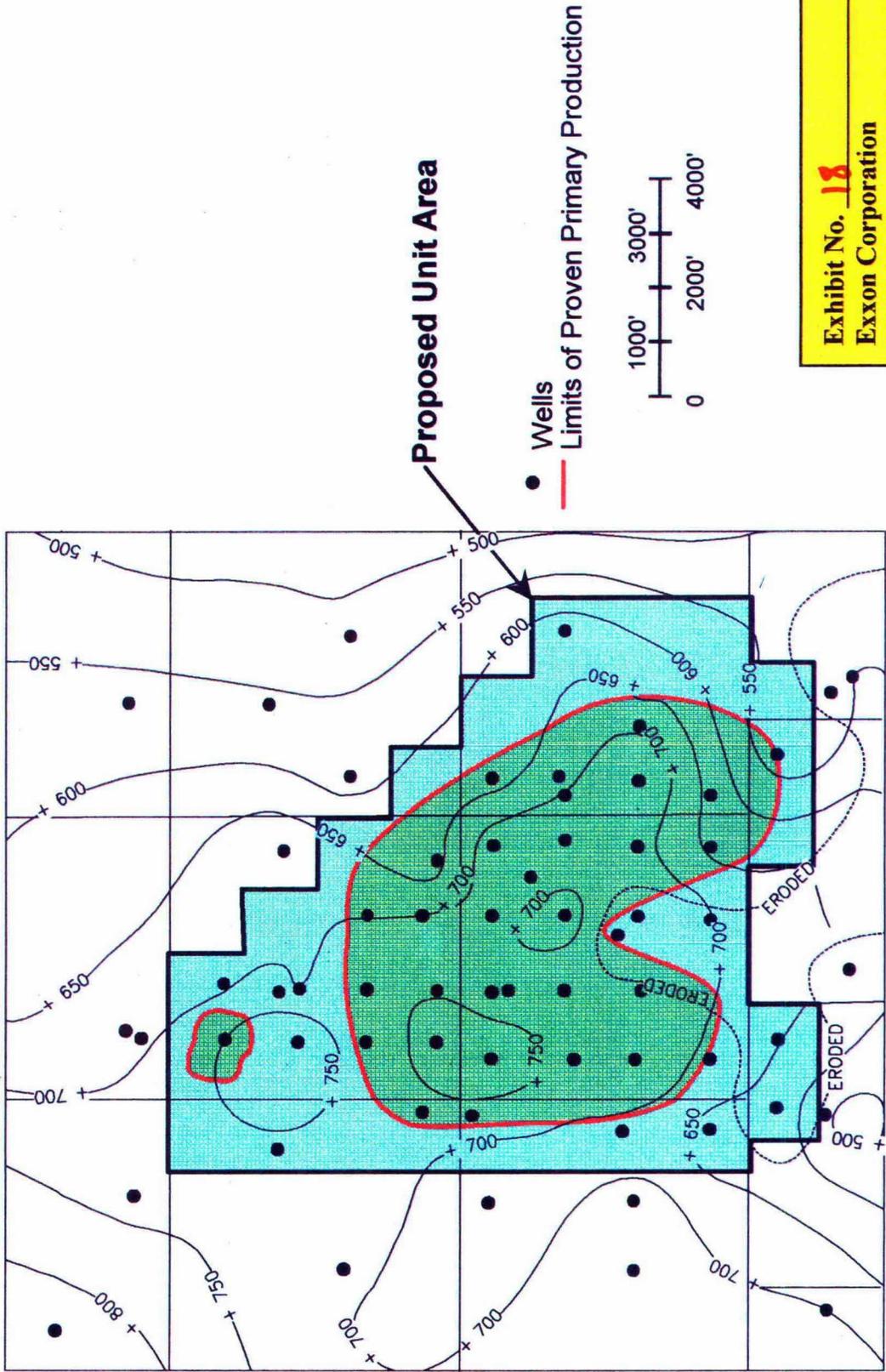
**Exhibit No. 17**  
**Exxon Corporation**  
**NMOCD Cases 11297 & 11298**  
**Hearing Date: June 29, 1995**

**June, 1995**

**NMOCD Hearing**

**AVALON (DELAWARE) UNIT**

**UPPER CHERRY CANYON  
TOP STRUCTURE MAP**

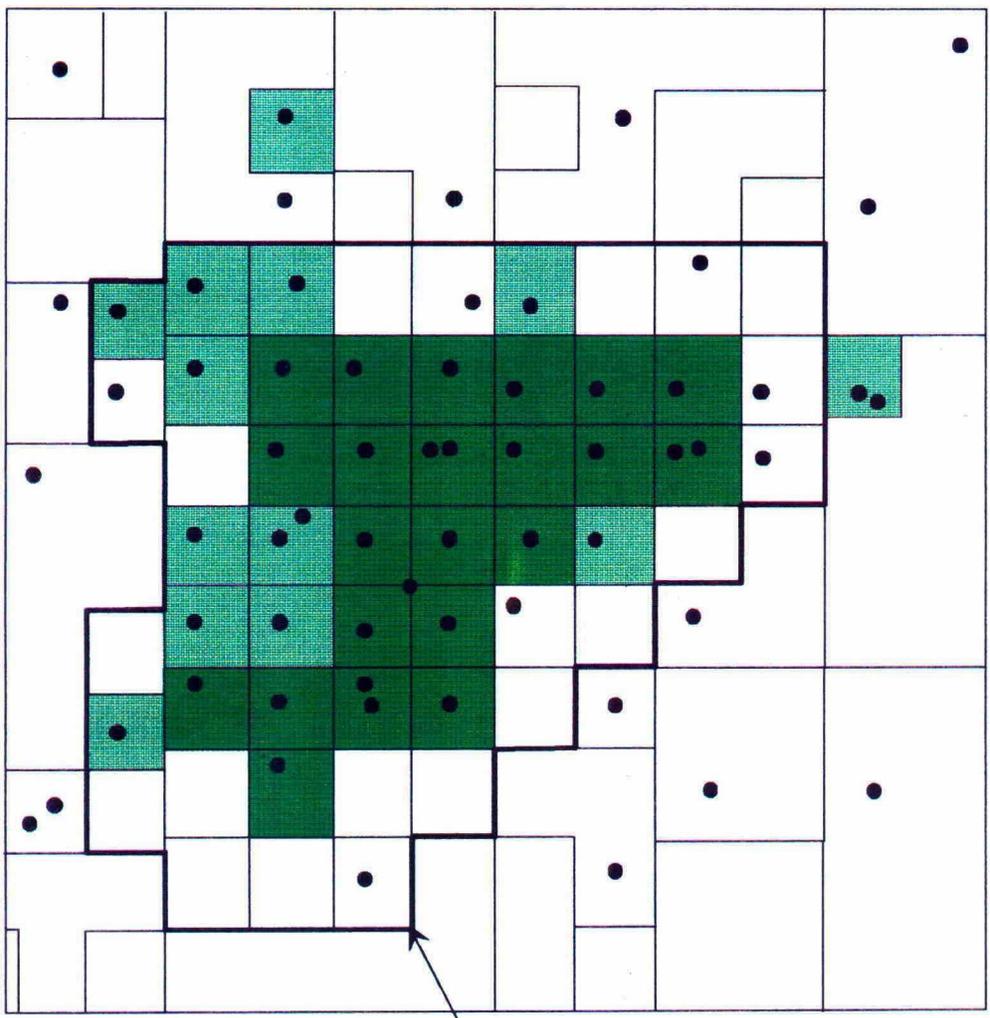


**Exhibit No. 18**  
**Exxon Corporation**  
**NMOCD Cases 11297 & 11298**  
**Hearing Date: June 29, 1995**

**June, 1995**

**NMOCD Hearing**

**AVALON UNIT TRACT MAP**



**Delaware Oil Completions**

-  Delaware (UCC/UBC) Completion Currently Active
-  Delaware Completion UCC/UBC shut-in or has never produced from UCC or UBC

