

PRODUCTION DEPARTMENT
MIDLAND PRODUCTION ORGANIZATION

February 23, 1995

Avalon (Delaware) Field Unitization
Eddy Co., N. M.

David F. Boneau, Manager Non-Op Properties
Yates Petroleum Corporation
105 S. Fourth St.
Artesia, NM 88210

Dear Dave:

We will agree with the 4 requests in your fax dated today, to foster a spirit of cooperation and to progress the project. This is with the assumption that these are the final changes. The wording that I will pass on to our Unit Agreement Drafting Committee is provided below:

Voting

Ballots/AFE's to WIOs will be considered approved if:

Note: AFE's under \$100k do not require WIO approval

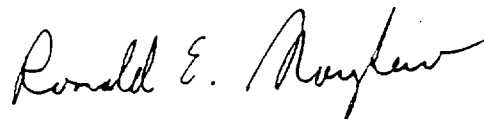
- **CO₂ Study AFE's** (see Overhead above) **and Tertiary Project AFE's** (both pilot and full scale, both primary and ring areas): Largest 2 owners must approve in addition to \$ requirement.

Note: Yates Petroleum's 7 affiliates are defined as a single owner for this purpose. Should these Yates interests be sold a new 2nd largest owner could occur.

- **AFE's < \$ 1M:** Largest Owner + 10% remaining WI; Minimum of 75%
- **AFE's ≥ \$1M and drilling of one or more wells:** 85 % of the WIO participation

I look forward to continuing our work in forming the Avalon Unit and in implementing the project.

Sincerely,



Ronald E. Mayhew
Avalon Project Manager

