

Came

289--DFB--94

August 1, 1994

TO: Janet Richardson
FROM: Dave Boneau *Dave Boneau*
SUBJECT: Avalon Delaware Unit

You recall I told Exxon that Yates would propose a participation formula for the proposed Avalon Delaware Unit. I talked to Peyton who said we should get 12% interest, but less was all right for an initial period.

I present the participation formula below for your consideration within Yates Petroleum:

1. From unitization until 4-1-97, the (Phase I) formula will be

65% Remaining Primary
25% WF and WO Delta
10% CO₂ Delta

2. After 4-1-97, the formula will be

20% Remaining Primary
30% WF and WO Delta
50% CO₂ Delta

3. Operating Expenses will be charged according to the Phase I formula until 4-1-97 and according to the Phase II formula after 4-1-97.
4. Capital Expenses will be charged according to the Phase II formula at all times after unitization.

The proposed formula gives Yates and Exxon the interests shown below:

	<u>Phase I</u>	<u>Phase II</u>
Exxon	0.795145	0.713124
Yates	0.095431	0.120027

The date 4-1-97 is the time when remaining primary of 1190 MBO will be produced via continued operations plus a waterflood with a start date of 7-1-95. The numbers below came from Exhibits G-11 and G-14 in the Exxon Technical Report:

Janet Richardson
August 1, 1994
-2-

<u>Year</u>	(G-11) <u>Primary (MBO)</u>	(G-14) <u>WF (MBO)</u>	<u>Cum MBO</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 MBO about 4-1-97.

Attachments 1 and 2 show the interests for all the owners in Bob Fant's database. Note that Patrick Petroleum is included in "Stonewall Others".

Let's talk.

DFB/cvg

Attachment

xc: Mike Slater
Bob Fant
Randy Patterson
Kathy Porter
Peyton Yates

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.00						
Rem Primary	0.65						
WF & WO	0.25						
CO2 Delta	0.10						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.000538
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.795145
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000057
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.022093
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.009515
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.000497
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.011046
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.001123
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.004621
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.006143
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.005146
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.048645
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.095431
	1.000000	1.000000	1.000000	1.000000			1.000000

Phase I

AVALON DELAWARE UNIT							
Weighting Factors							
OOIP	0.00						
Rem Primary	0.20						
WF & WO	0.30						
CO2 Delta	0.50						
	1.00						
OWNER	OOIP	Rem Primary	WF&WO	CO2 Delta		OWNER	INTEREST
Cities	0.011368	0.000000	0.000000	0.005383		Cities	0.002692
Exxon	0.602341	0.850937	0.702359	0.664458		Exxon	0.713124
GWA Others	0.001387	0.000041	0.000000	0.000306		GWA Others	0.000161
Hudson Brothers	0.033232	0.016519	0.033246	0.030441		Hudson Brothers	0.028498
JJ Redfren Jr	0.009943	0.007247	0.014585	0.011578		JJ Redfren Jr	0.011614
Keystone Others	0.036358	0.000000	0.000000	0.004971		Keystone Others	0.002486
Mary Ard	0.016616	0.008259	0.016623	0.015220		Mary Ard	0.014249
Merit	0.023220	0.000000	0.000000	0.011230		Merit	0.005615
MWJ	0.017660	0.003496	0.006234	0.007904		MWJ	0.006521
Pennzoil	0.021073	0.004236	0.007341	0.015545		Pennzoil	0.010822
Premier	0.055592	0.000000	0.000000	0.051463		Premier	0.025732
Stonewall Others	0.047720	0.037202	0.075049	0.057011		Stonewall Others	0.058461
Yates et al	0.123490	0.072063	0.144563	0.124490		Yates et al	0.120027
	1.000000	1.000000	1.000000	1.000000			1.000000

Phase II

August 18, 1994

TO: Janet Richardson
FROM: Dave Boneau *Dave Boneau*
SUBJECT: Avalon Delaware Unit

This is my second internal note concerning a participation formula for the proposed Avalon Delaware Unit. Bob Fant now agrees with Exxon upon the Tract ownership of the 50+ parties involved. You recall that I said that Peyton thought Yates et al should own 12 % of the proposed unit, but that a lesser ownership was acceptable for an initial period.