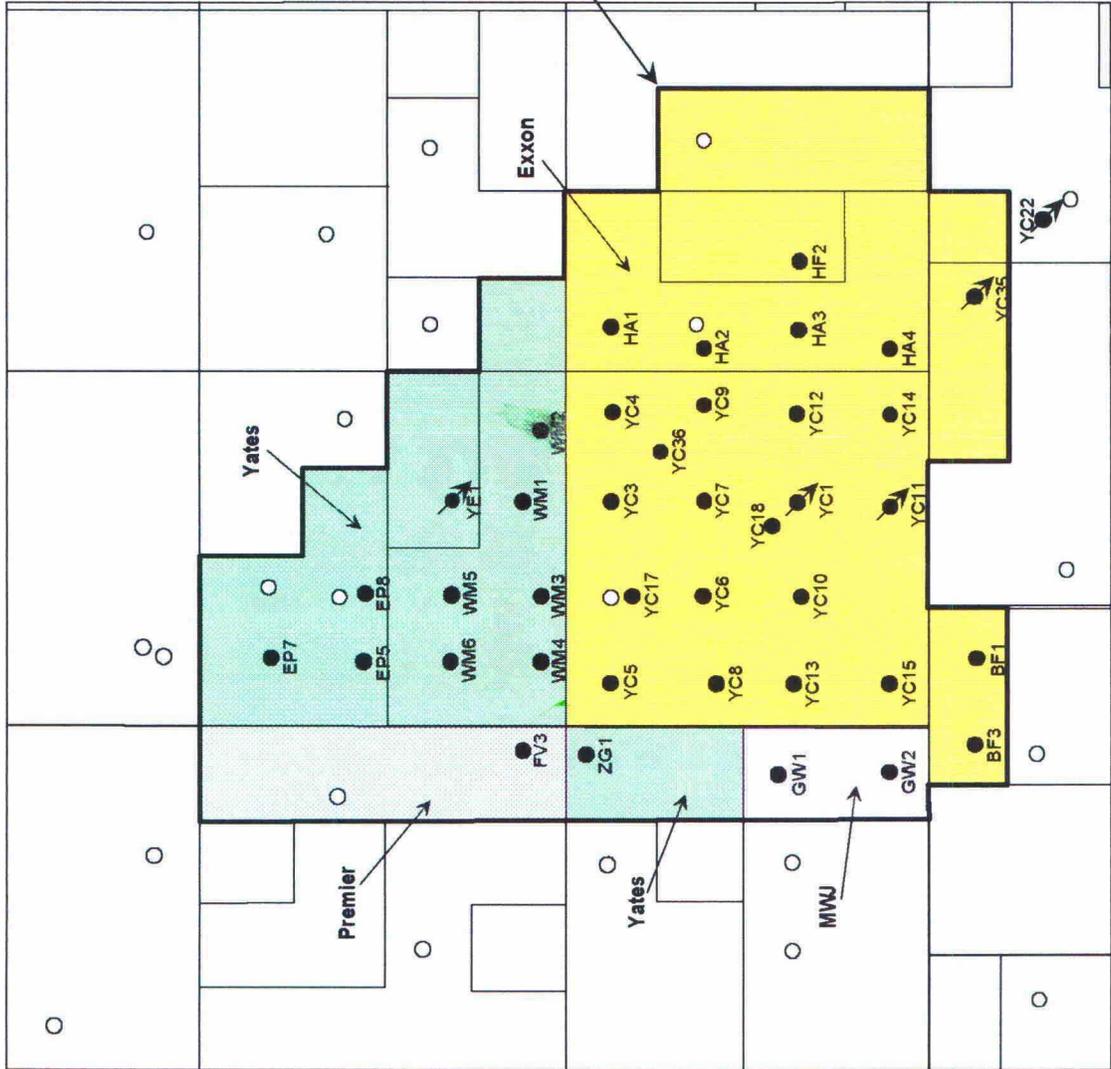
**PROPOSED UNIT AREA**



**AVALON (DELAWARE) UNIT**

**BASE MAP**

*37 Completions on 40ac  
24 active producers  
3 active disposal wells*



**Proposed Unit Area**

- Wells Owned by Unit
- Wells Owned by Unit (Injector)
- Other Wells

Note: See Map 1, Technical Report for lease/well designations

**Exhibit No. 20**  
**Exxon Corporation**  
**NMOCD Cases 11297 & 11298**  
**Hearing Date: June 29, 1995**

**June, 1995**

**NMOCD Hearing**

**AVALON (DELAWARE) UNIT**

**HISTORICAL PRODUCTION RATES**

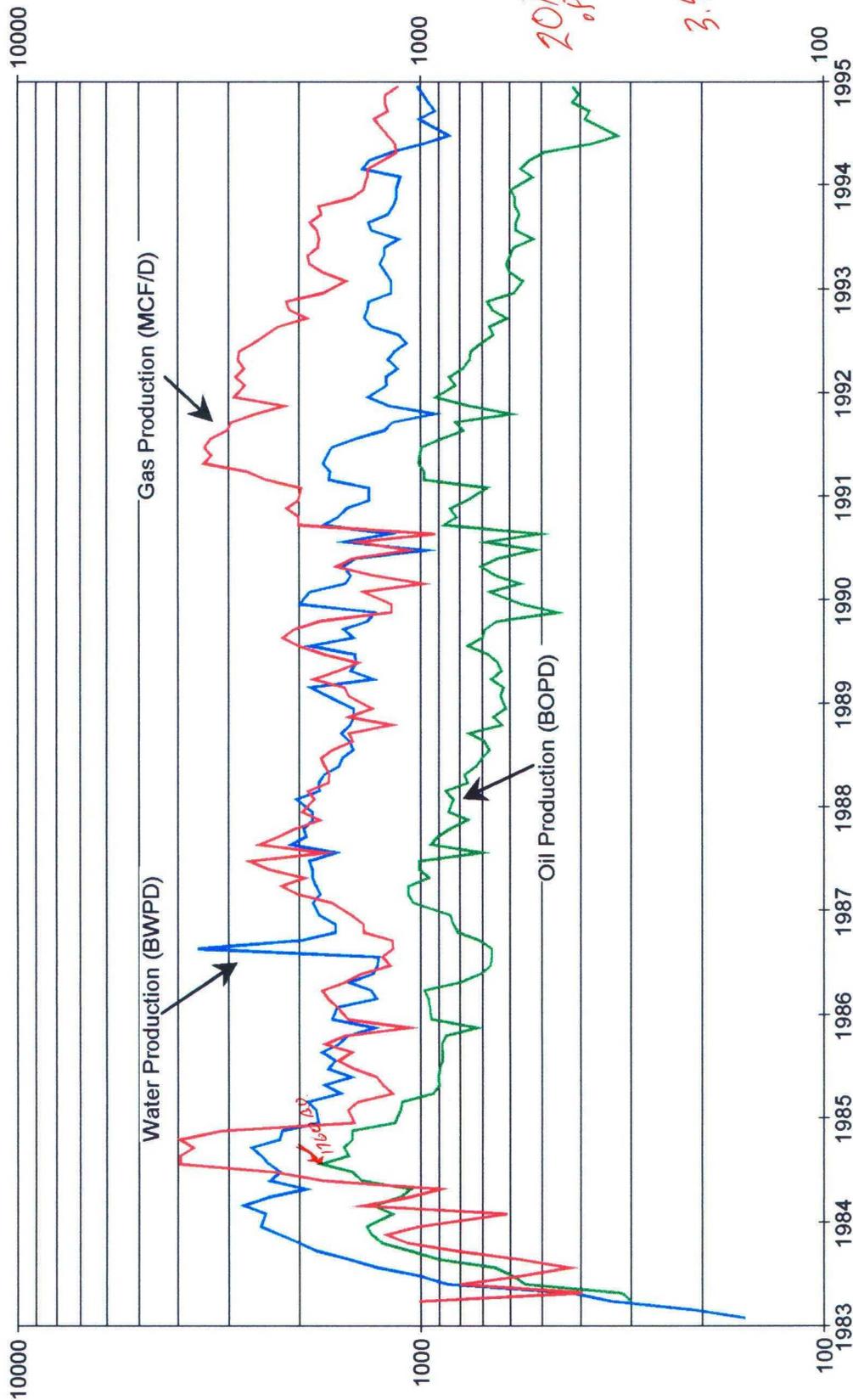


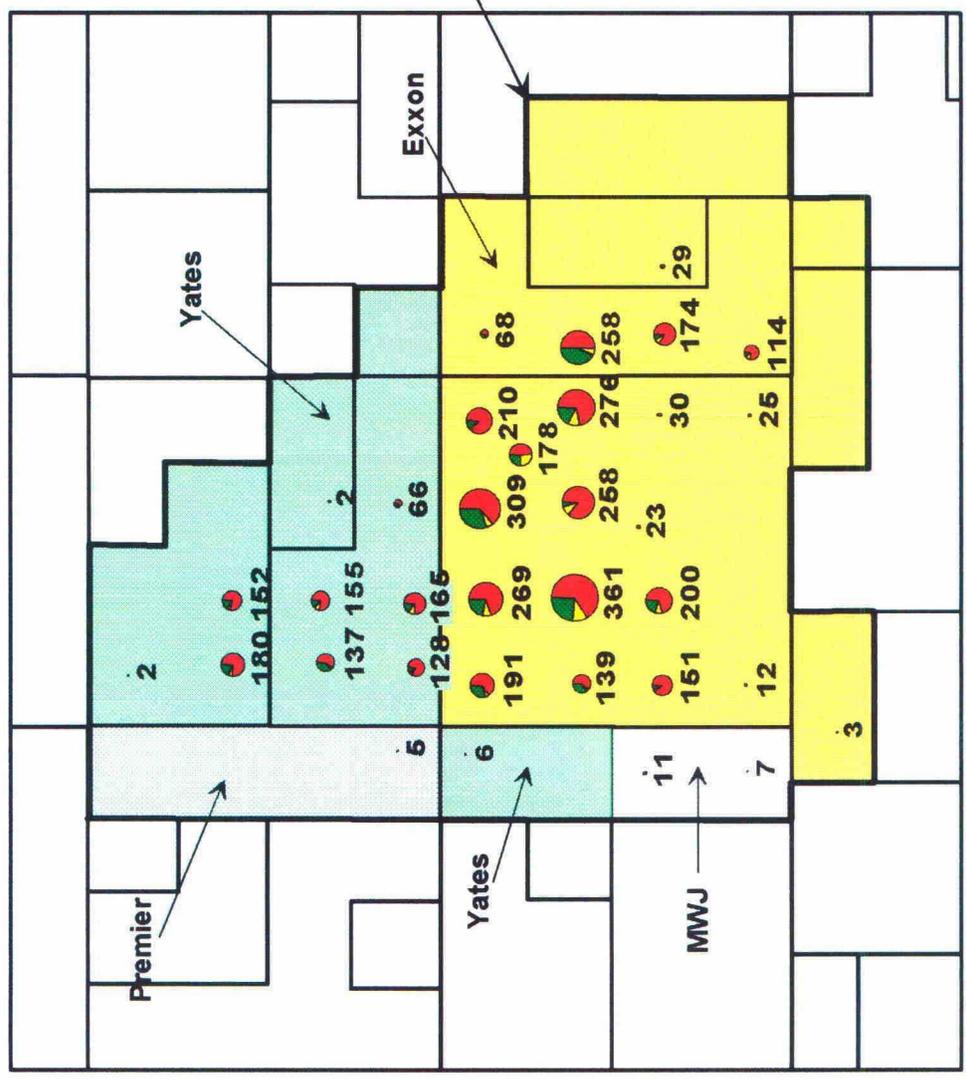
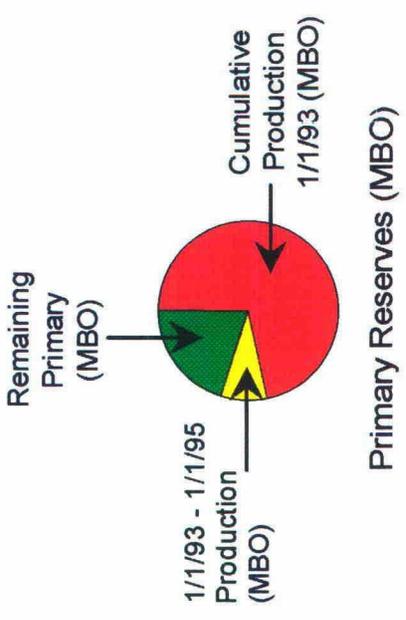
Exhibit No. **21**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

**AVALON (DELAWARE) UNIT**

**PRODUCTION BUBBLE MAP**



**PROPOSED UNIT AREA**

*Solution see down*

Exhibit No. **22**  
 Exxon Corporation  
 NMOCD Cases 11297 & 11298  
 Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

**AVALON (DELAWARE) UNIT**

**HISTORICAL PRODUCTION RATIOS**

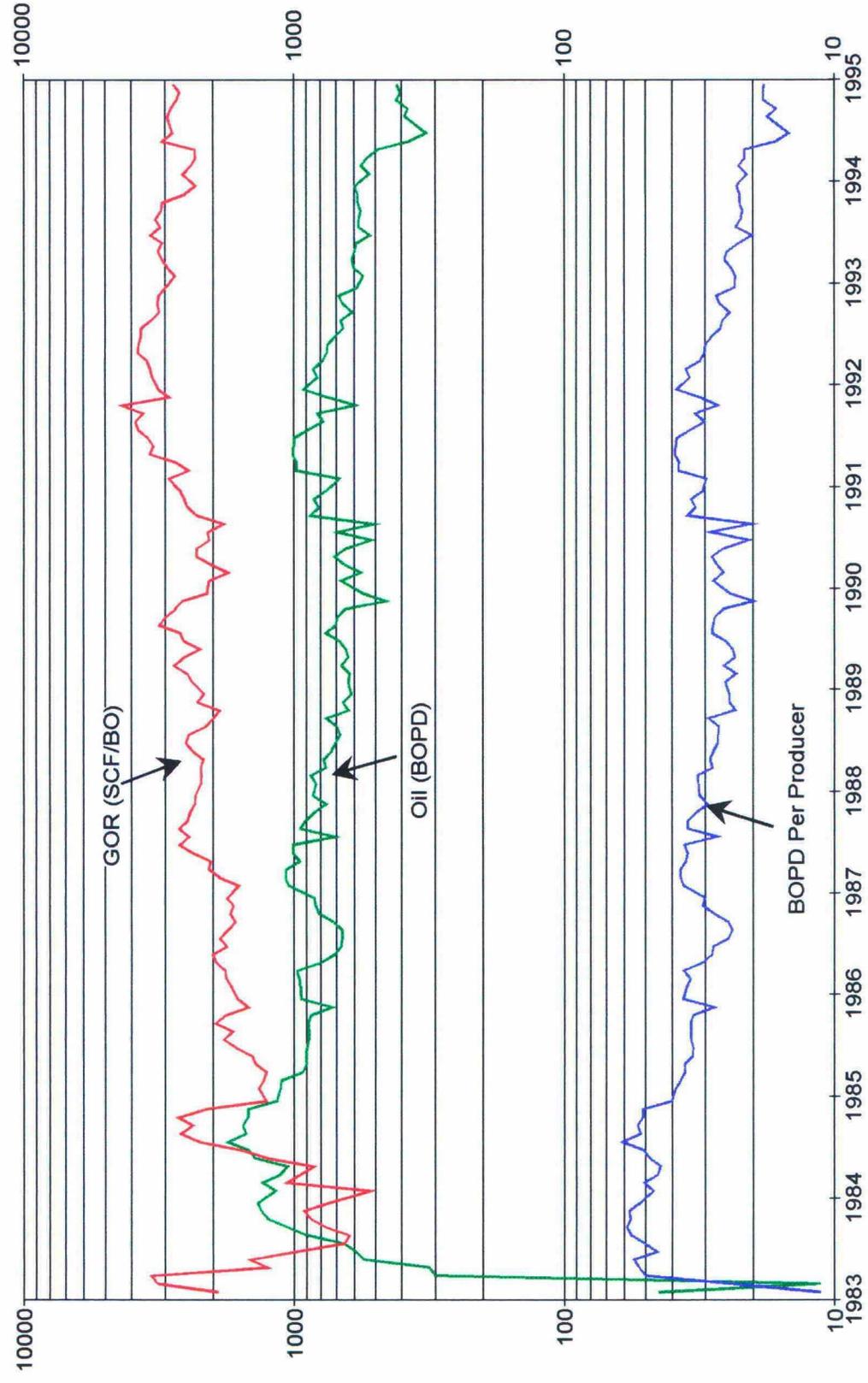


Exhibit No. **23**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

**AVALON (DELAWARE) UNIT**

**OIL RATE vs. CUMULATIVE PRODUCTION**

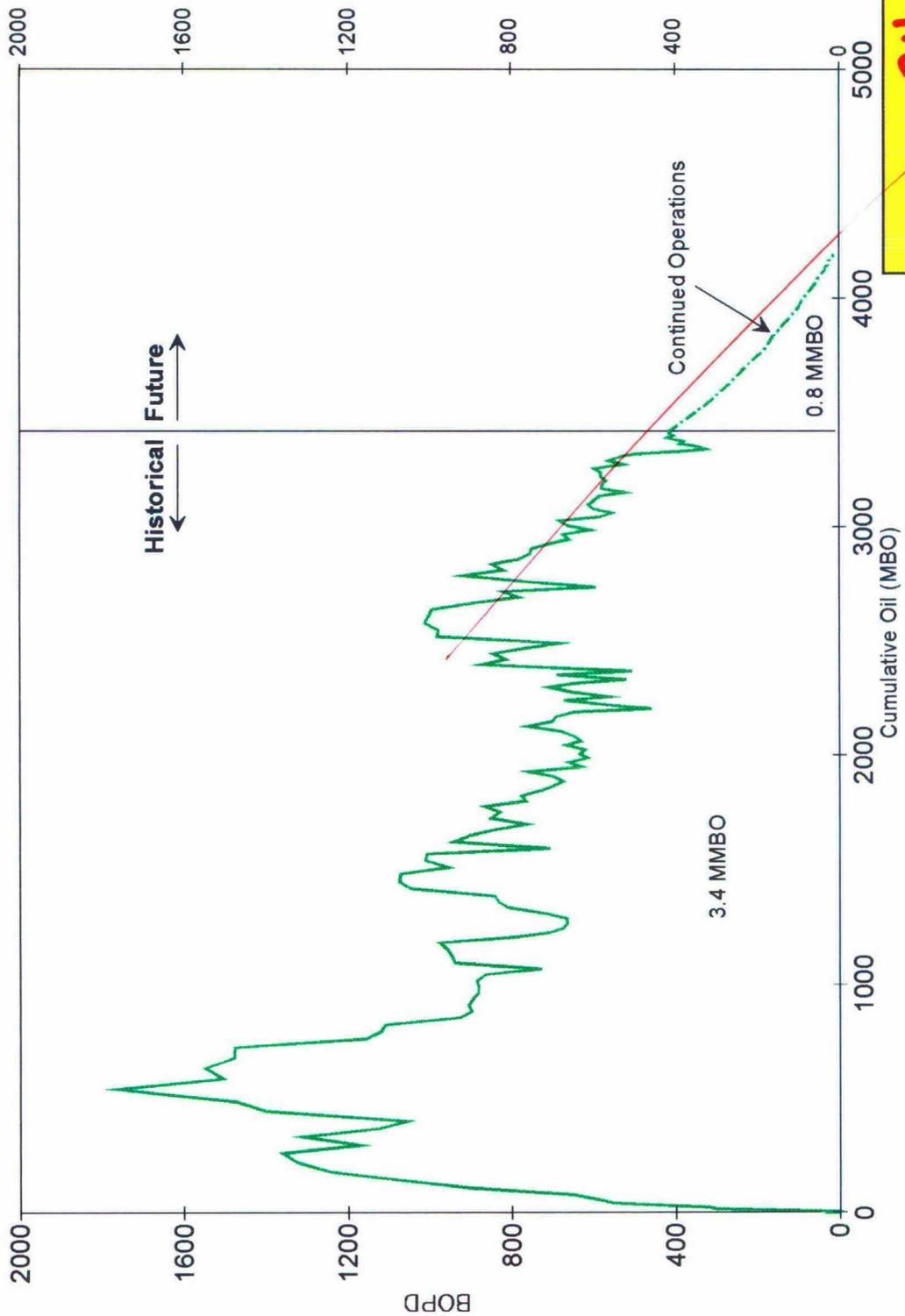


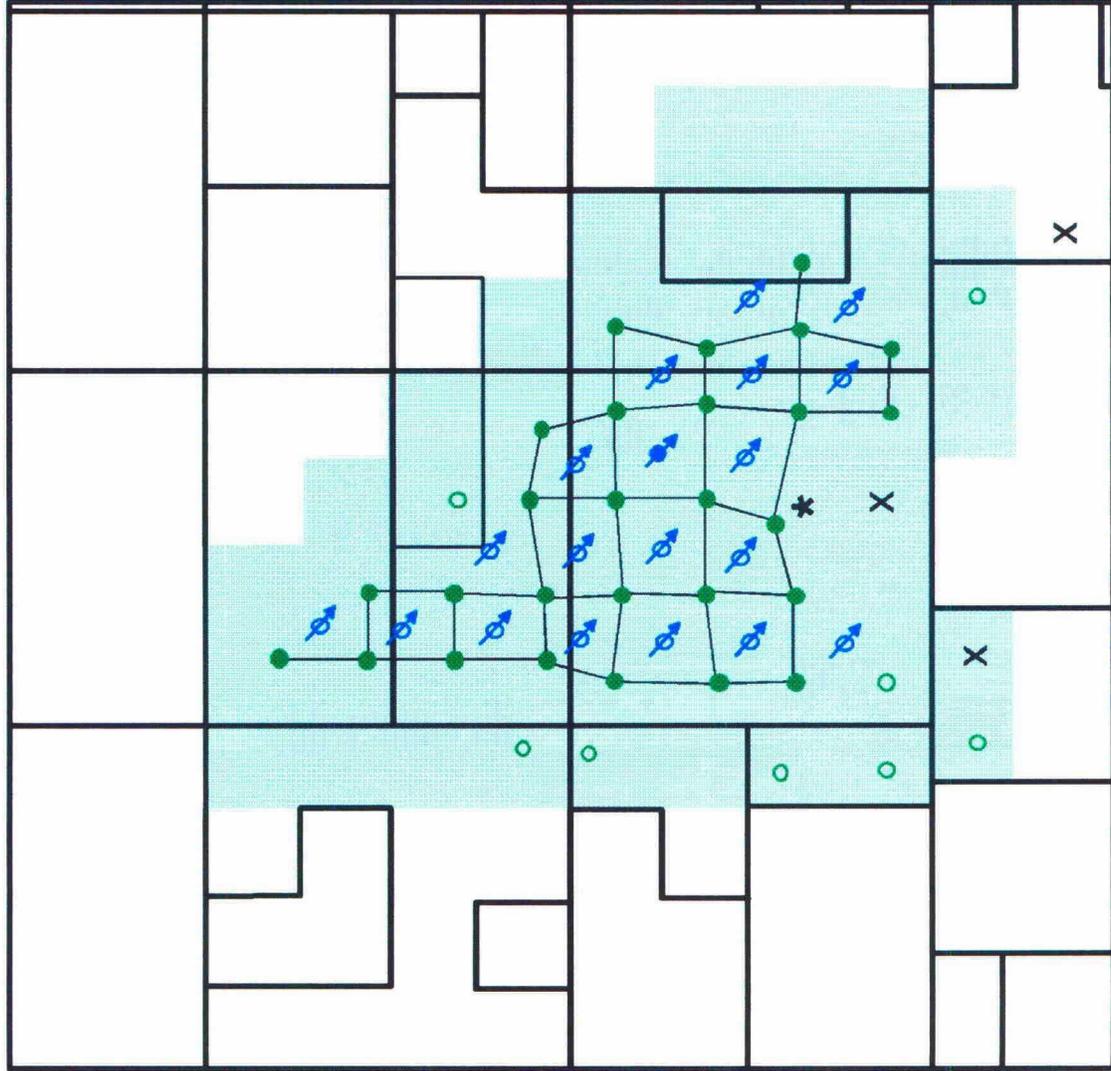
Exhibit No. **24**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

**AVALON (DELAWARE) UNIT**

**DEVELOPMENT PLAN: WATERFLOOD**



• **Scope**

- 19 water injection patterns, 1100 acres in developed area
- 18 injector drillwells/1 conversion
- Water treating and injection facilities
- Estimated start 2 months after unit approval

WELL SYMBOL LEGEND	
●	Oil Well 27
↗	Injector (Conversion) /
↗	Injector (Proposed) / 8
X	Water Source Well 3
○	Well for Future Use 8
*	Disposal Well /

Exhibit No. **25**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

## **PROJECT FLOWSTREAM METHODOLOGY**

- **From Geologic Model**
  - Layering model
  - Volumetrics by pattern (PV, Soi, OOIP)
- **Numerical Simulator**
  - 3-phase, 2-dimension simulator
  - 312 gridblocks per 10 acres
- **Calibration**
  - Historical production performance by well used to calibrate simulation model
  - Only small overall modifications in geologic model required to match field performance
  - Continued operations projection matched with decline curve analysis
- **Used with Development Plan to Predict Future Performance**
  - Continued operations
  - Waterflood
  - CO<sub>2</sub> flood

