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Avalon Voting Approaches

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)
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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%)
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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
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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
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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