I present the participation formula below for your consideration within Yates Petroleum:

1. From unitization until 4-1-97, the (Phase I) formula will be

65 % Remaining Primary
25 % Tract Waterflood Reserves
10 % Tract CO2 Reserves

2. After 4-1-97, the (Phase II) formula will be

20 % Remaining Primary
40 % Tract Waterflood Reserves
40 % Tract CO2 Reserves

3. Operating Expenses will be charged according to the Phase I formula until 4-1-97 and according to the Phase II formula after 4-1-97.
4. Capital Expenses will be charged according to the Phase II formula at all times after unitization.

The proposed formula gives Yates and Exxon the interests shown below:

	Phase I -----	Phase II -----
Exxon	0.797976	0.724939
Yates	0.094800	0.120907

These numbers 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 MBO will be produced via continued operations plus a waterflood with a start date of 7-1-95. The numbers below came from Exhibits G-11 and G-14 in the Exxon Technical Report:

Year	G-11 Primary (MBO)	G-14 WF (MBO)	Cum MBO
1993	201	0	201
1994	149	0	350
1995	119	162	631
1996	96	348	1075
1997	81	391	1547

The cumulative reaches 1190 MBO 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.

My hope is that you and Bob Fant and I can reach a decision so Yates can send a proposed formula to Exxon and the other owners.

Attachments

copies: Mike Slater
 Bob Fant
 Randy Patterson
 Kathy Porter
 Peyton Yates

	With 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	65 % Primary + 25 % WF + 10 % CO2
Abo Petroleum Corporation	0.6731%	1.3313%	1.1936%	1.1446%	0.8897%
American National Petroleum Corp.	2.8177%	5.5317%	4.7210%	4.6647%	3.6865%
Ard, Mary H.	0.8259%	1.6336%	1.3331%	1.3519%	1.0786%
Bello, Ernie	0.0046%	0.0088%	0.0075%	0.0074%	0.0059%
Bunn, Mrs. Francis B.	0.0046%	0.0088%	0.0075%	0.0074%	0.0059%
Chevron PBC, Inc.	0.4236%	0.6857%	1.8238%	1.0885%	0.6291%
Claremont Corporation	0.1549%	0.3063%	0.2500%	0.2535%	0.2022%
Devon Energy Corporation (NV)	0.0691%	0.1367%	0.1117%	0.1132%	0.0903%
Devon Energy Partners L.P.	0.3916%	0.7746%	0.6331%	0.6414%	0.5115%
Exxon Corporation	85.0937%	70.7857%	67.9021%	72.4939%	79.7976%
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%	0.0089%
Goodnow, David	0.0046%	0.0088%	0.0075%	0.0074%	0.0059%
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%	0.0030%
Hudson, Edward R. Jr.	0.8259%	1.6336%	1.3331%	1.3519%	1.0786%
Hudson, William A. II	0.8259%	1.6336%	1.3331%	1.3519%	1.0786%
Kawasaki, Isaac A.	0.0046%	0.0088%	0.0075%	0.0074%	0.0059%
Keller, Betsy H.	0.0023%	0.0044%	0.0037%	0.0037%	0.0030%
Kerr-McGee Corporation	0.1493%	0.2953%	0.2410%	0.2444%	0.1950%
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%	0.4587%
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%	0.0149%
Munroe, Vernon	0.0046%	0.0088%	0.0075%	0.0074%	0.0059%
Myco Industries, Inc.	2.0241%	3.9938%	3.4210%	3.3708%	2.6562%
Napoco	0.0000%	0.0000%	0.0719%	0.0287%	0.0072%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0075%	0.0074%	0.0059%
Oliver, William B. Tr	0.0046%	0.0088%	0.0075%	0.0074%	0.0059%
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%	0.0946%
Redfern, Rosalind	0.0725%	0.1433%	0.1170%	0.1186%	0.0946%
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%	0.0059%
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%	0.0148%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4468%	0.5052%	0.4166%
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%	0.0059%
Whiting Petroleum Corporation	0.3199%	0.6561%	0.4468%	0.5052%	0.4166%
Yates Drilling Company	2.0192%	3.9938%	3.3864%	3.3559%	2.6496%
Yates Petroleum Corporation	2.4800%	4.9051%	4.3094%	4.1818%	3.2692%
Yates, John A.	0.0049%	0.0000%	0.0446%	0.0188%	0.0076%
Yates, S. P.	0.0049%	0.0000%	0.0346%	0.0148%	0.0066%
	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
YPC Et al	7.2063%	14.2240%	12.3996%	12.0907%	9.4800%