**AVALON (DELAWARE) UNIT**

**FUTURE PRODUCTION WITH WATERFLOOD PROJECT**

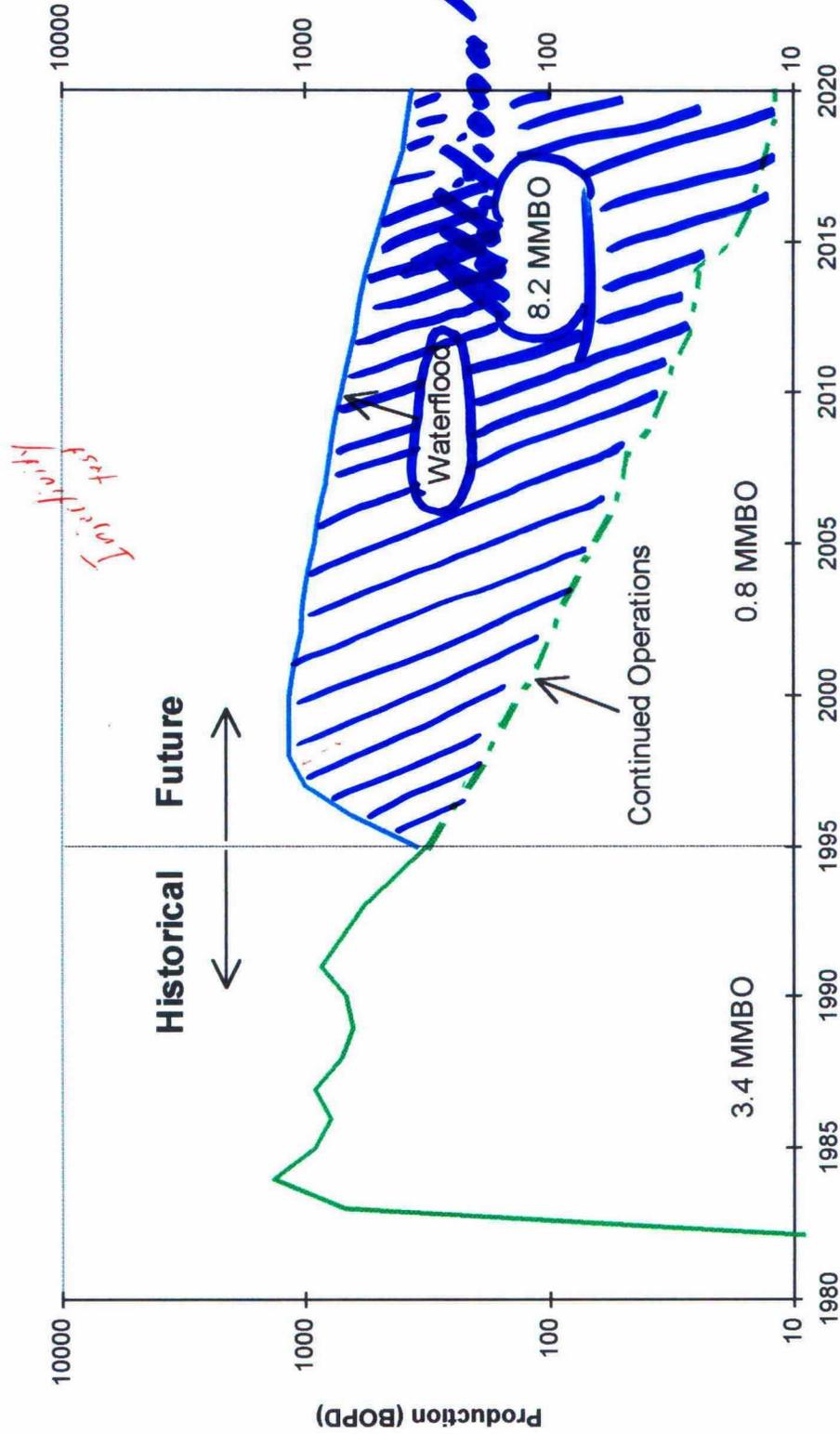


Exhibit No. **27**

Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

# POTENTIAL DEVELOPMENT PLAN: CO<sub>2</sub> FLOOD

- **Scope**
  - 37 patterns, 2100 acres expanding into outer ring
  - Earliest start 1999
- **Issues**
  - Attain miscibility pressure and reduce gas saturation: 3+ years
  - CO<sub>2</sub> injectivity test
  - Oil price

**WELL SYMBOL LEGEND**

- Oil Well
- Oil Well (Proposed for CO<sub>2</sub> Flood)
- ⊕ Water Phase Injector (Conversion)
- ⊖ Water Phase Injector (Proposed)
- ▲ CO<sub>2</sub> Phase Injector (Proposed for CO<sub>2</sub> Flood)
- ✕ Water Source Well
- ✱ Disposal Well

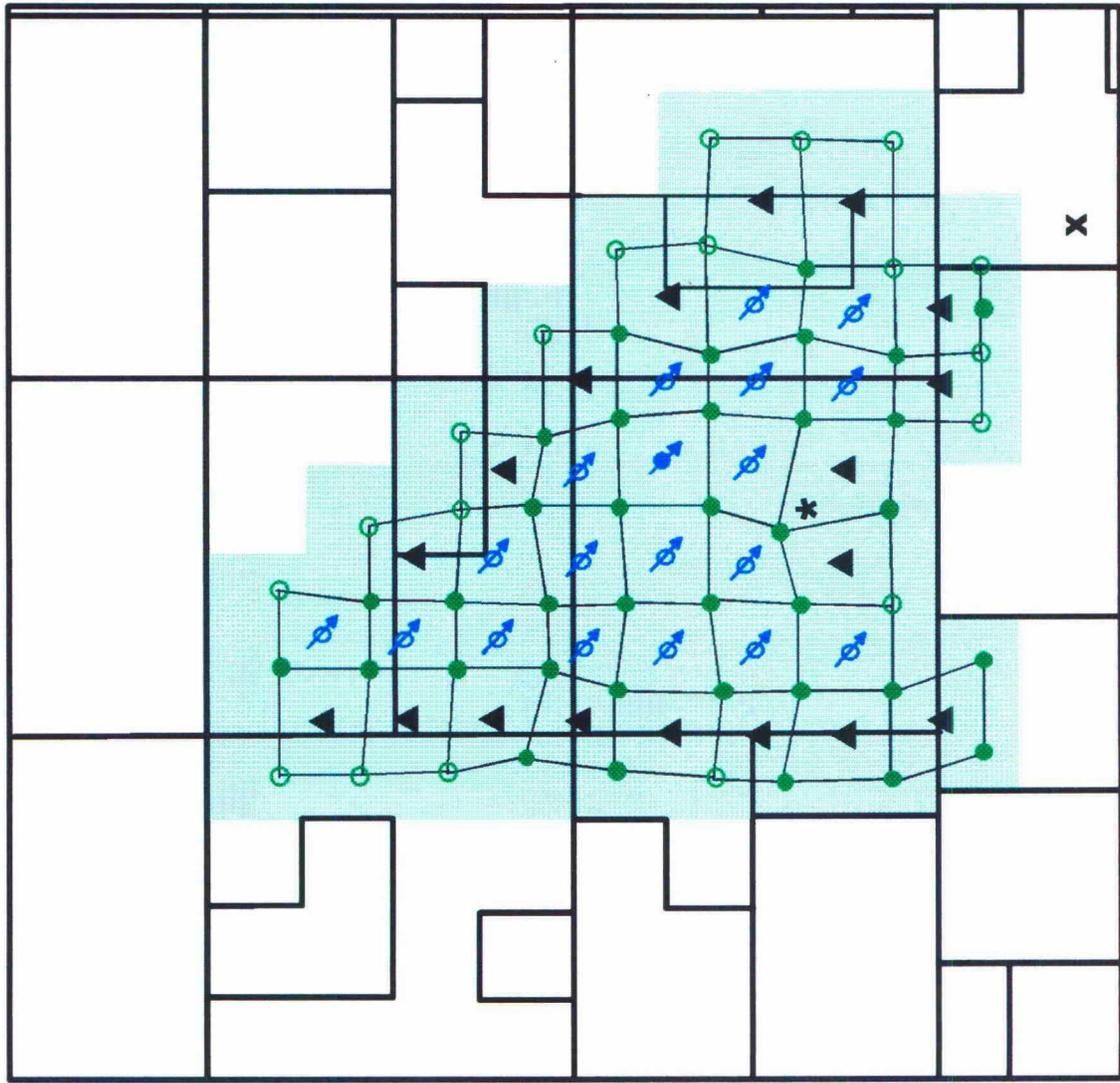


Exhibit No. **28**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

**AVALON (DELAWARE) UNIT**

**FUTURE PRODUCTION WITH CO<sub>2</sub> PROJECT**

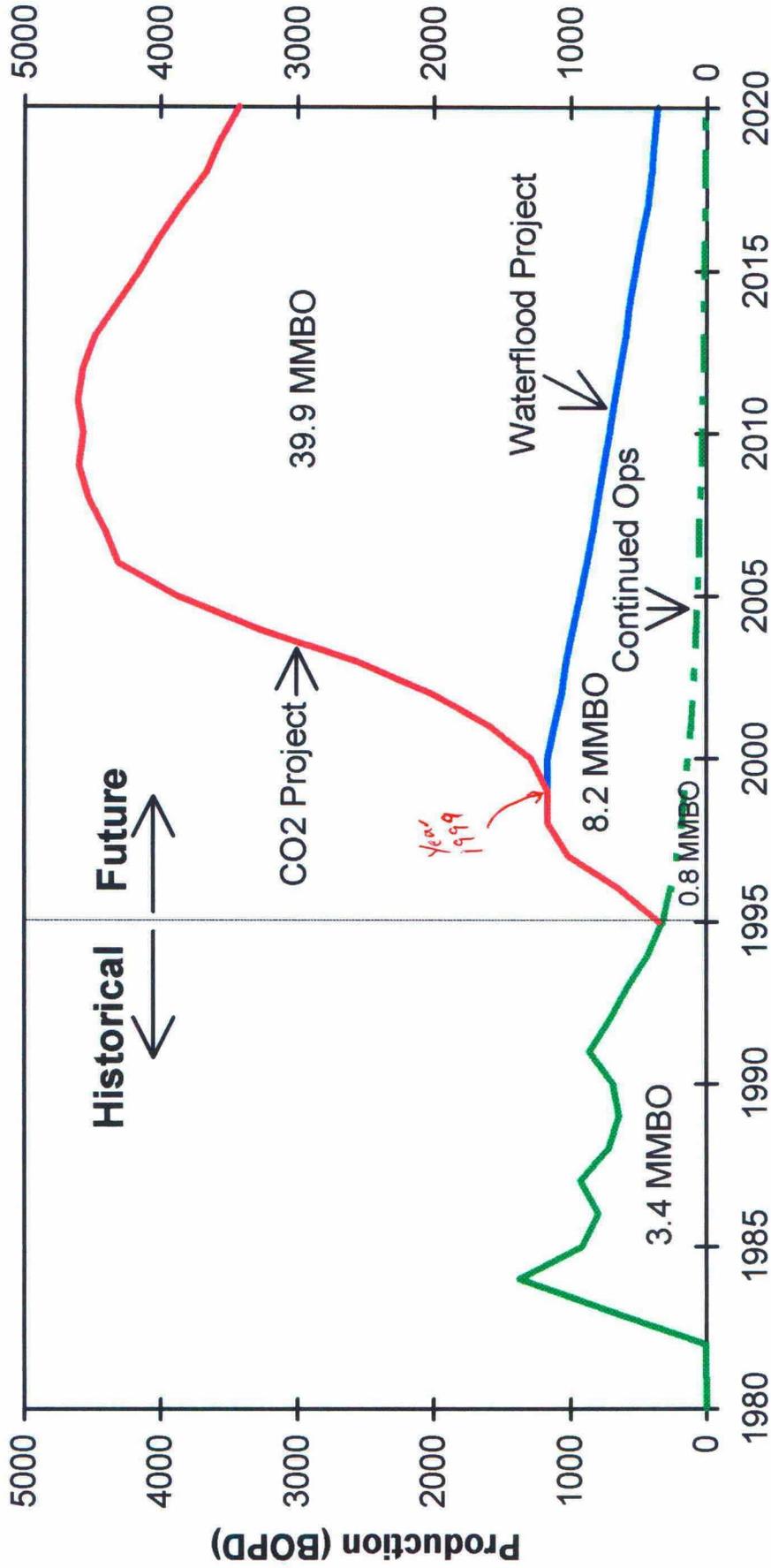


Exhibit No. **29**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

June, 1995

NMOCD Hearing

## **ESTIMATED ECONOMICS**

- **Assumptions**
  - 100% working interest/80% net interest
  - Product pricing:
    - Oil @ \$17.10/BO escal. @ 5.4%/year
    - Gas @ \$1.50/MCF escal. @ 6.1%/year
  
- **Results**
  - Investments = \$14,400,000
  - Additional reserves = 8.2 MMBO
  - Present value profit discounted @ 10% = \$21,500,000
  - Payout = 5 years
  - Rate of Return = 30%

**AVALON (DELAWARE) UNIT**

*Drilled as producers to be converted to wells*

**PROPOSED UNORTHODOX WELL LOCATIONS  
ALL IN EDDY COUNTY, NEW MEXICO**

WELL NAME AND NUMBER	SECTION	FOOTAGE LOCATION
AVALON DELAWARE UNIT 1212	31-20S-28E	1668 FNL & 1455 FWL
AVALON DELAWARE UNIT 1412	31-20S-28E	* 2310 FSL & 1485 FWL
AVALON DELAWARE UNIT 1612	31-20S-28E	* 992 FSL & 1489 FWL
AVALON DELAWARE UNIT 1614	31-20S-28E	* 1046 FSL & 2677 FWL
AVALON DELAWARE UNIT 1812	31-20S-28E	* 183 FNL & 1397 FWL
AVALON DELAWARE UNIT 1814	31-20S-28E	* 123 FNL & 2673 FEL
AVALON DELAWARE UNIT 1816	31-20S-28E	* 46 FNL & 1402 FEL
AVALON DELAWARE UNIT 2012	31-20S-28E	* 1386 FNL & 1314 FWL
AVALON DELAWARE UNIT 2014	31-20S-28E	* 1335 FNL & 2681 FWL
AVALON DELAWARE UNIT 2018	31-20S-28E	1317 FNL & 97 FEL
AVALON DELAWARE UNIT 2212	31-20S-28E	* 2600 FSL & 1322 FWL
AVALON DELAWARE UNIT 2214	31-20S-28E	* 2699 FSL & 2549 FWL
AVALON DELAWARE UNIT 2216	31-20S-28E	2566 FNL & 1377 FEL
AVALON DELAWARE UNIT 2218	31-20S-28E	2423 FSL & 78 FEL
AVALON DELAWARE UNIT 2220	31-20S-28E	2648 FSL & 1127 FWL
AVALON DELAWARE UNIT 2412	31-20S-28E	* 1337 FSL & 1324 FWL
AVALON DELAWARE UNIT 2418	31-20S-28E	1356 FSL & 99 FEL
AVALON DELAWARE UNIT 2420	31-20S-28E	1323 FSL & 1107 FWL

\* Unstacked location: Actual location may vary

**NMOCD Hearing**

**June, 1995**

**Exhibit No. 31**  
**Exxon Corporation**  
**NMOCD Cases 11297 & 11298**  
**Hearing Date: June 29, 1995**

APPLICATION FOR AUTHORIZATION TO INJECT

- I. Purpose:  Secondary Recovery  Pressure Maintenance  Disposal  Storage  
Application qualifies for administrative approval?  yes  no
- II. Operator: Exxon Corp.  
Address: PO Box 1600 Midland, TX 79702  
Contact party: Marsha Wilson Phone: (915) 688-7871
- III. Well data: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project?  yes  no  
If yes, give the Division order number authorizing the project \_\_\_\_\_.
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
  1. Proposed average and maximum daily rate and volume of fluids to be injected;
  2. Whether the system is open or closed;
  3. Proposed average and maximum injection pressure;
  4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and
  5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- VIII. Attach appropriate geological data on the injection zone including appropriate lithologic detail, geological name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such source known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division they need not be resubmitted.)
- XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification

I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: Marsha Wilson Title Staff Office Assistant

Signature: Marsha Wilson Date: 5-8-95

\* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be duplicated and resubmitted. Please show of the earlier submittal. \_\_\_\_\_

Exhibit No. 32  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

DISTRIBUTION: Original and one copy to Santa Fe with one copy to district office.

## III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; location by Section, Township, and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and name of the next higher and next lower oil or gas zone in the area of the well, if any.

## XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) the intended purpose of the injection well; with the exact location of single wells or the section, township, and range location of multiple wells;
- (3) the formation name and depth with expected maximum injection rates and pressures; and
- (4) a notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days.

**NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.**

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**NOTICE:** Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

**ATTACHMENT TO INJECTION WELL DATA SHEET  
AVALON UNIT  
EDDY COUNTY, NEW MEXICO**

Listed below are the wells in this permit application. All wells are located in T-20-S, R-28-E.

