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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 CO₂

2. The Phase II formula will be

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

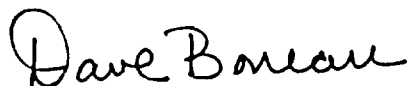
<u>Year</u>	<u>G-11 Primary (KBO)</u>	<u>G-14 WF (KBO)</u>	<u>Cum KBO</u>
1993	201	0	201
1994	149	0	350
1995	119	162	631
1996	96	348	1075
1997	81	391	1547

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	G-24 Tract	G-24 Tract	20 % Primary	60 % Primary
	Rem Primary	Waterflood Reserves	CO2 Reserves	+ 40 % WF 40 % CO2	+ 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%
LAI 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%
Mycos 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%
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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%