ATTACHMENT 1

	Without Premier Acreage				
	G-24 1/1/93	G-24 Tract	G-24 Tract	20 % Primary	65 % Primary
	Rem Primary	Waterflood Reserves	CO2 Reserves	+ 40 % WF 40 % CO2	+ 25 % WF + 10 % CO2
Abo Petroleum Corporation	0.6731%	1.3313%	1.2443%	1.1649%	0.8948%
American National Petroleum Corp.	2.8177%	5.5317%	4.9217%	4.7449%	3.7066%
Ard, Mary H.	0.8259%	1.6336%	1.3898%	1.3745%	1.0842%
Bello, Ernie	0.0046%	0.0088%	0.0078%	0.0076%	0.0060%
Bunn, Mrs. Francis B.	0.0046%	0.0088%	0.0078%	0.0076%	0.0060%
Chevron PBC, Inc.	0.4236%	0.6857%	1.9014%	1.1195%	0.6369%
Claremont Corporation	0.1549%	0.3063%	0.2606%	0.2577%	0.2033%
Devon Energy Corporation (NV)	0.0691%	0.1367%	0.1165%	0.1151%	0.0907%
Devon Energy Partners L.P.	0.3916%	0.7746%	0.6600%	0.6522%	0.5142%
Exxon Corporation	85.0937%	70.7857%	70.7881%	73.6483%	80.0862%
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%	0.0090%
Goodnow, David	0.0046%	0.0088%	0.0078%	0.0076%	0.0060%
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%	0.0030%
Hudson, Edward R. Jr.	0.8259%	1.6336%	1.3898%	1.3745%	1.0842%
Hudson, William A. II	0.8259%	1.6336%	1.3898%	1.3745%	1.0842%
Kawasaki, Isaac A.	0.0046%	0.0088%	0.0078%	0.0076%	0.0060%
Keller, Betsy H.	0.0023%	0.0044%	0.0039%	0.0038%	0.0030%
Kerr-McGee Corporation	0.1493%	0.2953%	0.2512%	0.2485%	0.1960%
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%	0.4620%
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%	0.0149%
Munroe, Vernon	0.0046%	0.0088%	0.0078%	0.0076%	0.0060%
Myco Industries, Inc.	2.0241%	3.9938%	3.5664%	3.4289%	2.6708%
Napeco	0.0000%	0.0000%	0.0749%	0.0300%	0.0075%
Oliver, Angus Cluthe Tr	0.0046%	0.0088%	0.0079%	0.0076%	0.0060%
Oliver, William B. Tr	0.0046%	0.0088%	0.0079%	0.0076%	0.0060%
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%	0.0951%
Redfern, Rosalind	0.0725%	0.1433%	0.1219%	0.1206%	0.0951%
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%	0.0060%
Seventy-Seven Corporation	0.0000%	0.0000%	0.0083%	0.0033%	0.0008%
Sigmar, Inc.	0.0016%	0.0000%	0.0116%	0.0049%	0.0022%
Space Building Corp.	0.0115%	0.0219%	0.0195%	0.0189%	0.0149%
Tipperary Oil Corporation	0.3199%	0.6561%	0.4658%	0.5128%	0.4185%
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%	0.0060%
Whiting Petroleum Corporation	0.3199%	0.6561%	0.4658%	0.5128%	0.4185%
Yates Drilling Company	2.0192%	3.9938%	3.5303%	3.4135%	2.6640%
Yates Petroleum Corporation	2.4800%	4.9051%	4.4925%	4.2550%	3.2875%
Yates, John A.	0.0049%	0.0000%	0.0465%	0.0196%	0.0078%
Yates, S. P.	0.0049%	0.0000%	0.0361%	0.0154%	0.0068%
	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
YPC Et al	7.2063%	14.2240%	12.9266%	12.3015%	9.5327%

ATTACHMENT 2