**T-20-S, R-28-E**

**Current Proposed Locations for New Drill Wells:**

**Section 30**

#1212	1495 FWL	1662 FNL
#1412	1485 FWL	2310 FSL
#1612	1489 FWL	992 FSL
#1614	2677 FWL	1046 FSL

**Section 31**

#1812	1397 FWL	183 FNL
#1814	2673 FEL	123 FNL
#1816	1402 FEL	46 FNL
#2012	1314 FWL	1386 FNL
#2014	2681 FWL	1335 FNL
#2018	56 FEL	1320 FNL
#2212	1322 FWL	2600 FSL
#2214	2549 FWL	2699 FSL
#2216	1375 FEL	2564 FNL
#2218	73 FEL	2648 FSL
#2412	1324 FWL	1337 FSL
#2418	94 FEL	1320 FSL

**Section 32**

#2220	1128 FWL	2648 FSL
#2420	1107 FWL	1323 FSL

**Conversion:**

**Section 31**

#2016	1305 FWL	1305 FNL
	(formerly Yates "C" Federal #36)	

INJECTION WELL DATA SHEET

Exxon Corp. OPERATOR		Avalon Unit LEASE		
2016 WELL NO.	1305' FNL & 1305' FEL FOOTAGE LOCATION	31 SECTION	T-20-S TOWNSHIP	R-28-E RANGE

Schematic

See Attached

Tubular Data

Surface Casing

Size 13 3/8" " Cemented with 750 sx.  
 TOC Surface feet determined by Circulation  
 Hole size 17 1/2"

Intermediate Casing

Size 8 5/8" " Cemented with 1385 sx.  
 TOC Surface feet determined by Circulation  
 Hole size 11"

Long string

Size 5 1/2" " Cemented with 1000 sx.  
 TOC Surface feet determined by Circulation  
 Hole size 7 7/8"

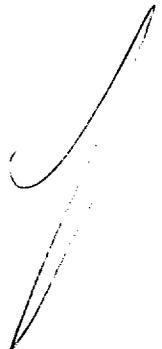
Total depth 4970

Injection interval

2478 feet to 4880 feet  
 (perforated or open-hole, indicate which)

*One casing well to*

*be cemented*



Tubing size 2 7/8" lined with cement set in a \_\_\_\_\_  
 (material)

Baker Model A packer at 2340 feet.  
 (brand and model)

(or describe any other casing-tubing seal).

Other Data

- Name of the injection formation Delaware
- Name of field or pool (if applicable) Avalon
- Is this a new well drilled for injection?  Yes  No  
 If no, for what purpose was the well originally drilled? Oil producer

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail (sacks of cement or bridge plug(s) used) \_\_\_\_\_  
 No

5. Give the depth to and name of any overlying and/or underlying oil or gas zones (pools) in this area. Depths are approximate:  
Yates 350-400', Bone Spring 5000-7000', Atoka 7800-10800',  
Wolfcamp 9000-10000', Strawn 10000, Morrow 11000'

INJECTION WELL DATA SHEET

Exxon Corp.		Avalon Unit		
OPERATOR		LEASE		
(See attached list)	30, 31, & 32	T-20-S	R-28-E	
WELL NO.	FOOTAGE LOCATION	SECTION	TOWNSHIP	RANGE

Schematic

See attached typical schematic

Tubular Data

Surface Casing

Size 10 3/4 " Cemented with 600 sx.  
 TOC Surface feet determined by Circulation  
 Hole size 14 3/4"

Intermediate Casing

Size 7 5/8 " Cemented with 1400 sx.  
 TOC Surface feet determined by Circulation  
 Hole size 9 1/2"

Long string

Size 4 1/2" Fiberglass lnrCemented with 500 sx.  
 TOC 2340 feet determined by Circulation  
 Hole size 6 1/2" underreamed to 7"  
 Total depth 4000'

Injection interval

           \* feet to            \* feet  
 (perforated or open-hole, indicate which)

Perforation

\* See attached summary on question VII.3.

Tubing size 2 3/8" lined with cement set in a  
 (material)  
Baker Model A packer at 2340 feet.  
 (brand and model)

(or describe any other casing-tubing seal).

Other Data

- Name of the injection formation Delaware
- Name of field or Pool (if applicable) Avalon
- Is this a new well drilled for injection?  Yes  No  
 If no, for what purpose was the well originally drilled? \_\_\_\_\_

- Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail (sacks of cement or bridge plug(s) used) \_\_\_\_\_  
 No

- Give the depth to and name of any overlying and/or underlying oil or gas zones (pools) in this area. Depths are approximate:  
Yates 350-400', Bone Spring 5000-7000', Atoka 7800-10,800',  
Wolfcamp 9000-10,000', Strawn 10,000' Morrow 11,000'

# WELLSKETCH AND WELL HISTORY

AFE # 16020

Avalon #2016

API # 30-105-26

ELEV.: KB \_\_\_\_\_,  $\frac{12.1}{10'}$  ABOVE  $\frac{CHF}{G.L.}$   
 Independent Wellhead hookup (2000 psi. w.p.)

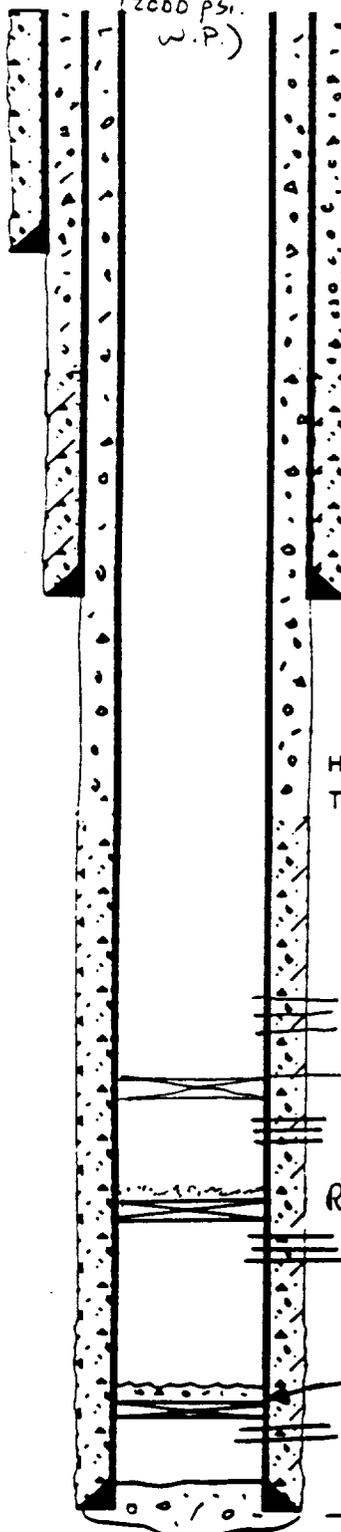
Unit (formerly) LEASE & WELL NAME: Yates Federal "C" 36

FIELD: Avalon COUNTY: Eddy ST.: A

LOCATION: 1305' FNL; FEL

Sec 31; T-20-S; R-28-E

DATE: 10/14/90 BY: JLC REV.: \_\_\_\_\_ BY: \_\_\_\_\_



HOLE SIZE: 17 1/2"  
 TOC: Surf'

13 3/8" • 613'  
 CMT 750 SX

HOLE SIZE: 11"  
 TOC: Surf'

8 5/8" • 2419'  
 CMT 980 SX (primary)  
 405 SX (one-inch ops)

HOLE SIZE: 7 7/8"  
 TOC: Surf'

perfs 2546'-2810' U. Cherry Canyon  
 CIB.P. @ 2980'

m. Cherry Canyon perfs  
 @ 3038'-3189'  
 RBP w/30' sand @ 3360' ±  
 U. Brushy Canyon  
 perfs @ 3406'-3624'

CIBP @ 4690'

L. Brushy Canyon  
 perfs - 4708'-4736'

5 1/2" • 4924' (29 shots)  
 CMT 1000 SX Class C + 4% Gel  
 Circ 193 SX to  
 surf

## CASING RECORD

### SURFACE CASING

O.D.	WT/FT	GRADE	SET A
13-3/8"	48	K-55	613

### INTERMEDIATE CASING

O.D.	WT/FT	GRADE	SET A
8-5/8"	32#	K-55	22
	24#	J:K 55	126
	32#	J:K 55	241
5 1/2"	15.5#	K-55	10
	14#	K-55	492

### TUBING

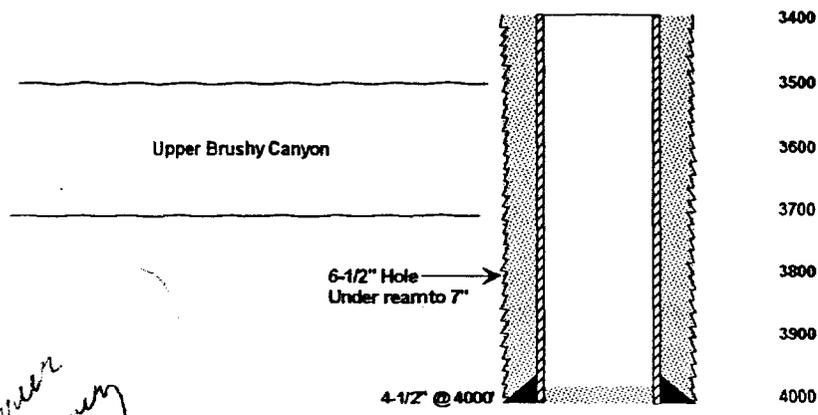
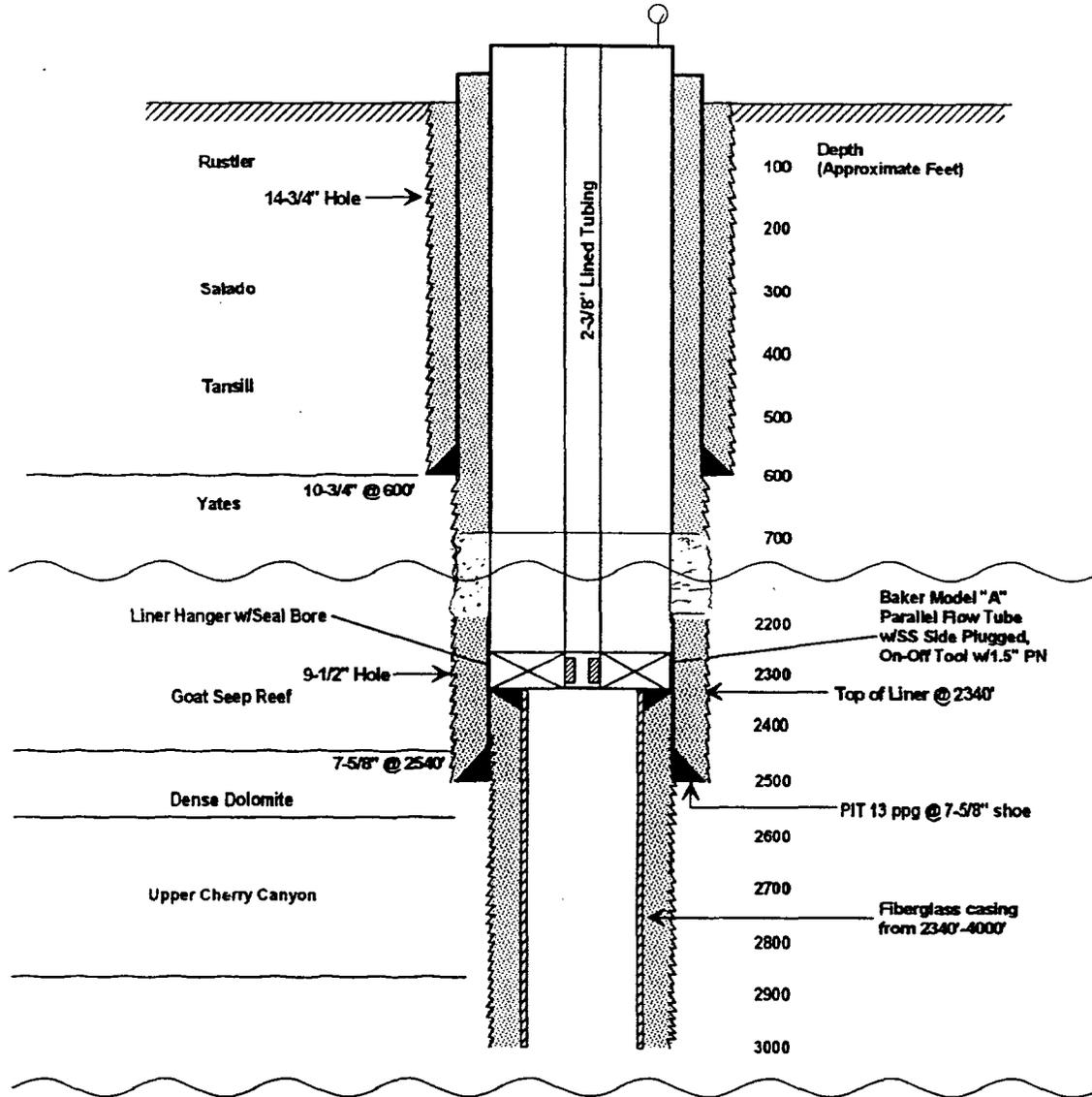
NO. JTS.	O.D.	THD.	TYPE	WT.	GDE.	SE
	2 7/8"	API	EUE	6.5	J55	

### WELL HISTORY:

New Drill well - FRP'd 9/90  
 Perf L. Brushy Canyon @ 4708-4736 w/ 29  
 shots. Frac w/ 36,000# 14/30 Sand in  
 14,000 gals gelled water. Tested WET  
 P/B to U. Brushy Canyon. Perf 3406 -  
 3624'. Acid w/ 4600 gals NeHCl w/  
 PFT tool. Frac w/ 18,500# of 20/40  
 plus 62,500# 12/20 sand in  
 49,000 gals gelled water. Well came  
 in flowing. FRW - 142 oil 261 water. U.B.C.  
 & B.C. 0 oil.  
 12/90 - perfed Cherry Canyon - (RBP) 3038-  
 3189' - MFRU. Pj - water  
 washed & acid washed perfs w 2850  
 15% HCl. Fraced well D/S  
 70,000 # sand 12/20. Helled Fluid.  
 FRW - 104 Bo 500 BW.  
 2/91 perf C.F.B. @ 2980' perfed  
 well 2546'-2810' - PFT acid job  
 6720' gal 15% HCl. Fraced well  
 D/S - 105,000 # 12/20. Helled.  
 P.W.O.P - FRW'd 180 oil 170 water.

TD: 4970' PBD: 4660±

# Avalon Project Proposed Drillwell Waterflood



**Casing**  
 Steel  
 Fiberglass

APPROVAL	
Engineer - Subsurface	_____
Engineer - Reservoir	_____
Project Manager	_____
Drilling	_____
Engineering Supervisor	_____
Operations Superintendent	_____

*Tracer running*

**SUPPLEMENT TO APPLICATION FOR AUTHORIZATION TO INJECT  
AVALON UNIT  
EDDY COUNTY, NEW MEXICO**

- V. Two maps are attached.
- VI. Attached is a typical wellbore sketch and tabular data on wells within the area of review.
- VII. Proposed Operations

- 1. Average daily injection rate = 500 BPD  
Maximum daily injection rate = 2000 BPD  
Volume of fluids to be injected = 141,200,000 Bbls

- 2. System is open

- 3. The average and maximum injection pressures are as follows:

		<b>Avg. Press.</b>	<b>Max. Press.</b>
<b>Section 30</b>			
#1212	2486-4817	493	497
#1412	2509-4832	493	502
#1612	2492-4798	493	498
#1614	2498-4853	493	500
<b>Section 31</b>			
#1812	2467-4774	493	493
#1814	2496-4844	493	499
#1816	2520-4902	493	504
#2012	2481-4800	493	496
#2014	2495-4843	493	499
#2018	2501-4924	493	500
#2212	2496-4817	493	499
#2214	2509-4841	493	502
#2216	2505-4885	493	501
#2218	2477-4918	493	495
#2412	2535-4826	493	507
#2418	2478-4911	493	496
<b>Section 32</b>			
#2220	2489-4945	493	498
#2420	2479-4935	493	496
<b>Conversion - Section 31</b>			
#2016	2478-4880	493	496
	(formerly Yates "C" Federal #36)		

- 4. The source of water that will be injected is from the Delaware.

The water will be produced from Avalon Unit wells and 2 or 3 source water wells completed in non-productive intervals of the Lower Delaware.

- 5. NA

VIII. Geological Data

The proposed interval for injection at the Avalon (Delaware) Field is a porous and permeable zone within the Delaware Mountain Group, which in the Avalon area consists of fine sandstones and coarse siltstones of the Cherry Canyon and Brushy Canyon Formations. The estimated average top and base for the Delaware at Avalon are:

	<u>Top</u>	<u>Base</u>
Delaware Mountain Group	2494 ft. (767 ft. subsea)	4860 ft (-1599 ft. subsea) (top of the Bone Spring Fm.), 2366 ft. thick

Fresh water in this area occurs primarily in the Capitan aquifer, which occurs at approximately 750 feet deep (2500 feet subsea) (Hiss, 1976, New Mexico Bureau of Mines and Mineral Resources Resource Map 6). At Avalon, approximately 600 feet of low porosity Goat Seep Reef separate the Delaware from porous zones within the Capitan aquifer. Other potential fresh water zones (primarily the Rustler Formation) occur above the Salado salt and anhydrite. The top of the anhydrite/salt at this location is generally less than 300 feet deep. This unit serves as an effective barrier between injected and fresh water zones near the surface. No fresh water occurs below the proposed injection zone.

