

Fax: Dave Boneau, Yates Petroleum 505-748-4585

Avalon Proposed Voting: draft for discussion purposes only

1. Expenditures requiring ballot approval change from \$50,000 to \$100,000.
2. Waterflood AFE (approximately \$13M): Unit cannot not be effective until AFE approved.
3. AFE's under \$5M done during normal operations: Approval to be largest owner WI (includes non-consent WI carried at time of Unitization) plus 10% of difference between 100% and largest owner WI
4. CO₂ Project AFE and CO₂ (Overhead) Studies prior to Project:
Choice 1: Largest 2 owners must approve. Yates Petroleum 7 affiliates defined as a single owner for this purpose. Should these interests be sold a new 2nd largest owner could occur.

Choice 2: 85% approve or Largest owner plus 10% and at least 80%, similar to your previous letter except using 10% instead of 15%.