

EXXON COMPANY, U.S.A.

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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

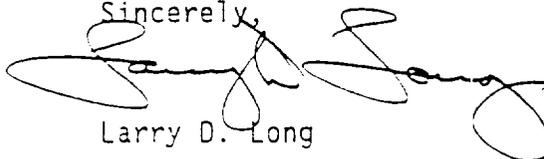
Dear Dave,

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

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 #8	163.6 137.1 <u>300.7</u>	179.8 152.4 <u>332.2</u>	+16.2 +15.3 +31.5	27.2 18.1 <u>45.3</u>	43.4 33.4 <u>76.8</u>	+16.2 +15.3 +31.5
Yates "C" Federal #3 #4 #36 (2016)	356.4 233.8 45.6 <u>635.8</u>	309.0 210.1 178.4 <u>697.5</u>	-47.4 -23.7 +132.8 <u>+61.7</u>	160.9 53.0 45.6(a) <u>259.5</u>	113.5 29.3 90.1(b) <u>232.9</u>	-47.4 -23.7 +44.5 <u>-26.6</u>
	<u>936.5</u>	<u>1029.7</u>	<u>+ 93.2</u>	<u>304.8</u>	<u>309.7</u>	<u>+ 4.9</u>
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 kB0 and a revised estimated 1/93 cumulative of 88.3 kB0.