IX. Proposed stimulation program

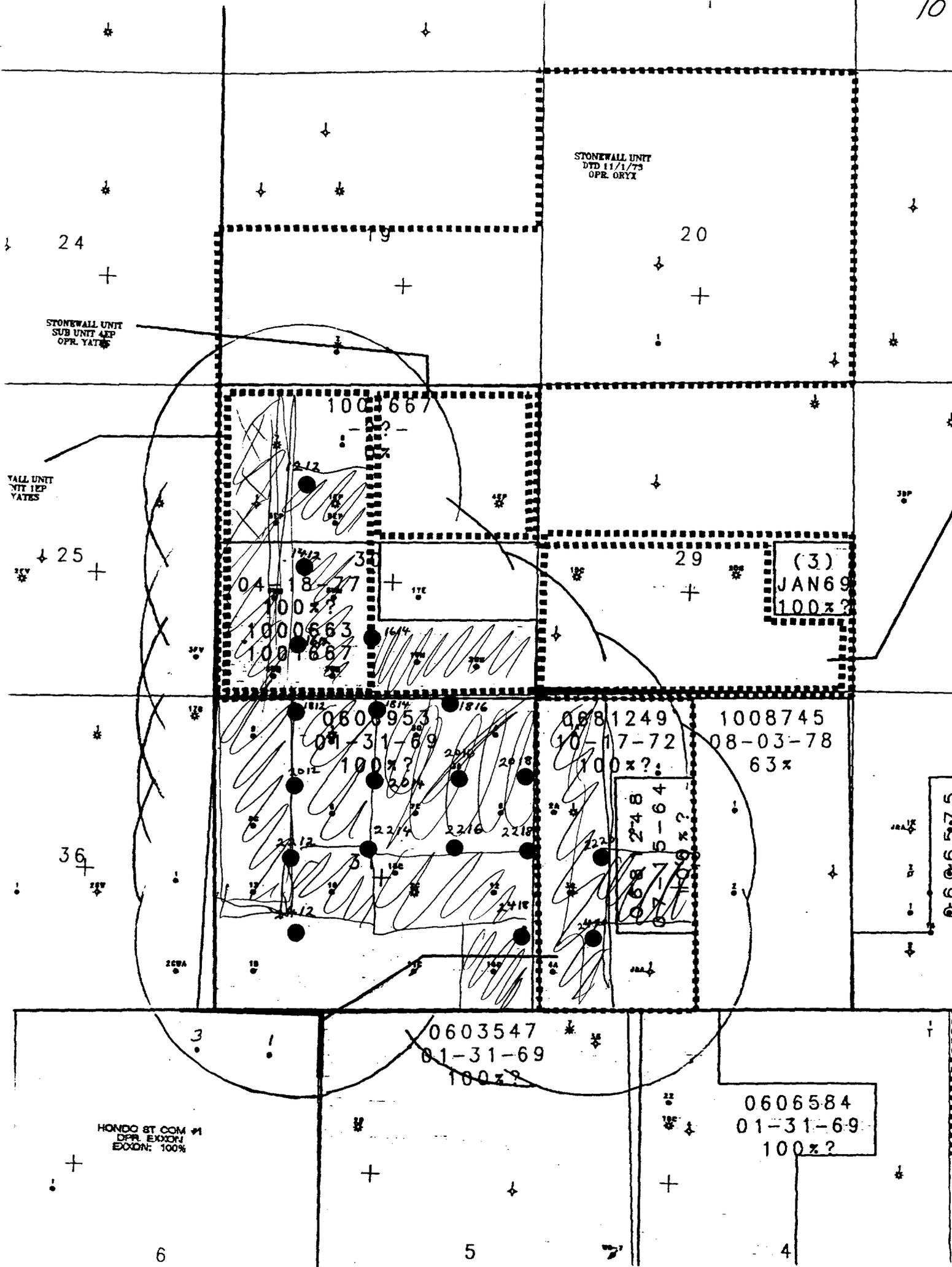
- Perforate Upper Brushy Canyon
- Spot acid across the perforations
- Frac Brushy Canyon with 30-50K # 20/40 sand. Water based frac gel.
- Isolate Brushy Canyon
- Perforate Upper Cherry Canyon
- Spot acid across the perforations
- Frac Cherry Canyon with 30-50K # 20/40 sand. Water based frac gel.
- Put wells on injection
- Run post completion injection profile

X. Log attached for Yates Federal "C" #36

XI. Chemical analysis on the fresh water well that is within one mile of the proposed wells will be forwarded separately.

XII. There are no indications of open faults or other hydrological connections between the proposed disposal interval and the shallower fresh water zones.

XIII. A signed statement of mailing of notice along with proof of publication will be submitted later.



STONEWALL UNIT  
DTD 11/1/73  
OPR. ORYX

STONEWALL UNIT  
SUB UNIT 4EP  
OPR. YATP

HALL UNIT  
NITE IEP  
YATES

HONDO ST COM #1  
OPR. EXCON  
EXCON: 100%

(3)  
JAN 69  
100x?

248  
5-64  
17-79  
100x?

0606575

0603547  
01-31-69  
100x?

0606584  
01-31-69  
100x?

24

19

20

100 667

29

25

04 18-77  
100x?  
100 663  
100 667

060 953  
01-31-69  
100x?

0881249  
10-17-72  
100x?

1008745  
08-03-78  
63x

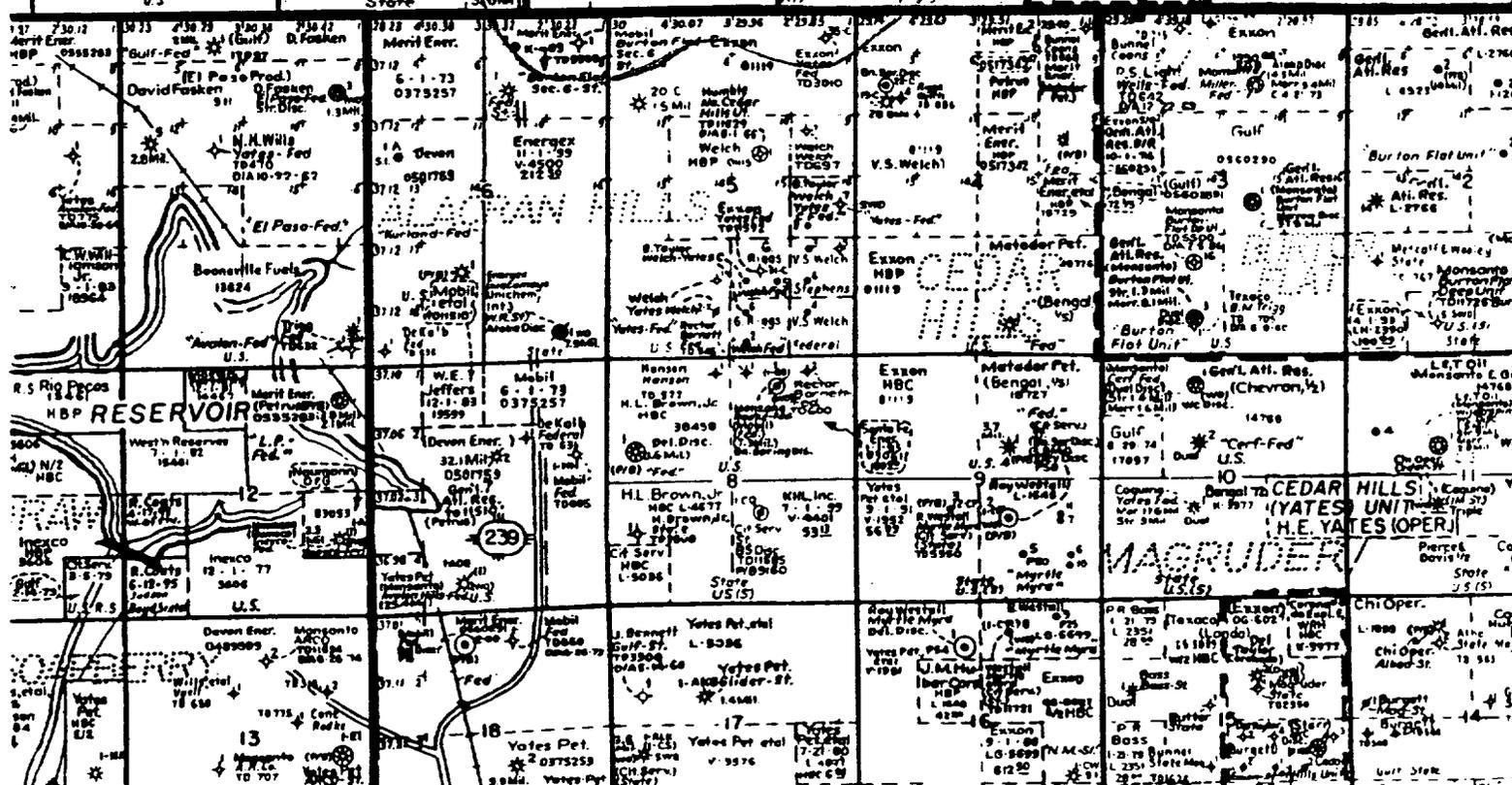
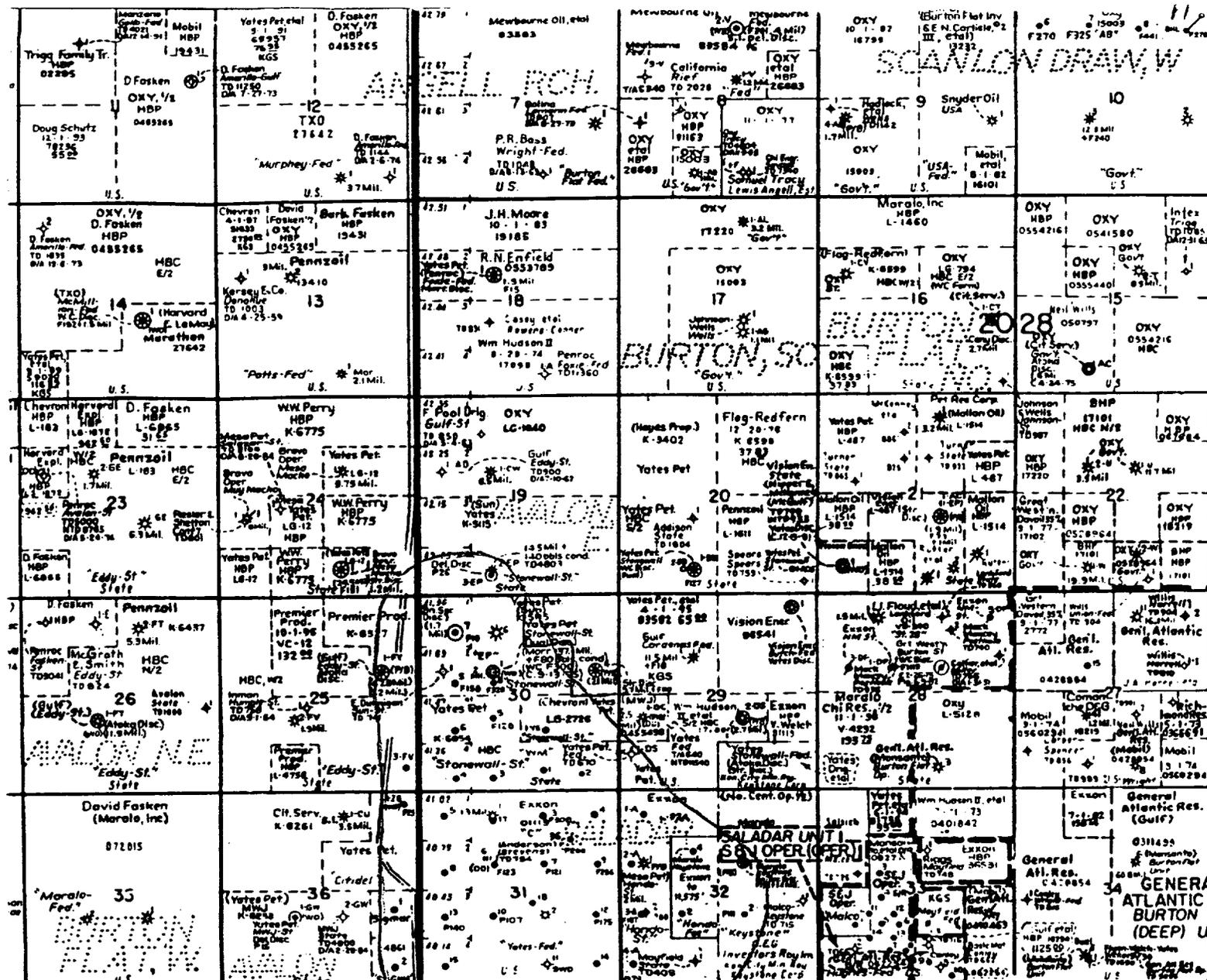
36

3

5

4

6



WELLS WITHIN 1/2 MILE RADIUS OF  
PROPOSED AVALON (DELAWARE) INJECTORS  
EDDY COUNTY, NEW MEXICO

OPERATOR	WELL NAME	STATUS	SECT. #	FOOTAGE	DATE DRILLED	DEPTH	COMPLETION (PERFS)	CSG	DEPTH	CMT (SX)
<b>T-20-S, R-28-E</b>										
Yates Pet.	Stonewall "EP" State #2	Gas	19	660 FS, 1980 FW	02/15/77	11500	11060-11070	13 3/8"	588	500
								8 5/8"	2750	1920
								5 1/2"	11458	265
Yates Pet.	Stonewall "EP" State #3	Oil	19	545 FS, 1960 FW	10/29/77	4800	4369-4399	13 3/8"	512	450
								8 5/8"	2900	1300
								5 1/2"	4797	240
Yates Pet.	Federal "DC" #1	Gas	29	1980 FS, 660 FW	09/02/78	11540	10168-10176	13 3/8"	585	550
								8 5/8"	2845	1840
								5 1/2"	11495	650
Exxon Corp.	Yates "C" Federal #6	Oil	31	1980 FNL, 1980 FWL	02/20/83	4700	3550-3595 3606-3624	8 5/8"	634	500
								5 1/2"	4699	950
Exxon Corp.	Yates "C" Federal #1	Gas	31	660 FNL, 1980 FWL	06/19/82	11470	11040-11110	13 3/8"	584	950
								9 5/8"	3154	985
								7	10395	550
Exxon Corp.	Yates "C" Federal #2	Disposal	31	1980 FS, 1980 FE	10/13/82	11901	9004-9130	13 3/8"	588	600
								9 5/8"	3027	1250
								5 1/2"	11901	1780
Exxon Corp.	Yates "C" Federal #3	Oil	31	660 FN, 1980 FE	10/20/82	4702	3400-3608	8 5/8"	605	425
								5 1/2"	4702	1050
Exxon Corp.	Yates "C" Federal #4	Oil	31	660 FNL, 660 FEL	01/06/83	4701	2574-2818	8 5/8"	618	400
								5 1/2"	4701	1050
Exxon Corp.	Yates "C" Federal #5	Oil	31	660 FNL, 660 FWL	06/08/83	4710	2506-2726 3494-3676	8 5/8"	627	1300
								5 1/2"	4704	750
Exxon Corp.	Yates "C" Federal #7	Oil	31	1980 FN, 1980 FE	05/17/83	4700	3448-3650	8 5/8"	618	400
								5 1/2"	4693	1215
Exxon Corp.	Yates "C" Federal #8	Oil	31	2180 FN, 660 FW	07/01/83	4725	2570-2690	8 5/8"	602	1200
								5 1/2"	4720	904
Exxon Corp.	Yates "C" Federal #9	Oil	31	1980 FNL, 560 FEL	05/16/83	4712	2538-2788 3580-3662	8 5/8"	617	450
								5 1/2"	4700	905
Exxon Corp.	Yates "C" Federal #12	TA	31	1980 FSL, 660 FEL	08/03/83	5000		13 3/8"	598	670
								8 5/8"	2495	850
								5 1/2"	4992	900
Exxon Corp.	Yates "C" Federal #10	Oil	31	1980 FSL, 1980 FWL	07/01/83	5000	2548-2714	13 3/8"	632	525
								8 5/8"	2525	850
								5 1/2"	4988	950
Exxon Corp.	Yates "C" Fed. #WD-11	Disposal	31	660 FS, 1980 FE	03/13/84	5000	3955-3982	13 3/8"	600	525
								8 5/8"	2448	850
								5 1/2"	4990	900
Exxon Corp.	Yates "C" Federal #14	TA	31	660 FS, 660 FE	10/27/83	3890		13 3/8"	590	930
								8 5/8"	2493	1025
								5 1/2"	3890	500
Exxon Corp.	Yates "C" Federal #15	TA	31	660 FSL, 660 FWL	12/10/83	4930		13 3/8"	596	1000
								8 5/8"	2513	1300
								5 1/2"	4923	1150

OPERATOR	WELL NAME	STATUS	SECT. #	FOOTAGE	DATE DRILLED	DEPTH	COMPLETION (PERFS)	CSG	DEPTH	CMT (SX)
T-20-S, R-28-E (continued)										
Exxon Corp.	Yates "C" Federal #13	Oil	31	1980 FSL, 660 FWL	07/31/83	4930	2596-2732 3602-3634	13 3/8" 8 5/8" 5 1/2"	619 2493 4924	750 1700 1800
Exxon Corp.	Yates "C" Federal #17	Oil	31	760 FNL, 1980 FWL	09/19/83	3897	2568-2605 3562-3626	13 3/8" 8 5/8" 5 1/2"	606 2482 3887	1050 930 750
Exxon Corp.	Yates "C" Federal #18	TA	31	2310 FS, 2310 FE	10/20/83	3885		13 3/8" 8 5/8" 5 1/2"	593 2491 3876	700 925 525
Yates Pet	Stonewall "EP" State #1	Gas	30	1980 FN, 1980 FW	09/25/75	11478	10079-10097	13 3/8" 8 5/8" 5 1/2"	612 2799 11380	550 1650 1300
Yates Pet	Stonewall "WM" State #1	Oil	30	560 FS, 1980 FE	06/02/83	4953	2587-2680	20" 10 3/4" 8 5/8" 5 1/2"	40 545 2485 4953	--- 500 1350 700
Yates Pet	Stonewall "WM" State #3	Oil	30	330 FS, 1980 FW	07/22/83	4865	2530-2622 3422-3602	13 3/8" 8 5/8" 5 1/2"	545 2470 4864	650 550 500
Yates Pet	Stonewall "WM" State #2	Inact. Oil	30	450 FS, 990 FE	08/07/84	5450	4960-5216	13 3/8" 8 5/8" 5 1/2"	546 2410 4960	550 1050 750
Yates Pet	Stonewall "WM" State #4	Oil	30	330 FS, 990 FW	11/22/83	4860	2524-2727 3620-3671	20" 13 3/8" 8 5/8" 5 1/2"	40 535 2642 4860	--- 500 1300 750
Yates Pet	Stonewall "WM" State #5	Oil	30	1650 FS, 1980 FW	11/10/83	4900	3330-3367 3487-3515 3570-3576	13 3/8" 8 5/8" 5 1/2"	535 2404 4900	600 1355 700
Yates Pet	Stonewall "YE" State #1	Oil	30	1650 FS, 1980 FE	12/29/83	4950	2595-2732	20" 13 3/8" 8 5/8" 5 1/2"	40 543 2415 4950	--- 550 900 750
Yates Pet	Stonewall "EP" State #5	Oil	30	2310 FN, 990 FW	03/14/84	4870	3361-3730 4142-4346	13 3/8" 8 5/8" 5 1/2"	544 2420 4870	500 1600 800
Yates Pet	Stonewall "WM" State #6	Oil	30	1650 FS, 990 FW	12/27/83	4860	3349-3527	20" 13 3/8" 8 5/8" 5 1/2"	40 535 2410 4860	--- 550 800 800
Yates Pet	Stonewall "EP" State #7	Oil	30	990 FNL, 990 FWL	01/19/84	5107	4979-4983	20" 13 3/8" 8 5/8" 5 1/2"	40 538 2372 5100	--- 500 1120 900
Yates Pet	Stonewall "EP" State #6	Gas	30	990 FNL, 2080 FWL	04/20/85	5100	4983-4992	13 3/8" 8 5/8" 5 1/2"	537 2469 5098	400 1050 600
Yates Pet	Stonewall "EP" State #8	Oil	30	2310 FN, 1980 FW	04/04/84	5303	3384-3412 3434-3541 3622-3688	13 3/8" 8 5/8" 5 1/2"	540 2404 5303	425 950 750

14

OPERATOR	WELL NAME	STATUS	SECT. #	FOOTAGE	DATE DRILLED	DEPTH	COMPLETION (PERFS)	CSG	DEPTH	CMT (SX)
<b>T-20-S, R-28-E</b> (continued)										
Exxon Corp.	Hondo-State Com #1	Gas	32	1980 FN, 660 FW	05/02/77	11475	10385-10705	13 3/8"	565	800
								9 5/8"	2790	1750
								5 1/2"	11475	825
Maralo	Keystone #1	Gas	32	1980 NL, 1980 FEL	01/25/78	11600	6298-6503	13 3/8"	608	695
								8 5/8"	3010	1100
								4 1/2"	11600	875
Exxon Corp.	Hondo "A" State #1	Oil	32	660 FN, 660 FW	02/14/83	4050	2654-2709	8 5/8"	610	400
								5 1/2"	4042	780
Exxon Corp.	Hondo "A" State #3	Oil	32	1980 FS, 610 FW	05/24/83	4050	2506-2598	13 3/8"	590	880
								8 5/8"	2410	1450
								5 1/2"	4050	550
Exxon Corp.	Hondo "A" State #2	Oil	32	1980 FN, 330 FW	03/05/83	4047	2605-2620 2640-2660 3622-3636	8 5/8"	610	400
								5 1/2"	4047	770
Exxon Corp.	Hondo "A" State #4	Oil	32	660 FS, 330 FW	06/12/83	3808	2585-2620	13 3/8"	590	800
								8 5/8"	2445	1330
								5 1/2"	3808	450
Exxon Corp.	Hondo Fee #2	Oil	32	1980 FS, 1650 FW	07/15/83	2813	2542-2556 2602-2612 2628-2640	13 3/8"	588	630
								8 5/8"	2422	1300
								5 1/2"	2813	135
Maralo Inc	Keystone #2	---	32	1980 FSL, 1980 FEL	08/29/94	6700	6307-6514	13 3/8"	502	875
								8 5/8"	2557	1300
								5 1/2"	6700	890
Maralo Inc	Keystone #4	---	32	1650 FNL, 1980 FWL	01/22/95	6650	6283-6484	13 3/8"	504	550
								8 5/8"	2518	1200
								5 1/2"	6650	750
<b>T-20-S, R-27-E</b>										
MWJ Prod.	State "GWA" #1	Oil	36	2180 FS, 660 FE	12/10/80	4845	4724-4731 4740-4758 4764-4766	13 3/8"	410	400
								8 5/8"	2405	1200
								5 1/2"	4845	600
MWJ Prod.	State "GWA" #2	Oil	36	660 FS, 660 FE	09/13/84	4825	4367-4373	13 3/8"	502	500
								8 5/8"	2400	1350
								5 1/2"	4825	550
Yates Pet.	Citdale "ZG" #1	Gas	36	330 RN, 330 FE	08/03/84	5100	4871-4880 5023-5026	13 3/8"	408	325
								8 5/8"	2390	800
								4 1/2"	5100	710
Premier Prod.	Eddy "FV" State Com #1	Gas	25	1980 FN, 990 FE	05/12/76	11450	10014-10028	20"	30	---
								13 3/8"	642	650
								9 5/8"	3050	1350
								5 1/2"	11450	1070
Premier Prod.	Eddy "FV" State #3	Inact. Oil	25	660 FS, 330 FE	04/29/84	4975	2710-2716 2723-2725 2738-2740	13 3/8"	500	500
								8 5/8"	2450	1800
								5 1/2"	4975	800

OPERATOR	WELL NAME	STATUS	SECT. #	FOOTAGE	DATE DRILLED	DEPTH	COMPLETION (PERFS)	CSG	DEPTH	CM (SX)
<b>T-21-S, R-27-E</b>										
Mobil Producing	Burton Flat "Sec 6" St #1	D & A	6	660 FNL, 660 FEL	02/19/87	5500		13 3/8"	457	600
								8 5/8"	2599	1300
								5 1/2"	5500	1000
Mobil Producing	Burton Flat "Sec 6" St #3	Inact. Oil	6	660 FN, 1980 FE	07/27/84	6100	4642-4652	13 3/8"	463	600
								9 5/8"	2500	1500
								7"	6100	1375
Exxon Corp.	Yates "C" Federal #35	Disposal	5	563 FNL, 560 FEL	10/30/85	3110	2702-2898 2950-3098	13 3/8"	629	950
								8 5/8"	2592	1300
								5 1/2"	3110	550

--- = Information not available

Data Source: Petroleum Information, Scout Tickets, Well Files

Schlumberger

COMPENSATED NEUTRON LITHO-DENSITY

COUNTY EDDY	FIELD AVALON (DELAWARE)	LOCATION 1306' FNL & FEL	WELL YATES 'C' FEDERAL NO. 36	COMPANY EXXON COMPANY USA	COMPANY EXXON COMPANY USA				
					WELL YATES 'C' FEDERAL NO. 36				
FIELD AVALON (DELAWARE)					COUNTY EDDY STATE NEW MEXICO				
LOCATION 1306' FNL & FEL					Other Services LDT/CNL DLL/RXO NGT/EPT PHASOR/BHC RFT LOGNET				
API SERIAL NO. 30-015-263700					SECT. 31	TWP. 20-S	RANGE 28-E		
Permanent Datum GL					Elev. 3237.0 F		Elev.: K.B.3247		
Log Measured From KB					10.0 F		above Perm. Datum D.F.		
Drilling Measured From KB							G.L.3237		
Date		14-SEP-1990							
Run No.		ONE							
Depth Driller		4970.0 F							
Depth Logger (Schl.)		4972.0 F							
Btm. Log Interval		4939.0 F							
Top Log Interval		2419.0 F							
Casing-Driller		8 5/8 @ 2419.0 F							
Casing-Logger		2419.0 F							
Bit Size		7 7/8"							
Type Fluid in Hole		CUT BRINE							
Dens.	Visc.	9.40 LB/G		32.0 S					
pH	Fld. Loss	7.5		10.0 C3					
Source of Sample		FLOWLINE							
Rm @ Meas. Temp.	.156 OHMM		@ 71.0 DEGF						
Rmt @ Meas. Temp.	.126 OHMM		@ 71.0 DEGF						
Rmc @ Meas. Temp.	.244 OHMM		@ 71.0 DEGF						
Source: Rmt	Rmc	PRESS		PRESS					
Rm @ BHT	.106 OHMM		@ 108. DEGF						
Circulation Ended									
Logger on Bottom		SEE LOG							
Max. Rec. Temp.		108. DEGF							
Equip.	Location	8329		ROSWELL					
Recorded By		PAT SULLIVAN							
Witnessed By		CANTRELL/LUKAS/GANAPATHY/THOMAS							



NGTC TOOL CHECK

NGTC CARTRIDGE NUMBER : 935  
 NGTC DETECTOR NUMBER : 949  
 NGTC CALIBRATOR NUMBER : 11  
 GSR-U/Y REFERENCE (GAPI) : 164

SGR	BEFORE 164		AFTER 165 SURVEY		UNITS
	MEASURED BKG	AFTER JIG	NORM VAL	BEFORE NORM VAL	GAPI
W1NG	59.0	456.8	388.2	387.6	CPS
W2NG	20.6	200.2	175.2	173.7	CPS
W3NG	5.9	31.5	25.0	23.2	CPS
W4NG	1.5	16.7	14.8	14.8	CPS
W5NG	1.4	26.2	24.2	24.2	CPS

PCSL -208 KEY OFFSET

DETECTOR RESOLUTION : 11.5 %  
 P.M. HIGH VOLTAGE : 1603.8 V  
 THORIUM PEAK FORM FACTOR : -.16  
 SHOP QUALITY WINDOWS RATIO: 2.24  
 QUALITY WINDOWS RATIO : 2.23

BEFORE SURVEY: BACK: 14-SEP-1990 11:47 JIG: 14-SEP-1990 11:57  
 AFTER SURVEY CHECK: BACK: 14-SEP-1990 19:50 JIG: 14-SEP-1990 19:57

CNTH TOOL CHECK

INPUT	BEFORE JIG	AFTER JIG
CNTC	2842.84	2827.46
CFTC	1193.21	1194.21

CHANGE IN THERMAL POROSITY AT 20 PU IS -.212 PU

BEFORE SURVEY: BACK: 14-SEP-1990 11:47 JIG: 14-SEP-1990 11:57  
 AFTER SURVEY CHECK: BACK: 14-SEP-1990 19:50 JIG: 14-SEP-1990 19:57

ACCUMULATED INTEGRATION VALUES SUMMARY:

IHV: 1093.57 F3 FROM 4972.00 F TO 2419.00 F  
 ICV: 672.355 F3 FROM 4972.00 F TO 2419.00 F

EVENT MARK SUMMARY:

OUTPUT	INTERVAL BETWEEN PIPS	DEPTH TRACK EDGE
IHV	10.0000 F3	LEFT EDGE
ICV	10.0000 F3	RIGHT EDGE

6.0000	CALICIM )	16.0000		
0.0	SGR (GAPI)	100.00	DRHO(G/C3)	
0.0	CGR (GAPI)	100.00	-.0500	.45000
10000.	TENS(LRF)	0.0	2.0000	RHOB(G/C3)
100.00	SGR (GAPI)	200.00	.30000	3.0000
				MPOR(Y/Y)
				-.1000
				MPOR(Y/Y)
				.30000

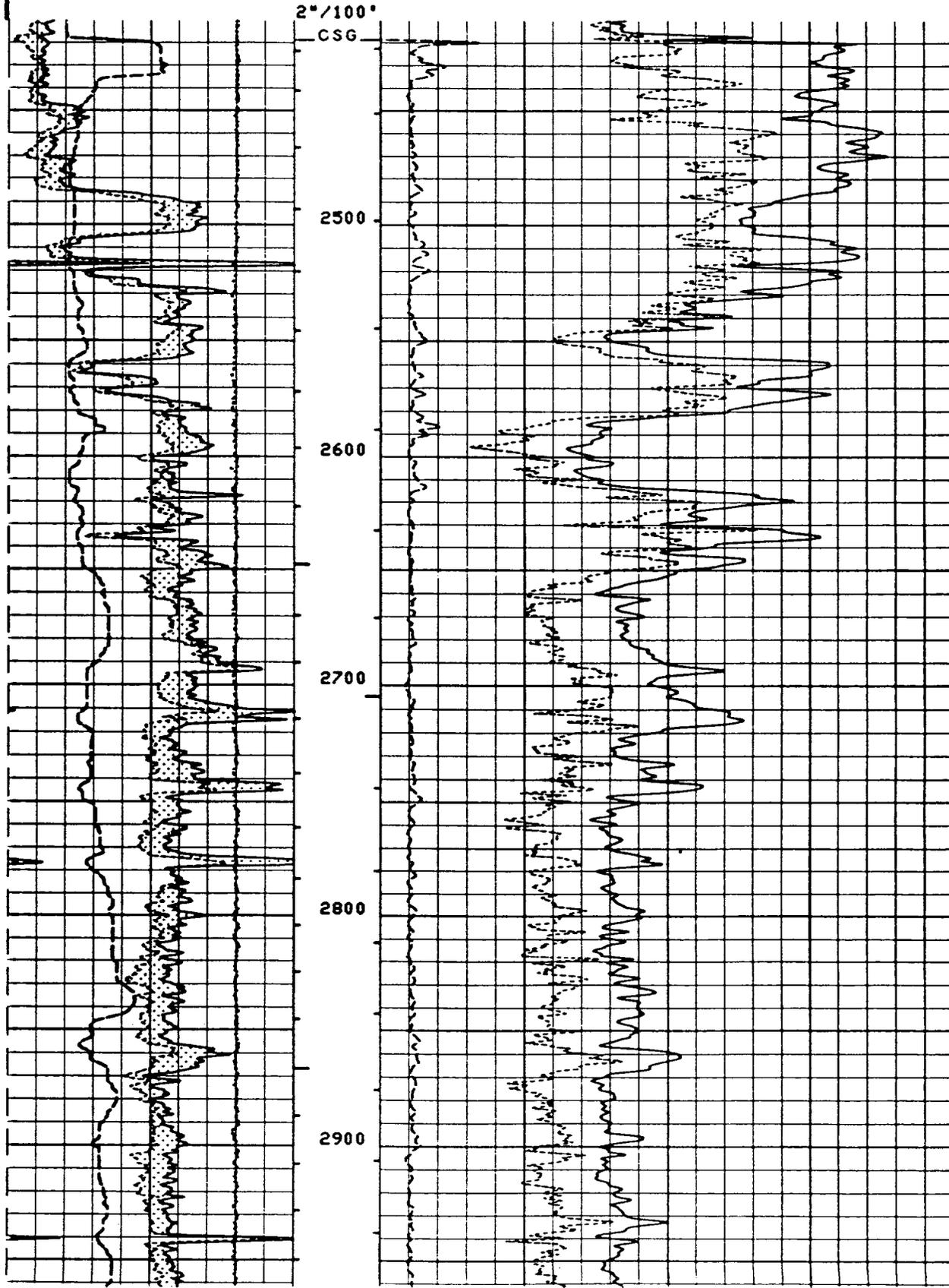
CP 32.4

FILE 7

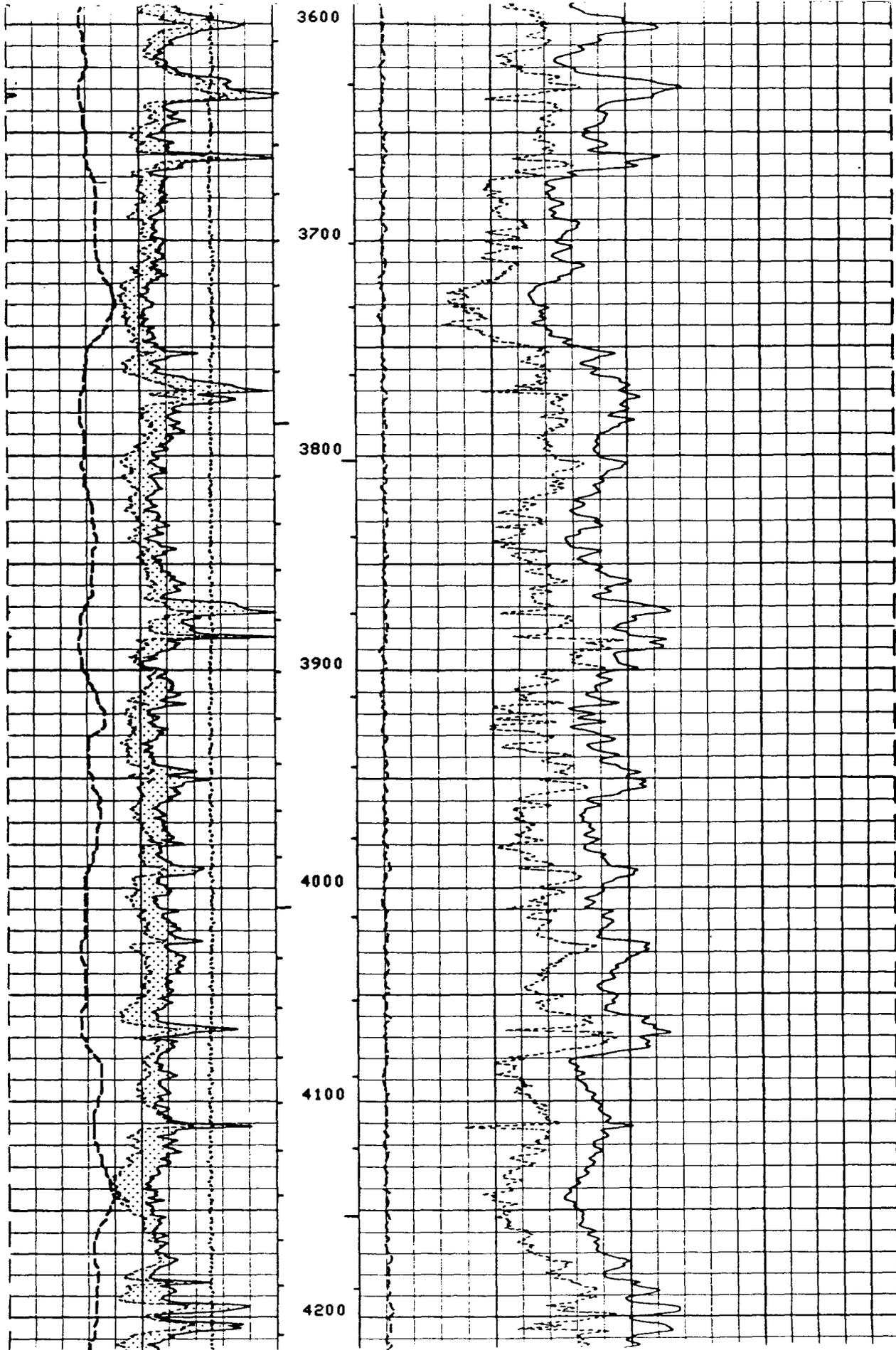
14-SEP-1990 21:15

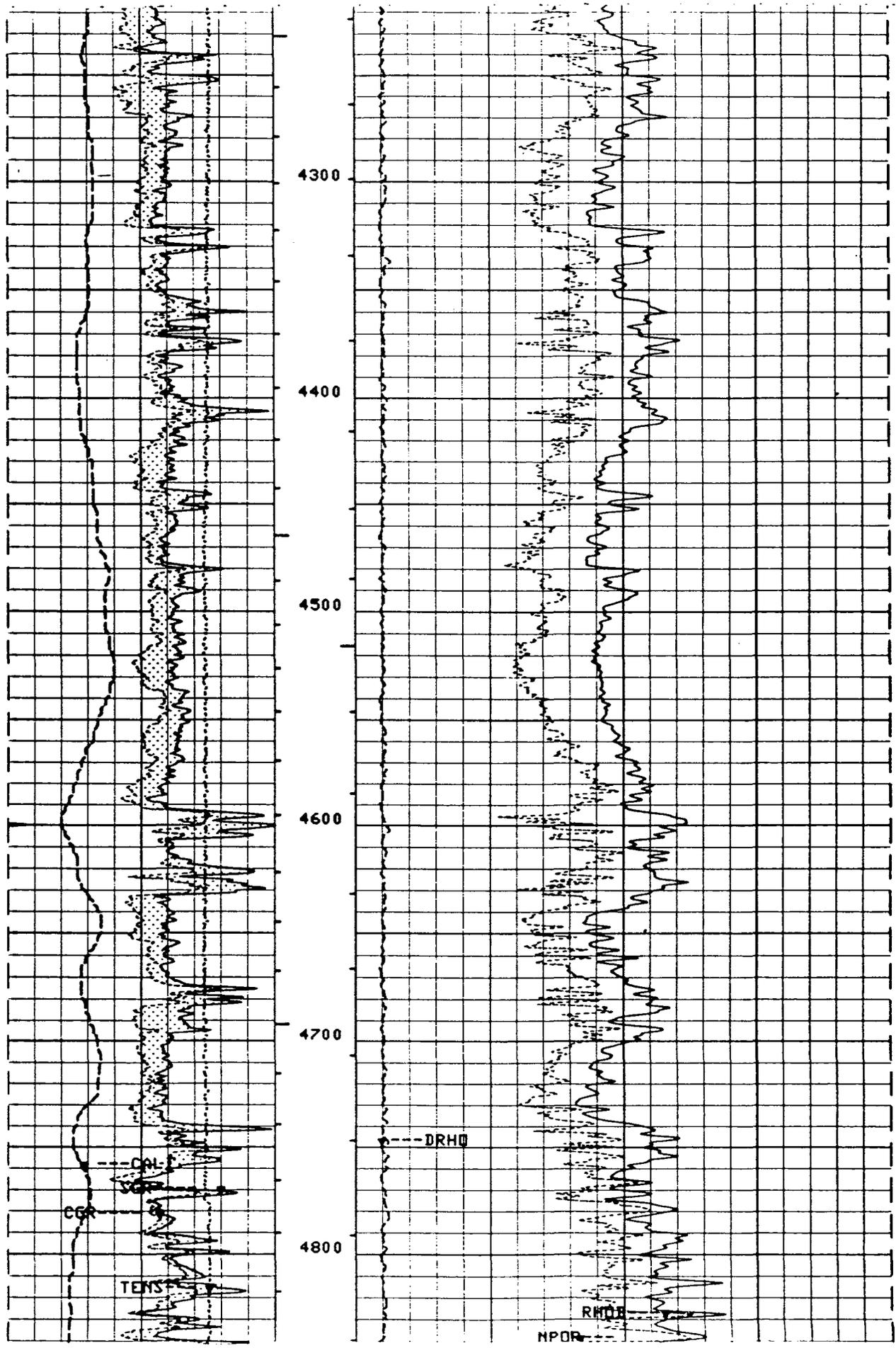
INPUT FILE(S)  
13

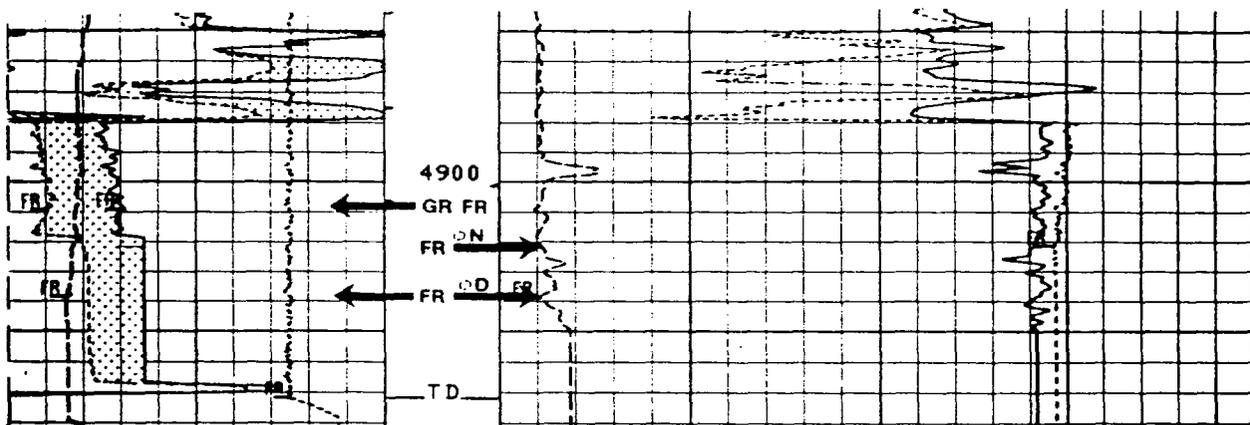
DATA ACQUIRED  
14-SEP-1990 15:50











2"/100"

CP 32.4 FILE 7 14-SEP-1990 21:07

INPUT FILE(S)  
13

DATA ACQUIRED  
14-SEP-1990 15:50

CALI(IN )		DRHO(G/C3)	
6.0000	16.000	-.0500	.45000
SGR (GAPI)		RHOB(G/C3)	
0.0	100.00	2.0000	3.0000
CGR (GAPI)		NPDR(V/V )	
0.0	100.00	.30000	-.1000
TENS(LBF )		NPDR(V/V )	
10000.	0.0	.70000	.30000
SGR (GAPI)			
100.00	200.00		

SENSOR MEASURE POINT TO TOOL ZERO

DV1 14.9 FEET	CAL1 2.8 FEET
SV0 14.9 FEET	S10 14.9 FEET
DV0 14.9 FEET	D10 14.9 FEET
CALS 3.1 FEET	DLCS .6 FEET
W2NG 62.7 FEET	W1NG 62.7 FEET
W4NG 62.7 FEET	W3NG 62.7 FEET
CFTC 50.9 FEET	W5NG 62.7 FEET
LITH 33.3 FEET	CNTC 50.4 FEET
LS 33.3 FEET	LL 33.3 FEET
PARI 32.8 FEET	LU 33.3 FEET
SS2 32.8 FEET	SS1 32.8 FEET
TENS .6 FEET	CALI 33.4 FEET
CMSF 1.1 FEET	I1 1.3 FEET
TNRA 51.4 FEET	SGR 62.7 FEET

PARAMETERS

NAME	VALUE	UNIT	NAME	VALUE	UNIT
PP	NORM		DD	0.0	F
WMUD	9.40000	LB/G	TD	4972.00	F
FCD	5.50000	IN	DHC	NONE	
BFM	LIGU		MDEN	2.71000	G/C3
FD	1.05000	G/C3	DPPM	STAN	
MATR	LIME		HC	CALI	
NPDC	0		HSCD	YES	
SQCD	NO		MCCD	NO	
BSCD	NO		FSCD	NO	
MWCD	NO		PTCD	NO	
SDAT	SOCDN		MCQR	NATU	
SOCDN	.500000	IN	FSAL	-50000.0	PPM
ANGL	0.0	DEG	GGRD	.0100000	DF/F
BHFL	WATE		PCSL	-208	KEY
NFD	KALM		CBAR	1.00000	
PMUD	0.0	%	GTSE	TEMP	



# Laboratory Services, Inc.

1331 Tasker Drive  
Hobbs, New Mexico 88240

Telephone: (505) 397-3713

## WATER ANALYSIS

COMPANY Exxon Company USA

SAMPLE Don Rains

SAMPLED BY Exxon

DATE TAKEN 06-05-95

REMARKS

Barium as Ba	0.00
Carbonate alkalinity PPM	0
Bicarbonate alkilinity PPM	144
pH at Lab	7.06
Specific Gravity @ 60° F	1.004
Magnesium as Mg	1,376
Total Hardness as CaCO3	2,372
Chlorides as Cl	760
Sulfate as SO4	2,500
Iron as Fe	0.65
Potassium	0.47
Hydrogen Sulfide	0.00
Resistivity Ohms	22.2° C
Total Dissolved Solids	2,720
Calcium as CA	996
Nitrate	15.40

Results reported as Parts per Million unless stated

Langelier Saturation Index +0.19

Analysis by Rolland Perry

Date: 06-07-95



WELLS WITHIN 1/2 MILE RADIUS OF  
 PROPOSED AVALON (DELAWARE) INJECTORS  
 EDDY COUNTY, NEW MEXICO

OPERATOR	WELL NAME	STATUS	SECT. #	FOOTAGE	DATE DRILLED	DEPTH (PERFS)	COMPLETION	CSG.	DEPTH	CMT (SX)	TOC	HOW TOC DETERMINED
Exxon Corp.	Yates "C" Federal #12	TA	31	1980 FSL, 660 FEL	08/03/83	5000 2528-2624 3655-3684		13 3/8" 8 5/8" 5 1/2"	598 2495 4992	670 865 900	Surface Surface Surface	Circ Circ Circ
Exxon Corp.	Yates "C" Federal #10	Oil	31	1980 FSL, 1980 FWL	07/01/83	5000 2548-2714		13 3/8" 8 5/8" 5 1/2"	632 2525 4988	525 850 950	Surface Surface 620	Circ Circ Calculated
Exxon Corp.	Yates "C" Fed. #WD-11	Disposal	31	660 FS, 1980 FE	03/13/84	5000 3955-3982		13 3/8" 8 5/8" 5 1/2"	600 2448 4990	525 850 900	Surface Surface 2550	Circ Circ Squeeze job
Exxon Corp.	Yates "C" Federal #14	TA	31	660 FS, 660 FE	10/27/83	3890 2598-2636		13 3/8" 8 5/8" 5 1/2"	590 2493 3890	930 1025 500	Surface Surface 2446	Circ Circ Temp Survey
Exxon Corp.	Yates "C" Federal #15	TA	31	660 FSL, 660 FWL	12/10/83	4930 2704-2597 4422-4429 4714-4718		13 3/8" 8 5/8" 5 1/2"	596 2513 4923	1000 1300 1150	410 Surface Surface	Temp Survey Circ Circ
Exxon Corp.	Yates "C" Federal #13	Oil	31	1980 FSL, 660 FWL	07/31/83	4930 2596-2732 3602-3634		13 3/8" 8 5/8" 5 1/2"	619 2493 4924	750 1980 1800	Surface Surface Surface	Circ Circ Circ
Exxon Corp.	Yates "C" Federal #17	Oil	31	760 FNL, 1980 FWL	09/19/83	3897 2568-2605 3562-3626		13 3/8" 8 5/8" 5 1/2"	606 2482 3887	1050 930 750	Surface Surface Surface	Circ Circ Circ
Exxon Corp.	Yates "C" Federal #18	TA	31	2310 FS, 2310 FE	10/20/83	3885 2596-2757 3630-3640		13 3/8" 8 5/8" 5 1/2"	593 2491 3876	700 925 525	Surface Surface 1367	Circ Circ Temp Survey
Yates Pet	Stonewall "EP" State #1	Gas	30	1980 FN, 1980 FW	09/25/75	11478 10079-10097		13 3/8" 8 5/8" 5 1/2"	612 2799 11380	550 1650 1300	Surface Surface 4800	Circ Circ Temp Surv SQ - 2600'
Yates Pet	Stonewall "VM" State #1	Oil	30	560 FS, 1980 FE	06/02/83	4953 2587-2680		13 3/4" 8 5/8" 5 1/2"	545 2485 4953	500 1950 700	Surface Surface 1475	Circ Circ Temp Surv

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EDDY COUNTY, NEW MEXICO

OPERATOR	WELL NAME	STATUS	SECT. #	FOOTAGE	DATE DRILLED	DEPTH	COMPLETION (PERFS)	CSG	DEPTH	CMT (SX)	TOC	HOW TOC DETERMINED
Yates Pet	Stonewall "WM" State #3	Oil	30	330 FS, 1980 FW	07/22/83	4865	2530-2622 3422-3602	13 3/8" 8 5/8" 5 1/2"	545 2470 4864	650 550 500	Surface Surface 2430	Circ Circ CBL
Yates Pet	Stonewall "WM" State #2	Inact. Oil	30	450 FS, 990 FE	08/07/84	5450	4960-5216	13 3/8" 8 5/8" 5 1/2"	546 2410 4960	550 1050 750	Surface Surface 1500	Circ Circ Temp Surv
Yates Pet	Stonewall "WM" State #4	Oil	30	330 FS, 990 FW	11/22/83	4860	2524-2727 3620-3671	20" 13 3/8" 8 5/8" 5 1/2"	40 535 2642 4860	--- 500 1300 750	Surface Surface Surface 600	Circ Circ Circ CBL
Yates Pet	Stonewall "WM" State #5	Oil	30	1650 FS, 1980 FW	11/10/83	4900	3330-3367 3487-3515 3570-3576	13 3/8" 8 5/8" 5 1/2"	535 2404 4900	600 1355 700	Surface Surface 930	Circ Circ CBL
Yates Pet	Stonewall "YE" State #1	Oil	30	1650 FS, 1980 FE	12/29/83	4950	2595-2732	20" 13 3/8" 8 5/8" 5 1/2"	40 543 2415 4950	--- 550 900 750	Surface Surface Surface <2100	Circ Circ Circ CBL
Yates Pet	Stonewall "EP" State #5	Oil	30	2310 FN, 990 FW	03/14/84	4870	3361-3730 4142-4346	13 3/8" 8 5/8" 5 1/2"	544 2420 4870	500 1600 800	Surface Surface 880	Circ Circ CBL
Yates Pet	Stonewall "WM" State #6	Oil	30	1650 FS, 990 FW	12/27/83	4860	3349-3527	20" 13 3/8" 8 5/8" 5 1/2"	40 535 2410 4860	--- 550 800 800	Surface Surface Surface 190	Circ Circ Circ CBL
Yates Pet	Stonewall "EP" State #7	Oil	30	990 FNL, 990 FWL	01/19/84	5107	4979-4983	20" 13 3/8" 8 5/8" 5 1/2"	40 538 2372 5100	--- 500 1120 900	Surface Surface Surface <2300	Circ Circ Circ CBL
Yates Pet	Stonewall "EP" State #6	Gas	30	990 FNL, 2080 FWL	04/20/85	5100	4983-4992	13 3/8" 8 5/8" 5 1/2"	537 2469 5098	400 1725 600	Surface Surface 1950	Circ Circ CBL
Yates Pet	Stonewall "EP" State #8	Oil	30	2310 FN, 1980 FW	04/04/84	5303	3384-3412 3434-3541 3622-3688	13 3/8" 8 5/8" 5 1/2"	540 2404 5303	425 950 750	Surface Surface 1890	Circ Circ CBL



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 EDDY COUNTY, NEW MEXICO

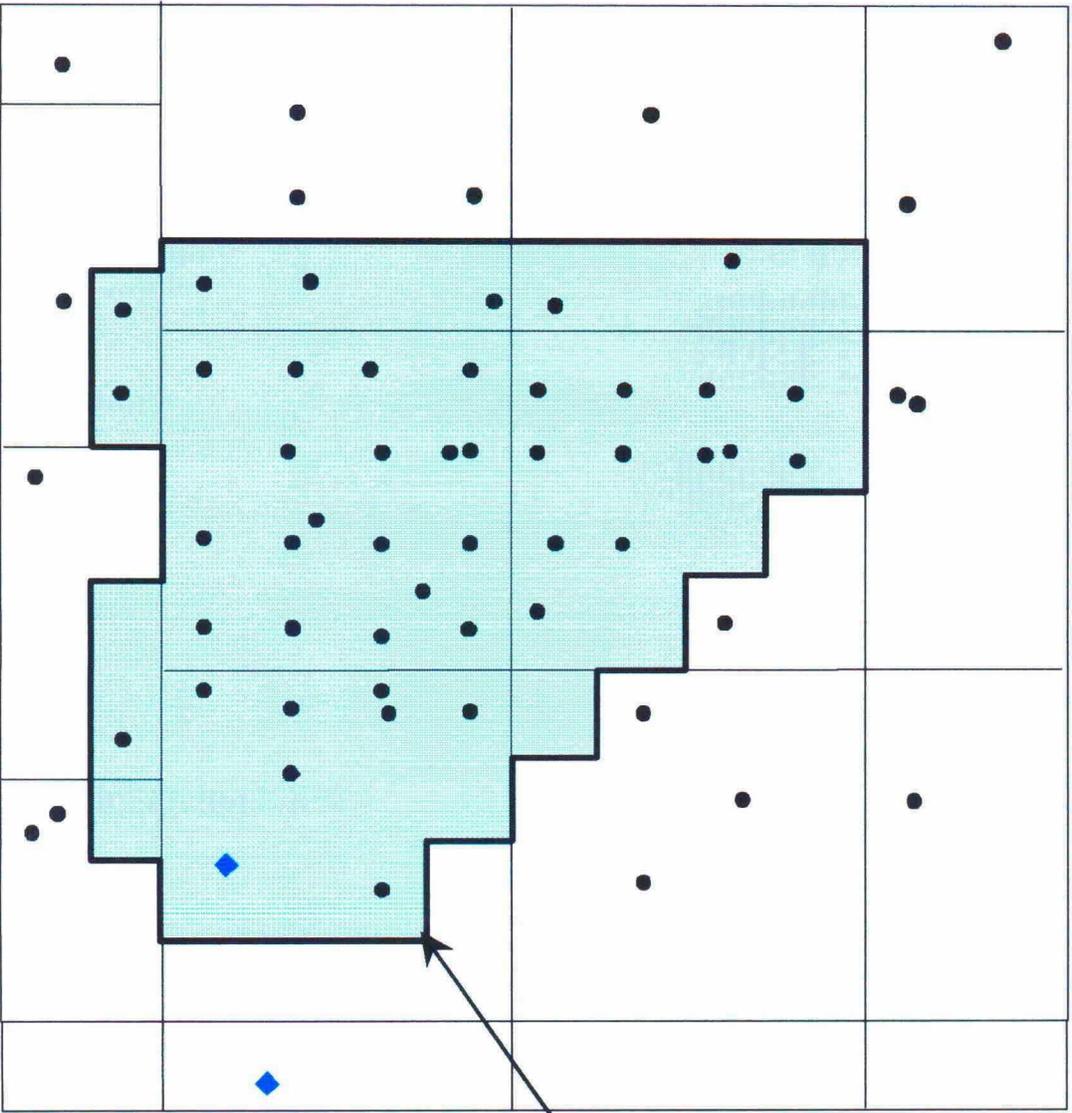
OPERATOR	WELL NAME	STATUS	SECT. #	FOOTAGE	DATE DRILLED	DEPTH	COMPLETION (PERFS)	CSG.	DEPTH	CMT (SX)	TOC	HOW TOC DETERMINED
<b>T-20.S. R-27.E</b>												
MMUJ Prod.	State "GWA" #1	Oil	36	2180 FS, 660 FE	12/10/80	4845	4724-4766	13 3/8"	410	400	Surface	Circ
								8 5/8"	2405	1200		
								5 1/2"	4845	600	2270	Temp Survey
MMUJ Prod.	State "GWA" #2	Oil	36	660 FS, 660 FE	09/13/84	4825	4367-4373	13 3/8"	502	500	1480 T. S.	Final TOC @ 833'
								8 5/8"	2400	1350	2620	Temp Survey
								5 1/2"	4825	550		
Yates Pet.	Citadel "ZG" #1	Gas	36	330 RN, 330 FE	08/03/84	5100	4871-4880	13 3/8"	408	325	Surface	Circ
								8 5/8"	2390	800		
								4 1/2"	5100	710	<2100	CBL
Premier Prod.	Eddy "FV" State Com #1	Gas	25	1980 FN, 990 FE	05/12/76	11450	10014-10028	20"	30	---		
								13 3/8"	642	650		
								9 5/8"	3050	1350	1017	Calculated
								5 1/2"	11450	1070	6084	Calculated
Premier Prod.	Eddy "FV" State #3	Inact Oil	25	660 FS, 330 FE	04/29/84	4975	2710-2716	13 3/8"	500	500	Surface	Calculated
								8 5/8"	2450	1800		
								5 1/2"	4975	800	963	Calculated
<b>T-21.S. R-27.E</b>												
Exxon Corp.	Burton Flat "Sec 6" St #1	Inact Oil	6	660 FNL, 660 FEL	02/19/87	5500		13 3/8"	457	600	Surface	Circ
								8 5/8"	2599	1300		
								5 1/2"	5500	1000	1050	Temp Survey
Exxon Corp.	Burton Flat "Sec 6" St #3	Inact Oil	6	660 FN, 1980 FE	07/27/84	6100	4642-4652	13 3/8"	463	600	Surface	Circ
								9 5/8"	2500	1500		
								7"	6100	1575		
Exxon Corp.	Yates "C" Federal #35	Disposal	5	563 FNL, 560 FEL	10/30/85	3110	2702-2898	13 3/8"	629	950	Surface	Circ
								8 5/8"	2592	1300		
								5 1/2"	3110	550	Surface	Circ

... = Information not available

Data Source: Petroleum Information, Scout Tickets, Well Files

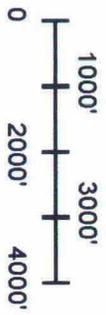
**AVALON (DELAWARE) UNIT**

**FRESH WATER WELLS**



**Proposed Unit Area**

- Wells
- ◆ Fresh Water Wells



NMOCD Hearing

June, 1995

Exhibit No. **34**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995



**Laboratory Services, Inc.**

1331 Tasker Drive  
Hobbs, New Mexico 88240

Telephone: (505) 397-3713

**WATER ANALYSIS**

COMPANY Exxon Company USA

SAMPLE Riggs/Hood

SAMPLED BY Exxon

DATE TAKEN 6-6-95 7:00 AM

REMARKS

Barium as Ba	0.00
Carbonate alkalinity PPM	0
Bicarbonate alkalinity PPM	116
pH at Lab	7.02
Specific Gravity @ 60° F	1.004
Magnesium as Mg	1,218
Total Hardness as CaCO <sub>3</sub>	2,100
Chlorides as Cl	372
Sulfate as SO <sub>4</sub>	2,625
Iron as Fe	0.10
Potassium	0.31
Hydrogen Sulfide	0.00
Resistivity Ohms	22.2° C
Total Dissolved Solids	2,040
Calcium as CA	882
Nitrate	17.60

Results reported as Parts per Million unless stated

Langelier Saturation Index -0.01

Analysis by Rolland Perry

Date: 06-07-95

Exhibit No. **35**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

**AVALON (DELAWARE) UNIT**

**RESERVES BY TRACT\***

TRACT	REMAINING PRIMARY RESERVES	WATERFLOOD RESERVES	TERTIARY RESERVES
1	0.00	0.00	203.90
2	741.80	4,368.20	18,995.00
3-A	0.00	345.10	530.60
3-B	43.40	403.60	1,693.00
3-C	0.00	0.80	446.70
3-D	33.40	373.30	1,045.90
3-E	0.00	0.00	362.50
4-A	0.00	0.00	852.50
4-B	0.00	0.00	247.40
5-A	53.40	368.10	1,425.90
5-B	19.30	174.50	1,189.70
5-C	33.80	741.50	2,177.20
5-D	40.30	698.40	2,009.30
5-E	20.20	157.50	966.20
5-F	0.00	69.30	481.00
6	0.00	0.00	1,626.00
7	0.00	0.00	427.60
8	0.70	0.00	165.80
9	0.00	0.00	444.30
10	202.80	499.40	3,350.90
11	3.10	69.70	1,050.50
12	0.00	0.00	191.10
TOTAL	1,192.20	8,269.40	39,883.00

RESERVE DATA  
UNITS ARE THOUSAND OF BARRELS

\* From Exhibit D in the Unit Agreement.

NMOCD Hearing

June, 1995

Exhibit No. **36**  
Exxon Corporation  
NMOCD Cases 11297 & 11298  
Hearing Date: June 29, 1995

**EQUITY FORMULA SUMMARY**

- **Tract participation = 25% (Primary) + 50% (Secondary) + 25% (Tertiary)**

Where: Primary = Tract Remaining Primary Reserves as of 1/1/93

Secondary = Tract Waterflood Reserves

Tertiary = Tract CO<sub>2</sub> Reserves

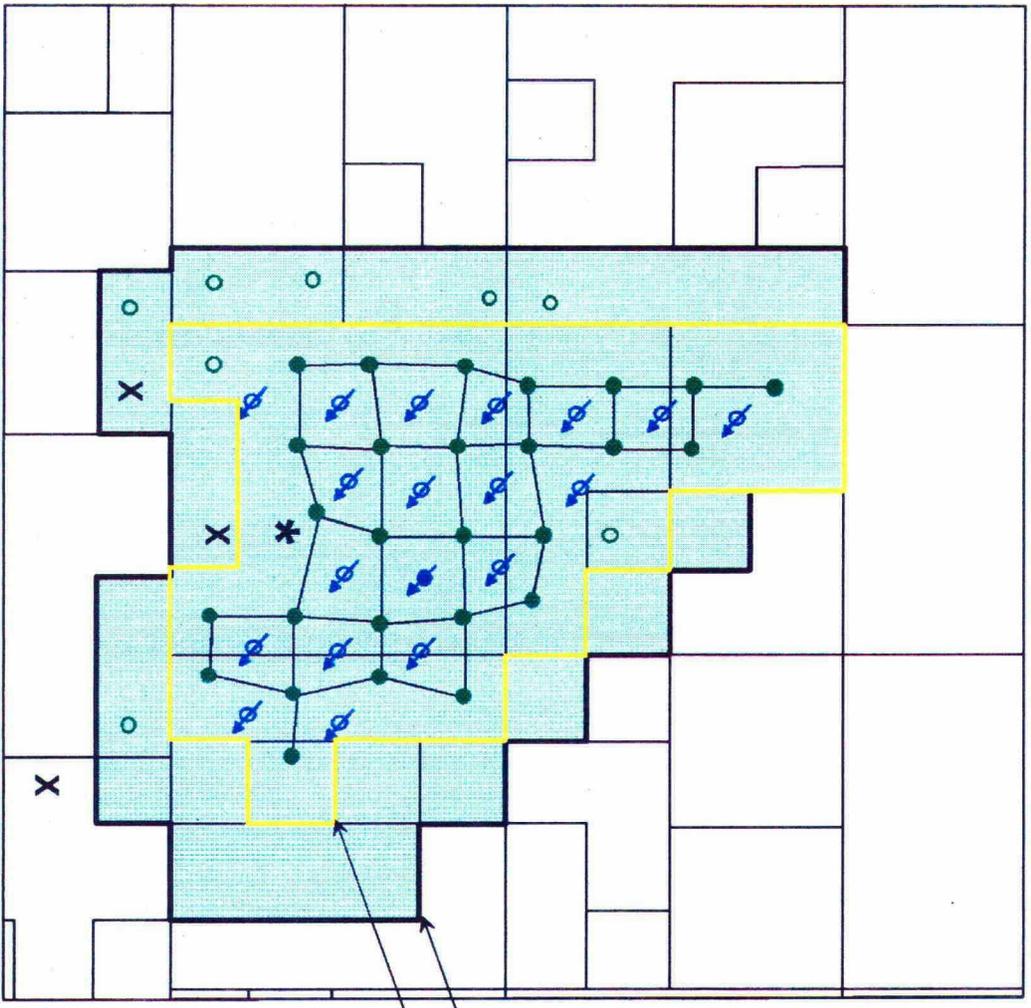
- **Reserve Weighting Rationale**

- Primary: Small reserves, but highest value per barrel with lowest risk (already developed, established decline)
- Secondary: Main objective of unit, large reserves, low risk (same project area as primary, moderate development and operating costs)
- Tertiary: Largest reserve target, but lowest value per barrel with highest risk (large expansions, high development and operating costs, very sensitive to future pricing)

**EFFECT OF PROPOSED UNIT ON PREMIER**

- **Premier Tracts Cumulative Production = 5,100 BO**
- **Premier Without Unit**
  - Current Production = 0 BOPD
  - Remaining Continued Operations Reserves = 0 BO
- **Premier Share With Unit**
  - 1% of Future Production
  - Remaining Primary Reserves (1/1/95) = 8,000 BO
  - Primary + Secondary = 90,000 BO
  - Primary + Secondary + Tertiary = 489,000 BO

WATERFLOOD PROJECT AREA



**WELL SYMBOL LEGEND**

- Oil Well
- ↘ Injector (Conversion)
- ↘ Injector (Proposed)
- X Water Source Well
- Well for Future Use
- \* Disposal Well

Proposed Unit Area Outline  
Waterflood Project Area Outline

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE