FORM SC 13E3

Schedule filed to report going private transactions(Issuer Self-Tender Offer)

Filing Date: **1994-05-13**
SEC Accession No. 0000950129-94-000393

SUBJECT COMPANY

DIAMOND SHAMROCK OFFSHORE PARTNERS LTD PARTNERSHIP

CIK:**773350**| IRS No.: **752058990** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **SC 13E3** | Act: **34** | File No.: **005-36518** | Film No.: **94527763**
SIC: **1311** Crude petroleum & natural gas

Business Address
717 NORTH HARWOOD STREET
DALLAS TX 75201-6594
2149532000

FILED BY

BURLINGTON RESOURCES INC

CIK:**833320**| IRS No.: **911413284** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **SC 13E3**
SIC: **1311** Crude petroleum & natural gas

Mailing Address
999 THIRD AVENUE
SEATTLE WA 98104-4097

Business Address
5051 WESTHEIMER
SUITE 1400
HOUSTON TX 77056
(713) 831-1600

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13E-3
RULE 13E-3 TRANSACTION STATEMENT
(Pursuant to Section 13(e) of the Securities Exchange Act of 1934)
and
AMENDMENT NO. 1 TO SCHEDULE 13D
Under the Securities Exchange Act of 1934
DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP
(Name of the Issuer)

BURLINGTON RESOURCES INC.
MERIDIAN OFFSHORE COMPANY
(Name of Person(s) Filing Statement)

DEPOSITARY UNITS
(Title of Class of Securities)

25274410
(CUSIP Number of Class of Securities)

GERALD J. SCHISSLER
SENIOR VICE PRESIDENT, LAW
BURLINGTON RESOURCES INC.
5051 WESTHEIMER, SUITE 1400
HOUSTON, TEXAS 77056
(713) 624-9000

With a copy to:

GARY P. COOPERSTEIN, ESQ.
FRIED, FRANK, HARRIS, SHRIVER & JACOBSON
ONE NEW YORK PLAZA
NEW YORK, NEW YORK 10004
(212) 820-8000

(Names, Addresses and Telephone Numbers of Persons Authorized to Receive
Notices and Communications on Behalf of Person(s) Filing Statement)

This statement is filed in connection with (check the appropriate box):

<TABLE>
<S> <C> <C>
/X/ a. The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
/ / b. The filing of a registration statement under the Securities Act of 1933.
/ / c. A tender offer.
/ / d. None of the above.
Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies: /X/
</TABLE>

CALCULATION OF FILING FEE

<TABLE>
<CAPTION>

TRANSACTION VALUATION	AMOUNT OF FILING FEE
<S>	<C>
$43,046,379*	$8,609

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* For purposes of calculating fee only. The amount assumes 9,597,855 Depositary Units, representing all Depositary Units other than Depositary Units owned by Meridian Offshore Company and its affiliates, will be converted into the right to receive $4.485 per unit in cash.

/ / Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: N/A
Form or Registration No.: N/A
Filing Party: N/A
Date Filed: N/A

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- ---

This Rule 13e-3 Transaction Statement on Schedule 13E-3 and Amendment No. 1 to Statement on Schedule 13D (the "Schedule 13E-3/13D") relates to the merger (the "Merger") of Diamond Shamrock Offshore Partners Limited Partnership (the "Partnership"), a Delaware limited partnership, with and into Meridian Offshore Company, a Delaware corporation (the "Company") and an indirect wholly owned subsidiary of Burlington Resources Inc., a Delaware corporation ("BR").

On April 26, 1994, the Company acquired the .99% managing general partnership interest of Maxus Offshore Exploration Company in the Partnership and 64,163,885 units (the "Units") of limited partnership interest (representing approximately 87% of the outstanding Units) in the Partnership held by Maxus Exploration Company, and Meridian Offshore Acquisition Company, an affiliate of the Company, acquired the .01% special general partnership interest of Maxus Energy Corporation in the Partnership, for an aggregate purchase price of $291,088,000 (approximately $4.485 per Unit). On April 28, 1994, the Partnership and the Company entered into an Agreement and Plan of Merger, pursuant to which the Partnership will be merged with and into the Company and holders of Units (other than the Company and its affiliates) will receive $4.485 per Unit in cash, without interest. A copy of the Agreement and Plan of Merger is attached as Appendix A to the Information Statement (the "Information Statement") filed by the Partnership with the Securities and Exchange Commission on the date hereof pursuant to Regulation 14C under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). A copy of the Information Statement is attached hereto as Exhibit (d)(1).

The filing of this Schedule 13E-3/13D shall not be deemed an admission that Rule 13e-3 under the Exchange Act is applicable to the Merger. Each of BR and the Company disclaims that the Merger constitutes a "Rule 13e-3 Transaction" within the meaning of Rule 13e-3 under the Exchange Act.

The information set forth in the Information Statement is incorporated in

its entirety by reference. The following is a summary cross-reference sheet pursuant to General Instruction F of Schedule 13E-3, showing the location in the Information Statement of the information required by Schedule 13E-3 and Schedule 13D.

<TABLE>
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SCHEDULE 13E-3 ITEM	SCHEDULE 13D ITEM NUMBER	CAPTION IN INFORMATION STATEMENT
<S> <C>	<C>	<C>
Item 1. Issuer and Class of Security Subject to the Transaction	Item 1	
(a), (b)		Cover Page; "INTRODUCTION"
(c), (d)		"PRICE RANGE OF UNITS; CASH DISTRIBUTIONS"
(e)		Not applicable
(f)		"INTRODUCTION" and "SPECIAL FACTORS -- Background"
Item 2. Identity and Background	Item 2	
(a)-(d); (g)	(a)-(c) and (f)	Cover Page; "INTRODUCTION"; "INFORMATION CONCERNING THE COMPANY, ACQUISITION, MERIDIAN AND BR -- Business of BR and its Subsidiaries"; Schedule 1
(e), (f)	Item 2(d), (e)	Not Applicable

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SCHEDULE 13E-3 ITEM	SCHEDULE 13D ITEM NUMBER	CAPTION IN INFORMATION STATEMENT
<S> <C>	<C>	<C>
Item 3. Past Contacts, Transactions or Negotiations		
(a), (b)		"SPECIAL FACTORS -- Background"; "SPECIAL FACTORS -- Purpose and Structure of the Merger"; and "CERTAIN AGREEMENTS BETWEEN THE COMPANY AND ITS AFFILIATES AND MAXUS"
Item 4. Terms of the Transaction		
(a)		Cover Page; "INTRODUCTION"; and "THE MERGER"
(b)		Not Applicable
Item 5. Plans or Proposals of the Issuer or Affiliate	Item 4	
(a)-(g)		"SPECIAL FACTORS -- Purpose and Structure of the Merger" and "INFORMATION CONCERNING THE PARTNERSHIP AND THE PROPERTIES"
Item 6. Source and Amounts of Funds or Other Considerations	Item 3	
(a)		"SPECIAL FACTORS -- Financing of the Merger"
(b)		"FEES AND EXPENSES"
(c),(d)		Not Applicable

Item 7. Purpose(s), Alternatives, Reasons and Effects (a)-(d)		"INTRODUCTION"; "SPECIAL FACTORS -- Background"; "SPECIAL FACTORS -- Purpose and Structure of the Merger"; "SPECIAL FACTORS -- Fairness of the Merger"; "SPECIAL FACTORS -- Certain Federal Income Tax Consequences"; and "SPECIAL FACTORS -- Effect of the Merger on the Market for Units; NYSE and PSE Listing and Exchange Act Registration"
Item 8. Fairness of the Transaction (a)-(f)		"INTRODUCTION"; "SPECIAL FACTORS -- Background of the Merger"; "SPECIAL FACTORS -- Purpose and Structure of the Merger"; and "SPECIAL FACTORS -- Fairness of the Merger"

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SCHEDULE 13E-3 ITEM	SCHEDULE 13D ITEM NUMBER	CAPTION IN INFORMATION STATEMENT
<S> <C>	<C>	<C>
Item 9. Reports, Opinions, Appraisals and Certain Negotiations (a)		"SPECIAL FACTORS -- Fairness of the Merger"
(b), (c)		Not applicable
Item 10. Interest in Securities of the Issuer (a), (b)	Item 5	"INTRODUCTION" and "SPECIAL FACTORS -- Background"
Item 11. Contracts, Arrangements or Understandings with Respect to the Issuer's Securities	Item 6	"CERTAIN AGREEMENTS BETWEEN THE COMPANY AND ITS AFFILIATES AND MAXUS" and "THE MERGER"
Item 12. Present Intention and Recommendation of Certain Persons with Regard to the Transaction (a),(b)		"SPECIAL FACTORS -- Purpose and Structure of the Merger"
Item 13. Other Provisions of the Transaction (a)		"SPECIAL FACTORS -- Appraisal Rights"
(b),(c)		Not Applicable
Item 14. Financial Information (a)		"INFORMATION CONCERNING THE PARTNERSHIP AND THE

		PROPERTIES -- Selected Financial Data and "INDEX TO FINANCIAL INFORMATION"
	(b)	Not Applicable
Item 15.	Persons and Assets Employed, Retained or Utilized	
	(a)	Not Applicable
	(b)	"FEES AND EXPENSES"
Item 16.	Additional Information	Information Statement in its entirety
Item 17.	Material to be filed as Exhibits	Item 7 *

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*See Item 17 below.

ITEM 1. ISSUER AND CLASS OF SECURITY SUBJECT TO THE TRANSACTION

(a) The name of the subject company is Diamond Shamrock Offshore Partners Limited Partnership, a Delaware limited partnership (the "Partnership"). The principal executive offices of the Partnership are located at 5051 Westheimer, Suite 1400, Houston, Texas 77056.

(b) The class of securities to which this Statement relates is the Depositary Units of the Partnership. The information set forth on the cover page and under "INTRODUCTION" in the Information Statement is incorporated herein by reference.

(c), (d) The information set forth under "PRICE RANGE OF UNITS; CASH DISTRIBUTIONS" in the Information Statement is incorporated herein by reference.

(e) Not applicable.

(f) The information set forth under "INTRODUCTION" and "SPECIAL FACTORS -- Background" in the Information Statement is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND

(a)-(d); (g) The Company is a wholly owned subsidiary of Meridian Oil Inc., a Delaware corporation ("Meridian"), which in turn is a wholly owned subsidiary of Meridian Oil Holding Inc., a Delaware corporation ("MOHI"), which is a wholly owned subsidiary of BR. The information set forth under "INTRODUCTION" and "INFORMATION CONCERNING THE COMPANY, ACQUISITION, MERIDIAN AND BR -- Business of BR and its Subsidiaries" in the Information Statement is incorporated herein by reference. The information with respect to the directors and executive officers of BR and the Company set forth in Schedule 1 to the Information Statement is incorporated herein by reference.

(e) and (f) During the last 5 years, none of BR, the Company, MOHI and Meridian, nor, to the best knowledge of BR and the Company, any of the persons listed in Schedule 1 to the Information Statement (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining further violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation

of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS

(a),(b) The information set forth under "SPECIAL FACTORS -- Background"; "SPECIAL FACTORS -- Purpose and Structure of the Merger"; and "CERTAIN AGREEMENTS BETWEEN THE COMPANY AND ITS AFFILIATES AND MAXUS" in the Information Statement is incorporated herein by reference.

ITEM 4. TERMS OF THE TRANSACTION

(a) The information set forth on the cover page and under "INTRODUCTION" and "THE MERGER" in the Information Statement is incorporated herein by reference

(b) Not applicable.

ITEM 5. PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE

(a)-(g) The information set forth under "SPECIAL FACTORS -- Purpose and Structure of the Merger" and "INFORMATION CONCERNING THE PARTNERSHIP AND THE PROPERTIES" in the Information Statement is incorporated herein by reference.

ITEM 6. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATIONS

(a) The information set forth under "SPECIAL FACTORS -- Financing of the Merger" in the Information Statement is incorporated herein by reference.

(b) The information set forth under "FEES AND EXPENSES" in the Information Statement is incorporated herein by reference.

(c),(d) Not applicable.

ITEM 7. PURPOSE(S), ALTERNATIVES, REASONS AND EFFECTS

(a)-(d) The information set forth under "INTRODUCTION"; "SPECIAL FACTORS -- Background"; "SPECIAL FACTORS -- Purpose and Structure of the Merger"; "SPECIAL FACTORS -- Fairness of the Merger"; "SPECIAL FACTORS -- Certain Federal Income Tax Consequences"; and "SPECIAL FACTORS -- Effect of the Merger on the Market for Units; NYSE and PSE Listing and Exchange Act Registration" in the Information Statement is incorporated herein by reference.

ITEM 8. FAIRNESS OF THE TRANSACTION

(a)-(f) The information set forth under "INTRODUCTION"; "SPECIAL FACTORS -- Background"; "SPECIAL FACTORS -- Purpose and Structure of the Merger"; and "SPECIAL FACTORS -- Fairness of the Merger" in the Information Statement is incorporated herein by reference.

ITEM 9. REPORTS, OPINIONS, APPRAISALS AND CERTAIN NEGOTIATIONS

(a) The information set forth under "SPECIAL FACTORS -- Fairness of the Merger" in the Information Statement is incorporated herein by reference.

(b),(c) Not applicable.

ITEM 10. INTEREST IN SECURITIES OF THE ISSUER

(a),(b) The information set forth under "INTRODUCTION"; and "SPECIAL FACTORS -- Background" in the Information Statement is incorporated herein by reference.

ITEM 11. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO THE ISSUER'S SECURITIES

The information set forth under "THE MERGER" and "CERTAIN AGREEMENTS BETWEEN THE COMPANY AND ITS AFFILIATES AND MAXUS" in the Information Statement is incorporated herein by reference.

ITEM 12. PRESENT INTENTION AND RECOMMENDATION OF CERTAIN PERSONS WITH REGARD TO THE TRANSACTION

(a),(b) The information set forth under "SPECIAL FACTORS -- Purpose and Structure of the Merger" in the Information Statement is incorporated herein by reference.

ITEM 13. OTHER PROVISIONS OF THE TRANSACTION

(a) The information set forth under "SPECIAL FACTORS -- Appraisal Rights" in the Information Statement is incorporated herein by reference.

(b),(c) Not applicable.

ITEM 14. FINANCIAL INFORMATION

(a) The information set forth under "INFORMATION CONCERNING THE PARTNERSHIP AND THE PROPERTIES -- Selected Financial Data" and "INDEX TO FINANCIAL INFORMATION" in the Information Statement is incorporated herein by reference.

(b) Not applicable.

ITEM 15. PERSONS AND ASSETS EMPLOYED, RETAINED OR UTILIZED

(a) Not applicable.

(b) The information set forth under "FEES AND EXPENSES" in the Information Statement is incorporated herein by reference.

ITEM 16. ADDITIONAL INFORMATION

The information set forth in the Information Statement is incorporated herein by reference in its entirety.

ITEM 17. MATERIALS TO BE FILED AS EXHIBITS

<TABLE>
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(a)	-- Not applicable.
(b)	-- Not applicable.
(c)(1)	-- Agreement and Plan of Merger dated as of April 28, 1994 between Diamond Shamrock Offshore Partners Limited Partnership and Meridian Offshore Company (included as Appendix A to Exhibit (d)(1)).
(c)(2)	-- Unit Purchase Agreement dated as of April 26, 1994 between Maxus Energy Corporation, Maxus Exploration Company, Maxus Offshore Exploration Company, Meridian Offshore Company and Meridian Offshore

		Acquisition Company.
(c)(3)	--	Transition Services Agreement dated as of April 26, 1994 between Maxus Exploration Company and Meridian Offshore Company.
(c)(4)	--	Purchase and Sale Agreement dated as of April 26, 1994 between Maxus Exploration Company and Meridian Oil Inc.
(d)(1)	--	Information Statement of Diamond Shamrock Offshore Partners Limited Partnership dated May , 1994.
(e)	--	Not applicable.
(f)	--	Not applicable.
(g)(1)	--	Class Action Complaint captioned Susser vs. Burlington Resources, et al. (C.A. No. 13483), filed in the Court of Chancery of the State of Delaware in and for New Castle County on April 27, 1994.

</TABLE>

SIGNATURES

After due inquiry and to the best knowledge and belief of the undersigned, the undersigned certify that the information set forth in this statement is true, complete and correct.

BURLINGTON RESOURCES INC.

By: /s/ GERALD J. SCHISSLER

Name: Gerald J. Schissler
Title: Senior Vice President, Law

MERIDIAN OFFSHORE COMPANY

By: /s/ L. DAVID HANOWER

Name: L. David Hanower
Title: Senior Vice President

May 12, 1994

UNIT PURCHASE AGREEMENT

Dated April 26, 1994

Among

MAXUS ENERGY CORPORATION,

MAXUS EXPLORATION COMPANY,

MAXUS OFFSHORE EXPLORATION COMPANY,

MERIDIAN OFFSHORE COMPANY

And

MERIDIAN OFFSHORE ACQUISITION COMPANY

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UNIT PURCHASE AGREEMENT

UNIT PURCHASE AGREEMENT, dated April 26, 1994 (the "Agreement"), among Maxus Energy Corporation, a Delaware corporation ("Parent"), Maxus Exploration Company, a Delaware corporation and a wholly-owned subsidiary of Parent ("Exploration"), Maxus Offshore Exploration Company, a Delaware corporation and an indirect wholly-owned subsidiary of Parent (the "MGP" and, together with Parent and Exploration, "Sellers"), Meridian Offshore Company, a Delaware corporation ("MGP Purchaser"), and Meridian Offshore Acquisition Company, a Delaware corporation ("SGP Purchaser" and, together with MGP Purchaser, "Purchasers").

Background

Parent, Exploration and the MGP are the owners of partnership interests in Diamond Shamrock Offshore Partners Limited Partnership, a Delaware limited partnership (the "Partnership"), consisting of (i) the .99% managing general partnership interest of the MGP in the Partnership, (ii) the .01% special general partnership interest of Parent in the Partnership and (iii) 64,163,885 LP Units (as defined in the Second Amended and Restated Agreement of Limited Partnership of the Partnership, as amended (the "Partnership Agreement")) held by Exploration (collectively, such general partnership interests and LP Units being referred to as the "Partnership Interests") which, in the aggregate, constitute 87.1% of the partnership interests in the Partnership.

MGP Purchaser desires to purchase the .99% managing general partnership interest of MGP in the Partnership and the LP Units held by Exploration, and SGP Purchaser desires to purchase the .01% special general partnership interest of Parent in the Partnership, and Sellers desire to sell the Partnership Interests to the Purchasers, upon the terms and subject to the conditions of this Agreement.

Now, therefore, the parties hereby agree as follows:

ARTICLE I

PURCHASE AND SALE

SECTION 1.01 Purchase and Sale. (a) Concurrently with the execution and delivery of this Agreement, the following transactions shall take place in the following order:

(i) the MGP in accordance with Section 12.4 of the Partnership Agreement shall execute and file with the Secretary of State of the State of Delaware a Certificate of Amendment to the Certificate of Limited Partnership of the Partnership

(the "Certificate of Limited Partnership"), naming MGP Purchaser as the new managing general partner of the Partnership and MGP Purchaser shall deliver all documents required pursuant to Section 11.2(c) of the Partnership;

(ii) the MGP shall sell to MGP Purchaser, free and clear of all liens, claims, charges, encumbrances and rights of others of any nature whatsoever (collectively, "Liens"), and MGP Purchaser shall purchase from the MGP, all of the assets of the MGP, which include the .99% managing general partnership interest of the MGP in the Partnership;

(iii) Purchasers shall cause Meridian Oil Inc. ("MOI") to contribute to MGP Purchaser a demand promissory note of MOI in the amount of $32 million;

(iv) Exploration shall sell to MGP Purchaser, free and clear of all Liens, and MGP Purchaser shall purchase from Exploration, the 64,163,885 LP Units held by Exploration;

(v) MGP Purchaser, as managing general partner, shall consent to (a) the transfer of the .01% special general partnership interest of Parent in the Partnership to SGP Purchaser and (b) the selection of SGP Purchaser as the successor special general partner of the Partnership pursuant to Section 13.2(b) of the Partnership Agreement and SGP Purchaser

shall deliver all documents required pursuant to Section 11.2(b) of the Partnership Agreement; and

(vi) Parent shall sell to SGP Purchaser, free and clear of all Liens, and SGP Purchaser shall purchase from Parent, the .01% special general partnership interest of Parent in the Partnership.

The purchase price for the Partnership Interests shall be $291,088,000 in cash (the "Purchase Price"). Schedule 1.01 sets forth the allocation of the Purchase Price among the Partnership Interests. The amount and payment of the Purchase Price is conditioned and contingent upon (a) Exploration assuming the obligations of Parent under Parent's outstanding promissory note (the "Note") in favor of the Partnership and (b) Exploration using $36,849,635 of the Purchase Price to repay the amount estimated to be outstanding under the Note as of the date hereof and $253,050 of the Purchase Price to satisfy its obligations under Section 14(c) of the Transition Agreement, which amounts shall be held separately by Exploration, shall not be commingled with any other funds of any of Sellers and shall not be available to any creditor of any of Sellers. Purchasers and Sellers each will deliver all other notices and documents and take all other actions necessary to be taken on their part, respectively, under Sections 12.5 and 12.6 of the Partnership Agreement to effectuate the transfer to Purchasers of the general

partnership interests in the Partnership. The parties acknowledge that the $36,849,635 being paid by Exploration to the Partnership in repayment of the Note is a good faith estimate and that the actual amount outstanding as of the date hereof may be greater or less than such amount. As promptly as practicable after the date hereof, the parties shall determine the actual amount outstanding under the Note and Exploration shall pay to the Partnership, or Purchasers shall cause the Partnership to pay to Exploration, as appropriate, the difference, if any, between the estimated outstanding amount of the Note and the actual outstanding amount of the Note as of the date hereof.

(b) Concurrently with the execution and delivery of this Agreement, (i) Sellers are conveying or causing to be conveyed to MGP Purchaser, free and clear of all Liens, all seismic data, land files, well files, accounting files and other information owned by Sellers and their affiliates relating to the properties owned by the Partnership and (ii) Parent and MGP Purchaser are entering into a Transition Services Agreement (the "Transition Agreement").

SECTION 1.02 Closing. Concurrently with the execution and delivery of this Agreement and the consummation of the transactions contemplated by Section

1.01, Purchasers will deliver to Sellers, by wire transfer of immediately available funds, the Purchase Price and Sellers will deliver to Purchasers certificates (with powers attached) representing, or other instruments of transfer or assignment satisfactory to Purchasers in respect of, the Partnership Interests, which certificates or powers will be in the name of or duly endorsed for transfer to MGP Purchaser or SGP Purchaser, as the case may be. Sellers will pay any documentary stamp or transfer taxes or charges resulting from the purchase and sale of the Partnership Interests.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers jointly and severally represent and warrant to Purchasers as follows:

SECTION 2.01 Organization and Qualification. (a) Each Seller and Pipeline (as defined below) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power and authority to carry on its business as it is now being conducted.

(b) The Partnership is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware and has the requisite power and authority to carry on its business as it is now being conducted. The Partnership is duly qualified or licensed to do business and is in good standing in each

jurisdiction in which the nature of its business or the properties owned or leased by it makes such qualification necessary, except where the failure to be so qualified or licensed would not have a material adverse effect on it. The copies of the Partnership Agreement, the Certificate of Limited Partnership, the Depositary Agreement (as defined in the Partnership Agreement) and the Certificate of Incorporation and Bylaws of Pipeline previously delivered to Purchasers are true, complete and correct as of the date hereof. Except for the Amendment dated April 25, 1994, the Partnership Agreement has not been amended since October 17, 1985. The Partnership Agreement, as amended, is in full force and effect and all amendments thereto have been validly adopted.

(c) The Partnership does not have any subsidiaries, except for Diamond Shamrock Offshore Pipeline Company ("Pipeline"). Pipeline has not engaged in any activities other than gathering hydrocarbons for the Partnership's properties and has no liabilities or obligations of any nature, other than obligations to the Partnership and tax liabilities referred to

below. There is no suit, action or proceeding pending or threatened against Pipeline. The representations and warranties of the Partnership in this Article II shall also be deemed, where applicable, to be made with respect to Pipeline. Pipeline has timely filed all tax returns required to be filed by it, and has never joined in the filing of a consolidated tax return with any company. All tax liabilities of Pipeline attributable to the income, activities or property of Pipeline through the date of execution and delivery of this Agreement have been paid or provided for on the books of Pipeline.

SECTION 2.02 Authority Relative to this Agreement. (a) Each Seller has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each Seller and the consummation by each Seller of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of each Seller and no other corporate proceedings on the part of any Seller are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each Seller and constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms hereof.

(b) The transfer of the Partnership Interests contemplated hereby complies with the terms of the Partnership Agreement and has been duly and validly authorized by all necessary actions required under the Partnership Agreement and no other proceedings on the part of any party are necessary to consummate the transfer of the Partnership Interests contemplated hereby.

SECTION 2.03 Absence of Certain Changes. Except as disclosed in the Partnership's filings and reports under the Securities Exchange Act of 1934 (the "Exchange Act") or as contemplated by this Agreement, since December 31, 1993 through the date of this Agreement, the Partnership has conducted its business only in the ordinary course and no event has occurred that would have a material adverse effect on the Partnership. Except as disclosed in the Partnership's filings and reports under the Exchange Act or on Schedule 2.03, since December 31, 1993 there has not been (a) any declaration, setting aside or payment of any dividend or other distribution in respect of any partnership interest in the Partnership, or any redemption, repurchase or other acquisition by the Partnership of any partnership interest; (b) any entry into any agreement, commitment or transaction by the Partnership which is material to the Partnership, except agreements, commitments or transactions in the ordinary course of business; or (c) any significant change by the Partnership in accounting methods, principles or practices except as required or permitted by generally accepted accounting principles.

SECTION 2.04 Litigation. There is no suit, action or proceeding pending or, to the knowledge of management of any Seller, threatened against or affecting the Partnership, or any Seller that individually or in the aggregate could reasonably be expected to have a material adverse effect on the Partnership nor is there any judgment, decree, injunction or order of any Federal, state or local government or any court, administration or regulatory agency or commission or other governmental authority or agency or arbitrator outstanding against the Partnership or any Seller having any such effect.

SECTION 2.05 Reports. Since December 31, 1990, the Partnership has filed all required forms, reports and documents with the Securities and Exchange Commission (the "SEC") required to be filed by it pursuant to the Federal securities laws and the SEC rules and regulations thereunder, all of which complied as of their respective filing dates in all material respects with all applicable requirements of the Securities Act of 1933 (the "Securities Act"), the Exchange Act and the rules and regulations promulgated thereunder. All such forms, reports and documents have been made available to Purchasers. None of such forms, reports or documents at the time filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited and unaudited consolidated financial statements of the Partnership included (or incorporated by reference) in such forms, reports or documents present fairly in all material respects the financial position of the Partnership and its subsidiaries as of their respective dates, and the results of operations and cash flows for the periods presented therein in conformity with generally accepted accounting principles applied on a consistent basis, subject, in the case of the unaudited interim financial statements, to normal year-end audit

adjustments which are not expected to be materially adverse to the Partnership and except that the quarterly financial statements do not contain all of the footnote disclosures required by generally accepted accounting principles. Except as disclosed in the audited consolidated financial statements of the Partnership as of December 31, 1993, the Partnership does not have any material liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise, except for liabilities or obligations incurred in the ordinary course of business since December 31, 1993. The information contained in Schedule 2.05, which sets forth a list of interests owned by the Partnership in oil and gas leases, is true and correct in all material respects. There are no agreements involving leases with proved or proved undeveloped reserves carried on the Partnership's books as of December 31, 1993 and listed on Schedule 2.05 which would, without further action by the Partnership after the date hereof, materially reduce the Partnership's interests in such leases except as noted on Schedule 2.05. The MGP has no assets other than its .99% managing general partnership interest in the Partnership.

SECTION 2.06 Consents and Approvals; No Violation. Neither the execution and delivery of this Agreement by any Seller nor the consummation of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the certificate of incorporation or by-laws of any Seller; (ii) require any consent of, approval of, filing with or notification to, any governmental or regulatory authority, except where the failure to obtain such would not individually or in the aggregate have a material adverse effect on the Partnership; (iii) result in a violation of or a default (or give rise to any right of termination, cancellation or acceleration or loss of any material benefit) under any loan or credit agreement, note or other agreement, instrument, obligation, permit, concession, franchise or license to which the Partnership, or any Seller or by which any of their respective properties or assets may be bound, except for such violations or defaults (or rights of termination, cancellation or acceleration or loss of material benefits) as to which requisite waivers or consents have been obtained or which individually or in the aggregate would not have a material adverse effect on the Partnership; (iv) violate any judgment, order, writ, injunction, decree, statute, law, ordinance, rule or regulation applicable to the Partnership, or any Seller or any of their respective assets, except for violations which would not individually or in the aggregate have a material adverse effect on the Partnership; or (v) trigger any preferential rights with respect to the properties owned by the Partnership.

SECTION 2.07 Compliance with Law. The Partnership has not violated or failed to comply with any statute, ordinance, regulation, rule or order of any foreign, Federal, state or local government or any other governmental department or agency, or any judgment, decree or order of any court, applicable to its business or operations except where any such violations or failures to comply would not, individually or in the aggregate, have a material adverse effect on the Partnership; and the conduct of the Partnership's business is in conformity with all Federal, state and local requirements,

except where such non-conformities individually or in the aggregate would not have a material adverse effect on the Partnership. The Partnership has all permits, licenses, authorizations, consents, approvals and franchises from governmental agencies required to conduct its business as now being conducted, except for such permits, licenses, authorizations, consents, approvals and franchises the absence of which would not individually or in the aggregate have

a material adverse effect on the Partnership.

SECTION 2.08 Title. Each Seller has good and marketable title to the Partnership Interests owned by it, free and clear of all Liens.

SECTION 2.09 Intercompany Arrangements. Except with respect to the matters disclosed in Schedule 2.09, none of Sellers nor any of their respective affiliates is a creditor of, or has any arrangement or transaction (contractual or otherwise) with the Partnership. Since December 31, 1993, except with respect to the matters disclosed in Schedule 2.09, there has not been any payment by the Partnership to any Seller or any of their respective affiliates, any charge by any Seller or any of their respective affiliates to the Partnership or any other arrangement or transaction (contractual or otherwise) between the Partnership and any Seller or any of their respective affiliates. Sellers' good faith estimate of the outstanding amount of the Note as of the date hereof is $36,849,635.

SECTION 2.10 The Partnership. The partnership interests in the Partnership are comprised of (i) the .99% general partnership of the MGP in the Partnership, (ii) the .01% general partnership interest of Parent in the Partnership and (iii) the 99% limited partnership interest of the limited partners in the Partnership. The limited partnership interests are represented by an aggregate of 73,761,740 LP Units. As of the date of this Agreement, there are not any authorized or outstanding subscriptions, options, warrants, rights, commitments or other agreements, arrangements or undertakings obligating the Partnership to issue any additional partnership interests or any additional LP Units or any other security or instrument convertible into or exchangeable for any such partnership interests or LP Units. The Partnership does not have any employees. The Partnership has in effect a valid election under section 754 of the Internal Revenue Code and has not been, and is not now subject to, income taxation by any governmental entity. There is no grandfathered or other beneficial tax status of the Partnership which would be adversely affected by the transactions contemplated hereby.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASERS

Purchasers jointly and severally represent and warrant to Sellers as follows:

SECTION 3.01 Organization and Qualification. Each Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization or incorporation and has the requisite corporate power and authority to carry on its business as it is now

being conducted.

SECTION 3.02 Authority Relative to this Agreement. Each Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery by each Purchaser of this Agreement and the consummation by each Purchaser of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of such Purchaser and no other corporate proceedings on the part of such Purchaser are necessary to authorize this Agreement or to consummate the transactions contemplated by this Agreement. This Agreement has been duly and validly executed and delivered by each Purchaser and constitutes a legal, valid and binding obligation of each Purchaser, enforceable against each Purchaser in accordance with its terms.

SECTION 3.03 Securities Act. The Partnership Interests purchased by Purchasers will be acquired for investment only and not with a view to any public distribution thereof and Purchasers will not offer to sell or otherwise dispose of any Partnership Interest so acquired by them in violation of the registration requirements of the Securities Act.

ARTICLE IV

COVENANTS

SECTION 4.01 Termination of Intercompany Arrangements. Simultaneously with the execution and delivery of this Agreement, Exploration is repaying to the Partnership all amounts estimated to be outstanding under the Note as of the date hereof, together with accrued and unpaid interest thereon to the date of payment but without any prepayment or other similar penalty. Except as otherwise provided in the Transition Agreement, promptly upon request of the Partnership or Purchasers, Sellers will repay any other indebtedness or liabilities of Sellers or any of their respective affiliates to the Partnership or terminate any arrangement or transaction (contractual or otherwise)

between the Partnership and any Seller or any of their respective affiliates, without any termination or other penalty or any future liability of any kind. Each Seller hereby waives any rights it may have, severally or jointly, to indemnification under the Partnership Agreement.

SECTION 4.02 Reasonable Best Efforts. Subject to the terms and conditions hereof, each of the parties hereto agrees to use its reasonable best efforts to take, or cause to be taken, all appropriate actions, and to do, or

cause to be done, all things necessary, proper or advisable under applicable laws and regulations in connection with the consummation of the transactions contemplated by this Agreement.

SECTION 4.03 Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such fees or expenses, whether or not the transactions contemplated hereby are consummated.

ARTICLE V

INDEMNIFICATION

SECTION 5.01 Indemnification. (a) Each Seller jointly and severally agrees to indemnify, defend and hold harmless Purchasers, after the Closing, from and against any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including, without limitation, interest, penalties and attorneys' fees and expenses ("Damages"), asserted against, resulting from, imposed upon or incurred by Purchasers or any of their affiliates, directly or indirectly, arising out of, resulting from or relating to (i) a breach of any representation, warranty or agreement of any Seller contained in or made pursuant to this Agreement or any facts or circumstances constituting such a breach, (ii) the Partnership's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 and all other forms, reports and documents filed by the Partnership with the SEC prior to the Closing, (iii) any indebtedness of any Seller or any of their respective affiliates to the Partnership, or any transaction or arrangement (contractual or otherwise) involving the Partnership and any Seller or any of their respective affiliates, other than transactions or arrangements set forth in Sections 2, 3, 4, 5, 8 and 14 of the Transition Agreement, and (iv) the transactions contemplated pursuant to that certain agreement of purchase and sale (the "Sale Agreement") dated as of March 28, 1994, by and between the Partnership and Pogo Producing Company (collectively, "Claims").

(b) Assertion of Claims. In the event that either Purchaser desires to make a Claim against Sellers under paragraph (a) above, the party to be indemnified (the "Indemnified Party") will give each Seller (the "Indemnifying Parties") prompt notice of

any such Claim, and the Indemnifying Parties will undertake the defense thereof by representatives chosen by them which are reasonably satisfactory to the Indemnified Party. The failure to promptly notify the Indemnifying Parties hereunder shall not relieve such parties of their obligations hereunder except to the extent such failure to promptly notify materially prejudices the Indemnifying Parties. If the Indemnifying Parties, within a reasonable time

after notice of any such Claim, fail to defend such Claim, the Indemnified Party will have the right to undertake the defense, compromise or settlement of such Claim on behalf of and for the account and risk of the Indemnifying Parties, subject to the right of the Indemnifying Parties to assume the defense of such Claim at any time prior to settlement, compromise or final determination thereof. If an Indemnifying Party shall assume the defense of any Claim the Indemnifying Party shall assume all past and future responsibility for such Claim and shall reimburse the Indemnified Parties for all costs and expenses previously incurred by them or their affiliates relating thereto. If the Indemnifying Parties have undertaken defense of a Claim and if there is a reasonable probability that (i) a Claim may materially and adversely affect the Indemnified Party other than as a result of money damages or other money payments, or (ii) the Indemnifying Parties shall not have employed counsel reasonably satisfactory to the Indemnified Party, the Indemnified Party shall have the right, at the Indemnifying Parties' cost and expense, to defend or compromise or settle on a reasonable basis such Claim. The Indemnifying Parties shall not, without the written consent of the Indemnified Party, settle or compromise any Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party of a release satisfactory to the Indemnified Party from all liability in respect of such Claim.

ARTICLE VI

MISCELLANEOUS

SECTION 6.01 Survival of Representations and Warranties and Indemnities. The representations and warranties made in this Agreement or any instrument delivered in connection with this Agreement shall survive after the Closing until the second anniversary thereof, whereupon such representations and warranties and all rights to indemnification under this Agreement shall expire (except (i) to the extent that a claim for indemnification has been asserted hereunder prior to such expiration, in which event the rights to indemnification hereunder shall continue with respect to such claim until the resolution and satisfaction of such claim, (ii) that the rights to indemnification under Section 5.01(a)(iv) shall survive for the same term as any rights to indemnification under the Sale Agreement and (iii) that the representations and warranties in this Agreement with respect to tax liabilities of Pipeline and the tax liabilities, tax elections and tax status

of the Partnership and the related rights to indemnification hereunder shall survive for the applicable statute of limitations).

SECTION 6.02 Entire Agreement; Assignment. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. Neither this Agreement nor any right, interest or obligation under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise without the prior written consent of the other parties; provided that Purchasers may assign any of their rights and obligations to any direct or indirect wholly-owned subsidiary of MOI, but no such assignment shall relieve Purchasers of their obligations hereunder. Subject to the preceding sentence, this Agreement will be binding upon, and inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

SECTION 6.03 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of all the parties.

SECTION 6.04 Waiver. The parties hereto, may (i) waive any inaccuracies in the representations and warranties contained herein by any other applicable party or (ii) subject to the terms hereof, waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of any party to any such waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of a party to this Agreement to assert any of its rights under this Agreement shall not constitute a waiver of those rights.

SECTION 6.05 Validity. In the event any one or more of the provisions contained in this agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 6.06 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by overnight courier (providing proof of delivery), facsimile transmission with confirmation of receipt, or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties as follows:

if to Sellers:

Maxus Energy Corporation
717 North Harwood Street
Dallas, Texas 75201

Attention: Steven G. Crowell
Telephone: (214) 953-2733
Telecopy: (214) 979-1911

if to Purchasers:

c/o Meridian Oil Inc.
P.O. Box 4239
Houston, Texas 77210

Attention: Randolph P. Mundt
Telephone: (713) 831-1781
Telecopy: (713) 831-1700

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above (provided that notice of any change of address shall be effective only upon receipt thereof).

SECTION 6.07 Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Texas regardless of the laws that might otherwise govern under principles of conflicts of laws applicable thereto.

SECTION 6.08 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

SECTION 6.09 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 6.10 Further Assurances. After the date hereof, each of the parties shall execute, acknowledge and deliver to the other such further instruments and documents, including, without limitation, transfer orders or letters in lieu thereof, and take all such other actions as may be reasonably necessary to carry out the provisions of this Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its respective officers thereunto duly authorized, all on the date first above written.

MAXUS ENERGY CORPORATION

By /s/ McCarter Middlebrook

Name: McCarter Middlebrook
Title: Vice President

MAXUS EXPLORATION COMPANY

By /s/ McCarter Middlebrook

Name: McCarter Middlebrook
Title: Vice President

MAXUS OFFSHORE EXPLORATION COMPANY

By /s/ McCarter Middlebrook

Name: McCarter Middlebrook
Title: Vice President

MERIDIAN OFFSHORE COMPANY

By /s/ Randolph P. Mundt

Name: Randolph P. Mundt
Title: President

MERIDIAN OFFSHORE ACQUISITION COMPANY

By /s/ Randolph P. Mundt

Name: Randolph P. Mundt
Title: President

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT ("Agreement"), dated April 26, 1994, is between MAXUS EXPLORATION COMPANY, a Delaware corporation, for itself and on behalf of its affiliates (collectively "Maxus") and MERIDIAN OFFSHORE COMPANY, a Delaware corporation ("Meridian"), in its capacity as Managing General Partner of Diamond Shamrock Offshore Partners Limited Partnership (the "Partnership").

WITNESSETH:

WHEREAS, pursuant to that certain Unit Purchase Agreement dated the date hereof (the "Purchase Agreement") between Meridian, as purchaser, and Maxus Energy Corporation, Maxus Exploration Company and Maxus Offshore Exploration Company, as sellers, Meridian and its affiliates have purchased certain assets consisting of a Managing General Partner Interest, a Special General Partner Interest and Limited Partnership Units in the Partnership (such assets and the Partnership and its assets being referred to as the "Assets").

WHEREAS, Maxus has performed or provided various services under the Second Amended and Restated Agreement of Limited Partnership of Diamond Shamrock

Offshore Partners Limited Partnership, as amended (the "Partnership Agreement") in support of the ownership, operation, management and administration of the Partnership; and

WHEREAS, Meridian has requested that Maxus continue to provide certain services to Meridian with respect to operations, accounting, tax, marketing and related technical support relating to the Partnership for a transitional period.

NOW, THEREFORE, in consideration of the premises, the covenants set forth herein and the benefits to be derived herefrom the parties hereby agree as follows:

1. Coordinators. Meridian shall designate two or more persons (the "Coordinators") who shall coordinate the transition from Maxus to Meridian of management, operations, accounting, tax, marketing, technical and administrative services ("Services") for the Partnership. The Coordinators will have an office in

Maxus' corporate office in Dallas, Texas and an office at Maxus' office at Jeanerette, Louisiana. The Coordinators will (a) work with Maxus personnel to develop a plan pursuant to which the Services currently performed by Maxus can be provided by Meridian with the goal of transferring particular Services to Meridian as promptly as possible, (b) determine the Services that Maxus will provide to the Partnership during the transition, which shall not include the obtaining or (except as contemplated by Sections 14(d) and (e)) providing of any insurance coverage or surety bonds,

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(c) supervise the Services being performed by Maxus on behalf of Meridian (as Managing General Partner of the Partnership) and (d) coordinate the interviewing of the Employees (as hereinafter defined) and interface between Meridian and the Employees.

2. Services. Maxus shall use its reasonable best efforts to provide the Services, which shall consist of the same type, level and quality of services provided by Maxus to the Partnership currently and prior to the date hereof to the extent (a) Maxus is capable of providing such Services and (b) any such Services are not terminated by Meridian pursuant to Section 10. The Services shall be provided in accordance with all applicable state and federal laws and subject to Section 8(e) hereof.

Notwithstanding the foregoing, if Meridian or its affiliates hire any Maxus employees who normally perform any of the Services, such personnel will assist Maxus in providing such Services at no cost to Maxus. Furthermore, if Meridian or its affiliates hire the Maxus employees who are primarily responsible for any of the Services, Meridian will be primarily responsible for providing such Services with assistance by the remaining Maxus employees, if any, who normally perform or assist in the performance of such Services. Maxus will continue to provide such administrative and personnel support for

Maxus employees as is necessary to provide the Services to Meridian in accordance with this Agreement.

3. Remittance of Cash. Subject to the direction and supervision of the Coordinators, Maxus shall collect all revenues generated from the Assets and deposit them into such accounts (the "Partnership Account") for the Partnership designated by Meridian. Maxus and the Coordinators shall prepare a monthly statement of projected operating cash requirements for the Partnership and, to the extent the Partnership needs cash to conduct its operations and pay its obligations, the cash in the Partnership Account shall be used for such purposes. Maxus shall have no obligation to use its own resources to make any payment or satisfy any obligation in providing the Services.

4. Service Fees. Except as provided in this Section, there shall be no charge or service fee for the Services. The Partnership shall reimburse Maxus as provided under Section 6.5 of the Partnership Agreement for the Services provided by Maxus prior to the date hereof and Meridian, on behalf of the Partnership, shall pay Maxus $375,000 on each of May 31 and June 30 for Services provided during the periods ending on such dates and thereafter reimburse Maxus for any Services actually provided by Maxus pursuant to this Agreement on the basis set forth in Section 6.5 of the Partnership Agreement.

5. Certain Public Filings and Tax Services.

(a) Maxus shall prepare the Partnership's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 and shall provide Meridian such information which is in its possession as Meridian may reasonably require to prepare any public filings.

(b) Maxus agrees to assist the service providers in (i) the preparation of the partnership income tax returns covering the period from January 1, 1994 through December 31, 1994, including preparation of all federal and state partnership income tax returns and partner K-1's required by law, and (ii) the mailing to partners of all Partnership-related tax materials, in each case in the same manner that Maxus assisted

the service providers prior to the date hereof. Maxus shall cooperate with Meridian in the event of future IRS audits of the Partnership in order to answer IRS information and document requests and to collect data requested by the IRS. Drafts of tax returns of the Partnership shall be submitted to Meridian for its review at least 15 business days prior to the filing date of such returns. Returns for periods that end on the date hereof shall be prepared in accordance with applicable laws and prior practice. Tax returns for periods after the date hereof shall be prepared in accordance with prior practices unless

Meridian directs differently, in which case Meridian's instructions will control.

6. Information Necessary to Perform the Services. Meridian shall use all reasonable efforts to provide any information and assistance necessary for Maxus to perform or cause to be performed a Service.

7. Ownership of Data.

(a) All records, input materials, tapes, reports, forms and other data and information owned by or primarily used for the benefit of the Partnership ("Data") are the exclusive property of Meridian or the Partnership to the extent not prohibited by existing contractual obligations with third parties. Upon Meridian's reasonable request during the term of this Agreement relating to a particular Service, Maxus shall familiarize Meridian with the Data relating to such Service, its form and the best way to furnish such Data to Meridian. Upon termination of this Agreement (or any particular Service), Maxus shall furnish to the extent not prohibited by existing contractual obligations with third parties all of such Data to Meridian in Maxus's customary form and formats. Maxus shall not make copies of any information or reports provided to Meridian in connection with

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rendering the Services hereunder, nor will Maxus furnish any such information or reports to any third party except to the extent same is useful or necessary in order for Maxus to comply with its obligations hereunder.

(b) Except as expressly permitted under this Agreement, from and after the date hereof Maxus shall, and shall cause its officers, directors, employees, agents and representatives to, maintain the confidentiality of all proprietary or non-public information relating to the Partnership or the Assets, except as otherwise required by law.

8. Hardware Equipment and Software.

(a) Maxus shall provide or cause to be provided at Maxus's facilities the use of the computer equipment and other office equipment and data lines required for Maxus to perform the Services under this Agreement. Nothing herein shall be construed as requiring Maxus to acquire any additional equipment beyond its current inventory.

(b) Any hardware or software (including computer and telecommunications hardware and software) owned or leased by the Partnership shall remain the property of the Partnership.

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(c) Maxus shall furnish a list of all software owned or leased by it which is used primarily for the benefit of the Partnership. Maxus shall transfer to the Partnership all such software to the extent such software can be transferred without consent or payment to any third party, and, to the extent any consent or payment is required in connection with such transfer, at the request of Meridian, Maxus shall assist Meridian in obtaining such consent and/or making such payment

in order to transfer such software to the Partnership.

(d) Maxus currently outsources certain computer services for the Partnership to Anderson Consulting and Maxus shall assist Meridian in causing Anderson Consulting to continue to perform such services for the benefit of the Partnership. The Partnership shall pay Anderson Consulting for such services.

(e) Meridian hereby acknowledges and agrees that the terms of certain of Maxus's third-party agreements, including software licenses, may prohibit Maxus's performance of certain of the Services. Maxus agrees to use its reasonable efforts to obtain any consents necessary in order to render such prohibited Services or to otherwise provide such Services; however, Meridian hereby waives performance of

such Services by Maxus until such time as agreement permitting performance can be reached on terms acceptable to Meridian.

9. Disclaimer. Inasmuch as Maxus is performing the Services on a nonprofit basis, notwithstanding anything contained herein to the contrary, except to the extent of its willful misconduct or gross negligence, Maxus shall not be liable for any damages as a result of its performance of, or failure to perform, the Services. It is expressly agreed that the failure to make any payment (including, without limitation, any royalty, shut-in royalty, delay rental or lease payment) through mistake or oversight shall not constitute gross negligence.

10. Term. The term of this Agreement shall commence upon the date hereof and shall expire in 90 days (except for Section 5(b), the last sentence of Section 7(a), Sections 7(b), 13 and 14(d), the last sentence of Section 10 and the last sentence of Section 14(b)), unless Meridian, upon 15 days' prior written notice, terminates this Agreement or terminates any portion of any of the Services at an earlier date (the intent of the parties being to terminate function areas at one time rather than terminating subgroups of a particular function

area on a piecemeal basis), in which case this Agreement shall remain in full force and effect with respect to the non-terminated Services. Upon termination of this Agreement, Maxus will promptly remit to Meridian all cash

of Meridian held by Maxus reduced by any amounts owed to Maxus by Meridian pursuant to this Agreement. Notwithstanding the foregoing, Maxus shall promptly remit to Meridian any cash belonging to the Partnership or Meridian received by Maxus after termination of this Agreement.

11. Treasury Services. Maxus shall act in accordance with instructions, if any, provided by the Coordinators in connection with the treasury Services and Maxus shall be entitled to rely upon any written or oral instructions received from them. Until contrary written notice is received by Maxus from Meridian, Meridian hereby instructs Maxus to process and pay accounts payable for Meridian in the same manner and in accordance with the prior practice of Maxus in effect immediately prior to the date hereof.

12. Notice of Events, Proposals or Defaults. Maxus will advise the Coordinators of (a) any notice of default (or written threat of default) received or given Maxus under any instrument or agreement affecting the Assets, (b) any action or occurrence known to it which reasonably may be expected to materially affect any of the Assets, (c) any proposal known to it from a third party to engage in any material transaction with respect to any of the Assets, and (d) any suit, action or other proceeding before any court or governmental agency of which it has knowledge which relates to the Assets or which reasonably may be expected to result in impairment or loss of title to any of

the Assets or the value thereof or which might hinder or impede the operation of the Assets.

13. Indemnity. Meridian agrees to indemnify and hold Maxus (and

its directors, officers, employees and representatives), harmless from and against any and all claims, losses, damages, costs, expenses, causes of action or judgments of any kind or character (including those arising from, related to or caused directly or indirectly, by the sole, joint, concurrent or comparative negligence of such indemnified parties), including any interest, penalty, reasonable attorney's fees, investigation expenses with respect to asserted claims (whether or not resulting in any liability) and other costs and expenses incurred in connection therewith or the defense thereof, attributable to or arising out of any claims by, or liabilities or obligations to, any third party arising out of, in connection with or resulting from the Services or other activities of Maxus in accordance with this Agreement, except to the extent arising out of, in connection with or resulting from Maxus' gross negligence or willful misconduct (which shall not exist if such action is taken at Meridian's direction). Notwithstanding anything contained herein, this Section shall survive the termination of this Agreement. Nothing contained in this Section 13 shall be construed as altering any indemnification obligations of Maxus under the Purchase Agreement.

14. Certain Agreements.

(a) The parties shall discuss appropriate treatment of the gas marketing agreement between Maxus and the Partnership and the contracts between Maxus and third parties referred to in paragraph (b) below for 20 days after the date hereof and thereafter, upon 10 days' notice from Meridian to Maxus, the gas marketing agreement between the Partnership and Maxus shall terminate at no cost to the Partnership, provided that each party thereto shall continue to be liable to the other for transactions completed prior to the date of such termination. All crude oil marketing contracts between the Partnership and Maxus shall terminate on May 31, 1994. Maxus has no arrangements for the resale of Partnership crude oil after May 31, 1994.

(b) Maxus agrees to assign to the Partnership all of its right, title and interest under the gas sales

and exchange contracts listed on Schedule 14. If any such gas sales or exchange contract is not assignable without the consent of the other party thereto, Maxus shall use its reasonable efforts to obtain the consent of such other party to the assignment thereof to the Partnership or another party designated by the Partnership or, if such assignment cannot be

obtained, at the request of the Partnership to terminate such contract on terms reasonably acceptable to the Partnership, in which case the Partnership will bear all costs of such termination. If consent to an assignment of any contract cannot be obtained and such contract cannot be terminated on terms reasonably acceptable to the Partnership, the Partnership shall supply to Maxus the minimum gas volumes required under such contract for the term of such contract (which shall not be extended without the consent of the Partnership) and Maxus shall pay to the Partnership the per unit price in cash received by Maxus under such contract. There are no processing, transportation or gathering agreements relating to the Partnership which are not in the name of the Partnership.

(c) Maxus has entered into certain hedging transactions approximately 35% of which Maxus has allocated for the account of the Partnership (the "Hedging Transaction"). Maxus has paid the Partnership for the Partnership's share of the profits on the Hedging Transactions through and including April 30, 1994. Simultaneously herewith, Maxus Exploration Company is transferring $253,050 in cash to the Partnership in settlement of the Partnership's share of the value of the Hedging Transaction as of such time and the

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Partnership shall have no further rights and liabilities arising out of such Hedging Transaction after the date hereof.

(d) To the extent that Meridian incurs any Damages (as defined in the Purchase Agreement) which arise or have arisen out of any matter for which Maxus would be entitled to bring a claim under any applicable insurance policies, Maxus shall bring such claim and shall use its best efforts to collect all amounts which it would be entitled to receive under such policies, and shall remit to Meridian proceeds of such insurance (net of any deductible or premium adjustment payable by Maxus).

(e) Until the date Meridian obtains replacements therefor, Maxus shall use reasonable efforts to maintain in force (i) each surety bond outstanding as of the date hereof covering the operations of the Partnership and (ii) its evidence of financial responsibility filing in the amount of $35 million on behalf of the Partnership in accordance with 33 CFR 135.213; provided that Meridian shall be obligated to indemnify and hold Maxus harmless from and against any liabilities of any kind, including payments by Maxus to any surety, arising out of or related to any such surety bond or financial responsibility filing during the period from the date hereof until

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Meridian obtains a replacement for such bond or financial responsibility filing. Meridian shall use its reasonable best efforts to pursue and expedite the replacements named in (i) and (ii) above, and until such replacements are achieved Meridian shall name Maxus as an additional insured on Meridian's property/control of well/pollution insurance policies covering the Partnership's properties.

15. Maxus Employees.

(a) Prior to the execution of this Agreement, Maxus has provided Meridian with a list of employees who perform Services related to the Assets (the "Employees"). The list contains such employee's name, title, salary, length of service with Maxus and work location. Maxus shall allow Meridian access to Employees for interviews. Within thirty days of the date of this Agreement, Meridian will attempt to interview Employees that Meridian may desire to hire. Within forty-five days of the date of this Agreement, Meridian will extend offers to the Employees, if any, that Meridian desires to hire. The Employees to which Meridian extends an offer will have ten days from the date of receipt of Meridian's offer to notify Meridian that such Employee accepts Meridian's offer. Except for

the Employees designated on Schedule 15 whom Maxus reserves the right to offer continued employment beyond the transition period, Maxus shall for 60 days only advise such other Employees that no determination has been made with respect to continued employment by them beyond the transition period. Meridian will notify Maxus of the acceptance of any offers within sixty days of the date of this Agreement. Meridian shall have no liability for severance payments to Employees not hired by Meridian and Meridian shall pay severance under Maxus' voluntary severance package, a copy of which has been furnished to Meridian prior to the date hereof, to each Employee hired by Meridian that is terminated by Meridian other than for cause within one year of hiring.

(b) Meridian and Maxus shall negotiate in good faith appropriate treatment for any Employees hired by Meridian with respect to credit for years of service, waivers of pre-existing condition exclusions, the treatment of such Employees'

401(k) plans and pension benefits and such other matters as they deem appropriate.

16. General Provisions.

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(a) This Agreement shall inure to the benefit and shall be binding upon the parties hereto, their respective successors and assigns; provided, however, that this Agreement and all rights and obligations hereunder cannot be assigned by either party (other than to Meridian Oil Inc. or any of its wholly-owned subsidiaries) without the prior written consent of the other party, which consent will not unreasonably be withheld. Any such assignment shall not relieve the assigning party of continuing responsibility for its obligations hereunder.

(b) Except for and without limiting either party's rights under the Purchase Agreement, this Agreement constitutes the entire agreement and understanding between the parties and supersedes all prior agreements, whether written or oral, with respect to the subject matter hereof. In the event of any conflict, the terms of the Purchase Agreement shall control over the terms of this Agreement. This Agreement may be amended or modified only by written instrument executed by Meridian and Maxus.

(c) The provisions of this Agreement shall be construed in accordance with the laws of the State of Texas.

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(d) Any provision in this Agreement that might otherwise be invalid or unenforceable because of the contravention of any applicable law, statute or government regulation shall be deemed to be

amended to the extent necessary to remove the cause of such invalidation or unenforceability, and such provision, as amended, shall remain in full force and effect.

(e) All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given upon actual delivery or if earlier five business days subsequent to mailing, by United States mail, with postage prepaid, addressed to the parties at their respective addresses set forth below or to any address provided in writing by such party to the other party subsequent to the execution of this Agreement.

Maxus: Maxus Energy Corporation
717 North Harwood Street
Dallas, Texas 75201-6594
Attention: Steven G. Crowell
Telephone: (214) 953-2733

Meridian: Meridian Offshore Company
P.O. Box 4239
Houston, Texas 77210
Attention: Randolph P. Mundt
Telephone: (713) 831-1781

(f) Maxus and Meridian shall each act solely as independent contractors, and nothing herein shall at any time be construed to create the relationship of employer and employee, partnership, principal and agent, broker or finder, or joint venturers as between Maxus and Meridian. Except as expressly provided herein, neither party shall have any right or authority, and shall not attempt to enter into any contract, commitment or agreement or incur any debt or liability of any nature, in the name of or on behalf of the other.

(g) Except as expressly provided herein, nothing in this Agreement shall entitle any person other than the parties or their respective successors

and assigns permitted hereby to any claim, cause of action, remedy or right of any kind.

(h) This Agreement may be executed in any number of counterparts, no one of which needs to be executed by both parties, and this Agreement shall be binding upon both parties with the same force and effect as if both parties had signed the same document, and each such signed counterpart shall constitute an original of this Agreement.

(i) After the date hereof, each of the parties shall execute, acknowledge and deliver to the other such further instruments and documents, and take all such other actions as may be necessary to carry out the provisions of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

MAXUS EXPLORATION COMPANY

By: /s/ McCARTER MIDDLEBROOK

McCarter Middlebrook
Vice President

MERIDIAN OFFSHORE COMPANY

By: /s/ RANDOLPH P. MUNDT

Randolph P. Mundt
President

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT dated this 26th day of April, 1994, is between Maxus Exploration Company, a Delaware corporation ("Seller"), with offices at 717 North Harwood Street, Dallas, Texas 75201-6594 and MERIDIAN OIL INC., a Delaware corporation ("Buyer"), with offices at P. O. Box 4239, Houston, Texas 77210-4239.

WHEREAS, Seller desires to sell, and Buyer desires to purchase, upon and subject to the terms and conditions hereinafter set forth, all of Seller's right, title and interest in and to the following:

(i) All of Seller's interest in, to and under oil and gas leases, leasehold interests, mineral fee interests, rights and interests attributable or allocable to the oil and gas leases or leasehold interests by virtue of pooling, unitization, communitization, and operating agreements, licenses, permits and other agreements, all more particularly described in Exhibit "A" hereto, together with identical undivided interests in and to all the property and rights incident thereto (collectively, the "Leases"), including, but not limited to, all rights in, to and under all agreements, product purchase and sale contracts, including any and all past, present and future take-or-pay claims, leases, permits, rights-of-way, easements, licenses, farmouts, farmins, options, orders and other contracts or agreements of a similar nature in any way relating thereto;

(ii) All of Seller's interest in and to all of the wells, equipment, materials and other personal property, fixtures and improvements on the Leases as of the Effective Time, appurtenant thereto or used or obtained in connection with the Leases or with the production, treatment, sale or disposal of hydrocarbons or waste produced therefrom or attributable thereto, and all other appurtenances thereunto belonging (the "Equipment");

(iii) All other leasehold interests, royalty and overriding royalty interests owned by Seller, in, to and under the Leases or attributable to production therefrom as of the Closing Date (as hereinafter defined);

(iv) All unitization, communitization, pooling and operating agreements, and the units created thereby which relate to the Leases or interests therein described in Exhibit "A" or which

relate to any units or wells located on the Leases, including any

and all units formed under orders, regulations, rules and other official acts of the governmental authority having jurisdiction, together with any right, title and interest created thereby in the Leases;

(v) All rights to claim revenues or gas resulting from and underproduction attributable to Seller's interest in the Leases;

(vi) All lease files, land files, well files, oil and gas sales contracts files, gas processing files, division order files, abstracts, title opinions, and all other books, files, maps, logs and records, and all rights thereto, of Seller related to and necessary to the realization of value by Buyer of any of the property purchased hereunder (the "Records"); and

(vii) All of Seller's interest in work stations, geological data, geophysical data, contract files, gas contract files, gas processing files, any other files, maps, logs, records and other personal property owned by Seller and used primarily in connection with its operation and ownership interest in Diamond Shamrock Offshore Partners Limited Partnership purchased by Buyer from Seller.

All of Seller's interest in the above-mentioned assets is herein collectively referred to as the "Interests". The Interests do not include (i) accounts receivable associated with the Interests and relative to operations prior to the Effective Time, (ii) oil, gas and liquid hydrocarbons produced prior to the Effective Time, (iii) any vehicles, tools, pipelines, compressors, fixtures, equipment or materials owned by any purchaser or transporter of oil and/or gas, contractor, subcontractor or vendor, and (iv) any geophysical data or records which Seller cannot lawfully provide Buyer because of third-party restrictions on Seller.

NOW, THEREFORE, in consideration of the above recitals and of the covenants and agreements herein contained, Seller and Buyer agree as follows:

1. PURCHASE AND SALE. Subject to and upon all of the terms and conditions herein set forth, Seller shall sell, transfer, assign, convey and deliver the Interests to Buyer, and Buyer shall purchase, receive, pay for and accept the Interests from Seller, effective January 1, 1994, 7 a.m. local time (the "Effective Time"). Except as otherwise specifically provided in this Agreement, all costs, expenses and obligations relating to the Interests which were incurred or accrue prior to the Effective Time shall be paid and discharged by Seller;

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and all costs, expenses and obligations relating to the Interests which were incurred or accrue after the Effective Time shall be paid and discharged by Buyer.

2. PURCHASE PRICE.

(a) The purchase price for the Interests shall be Fifty-Eight Million Dollars ($58,000,000) subject to any applicable purchase price adjustments as provided for herein. Seller and Buyer agree to allocate the purchase price among the Interests as set forth on Exhibit "A" (the "Allocated Value").

(b) The Purchase Price shall be adjusted as follows and the resulting amount shall be called the "Closing Amount":

(i) The Purchase Price shall be adjusted upward by the following:

(1) the amount of all expenditures, including without limitation capital expenditures, rentals, ad valorem, property, production, excise, severance and similar taxes (but not including income taxes) based upon or measured by the ownership of property or the production of hydrocarbons or the receipt of proceeds therefrom and royalties paid by or on behalf of Seller in connection with the operation of the Interests that are, in accordance with generally accepted accounting principles, attributable to the period after the Effective Time;

(2) an amount equal to all prepaid expenses attributable to the Interests that are paid by or on behalf of Seller that are, in accordance with generally accepted accounting principles, attributable to the period after the Effective Time, including without limitation prepaid utility charges and prepaid ad valorem, property, production, severance and similar taxes (but not including income taxes) based upon or measured by the ownership of property or the production of hydrocarbons or the receipt of

proceeds therefrom;

(3) Compensation for Seller's continued operation of the Interests after the Effective Time until Buyer takes over such operations, in an amount equal to: (i) in the case of each Seller-operated well where no operating agreement is in place, the monthly overhead

fee for such well established internally by Seller, not to exceed $500.00, or, where no such internal fee has been established, a monthly fee of $500.000, and (ii) in the case where Seller operates a well pursuant to an existing operating agreement, all overhead amounts and fees attributable to the Interests;

(4) An amount equal to the sum of any upward adjustments provided elsewhere in this Agreement; and

(5) any other amount agreed to by Seller and Buyer.

(ii) The Purchase Price shall be adjusted downward by the following:

(1) Revenues received by Seller attributable to the Interests that are, in accordance with generally accepted accounting principles, attributable to the period of time from and after the Effective Time;

(2) an amount equal to all unpaid ad valorem, property, production, severance and similar taxes and assessments (but not including income taxes) based on or measured by the ownership of property or the production of hydrocarbons or the receipt of proceeds therefrom assessed or to be assessed (estimated based on the previous year's taxes) for any period ending prior to the Effective Time;

(3) an amount equal to the sum of any downward adjustments provided elsewhere in this Agreement; and

(4) any other amount agreed to by Seller and Buyer.

For purposes of Section 2(b)(ii)(1), "Revenues" shall mean the total sales proceeds before deduction of any royalties or overriding royalties, under the applicable pricing provisions of the oil and gas purchase agreements, of all hydrocarbons produced and/or sold during the period from the Effective Time until Closing which are attributable to the Interests and received by Seller, and any other monies collected by Seller with respect to the ownership or operation of the Interests from the Effective Time until Closing.

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(c) SETTLEMENT STATEMENTS. No later than eight (8) days prior to Closing, Seller shall furnish Buyer with an estimated accounting (the "Preliminary Settlement Statement") showing the estimated amount of adjustments to the Purchase Price, subject to being finally adjusted within one hundred twenty (120) days after the Closing as hereinafter provided. An estimated credit due Seller shall increase the Purchase Price paid at Closing by that amount and an estimated credit due Buyer shall reduce the Purchase Price paid at Closing by that amount. Within ninety (90) days after Closing, Seller shall provide to Buyer, for Buyer's concurrence, an accounting (the "Post-Closing Adjustment") of the actual amounts of the adjustments set out in Section 2(b). Buyer shall have the right for fifteen (15) days after the receipt of the Post-Closing Adjustment to audit and take exception to such adjustments. Any disagreements shall be resolved on a best efforts basis by Seller and Buyer. Within one hundred twenty (120) days after the Closing, those credits agreed upon by Buyer and Seller shall be netted and the final settlement shall be paid in cash by the party owing it, via wire transfer as directed in writing by the receiving party. If the Post-Closing Adjustment has not been agreed upon within the time period set forth herein, either party may seek to enforce any rights it claims hereunder.

3. TITLE DEFECTS. As used herein, the term:

(a) "Defensible Title" shall mean, as to the Interests, such title held by Seller, that, subject to and except for Permitted Encumbrances (as hereinafter defined):

(i) Entities Seller to receive not less than the "Net Revenue Interest" in the wells as set forth in Exhibit "A" of all oil, gas and associated liquid and gaseous hydrocarbons produced, saved and marketed from the Interests;

(ii) Obligates Seller to bear costs and expenses relating to the maintenance, development, and operation of all wells located on the Interests in an amount not greater than the "Working Interest" in the wells set forth in Exhibit "A" and

(iii) Is free and clear of any and all encumbrances, liens and defects.

(b) The term "Permitted Encumbrances", as used herein, shall mean:

(i) Lessors' royalties, overriding royalties, and reversionary interests if the net cumulative effect of such burdens does not operate to reduce the Net Revenue Interest of any well to less than the Net Revenue Interest therein as set forth in Exhibit "A",

(ii) Sales contracts covering oil, gas or associated liquid or gaseous hydrocarbons;

(iii) Preferential rights to purchase and required third party consents to assignments and similar agreements with respect to which (x) waivers or consents are obtained from the appropriate parties, or (y) required notices have been given to the holders of such rights and the appropriate time period for asserting such rights has expired without an exercise of such rights;

(iv) Liens for taxes or assessments not due or not delinquent on the Closing Date;

(v) All rights to consent by, required notices to, filings with, or other actions by governmental

agencies in connection with the sale or conveyance of oil and gas leases or interests therein or sale of production therefrom if the same are prudently obtained subsequent to such sale or conveyance;

(vi) Easements, rights-of-way, servitudes, permits, surface leases, and other rights in respect of surface operations on or over any of the Interests which do not operate to materially interfere with current or proposed operations on the Interests;

(vii) Liens of operators relating to obligations not yet due or pursuant to which Seller is not in default, and materialmen's, mechanic's, repairmen's, or other similar liens or charges arising in the ordinary course of business incidental to construction, maintenance or operation of the Interests that are not such as to interfere with the operation, value or use of the Interests; and

(viii) Such Title Defects or other defects waived by Buyer pursuant to the terms of this Agreement.

(c) The term "Title Defect", as used herein, shall mean:

(i) Any encumbrance, encroachment, irregularity, defect in or objection to Seller's title to the Interests (expressly excluding Permitted Encumbrances) that renders Seller's title to the Interests less than Defensible Title;

(ii) Seller is in default under some material provision of a lease, farmout agreement or other contract or agreement affecting the Interests which could (x) interfere with the operation, value or use thereof, (y) prevent Seller from receiving the proceeds of production attributable to Seller's Interest therein, or (z) result in cancellation of Seller's interest therein;

(iii) Seller is overproduced with respect to any Interest as of the Effective Time; or

(iv) Any provision or obligation affecting the Interests

contained in any contract or agreement disclosed in the Records which is not customary to currently accepted oil and gas industry standards and (x) requires an extraordinary expenditure in connection with the acquisition, exploration, development or operation of the Interests or (y) would materially diminish the Net Revenue Interest in any of the wells as set forth on Exhibit "A", or materially increase the Working Interest in any of the wells as set forth on Exhibit "A", or (z) would otherwise have a material and adverse effect on Buyer's ownership and/or operation of the Interests.

4. PURCHASE PRICE ADJUSTMENTS FOR TITLE DEFECTS. Buyer may, by delivery of written notice to Seller of the existence of a Title Defect, request reduction of the Purchase Price for the Interest affected. Any such notice by Buyer shall include appropriate evidence to substantiate its position and shall be delivered to Seller on or before June 15, 1994. In the event any such notice is not timely delivered, Buyer shall thereafter have no right to claim a Title Defect; provided, however, Buyer shall retain its right to claim breaches of the special warranty of title contained in Section 22 hereof and the Assignment and Bill of Sale delivered at Closing. Seller shall have until June 24, 1994, to cure any Title Defects. In the event Seller is unable to cure a Title Defect, Buyer and Seller shall meet and use their best efforts to agree on the validity of the claim and the amount of any required Purchase Price adjustment utilizing the Allocated Value for the wells as set forth on Exhibit "A". In determining any required

Purchase Price adjustment, it is the intent of the parties to include, when possible, only that portion of the Interest adversely affected by the Title Defect. If the Allocated Value of the affected Interest cannot be determined directly from Exhibit "A" because the Title Defect is included within, but does not totally comprise, the Interest to which the Allocated Value relates, Buyer and Seller shall attempt to agree on a proportionate reduction of the Allocated Value. In the event the parties cannot mutually agree on the amount of a Purchase Price adjustment, Buyer shall have the right to (i) accept the Interest with the Title Defect, or (ii) terminate this Agreement as to the Interest affected by the Title Defect and receive a Purchase Price adjustment equal to the Allocated Value for the affected Interest.

5. CONDITIONS OF CLOSING BY BUYER. The obligation of Buyer to close is

subject to the satisfaction of the following conditions:

(a) Seller shall have obtained and delivered to Buyer all prerequisite waivers of preferential rights of purchase and all necessary consents for transfer of the Interests, or Buyer and Seller shall have adjusted the Purchase Price in accordance with the provisions of Section 4;

(b) Seller shall have delivered to Buyer a legal opinion rendered by counsel to the effect that (i) Seller is a corporation validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, (ii) the execution and delivery of, and consummation of the transactions contemplated by, this Agreement by Seller have been duly authorized by all necessary action on the part of Seller, and this Agreement has been duly executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller and is enforceable against Seller in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights;

(c) The representations of Seller contained in Section 7 shall be true on and as of the Closing Date, and Seller shall have delivered to Buyer at the Closing a certificate signed on its behalf to such effect;

(d) Seller shall have performed in all material respects all of its covenants and agreements contained in this Agreement;

(e) Prior to Closing, except as provided in Section 23 below, there shall not have been a material adverse change in the Interests, taken as a whole, excepting depletion due to normal production and depreciation of equipment through ordinary wear and tear; and

(f) The necessary waiting period with respect to filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations promulgated thereunder shall have expired and the Closing shall be permitted to occur without violation thereof.

6. CONDITIONS OF CLOSING BY SELLER. The obligation of Seller to close is

subject to the satisfaction of the following conditions:

(a) Buyer shall have delivered to Seller a legal opinion rendered by its corporate counsel to the effect that (i) Buyer is a corporation validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; (ii) the execution and delivery of, and consummation of the transactions contemplated by, this Agreement by Buyer have been duly authorized by all necessary action on the part of the Buyer; and (iii) this Agreement has been duly executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer and is enforceable against Buyer in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights;

(b) The representations of Buyer contained in Section 8 hereof are true on and as of the Closing Date, and Buyer shall have delivered to Seller at the Closing a certificate signed on its behalf to such effect; and

(c) The necessary waiting period with respect to filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations promulgated thereunder shall have expired and the Closing shall be permitted to occur without violation thereof.

7. REPRESENTATIONS OF SELLER. Seller represents to Buyer that:

(a) Seller is a corporation validly existing and in good standing under the laws of the State of Delaware and is duly qualified to own its properties and assets and to carry on its business as now being conducted;

(b) Seller has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated hereby have been duly authorized;

(c) This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against it in accordance with the terms hereof,

subject to the effects of bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights. No other act, approval or proceeding on the part of Seller or any other party is required to authorize the execution and delivery of this Agreement by Seller or the consummation of the transactions contemplated hereby;

(d) This Agreement, and the execution and delivery hereof by Seller, does not and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach of the charter or bylaws of Seller or any other governing documents of Seller, (ii) violate, or conflict with, or constitute a default under, or result in the creation or imposition of any security interest, lien or encumbrance upon any property or assets of Seller under any mortgage, indenture or agreement to which it is a party or by which the Interests are bound, which violation, conflict or default might adversely affect the ability of Seller to perform its obligations under this Agreement, or (iii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation or rule of any court or governmental authority, which violation might adversely affect the ability of Seller to perform its obligations under this Agreement;

(e) Seller has not been advised directly or indirectly by any owner or lessor under any Leases of any material default under any lease or agreement which has not been remedied or waived, or of any requirements or demands which have not been satisfied;

(f) All royalties, rentals and other payments due under the Leases have been properly and timely paid in the normal course of business, except for those amounts in suspense, and all conditions necessary to keep the Leases in force have been duly performed;

(g) Seller is not obligated to deliver hydrocarbons produced from the Interests at some future time without receiving full payment therefor;

(h) No overbalance of gas deliveries exists with regard to any producing wells included in the Interests as to the interest of Seller;

(i) No entity has any call upon, option to purchase or similar rights under any agreement with respect to the Interests or to the production therefrom;

(j) There are no actions, suits, proceedings or governmental investigations or inquiries pending or threatened, against Seller or the Interests which might delay, prevent or materially hinder the consummation of the transactions contemplated hereby or materially adversely affect the title to or value of any of the Interests;

(k) Seller possesses all licenses, permits, certificates, orders, approvals and authorizations necessary to own the Interests and to carry on its business as now being conducted;

(l) Seller has complied with all laws, ordinances, rules, regulations and orders applicable to the Interests necessary for the conduct of legal operations of the Interests, except where the failure to comply with such laws, ordinances, rules, regulations and orders, individually or in the aggregate, would not reasonably be expected to have a material and adverse effect on the ownership, operation, value or use of the Interests.

(m) Seller is unaware of any Title Defects;

(n) All ad valorem, property, production, severance, excise and similar taxes and assessments based on or measured by the ownership of property or the production of hydrocarbons or the receipt of proceeds therefrom on the Interests that have become due and payable have been properly and timely paid;

(o) Seller has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer shall have any responsibility whatsoever; and

(p) None of the statements, representations or warranties made by Seller in this Agreement or in any Exhibit to this Agreement contains any untrue statement of any material fact or fails to disclose any material fact necessary to be disclosed in order to make the statements, representations or warranties contained herein or therein not misleading. Seller has no knowledge of any matter which materially and adversely affects (or may materially and adversely affect) the

operation or the condition of the Interests which has not been made known to Buyer, which is not discoverable by Buyer through its examination of the materials and data furnished or made available by Seller to Buyer, or which is not set forth in this Agreement or the Exhibits hereto.

8. REPRESENTATIONS OF BUYER. Buyer represents and warrants to Seller that:

(a) Buyer is a corporation validly existing and in good standing under the laws of the State of Delaware and is duly qualified to own its properties and assets and to carry on its business as now being conducted;

(b) Buyer has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Buyer and the consummation of the transactions contemplated hereby have been duly authorized;

(c) This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable against it in accordance with the terms hereof, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights. No other act, approval or proceeding on the part of Buyer or any other party is required to authorize the execution and delivery of this Agreement by Buyer or the consummation of the transactions contemplated hereby;

(d) This Agreement, and the execution and delivery hereof by Buyer, does not and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach of the charter or bylaws of Buyer or any other governing documents of Buyer, or (ii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation or rule of any court or governmental authority, which violation might adversely affect the ability of Buyer to perform its obligations under this Agreement;

(e) Buyer possesses all required governmental licenses, permits, certificates, orders and authorizations necessary to own the Interests;

(f) Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Seller shall have any responsibility whatsoever;

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(g) Buyer is experienced and knowledgeable in the oil and gas business and is aware of its risks. Buyer is being afforded the opportunity to examine information ("Information") made available to it by Seller with respect to the Interests. Buyer acknowledges that, other than as set forth or provided in this Agreement, Seller has made no representations or warranties whatever, express or implied, as to the accuracy of the Information, as to the reserves attributable to the Interests or the value thereof, as to the condition or state of repair of the Interests or as to the legal, tax or other consequences of the transaction contemplated by this Agreement. In entering into this Agreement, Buyer has relied upon Seller's warranties and representations in this Agreement as well as upon its independent investigation of and judgment with respect to such Information, and neither Seller nor its affiliates, agents, representatives or employees shall have any liability to Buyer or its agents, representatives or employees resulting from any use, authorized or unauthorized, of the Information relating to reserve estimates or interpretative information by Buyer or its agents, representatives or employees. Buyer understands and accepts the risks inherent in ownership of the Interests; and

(h) The Interests to be acquired by Buyer pursuant to this Agreement are being acquired by Buyer for its own account for investment purposes and not for distribution within the meaning of any securities law. In acquiring the Interests, Buyer is acting in the conduct of its own business and not under any specific nominee agreement with any third party to transfer to, or to hold title on behalf of, such third party, with respect to all or any part of the Interests.

9. COVENANTS OF SELLER. Seller covenants and agrees that from and after the Effective Time and until the Closing Date:

(a) Sales. Seller will not sell, transfer, assign, convey or otherwise dispose of any Interests other an (i) oil, gas and other hydrocarbons produced, saved and sold in the ordinary course of business, and (ii) personal property and equipment which is replaced with property and equipment of comparable or better value and utility in the ordinary and routine maintenance and operation of the Interests;

(b) Encumbrances. Seller will not create or permit the creation of any lien (other than under Section 3(b)(vii) hereof),

security interest or encumbrance on any

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Interest, the oil or gas produced therefrom, or the proceeds thereof;

(c) Operation of Interests. Seller agrees to:

(i) Cause the Interests to be developed, maintained and operated in a prudent, good and workmanlike manner, maintain any insurance now in force with respect to the Interests, and pay or cause to be paid all costs and expenses in connection therewith in the normal course of business;

(ii) Not participate in the drilling of any new well on the Interests or fail to participate in operations on the Interests proposed by other parties, without the advance written consent of Buyer, which consent or non-consent must be given by Buyer within ten (10) days of the notice from Seller;

(iii) Maintain and keep the Leases in full force and effect;

(iv) Perform and comply with all of its obligations under agreements relating to or affecting the Interests;

(v) Take no action which will cause any purchaser of production to place in suspense any payment for production sold;

(vi) Not enter into or assume any contract, agreement or commitment which is not in the ordinary course of business as theretofore conducted or which involves payments, receipts or potential liabilities with respect to the Interests of more than TEN THOUSAND DOLLARS ($10,000) without the prior written consent of Buyer; and

(vii) Carry on its business with respect to the Interests in substantially the same manner as it has heretofore, not introducing any new method of management, operation or accounting with respect to the Interests;

(d) Contracts and Agreements. Seller will not:

(i) Grant any preferential right to purchase or similar right or agree to acquire the consent

of any party to the transfer and assignment of the Interests to Buyer;

(ii) Enter into any gas sales contract or new crude oil sales or supply contract with respect to the Interests which is not terminable without penalty or detriment on notice of thirty (30) days or less;

(iii) Incur or agree to incur any contractual obligation or liability, absolute or contingent, with respect to the Interests other than provided under Section 9(c)(vi) hereof;

(iv) Enter into any transaction the effect of which, considered as a whole, would be to cause Seller's ownership interest in any of the Interests to be altered from its ownership interest as of the Effective Time; or

(v) Enter into any settlement of or relinquish any outstanding receivables (including, without limitation, the right to receive any retroactive price adjustments, take-or-pay monies, FERC mandated refunds, accounting adjustments, and tax adjustments);

(e) Consents. If any approval or consent by any federal, state or local government authority is required to vest good and Defensible Title to any of the Interests in Buyer at Closing, Seller agrees to exercise its best efforts, as reasonably requested by Buyer, to obtain all such required approvals or consents. Seller will execute appropriate transfer orders or letters-in-lieu covering the Interests submitted to it for execution designating Buyer as the appropriate party for payment, effective as of the Effective Time;

(f) Notice of Defaults. Seller will give prompt written notice to Buyer of any notice of default (or written threat of default, whether disputed or denied) received or given by Seller under

any instrument or agreement affecting the Interests to which Seller is a party or by which it or any of the Interests is bound; and

(g) Notice of Events and Proposals. If between the Effective Time and the Closing, Seller becomes aware of (i) any action or occurrence which reasonably may materially affect any of the Interests, (ii) any proposal from a third party to engage in any material transaction with respect to any of the Interests, or (iii) any suit,

action or other proceeding before any court or governmental agency which relates to the Interests or which might result in impairment or loss of the Seller's title to any of the Interests or the value thereof or which might hinder or impede the operation of the Interests, it will give prompt written notice to Buyer of such action, occurrence or proposal.

10. HART-SCOTT-RODINO. The parties will prepare and submit, in a timely manner, all necessary filings in connection with the transaction contemplated by this Agreement under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations of the Federal Trade Commission thereunder.

11. LIABILITIES AND INDEMNITIES OF SELLER. In connection with the sale, conveyance, transfer, assignment and delivery of the Interests to Buyer, Buyer shall not assume or become obligated in any way with respect to the following:

(a) Any cost, expense or obligation relating to the Interests which accrued prior to the Effective Time unless specifically assumed by Buyer in Section 12 hereof;

(b) Any litigation which affects the Interests, whether pending or threatened, which is based upon omissions, events or occurrences prior to the Effective Time;

(c) Any federal or state income tax or other tax liability of Seller arising by reason of the transaction contemplated by this Agreement;

(d) Any federal, state, county, municipal, ad valorem, production, windfall profits or other tax liability attributable to

Seller's ownership or operation of any of the Interests prior to the Effective Time except as to prorate taxes for the current tax period;

(e) Any claims arising out of the production or sale of hydrocarbons from the Interests, or the proper accounting or payment to parties for their interests therein, prior to the Effective Time; and

(f) Any other claim or demand against, or liability or obligation of Seller arising from any act or omission whatsoever of Seller, prior to the Effective Time, whether such claim, demand, liability or obligation is fixed or contingent, and whether the same arises by contract, tort or otherwise.

Seller shall, to the fullest extent permitted by law, protect, defend, indemnify and hold Buyer and its affiliates, including its directors, officers, employees, agents and representatives

of each of them, harmless from and against any and all claims, losses, damages, costs, expenses, suits, causes of action or judgments of any kind or character with respect to any and all liabilities and obligations or alleged or threatened liabilities and obligations, including, but not limited to, any interest, penalty and any attorneys' fees and other costs and expenses incurred in connection with investigating or defending any claims or actions, whether or not resulting in any liability, attributable to or arising out of (i) Seller's ownership or operation of the Interests prior to the Effective Time, (ii) the breach by Seller of the representations and warranties contained in Sections 7 and 22 hereof, (iii) the breach by Seller of the covenants contained in Sections 9, 16 and 23 hereof, and (iv) the sale, conveyance, transfer, assignment and delivery of the Interests from Seller to Buyer.

12. ASSUMPTION OF OBLIGATIONS AND INDEMNITIES OF BUYER. Buyer shall assume, as of the Effective Time, all contractual obligations of Seller related to the Interests which are recorded or were disclosed by Seller to Buyer in the Records; provided, however, Buyer shall not assume any obligation of Seller to pay for another party's debts, expenses or costs incurred prior to the Effective Time owed to an operator of an Interest pursuant to the terms of an Operating Agreement applicable to any of the Interests. Buyer shall, to the fullest extent permitted by law, protect, defend, indemnify and hold Seller and its directors, officers, employees, agents and

representatives of each of them, harmless from and against any and all claims, losses, damages, costs, expenses, suits, causes of action or judgments of any kind or character with respect to any and all liabilities and obligations or alleged or threatened liabilities and obligations, including, but not limited to, any interest, penalty and any attorneys' fees and other costs and expenses incurred in connection with investigating or defending any claims or actions, whether or not resulting in any liability, attributable to or arising out of (i) Buyer's ownership or operation of the Interests subsequent to the Effective Time, including the proper plugging and abandonment of all wells now or hereafter located on the Leases which have not heretofore been plugged and abandoned (including, but not limited to, all wells not currently producing or temporarily abandoned on said Leases), and the removal of all equipment and facilities and the restoration of the surface, (ii) the breach by Buyer of the representations contained in Section 8 hereof, and (iii) the breach by Buyer of the covenants contained in Section 16 hereof.

13. NOTICE OF CLAIMS. In reference to the indemnities set forth in this Agreement, as soon as reasonably practical after obtaining knowledge thereof, the indemnified party shall notify the indemnifying party of any claim or demand which the

indemnified party has determined has given or could give rise to a claim for indemnification. Such notice shall specify the agreement,representation or warranty with respect to which the claim is made, the facts giving rise to the claim, the alleged basis for the claim, and the amount (to the extent then determinable) of liability for which indemnity is asserted. In the event any action, suit or proceeding is brought with respect to which a party may be liable under the provisions of this Agreement, the defense of the action, suit or proceeding (including all settlement negotiations and arbitration, trial, appeal, or other proceeding) shall be at the discretion of and conducted by the indemnifying party. If an indemnified party shall settle any such action, suit or proceeding without the written consent of the indemnifying party (which consent shall not be unreasonably withheld), the right of the indemnified party to make any claim against the indemnifying party on account of such settlement shall be deemed conclusively denied. An indemnified party shall have the right to be represented by its own counsel at its own expense in any such action, suit or proceeding, and if an indemnified party is named as the defendant in any action, suit or proceeding, it shall be entitled to have its own counsel and defend such action, suit or proceeding with respect to itself at its own

expense. Subject to the foregoing provisions, neither party shall, without the other party's written consent, settle, compromise, confess judgment or permit judgment by default in any action, suit or proceeding if such action would create or attach liability or obligation to the other party. The parties agree to make available to each other, and to their respective counsel and accountants, all information and documents reasonably available to them which relate to any action, suit or proceeding, and the parties agree to render to each other such assistance as they may reasonably require of each other in order to ensure the proper and adequate defense of any such action, suit or proceeding.

14. ENVIRONMENTAL MATTERS.

(a) NORM. The Interests have been used for the purpose of exploration, development and production of oil and gas. Buyer acknowledges that some production equipment may contain asbestos and/or Naturally Occurring Radioactive Material (hereinafter referred to as "NORM"). In this regard, Buyer expressly understands that NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms, and that the wells, materials, and Equipment located on or included in the Interests may contain NORM. Buyer also expressly understands that special procedures may be required for the remediation, removal, transportation and disposal of asbestos and NORM from the Interests where it may be found and that subject to the other provisions of this

Agreement, Buyer assumes all liability for or in connection with assessment, remediation, removal, transportation and disposal of any such materials and associated activities in accordance with all rules, regulations and requirements of governmental agencies.

(b) Environmental Assessment. Subject to restrictions on Seller with respect to access to the Interests, Buyer shall have the right until June 15, 1994, at its own risk and expense, to conduct an environmental assessment of the Interests. All information obtained by Buyer in the environmental assessment shall be used solely for the purpose of an environmental evaluation of the Interests. Buyer shall provide Seller two (2) days written notice of a desired time for such testing or assessment. Seller shall have the right to be present during any testing or assessment.

Buyer agrees to release, indemnify, defend and hold harmless Seller against any liability, loss or damage to persons or property arising out of such access or environmental assessment. Such indemnity shall also apply where the liability, loss or damage arises in whole or in part from (i) the negligence of Seller or Buyer, whether such negligence is active or passive, joint, sole or concurrent or (ii) Seller's or Operator's strict liability, but such indemnity shall not apply where the liability, loss or damage arises in whole or in part from the gross negligence or willful misconduct of Seller.

If during Buyer's environmental assessment, Buyer, in its sole discretion, determines that there is a condition or circumstance which could reasonably constitute a violation of any environmental law or regulation ("Identified Defect"), on or before June 15, 1994, Buyer shall deliver to Seller written notice of such Identified Defect with supporting evidence, including any data and conclusions associated with the Identified Defect which shall be kept strictly confidential by Buyer and Seller unless otherwise required by law. If the cost to remediate such Identified Defect is reasonably determined to be more than twenty percent (20%) of the value allocated to such Interests on Exhibit "A", Buyer shall have the right to terminate this Agreement as to the Interests affected by the Identified Defect and receive a Purchase Price adjustment equal to the amount allocated to such Interests on Exhibit "A". If Buyer does not elect to terminate this Agreement in accordance with the foregoing, Buyer and Seller shall meet and attempt in good faith to agree on the best estimate of the cost and method of curing such Identified Defect. After receipt of such notice and validation of such Identified Defect,

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Seller shall (i) remedy such Identified Defect, at its sole cost, to the reasonable satisfaction of Buyer and Seller and in accordance with applicable laws and regulations, (ii) agree to reduce the Purchase Price by the estimated cost of curing such Identified Defect, or (iii) terminate this Agreement as to the Interests affected by the Identified Defect and the Purchase Price shall be reduced by the amount allocated to such Interests on Exhibit "A". Notwithstanding the foregoing, Seller shall not be liable for any amount in respect of the

costs to cure an Identified Defect unless the aggregate of such costs equals or exceeds $100,000. If the aggregate amount exceeds $100,000 and Seller makes a payment in respect of costs to cure an Identified Defect, such payment by Seller shall release Seller from its obligations in respect of each such Identified Defect for which payment is made and Buyer shall thereafter indemnify and hold Seller harmless in respect of such Identified Defect. If the aggregate amount exceeds $100,000 and Seller elects to remedy an Identified Defect, Seller shall remain liable in respect of such Identified Defect, but shall be released from its obligations in respect of the Interests affected by the Identified Defect when the Identified Defect is cured to the reasonable satisfaction of Buyer and Seller and in accordance with applicable laws and regulations, and Buyer shall thereupon indemnify and hold Seller harmless in respect of such Identified Defect. If the aggregate amount of costs to cure all Identified Defects is less than $100,000, Seller shall be released of its obligations in respect of the Identified Defects and Buyer shall indemnify and hold Seller harmless in respect of such Identified Defects.

If Buyer and Seller cannot agree on the estimated cost for any Identified Defect, Buyer shall have the right to proceed with Closing and accept the Interests with the Identified Defect. If Buyer does not so elect, either Buyer or Seller shall have the right to terminate this Agreement as to the Interests affected by the Identified Defect and receive a Purchase Price reduction equal to the amount allocated to the Interests on Exhibit "A".

(c) Sale "As Is, Where Is". BUYER UNDERSTANDS AND AGREES THAT THIS SALE IS MADE ON AN "AS IS, WHERE IS" BASIS AND, EXCEPT AS SPECIFICALLY PROVIDED TO THE CONTRARY IN SECTION 14 (d), BUYER RELEASES SELLER FROM ANY LIABILITY WITH RESPECT TO THE INTERESTS WHETHER OR NOT CAUSED BY OR ATTRIBUTABLE TO SELLER'S NEGLIGENCE AND WHETHER OR NOT ARISING FROM OR DURING THE PERIOD OF OR IN CONNECTION WITH SELLER'S OWNERSHIP OR USE OF THE INTERESTS. WITHOUT LIMITING THE ABOVE, SUBJECT TO THE OTHER PROVISIONS OF

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THIS AGREEMENT, BUYER WAIVES ITS RIGHT TO RECOVER FROM SELLER AND FOREVER RELEASES AND DISCHARGES SELLER AND AGREES TO HOLD SELLER HARMLESS FROM ANY AND ALL DAMAGES, CLAIMS, LOSSES,

LIABILITIES, PENALTIES, FINES, LIENS, JUDGMENTS, COSTS OR EXPENSES WHATSOEVER, (INCLUDING WITHOUT LIMITATION, ATTORNEYS' FEES AND COSTS), WHETHER DIRECT OR INDIRECT, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THAT MAY ARISE ON ACCOUNT OF OR IN ANY WAY BE CONNECTED WITH THE PHYSICAL CONDITION OF THE INTERESTS AND PROPERTY OR ANY LAW OR REGULATION APPLICABLE THERETO, INCLUDING, WITHOUT LIMITATION, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. Section Section 9601 et. seq.), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. Section Section 6901 et. seq.), THE CLEAN WATER ACT (33 U.S.C. Section Section 466 et. seq.), THE SAFE DRINKING WATER ACT (14 U.S.C. Section Section 1401-1450), THE HAZARDOUS MINERALS TRANSPORTATION ACT (49 U.S.C. Section Section 1801 et. seq.), THE CLEAN AIR ACT, AS AMENDED (42 U.S.C. Section Section 7401 et. seq.), AND THE CLEAN AIR ACT AMENDMENTS OF 1990.

(d) Environmental Indemnifications.

(i) Subject to the limitations set forth in Section 14(d)(iii), from and after the Effective Time, Seller shall indemnify, hold harmless and defend Buyer , its successors and assigns, from and against all damages, losses and other costs and liabilities (including, but not limited to, attorney's fees and court costs, any civil fines, penalties, expenses, costs of clean-up, cost of removal or modification of facilities on the Interests) which arise from or in connection with any environmental condition on the Interests to the extent arising from or based upon events, actions, conditions, circumstances or omissions occurring or existing on or prior to the Effective Time.

(ii) Buyer shall assume responsibility for and indemnify, hold harmless and defend Seller, its successors and assigns, from and against all damages, losses and other costs and liabilities (including, but not limited to, attorney's fees and court costs, any civil fines, penalties, expenses, costs of clean-up, costs of removal or modification of facilities on the Interests) which arise from or in connection with any environmental condition on the Interests to the extent arising from or

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based upon events, actions, conditions, circumstances or omissions (i) occurring or existing after (but not on or before) the Effective Time or (ii) occurring or existing prior to the Effective Time and which are not covered by Seller's indemnification set forth in Section 14(d)(i).

(iii) The obligations of Seller to indemnify Buyer under Section 14(d)(i) shall be limited as follows:

(1) Such indemnification shall apply only to claims arising from or in connection with any environmental condition on the Interests for which Buyer gives Seller notice of a claim for indemnification on or before the second anniversary of the Effective Time.

(2) Notwithstanding anything to the contrary contained in this Agreement, with respect to any environmental condition on the Interests for which Buyer gives notice to Seller after the Closing Date (but on or before the second anniversary of the Effective Time), Seller shall not be liable for any amount in respect of the costs to cure such environmental condition unless and until the aggregate of such costs equals or exceeds $750,000.

(3) Such indemnification shall only apply to claims arising from or in connection with any environmental condition on the Interests that could reasonably constitute a violation of any environmental law or regulation.

(4) Seller's indemnification liability after the Closing Date shall be limited to claims asserted by third parties or governmental agencies; provided, however, nothing herein shall preclude Seller from reporting any environmental condition on the Interests as required by any laws, rules or regulations. The act of reporting shall not negate the provisions of this Section if a third party claim results from such action.

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(5) Such indemnification shall not apply to the extent that the liability for which such indemnification is sought is increased by acts or omissions of Buyer after the Effective Time.

(6) Such indemnification shall not apply to any Identified Defect for which Seller has remedied or made an adjustment to the Purchase Price pursuant to Section 14(b).

(iv) SELLER'S AND BUYER'S INDEMNIFICATION UNDER THIS SECTION 14 SHALL INCLUDE, BUT NOT BE LIMITED TO, LIABILITY OR OBLIGATIONS UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. Section Section 9601 et. seq.), THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. Section Section 466 et. seq.), THE SAFE DRINKING WATER ACT (14 U.S.C. Section Section 1401-1450), THE HAZARDOUS MINERALS TRANSPORTATION ACT (49 U.S.C. Section Section 1801 et. seq.), THE TOXIC SUBSTANCES CONTROL ACT (15 U.S.C. Section Section 2601-2629) THE CLEAN AIR ACT, AS AMENDED (42 U.S.C. Section Section 7401 et. seq.), AND THE CLEAN AIR ACT AMENDMENTS OF 1990.

15. ACCESS OF BUYER. Seller will make available to Buyer for examination and copying at Seller's office at 717 North Harwood Street, Dallas, Texas, any of the Records as Buyer may reasonably request, including, but not limited to, raw engineering, geological, and geophysical data, and reports, maps, electric logs, mud logs, production logs, and well records relating to the Interests to the extent such data and records are in Seller's possession and relate to the Interests; provided, however, Seller shall have no obligation to provide Buyer access to any interpretive or predictive data or information which Seller considers confidential, proprietary, or privileged to it or which access Seller cannot lawfully provide Buyer because of third-party restrictions on Seller. Seller shall permit Buyer's authorized representatives to consult with Seller's employees during reasonable business hours and to conduct, at Buyer's sole risk and expense, on-site inspections and inventories of the Interests subject to restriction on Seller or Buyer with respect to access to the Interests. Buyer shall provide Seller two (2) days written notice of the desired date for inspection purposes.

16. CONFIDENTIALITY. All engineering, geological and geophysical data,

reports and maps, and all other confidential data provided to Buyer, whether before or after the date of this

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Agreement, relating to the Interests shall be treated by Buyer as strictly confidential, and shall not be disclosed to any person, firm or corporation without the prior written consent of Seller. In the event this purchase and sale does not close, this covenant shall survive termination of this Agreement; and in the event the sale closes, this covenant with respect to Buyer shall terminate at Closing. After Closing, any information, data or records, either originals or copies thereof, relating to the Interests and retained by Seller shall be treated by Seller as strictly confidential and shall not be disclosed to any person, firm or corporation without the prior written consent of Buyer.

17. CLOSING. The Closing shall be held at 9:00 a.m., on or before July 1, 1994, at the offices of Seller at 717 North Harwood Street, Dallas, Texas 75201-6594 or at such other time and place as Seller and Buyer may mutually agree in writing (the "Closing" or the "Closing Date").

18. TRANSACTIONS AT CLOSING. On the Closing Date:

(a) Seller shall execute, acknowledge and deliver to Buyer an Assignment and Bill of Sale in the form as set forth in Exhibit "B" hereto (in sufficient counterparts to facilitate recording in applicable counties and filing with any applicable governmental authorities) conveying the Interests;

(b) Seller and Buyer shall execute and deliver a Preliminary Statement as provided in Section 2(c) that shall set forth the purchase price and each adjustment and the calculation of such adjustments used to determine such amount;

(c) Seller shall deliver to Buyer originals of the Records;

(d) Seller and Buyer shall execute, acknowledge and deliver transfer orders or letters-in-lieu prepared by Seller, and approved by Buyer, directing all purchasers of production to make payment to Buyer of proceeds attributable to production from the Interests;

(e) Seller and Buyer shall deliver the legal opinions and certificates required by Sections 5 and 6 hereof;

(f) Seller shall deliver to Buyer exclusive possession of the Interests; and

(g) Buyer shall deliver to Seller cash by wire transfer or a cashier's check in the amount of the Closing Amount.

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19. PROCEEDS OF PRODUCTION AND PROCEEDS IN SUSPENSE. Seller shall be entitled to all proceeds of production attributable to the Interests and accruing to the period prior to the Effective Time. Buyer shall be entitled to all proceeds of production attributable to the Interests and accruing to the period on and after the Effective Time. All proceeds held in suspense or escrow from the sale of production by Seller prior to the Effective Time attributable to the Interests shall be delivered to Buyer at Closing. Seller shall have no responsibility or liability for the proper distribution of proceeds from and after the Closing Date; provided, however, in the event Seller receives distributions for proceeds of production after the Closing Date for production on or after the Effective Time, Seller will promptly remit such proceeds, along with the supporting documentation, to Buyer.

20. NOTICES. All communications required or permitted under this Agreement shall be in writing and any communication or delivery hereunder shall be deemed to have been fully made if actually delivered, or if mailed by registered or certified mail, postage prepaid, return receipt requested, to the address as set forth below:

SELLER	BUYER
Maxus Exploration Company	Meridian Oil Inc.
717 North Harwood Street	P.O. Box 4239
Dallas, Texas 75201-6594	Houston, Texas 77210-4239
Attention: Steven G. Crowell	Attention: Randolph P. Mundt

21. FURTHER ASSURANCE. Incidental and subsequent to Closing, each of the parties shall execute, acknowledge, and deliver to the other such further instruments, and take such other actions as may be reasonably necessary to carry out the provisions of this Agreement.

22. WARRANTIES. THE ASSIGNMENT AND BILL OF SALE EXECUTED PURSUANT HERETO SHALL BE EXECUTED WITHOUT ANY WARRANTY OF TITLE, EITHER EXPRESS OR IMPLIED; PROVIDED, HOWEVER, SELLER SHALL SPECIALLY WARRANT AND AGREE TO DEFEND THE TITLE TO THE INTERESTS AS SET FORTH ON EXHIBIT "A" HERETO AGAINST THE LAWFUL CLAIMS AND DEMANDS OF ALL PERSONS OR ENTITIES CLAIMING THE SAME OR ANY PART THEREOF BY, THROUGH OR UNDER

SELLER, BUT NOT OTHERWISE. SELLER MAKES NO EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION AS TO THE EQUIPMENT, WHICH SHALL BE CONVEYED TO BUYER "AS IS, WHERE IS," AND WITH ALL FAULTS AND DEFECTS,

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INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PURPOSE.

23. CASUALTY LOSS. Each of the following shall be deemed a "Casualty Loss": any material adverse change in the Interests caused by or occurring by reason of matters beyond the reasonable control of Seller, including but not limited to acts of God, fire, earthquake, wind storm, strike, lockout, combination of workmen, flood, drought, war, embargo, riot, condemnation, exercise of any right of eminent domain, confiscation or operation of law, (regardless of whether covered by insurance, but excepting depletion due to normal production, depreciation of equipment through ordinary wear and tear and transactions permitted under this Agreement).

If prior to the Closing Date any of the Interests is damaged or destroyed due to a Casualty Loss, Seller shall immediately notify Buyer and the Purchase Price shall be reduced by an amount estimated by Seller and as agreed to by Buyer, to be equal to the repair or replacement costs of that Interest. In no event shall the reduction of Purchase Price exceed the amount allocated to the applicable Interest as set forth on Exhibit "A". Any insurance proceeds payable to Seller with respect to the Casualty Loss shall be retained by Seller. In the event Seller and Buyer are unable to agree upon the value of the estimated damage, then either Seller or Buyer shall have the right to terminate this Agreement as to the Interest affected by the Casualty Loss and the Purchase Price shall be reduced by the value allocated to such Interest on Exhibit "A". The risk of casualty loss relating to the Interests shall pass from Seller to Buyer as of the Closing Date.

24. TERMINATION. This Agreement may be terminated at any time by mutual consent of Seller and Buyer. In addition, this Agreement may be terminated (i) by Seller by notice to Buyer if all conditions described in Section 6 shall not have been met and such non-compliance shall not have been caused or waived by the actions or inactions of Seller (ii) by Buyer by notice to Seller if all conditions described in Section 5 shall not have been met and such non-compliance shall not have been caused or waived by the actions or inactions of Buyer, or (iii) by Buyer or Seller by notice to the other party if purchase

price adjustments for Title Defects required by Section 4 hereof exceed SIX MILLION DOLLARS ($6,000,000), or (iv) as otherwise expressly provided in this Agreement. Upon termination of this Agreement, the parties shall thereafter be under no further obligation to one another hereunder.

25. EXPENSES. Whether or not the transactions contemplated by this Agreement are consummated, each of the parties hereto

shall pay its own fees and expenses incident to the negotiation, preparation and execution of this Agreement, including attorneys' and accountants' fees.

26. ENTIRE AGREEMENT. This instrument states the entire agreement between the parties and may be supplemented, altered, amended, modified or revoked by writing only, signed by both parties.

27. SURVIVAL OF REPRESENTATIONS AND COVENANTS.

(a) The respective representations of Seller and Buyer shall survive for a period of two (2) years after the Closing.

(b) Except as otherwise specifically provided in this Agreement, the respective warranties and indemnities of Seller and Buyer shall survive for a period three (3) years after Closing.

(c) Upon termination of the time periods set forth above, the representations, warranties and indemnities provided for herein shall be of no further force and effect. The respective liabilities and responsibilities of the parties shall thereafter be determined as otherwise provided by law.

28. INTERNAL REVENUE CODE Section 1031. Buyer shall have the option, at or before Closing, to structure the Closing of this transaction in such a manner so as to qualify as part of a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code. Buyer agrees to indemnify and hold Seller harmless from and against all reasonable costs, expenses, liabilities and obligations which arise as a result of any such like-kind exchange.

29. COUNTERPART. This Agreement may be executed by Buyer and Seller in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument.

30. TIME OF ESSENCE. Time is of the essence in this Agreement.

31. ANNOUNCEMENTS. Seller and Buyer shall consult with each other prior to the release of any press releases and other announcements concerning this Agreement or the transactions contemplated hereby.

32. SEVERABILITY. If, at any time subsequent to the date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no

effect upon and shall not impair the enforceability of any other provision of this Agreement.

33. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. The validity of the various conveyances and transfers affecting the title to the Interests shall be governed by and construed in accordance with the laws of the jurisdiction in which such Interests are situated.

EXECUTED as of the date first above mentioned.

SELLER

MAXUS EXPLORATION COMPANY

BY: /s/ MICHAEL J. BARRON
NAME: MICHAEL J. BARRON
TITLE: VICE PRESIDENT

BUYER

MERIDIAN OIL INC.

BY: /s/ RANDOLPH P. MUNDT
NAME: RANDOLPH P. MUNDT
TITLE: SENIOR VICE PRESIDENT

PRELIMINARY COPY

DIAMOND SHAMROCK OFFSHORE
PARTNERS LIMITED PARTNERSHIP

5051 WESTHEIMER
SUITE 1400
HOUSTON, TEXAS 77056

INFORMATION STATEMENT

This Information Statement is being furnished by Diamond Shamrock Offshore Partners Limited Partnership, a Delaware limited partnership (the "Partnership"), to holders of record as of the close of business on , 1994 of limited partnership units of the Partnership (the "Units") represented by depositary receipts (the "Depositary Units"), in connection with an Agreement and Plan of Merger dated as of April 28, 1994 (the "Merger Agreement"), between the Partnership and Meridian Offshore Company, a Delaware corporation (the "Company") which is a direct wholly owned subsidiary of Meridian Oil Inc., a Delaware corporation ("Meridian"), and an indirect wholly owned subsidiary of Burlington Resources Inc., a Delaware corporation ("BR"). Pursuant to the Merger Agreement (i) the Partnership will be merged with and into the Company (the "Merger") and (ii) holders of record of Depositary Units on the effective date of the Merger will receive $4.485 in cash for each Unit (the "Merger Consideration").

The Merger is the second step in a transaction pursuant to which (i) on April 26, 1994, the Company acquired the managing general partnership interest of Maxus Offshore Exploration Company ("Maxus Offshore") in the Partnership and 64,163,885 Units held by Maxus Exploration Company ("Maxus Exploration"), and Meridian Offshore Acquisition Company, a Delaware corporation which is an affiliate of the Company ("Acquisition"), acquired the special general partnership interest of Maxus Energy Corporation ("Maxus Energy" and, together with Maxus Offshore and Maxus Exploration, "Maxus") in the Partnership, for an aggregate purchase price of $291,088,000 (of which $3,341,230 was attributable to the general partnership interests in the Partnership) or approximately $4.485 per Unit, and (ii) on April 28, 1994, the Partnership and the Company entered into the Merger Agreement, pursuant to which holders of Units will receive $4.485 per Unit in cash, the same price paid to Maxus for its interests in the Partnership.

The Merger Agreement and the Merger have each been approved by the Board of Directors of the Company, on behalf of the Company, and by the Company, in its capacity as managing general partner of the Partnership, on behalf of the Partnership. The Company, as the holder of the managing general partnership interest in the Partnership and of 64,163,885 Units, and Meridian Offshore Acquisition Company, a Delaware corporation which is an affiliate of the Company ("Acquisition"), as the holder of the special general partnership interest in the Partnership, have each executed a written consent approving the Merger. Under Delaware law and the Second Amended and Restated Agreement of Limited Partnership of the Partnership, as amended (the "Partnership Agreement"), the Merger does not require the vote or consent of any other Unit holder.

NO MEETING OF UNIT HOLDERS WILL BE HELD TO CONSIDER APPROVAL OF THE MERGER AND NO VOTE OR CONSENT OF UNIT HOLDERS IS BEING SOLICITED.

NEITHER THE PARTNERSHIP NOR THE COMPANY IS ASKING YOU FOR A PROXY OR CONSENT AND YOU ARE REQUESTED NOT TO SEND THE PARTNERSHIP OR THE COMPANY A PROXY OR CONSENT.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF THIS TRANSACTION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IN UNLAWFUL.

THE DATE OF THIS INFORMATION STATEMENT IS , 1994.

AVAILABLE INFORMATION

The Partnership and BR are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, file reports, proxy statements (in the case of BR only) and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements (in the case of BR) and other information filed with the Commission can be inspected and copied at the public

reference facility maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and should also be available for inspection and copying at the regional offices of the Commission located at 7 World Trade Center, New York, New York 10048 and Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

Although the Company and the Partnership believe that the Merger is not a "Rule 13e-3 transaction" within the meaning of Rule 13e-3 under the Exchange Act, the Company and the Partnership have filed with the Commission a Rule 13e-3 Transaction Statement under the Exchange Act in connection with the Merger. This Information Statement also constitutes a part of such Rule 13e-3 Transaction Statement. The Rule 13e-3 Transaction Statement and any amendments thereto, including exhibits filed as a part thereof, are available for inspection and copying as set forth above.

DOCUMENTS INCORPORATED BY REFERENCE

This Information Statement incorporates by reference documents relating to the Partnership and BR which are not presented herein or delivered herewith. Documents relating to the Partnership and BR (other than exhibits to such documents unless such exhibits are specifically incorporated by reference) are available to any person, including any beneficial owner, to whom this Information Statement is delivered, on written or oral request, without charge, from Meridian Offshore Company, 5051 Westheimer, Suite 1400, Houston, Texas 77056, Attention: Wendi L. Shackelford, Corporate Secretary, Telephone: (713) 624-9000. Copies of documents so requested will be sent by first class mail, postage paid, within one business day of the receipt of such request.

The following Partnership documents are incorporated by reference herein:

1. Annual Report on Form 10-K for the year ended December 31, 1993 (the "1993 Partnership 10-K").

2. Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 (the "1994 Partnership 10-Q").

The following BR documents are incorporated by reference herein:

1. Annual Report on Form 10-K for the year ended December 31, 1993 (the "1993 BR 10-K").

2. Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 (the "1994 BR 10-Q").

All documents filed by the Partnership or BR with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date hereof and prior to the date of the Merger shall be deemed to be incorporated by reference herein and shall be a part hereof from the date of filing of such documents. Any statements contained in a document incorporated by reference herein or contained in this Information Statement shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein (or in any other subsequently filed document which also is incorporated by reference herein) modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS INFORMATION STATEMENT AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

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GLOSSARY

Certain terms used in this Information Statement have the following meanings:

"Bbl" means barrel.

"Bcf" means billion cubic feet of gas.

"Bcfe" means billion cubic feet of gas equivalent. Oil is converted into cubic feet of gas equivalent based on 6 Mcf of gas to one barrel of oil.

"MB" means thousands of barrels.

"MBO" means thousands of barrels of oil.

"Mcf" means thousand cubic feet of gas.

"Mmcf" means million cubic feet of gas.

"Proved reserves" are those estimated quantities of crude oil, natural gas and natural gas liquids, which, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known oil and gas reservoirs under existing economic and operating conditions. The categories of proved reserves are as follows:

"Proved developed reserves" are those proved reserves which can be expected to be recovered through existing wells with existing equipment and operating methods.

"Proved undeveloped reserves" are those proved reserves which are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required.

"Unproved reserves" are potential oil and gas reserves that currently have a degree of uncertainty that precludes them from being classified as proved reserves. The classifications of unproved reserves, based upon increasing degrees of uncertainty, are probable reserves, possible reserves and speculative reserves. In all cases, the degree of uncertainty relates to the geological, geophysical and engineering knowledge of the area. The categories of unproved reserves are as follows:

"Probable reserves" are unproved reserves in an area of known commercial oil and/or gas production where there is either an absence of, or insufficient, geological, geophysical and/or engineering data from which to have adequate certainty that the reserves can be classified as proved reserves.

"Possible reserves" are unproved reserves in an area where engineering, geological and geophysical data indicate the existence of

hydrocarbons but further data (particularly drilling) is required to prove the presence of oil and/or gas.

"Speculative reserves" are unproved reserves in an area which has characteristics analogous to known hydrocarbon producing environments but where there is a lack of information to indicate the presence of hydrocarbons.

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INTRODUCTION

This Information Statement is being furnished to Unit holders by the Partnership in connection with the Merger, pursuant to which (i) the Partnership will be merged with and into the Company and (ii) each outstanding Unit (other than Units held by the Company and its affiliates) will be converted into the right to receive the Merger Consideration in cash, without interest. The Merger is the second step in a transaction pursuant to which (i) on April 26, 1994, the Company acquired the managing general partnership interest of Maxus Offshore in the Partnership (representing a 0.99% economic interest in the Partnership) and 64,163,885 Units held by Maxus Exploration, and Acquisition acquired the special general partnership interest of Maxus Energy in the Partnership (representing a 0.01% economic interest in the Partnership), for an aggregate purchase price of $291,088,000 or approximately $4.485 per Unit, and (ii) on April 28, 1994, the Partnership and the Company entered into the Merger Agreement, pursuant to which holders of Units will receive $4.485 per Unit, the same price paid to Maxus for its interests in the Partnership.

The principal executive offices of the Partnership and the Company are each located at 5051 Westheimer, Suite 1400, Houston, Texas 77056. The telephone number of each of the Partnership and the Company at such address is (713) 624-9000.

The Partnership is engaged in the exploration for, and the development and production of, oil and gas on federal offshore leases located off the coast of Louisiana and Texas. The Company is a direct wholly owned subsidiary of Meridian and was formed for the purposes of acquiring the .99% managing general partnership interest of Maxus Offshore in the Partnership and the 64,163,885 Units owned by Maxus Exploration and effecting the Merger. BR is a holding company whose principal operating subsidiary, Meridian, is engaged in the exploration, development and production of oil and gas and related marketing activities.

The Company and the Partnership have entered into the Merger Agreement, which provides for the consummation of the Merger. The Company, as the holder of the managing general partnership interest in the Partnership and 64,163,885 Units, and Acquisition, as the holder of the special general partnership interest in the Partnership, have each executed a written consent approving the Merger. Under Delaware law and the Partnership Agreement, the Merger does not require the consent of any other Unit holder.

As of the date of this Information Statement, there are 73,761,740 Units outstanding held by approximately 14,679 Unit holders of record, of which 64,163,885 Units or approximately 87% are owned by the Company.

NO MEETING OF UNIT HOLDERS WILL BE HELD TO CONSIDER APPROVAL OF THE MERGER AND NO VOTE OR CONSENT OF UNIT HOLDERS IS BEING SOLICITED.

NEITHER THE PARTNERSHIP NOR THE COMPANY IS ASKING YOU FOR A PROXY OR CONSENT AND YOU ARE REQUESTED NOT TO SEND THE PARTNERSHIP OR THE COMPANY A PROXY OR CONSENT.

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SPECIAL FACTORS

BACKGROUND

On March 8, 1994, Meridian was contacted by a representative of Smith Barney Shearson who advised Meridian that he understood that Maxus was interested in selling all of its general and limited partnership interests in the Partnership (the "Maxus Interests"). The representative advised Meridian that Smith Barney Shearson was not acting on behalf of Maxus. Meridian was told that Maxus would provide information concerning the Partnership assets to Meridian and that Maxus would permit access to Maxus employees for discussions concerning those assets. Meridian indicated to the representative of Smith Barney that Meridian might be interested in acquiring the Maxus Interests.

On March 29, 1994, Randolph P. Mundt, Senior Vice President of Meridian,

was contacted by W. H. Bagley, Vice President of Maxus, to discuss Meridian's potential interest in acquiring the Maxus Interests.

On March 30, 1994, Maxus and Meridian executed a Confidentiality Agreement under which Meridian was provided with data relating to the oil and gas properties owned by the Partnership (the "Properties") and two other oil and gas properties owned by Maxus and operated by the same Maxus regional staff (the "Maxus Fee Properties"). On April 5, 1994, a group of Maxus employees made a presentation to representatives of Meridian concerning the operational attributes of the Properties and the Maxus Fee Properties, marketing arrangements, the Partnership's structure, and staffing requirements associated with the management of the Partnership. Additional data was provided to Meridian personnel during the week of April 11, 1994.

On April 15, 1994, the parties met and Meridian presented Maxus with preliminary indications of interest with respect to the acquisition of the Properties and the Maxus Fee Properties. On April 18, 1994, Maxus indicated that it was interested in pursuing the negotiation of definitive agreements that would specify the terms and conditions under which the Partnership Interests and the Maxus Fee Properties would be purchased.

Between April 19 and April 25, 1994, representatives of the Company and Maxus negotiated with respect to the terms of an acquisition of the Maxus Interests by the Company and Acquisition, including the structure of the transaction and representations and warranties and indemnities to be provided by Maxus. In the course of these negotiations, the Company agreed to make an upward adjustment to the purchase price to be paid to Maxus of approximately $15 million (an increase from approximately $4.25 per Unit to approximately $4.485 per Unit) to reflect Maxus' pro rata share of the cash proceeds of the sale by the Partnership of its interests in Main Pass blocks 72, 73 and 74 to Pogo Producing Company. During the same period, representatives of the Company and Maxus prepared drafts of an acquisition agreement for the transaction and negotiated and prepared drafts of an agreement for certain transition services to be provided by Maxus to the Partnership. The parties also negotiated the terms of the purchase of the Maxus Fee Properties during the same period.

On April 25, 1994, Maxus issued a press release disclosing that it was negotiating with an unidentified third party with respect to a sale of the Maxus Interests at a price of approximately $4.48 per Unit.

On April 26, 1994, the parties executed a unit purchase agreement (the "Unit Purchase Agreement") with respect to the sale of the managing general partnership interest of Maxus Offshore and the 64,163,885 Units held by Maxus Exploration to the Company and the sale of the special general partnership interest of Maxus Energy to Acquisition, for a total purchase price of $291,088,000 (of which $3,341,230 was attributable to the general partnership interests in the Partnership), or approximately $4.485 per Unit. The closing of the sale and purchase took place simultaneously with the execution of the Unit Purchase Agreement. Immediately following the closing of this transaction, Maxus Exploration paid to the Partnership $36,849,635 in satisfaction of the amount estimated to be outstanding under a promissory note of Maxus Exploration to the Partnership and $253,050 in satisfaction of the Partnership's share of the value of certain hedging transactions undertaken by Maxus, approximately 35% of which were allocated for the account of the Partnership.

In addition, Maxus Exploration and the Company entered into a transition services agreement (the "Transition Agreement"), which provides that Maxus will continue, for a period of up to 90 days after April 26, 1994, to provide certain services to the Partnership.

Also on April 26, 1994, Maxus Exploration and Meridian entered into a separate purchase and sale agreement (the "Purchase and Sale Agreement") pursuant to which Meridian agreed to purchase the Maxus Fee Properties for approximately $58,000,000.

For additional information concerning the foregoing agreements, see "CERTAIN AGREEMENTS BETWEEN THE COMPANY AND ITS AFFILIATES AND MAXUS."

On April 28, 1994, the Company and the Partnership entered into the Merger Agreement, and the Company and Acquisition each executed a written consent approving the Merger.

PURPOSE AND STRUCTURE OF THE MERGER

The purpose of the Merger is to acquire all of the outstanding Units, thereby acquiring the entire equity interest in the Partnership. Since 1988, BR has been selling its nonstrategic real estate, minerals and forest product assets and reinvesting the net proceeds in domestic oil and gas reserves and in the repurchase of its common stock. BR's current strategy is to increase reserves principally through capital improvements to its existing properties and through acquisitions of proved properties. The Company acquired the Maxus

Interests and is effecting the Merger at this time in furtherance of this strategy. The Company has structured the acquisition of the Partnership essentially as a unitary transaction involving a negotiated acquisition of the Maxus Interests to be followed by a merger at the same purchase price per unit that was negotiated with the holders of 87.1% of the Partnership interests.

The Company believes that the acquisition of the Maxus Interests in conjunction with the Merger represents an opportunity for BR and the Company to establish an operating position in a high priority, strategic area. The Company believes that the Properties have access to premium gas markets in the northeastern United States and that the acquisition will provide further diversification from BR's existing gas markets (a significant portion of which includes highly competitive markets in California). In addition, the Company believes that the Properties have high growth and exploratory potential. Meridian's staff and management have considerable operating experience in offshore waters and Meridian believes this experience increases the potential for further growth through exploration and exploitation of the Properties. Moreover, the Partnership's proved reserves have a reserve to production ratio of between five and seven years, which complements the higher reserve to production ratio of BR's existing asset base.

Because the Company and Acquisition own all of the outstanding general partnership interests in the Partnership and the Company owns approximately 87% of the outstanding Units, under the Partnership Agreement and Delaware law the Company and Acquisition currently have the power to approve a merger without the consent of any other Unit holder. On April 28, 1994, the Company, as the holder of a .99% managing general partnership interest in the Partnership and 64,163,885 Units, and Acquisition, as the holder of a .01% special general partnership interest in the Partnership, each executed a written consent approving the Merger. Under applicable federal securities laws, the Merger cannot be effected until at least 20 calendar days after this Information Statement has been sent or given to Unit holders. Accordingly, the Company expects that the Merger will be consummated on , 1994 or as promptly as practicable thereafter, assuming that the conditions to the Merger set forth in the Merger Agreement have been satisfied. See "THE MERGER -- Terms of the Merger." As a result of the Merger, the interest of the Company in the net book value and net income of the Partnership will increase from 87.1% to 100%.

Except as described above, BR, the Company and the Partnership have no present plans or proposals that would relate to or result in any extraordinary corporate transaction, such as a merger, reorganization or liquidation involving the Partnership or its subsidiaries, a sale or transfer of a material amount of assets of the Partnership or its subsidiaries, any change in the Partnership's management, any material change in the Partnership's distribution rate or policy or indebtedness or capitalization, or any other material change in the Partnership's structure or business.

FAIRNESS OF THE MERGER

The Company believes that the Merger is fair to Unit holders. In reaching this conclusion, the Company considered the factors discussed below.

(i) The purchase price of $4.485 per Unit pursuant to the Merger is the same price paid by the Company and Acquisition to acquire the Maxus Interests from Maxus on April 26, 1994. See "SPECIAL FACTORS -- Background of the Merger." The Company views the acquisition of the Maxus Interests and the Merger as essentially a unitary transaction, on terms which were approved by the holders of 87% of the Units, and in which Unit holders are being treated alike (except that, as noted in clauses (ii) and (iii) below, certain aspects of the Merger are more favorable to Unit holders than the terms of the purchase of the Maxus Interests). The purchase price was negotiated in an arm's length transaction with Maxus, which the Company believed to be sophisticated and experienced in purchase and sale transactions involving oil and gas properties. The Company believed that, prior to selling the Maxus Interests to the Company and Acquisition, Maxus had solicited offers from other third parties and that the price paid by the Company and Acquisition to acquire the Maxus Interests represented the most favorable offer received by Maxus.

(ii) Unit holders of record as of May 13, 1994 will receive the Partnership distribution of $.13 declared on April 25, 1994, which is payable on June 7, 1994. Maxus will not receive any such distribution.

(iii) Under the Unit Purchase Agreement, Maxus made certain representations and warranties to the Company and Acquisition regarding, among other things, the financial condition, assets, liabilities and operations of the Partnership. Maxus is obligated to indemnify the Company against all damages incurred by the Company or Acquisition arising out of a breach of any representation, warranty or agreement by Maxus in the Unit Purchase Agreement, any filings by the Partnership with the Commission prior to April 26, 1994, and certain other matters. Accordingly, the purchase price received by Maxus could be reduced in the future by indemnification payments to the Company. Unit holders are not

being asked to make any of the foregoing representations or warranties or to indemnify the Company against any of the foregoing matters, and therefore the Merger Consideration of $4.485 per Unit to be received by Unit holders will not be subject to any such potential future reduction. Although as of the date of this Information Statement the Company has not asserted any claims for indemnification against Maxus, for the foregoing reasons the Merger Consideration could be greater than the per Unit consideration retained by Maxus. See "CERTAIN AGREEMENTS BETWEEN THE COMPANY AND ITS AFFILIATES AND MAXUS -- Unit Purchase Agreement."

(iv) The Company considered conditions in the oil and gas industry in general, and the current environment for acquisitions of oil and gas properties (including offshore oil and gas properties).

(v) The Company considered the current market price of the Units (the closing sales price of the Units on April 25, 1994, the last trading day prior to the announcement of the acquisition of the Maxus Interests, was $4.625) and historical market prices for the Units during the past two years. See "PRICE RANGE OF UNITS; CASH DISTRIBUTIONS." There is limited liquidity in the market for the Units and the Merger represents an opportunity for holders to liquidate their investment which might not otherwise be available to Unit holders. While the Units had historically traded at prices higher than the Merger Consideration (the high sales price of the Units for the year ended December 31, 1993 was $6.875), the Units had also traded at lower prices (the closing price for the Units on March 31, 1994 was $4.00 per Unit; the average closing price for the Units for the 30 days prior to the announcement of the acquisition of the Maxus Interests was $4.494), and the Company believed historical prices to be less significant given that (i) the same purchase price was paid to Maxus for its 87.1% interest in the Partnership in a negotiated transaction and (ii) Maxus had had the opportunity to seek other offers and the Company believed that Maxus had done so.

(vi) The Company also considered information relating to the Properties, including the historical operations of the Properties, current operations and potential of the Properties, levels of oil and gas reserves, the ratio of oil reserves to gas reserves, and programs for development and production optimization. See "INFORMATION CONCERNING THE PARTNERSHIP AND THE PROPERTIES."

(vii) Unit holders are not entitled to appraisal rights in connection with the Merger. See "SPECIAL FACTORS -- Appraisal Rights."

In view of the number and variety of factors considered, the Company did not find it practicable to, and did not, assign relative weights to the factors described above. However, the Company believes that the factors described in (i), (ii), (iii) and (iv) above are favorable to its determination of fairness, factors (v) and (vi) are neutral, and factor (vii) is negative.

The Company did not believe current net book value per Unit to be relevant to its determination of fairness because such value (approximately $2.00 per Unit at March 31, 1994 on a pro forma basis giving effect to the sale of the Partnership's interests in Main Pass blocks 72, 73 and 74 on April 25, 1994 to Pogo Producing Company) is substantially less than the Merger Consideration and historical trading prices for the Units. The Company did not consider liquidation value to be relevant to its determination of fairness because the Company intends to continue to operate the business currently conducted by the Partnership as a going concern and therefore the Company evaluated the Partnership on a going concern basis. However, the Company believed that estimates of future net revenue, information concerning historical operations, current operations and potential of the Properties, levels of reserves, the ratio of oil reserves to gas reserves, programs for development and production optimization, estimates of future oil and gas prices and general economic and market conditions, which were considered by it in its determination of fairness, would also be taken into account in determining liquidation value.

Neither Meridian nor the Company received any report, opinion or appraisal from an outside party in connection with the acquisition of the Maxus Interests or the Merger.

The Merger is not structured to require the approval of a majority of unaffiliated Unit holders. In addition, neither Meridian, the Company, the Partnership nor a majority of the non-employee directors of Meridian or the Company retained an unaffiliated representative to act solely on behalf of unaffiliated Unit holders for the purpose of negotiating the terms of the Merger or preparing a report concerning the fairness of the Merger. While these factors could be viewed as unfavorable to a determination of fairness, the Company believes, based upon the factors listed above, that the terms of the Merger are fair to Unit holders.

EFFECT OF THE MERGER ON THE MARKET FOR UNITS; NYSE AND PSE LISTING AND EXCHANGE ACT REGISTRATION

As a result of the Merger, the Units will cease to be outstanding and will be delisted from the New York Stock Exchange (the "NYSE") and the Pacific Stock Exchange (the "PSE"), and the registration of the Units under the Exchange Act will be terminated.

FINANCING OF THE MERGER

The amount of funds needed by the Company to purchase all of the outstanding Units pursuant to the Merger and to pay related fees and expenses will be approximately $45 million. See "FEES AND EXPENSES." The Company plans to obtain all of such funds through capital contributions or advances made by Meridian. Meridian plans to obtain the funds for such capital contributions or advances from working capital.

APPRAISAL RIGHTS

Holders of Units do not have appraisal rights in connection with the Merger. The Partnership is a Delaware limited partnership and the Partnership Agreement provides that the Partnership Agreement shall be construed in accordance with and governed by the laws of the State of Delaware. The Company is not aware of any provisions of Delaware law expressly providing rights to holders of interests in a Delaware limited partnership in lieu of appraisal rights. In cases involving corporations, courts applying Delaware law have held that a controlling stockholder of a corporation involved in a merger has a fiduciary duty to other stockholders that requires that the merger be fair to other stockholders. In determining whether a merger is fair to minority stockholders of a corporation, these courts have considered, among other things, the type and amount of consideration to be received by stockholders and whether there was fair dealing among the parties. These courts have held that a damages remedy may be available in a merger which is the result of procedural unfairness, including fraud, misrepresentation or other misconduct.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of the Federal income tax consequences of the Merger to Unit holders. This discussion does not address the particular Federal income tax consequences that may be relevant to certain types of taxpayers subject to special treatment under the Federal income tax laws (such as life insurance companies, banks, tax-exempt organizations, foreign corporations and nonresident aliens). Moreover, because certain of the tax consequences of the Merger are uncertain (due to the absence of precedental authority), Unit holders are strongly urged to consult with their own tax advisors regarding the Federal (as well as state, local and foreign) tax consequences of the Merger.

Upon the Merger, a Unit holder will generally recognize gain or loss, for Federal income tax purposes, measured by the difference between the amount realized by the Unit holder in the Merger (which will include not only the cash received by the Unit holder, but also the Unit holder's proportionate share of the liabilities of the Partnership at the time of the Merger) and the Unit holder's aggregate basis in his Units (which will generally equal the price paid by the Unit holder for his Units, increased by the amount of income and gain allocated to the Unit holder through and including the date of the Merger and the Unit holder's proportionate share of the liabilities of the Partnership at the time of the Merger, and decreased by the amount of deduction and loss allocated to the Unit holder through and including the date of the Merger - including depletion allowances to which the Unit holder was entitled but, as to any depletable property, not in excess of the Unit holder's proportionate share of the Partnership's basis in such depletable property - and the amount of any cash distributions made to the Unit holder prior to the Merger). Assuming that the Units were held by the Unit holder as a capital asset, such gain or loss will be capital gain or loss (long term or short term depending upon whether or not the Unit holder has held his Units for more than a year at the time of the Merger), except to the extent provided in the following paragraph.

A Unit holder will recognize ordinary income for Federal income tax purposes (which may be substantial in amount) to the extent that the amount realized by the Unit holder in the Merger, determined as set forth above, is attributable to (1) inventory items which have "appreciated substantially in value" and (2) unrealized receivables (which includes, generally, the depreciation and intangible drilling deductions previously allocated to the Unit holder as well as the depletion deductions to which the Unit holder was entitled with respect to the depletable properties of the Partnership - but, as to any depletable property, not in excess of the Unit holder's proportionate share of the Partnership's basis in such depletable property). In the case of a Unit holder realizing an overall gain in connection with the Merger, the ordinary income which the Unit holder must recognize pursuant to the foregoing rule will reduce the amount of capital gain that the Unit holder would otherwise recognize (assuming, as stated above, that the Units are held by the Unit holder as a capital asset). The amount of ordinary income which a Unit holder must recognize

pursuant to the foregoing rule may, however, be in excess of the Unit holder's overall gain on the Merger, in which event the Unit holder will recognize no capital gain but, instead, will recognize a capital loss in an amount equal to the excess. In the case of a Unit holder who realizes an overall loss on the Merger, any ordinary income which the Unit holder is required to recognize under the foregoing rule will result in a corresponding increase in the amount of the Unit holder's capital loss (assuming again that the Units are held by the Unit holder as a capital asset).

The foregoing rules are complicated by a relatively recently enacted provision of the Internal Revenue Code of 1986, as amended (the "Code"), under which no regulations have yet been issued. This provision provides that if a partner contributes property to a partnership having a value that does not equal its basis and, within five years of the date of the contribution, the property is distributed by the partnership (other than to the contributing partner), the contributing partner must recognize gain or loss for Federal income tax purposes equal to the difference between the fair market value of the contributed property and its basis at the time of the contribution (with appropriate adjustments being made to the contributing partner's basis in the partnership). For Federal income tax purposes, the sale of the Units which was effected on April 26, 1994 pursuant to the Unit Purchase Agreement (the "Sale Transaction") resulted in a termination of the Partnership under Section 708(b)(1)(B) of the Code, a theoretical distribution of the assets of the Partnership to the partners existing immediately subsequent to the Sale Transaction, including the Unit holders, and a theoretical recontribution of these assets to a newly formed partnership. As a result, Unit holders are treated, for Federal income tax purposes, as having made property contributions to the Partnership

immediately subsequent to the Sale Transaction, and, in most if not all cases, the value of the assets that the Unit holders are treated as having contributed to the Partnership will not be equal to the Unit holder's basis in those assets (which, in the aggregate, will equal the Unit holder's basis in his Units immediately subsequent to the Sale Transaction). Accordingly, this new provision of the Code would appear to apply to Unit holders. Arguments can be made, however, based on the legislative history of the provision, that the foregoing provision should only apply to property which was not contributed to the Partnership in connection with the Partnership's formation in 1985 or, if so contributed, should only apply to the extent of the Unit holder's pro rata share of any decrease or increase in the value of the property occurring between the time of the Partnership's formation and the date of the Sale Transaction. Additionally, arguments can be made that, as a policy matter, the provision should not apply at all in a situation such as the Merger where, contemporaneously with the distribution of the property that the Unit holders are treated as having contributed to the Partnership, the contributing partners are recognizing the full amount of gain or loss attributable to their Units. However, in the absence of any controlling precedental authority, no assurance can be given that the provision will not apply.

Assuming that the provision does apply, any Unit holder at the time of the Merger who was also a Unit holder at the time of the Sale Transaction will be required, for Federal income tax purposes, to recognize gain or loss in the Merger in a net amount equal to the difference between the Unit holder's basis in his Units and the fair market value of those Units at the time of the Sale Transaction. A Unit holder at the time of the Merger who acquired his Units subsequent to the Sale Transaction will have to recognize gain or loss in an amount equal to that which the person who held the Units at the time of the Sale Transaction would have had to recognize pursuant to the foregoing rule, generally increased or decreased by the amount of any adjustment made to the Unit holder's share of the Partnership's basis in its assets, under Section 754 of the Code, in connection with the Unit holder's acquisition of his Units (although, as a practical matter, the subsequent Unit holder will not know the prior Unit holder's basis in his Units at the time of the Sale Transaction and, therefore, will not be able to determine the amount of the prior holder's gain or loss or the amount of the Section 754 adjustment resulting from the subsequent Unit holder's acquisition of his Units). The character of the foregoing gain or loss will be determined by reference to each property that the Unit holder is deemed as having contributed to the Partnership at the time of the Sale Transaction, with the amount of the gain or loss being computed separately with respect to each property (but with the aggregate, net amount of the gain or loss being as set forth above). Any gain or loss recognized under this provision will result in a corresponding increase or decrease in the Unit holder's basis in his Units and, therefore, in a corresponding reduction in the overall gain or a corresponding increase in the overall loss recognized by the Unit holder in connection with the Merger (pursuant to the rules discussed in the second and third paragraphs under this heading, "Special Factors -- Certain Federal Income Tax Consequences"). As a result, application of the foregoing provision will not alter the net amount of gain or loss that must be recognized by a Unit holder as a result of the Merger, but may alter the character of all or a portion of that gain or loss.

ACCOUNTING TREATMENT

The acquisition of the Units pursuant to the Merger will be accounted for as a purchase of assets whereby the oil and gas reserves underlying the Units will be consolidated with the Company's reserves.

CERTAIN LITIGATION

On April 27, 1994, a purported class action entitled Susser vs. Burlington Resources Inc., et al. (C.A. No. 13483) (the "Action") was filed in the Delaware Chancery Court. The complaint (which names as defendants BR, the Partnership, Maxus Energy, Maxus Offshore and three officers and directors of Maxus Offshore) alleges, among other things, (i) that the proposed purchase price to be paid to Unit holders does not represent the true value of the assets and future prospects underlying the limited partnership interests in the Partnership, but is an attempt to benefit BR unfairly at the expense of Unit holders, that the market value and intrinsic value of the Units was and is materially in excess of $4.48 per Unit and that the purchase price is not the result of arm's length negotiations, (ii) that Maxus was under pressure to sell its stake in the Partnership due to growing financial problems at Maxus, (iii) that defendants' announcement of the proposed Merger fails

to adequately disclose, inter alia, whether defendants obtained a fairness opinion from an independent investment bank and that allegedly the Partnership was on the verge of reporting sustained and significant profits, and (iv) that Maxus and BR have breached and continue to breach their purported fiduciary duties as past and present controlling security holders of the Partnership, including that Maxus did not attempt to achieve the highest possible price for the Partnership. The complaint seeks, among other things, preliminary and permanent injunctive relief and unspecified damages. BR and the Company believe that the Action is wholly without merit and intend to defend it vigorously.

THE MERGER

APPROVAL OF THE MERGER

On April 28, 1994, the Board of Directors of the Company approved on behalf of the Company, and the Company, in its capacity as managing general partner of the Partnership, approved on behalf of the Partnership, the Merger, upon the terms and subject to the conditions set forth in the Merger Agreement. Also on April 28, 1994, the Company, as the holder of a .99% managing general partnership interest in the Partnership and of 64,163,885 Units, and Acquisition, as the holder of a .01% special general partnership interest in the Partnership, executed written consents approving the Merger. Under Delaware law and the Partnership Agreement, by reason of such consents, no other vote or consent of Unit holders is required in order to consummate the Merger.

TERMS OF THE MERGER

Merger Consideration

At the Effective Time (as defined below), each partnership interest in the Partnership held by the Company or any of its affiliates will be cancelled and each outstanding Unit (other than Units held the Company or any of its affiliates) will be converted into the right to receive the Merger Consideration of $4.485 per Unit in cash, without interest, and all such Units will automatically cease to be outstanding and will be cancelled and retired and cease to exist.

Effective Time

The Merger will become effective (the "Effective Time") at the time a Certificate of Merger is duly filed with the Secretary of State of the State of Delaware in accordance with the Delaware General Corporation Law and the Delaware Revised Uniform Limited Partnership Act or at such other time as may be specified in the Certificate of Merger. Provided the conditions to the Merger have been satisfied or waived, it is anticipated that the Merger will be consummated on , 1994 or as promptly as practicable thereafter.

Parties; Surviving Corporation

In the Merger, the Partnership will be merged with and into the Company, whereupon the separate existence of the Partnership will cease. The Company will be the surviving corporation in the Merger and will continue its existence under the laws of the State of Delaware. At the election of the Company, any direct or indirect wholly owned subsidiary of Meridian Oil Holding Inc. ("MOHI") may be substituted for the Company as a party in the Merger.

Conditions to the Merger

The obligations of the Company and the Partnership to effect the Merger are each subject to (i) no statute, rule, regulation, executive order, decree,

injunction or other order having been executed, entered, promulgated or enforced by any court or governmental authority which is in effect and has the effect of prohibiting consummation of the Merger, (ii) the waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), having expired or been terminated, and (iii) a 20 calendar day period having elapsed from the date of mailing of this Information Statement to Unit holders.

Procedures for Exchange of Units

Prior to the Effective Time, the Company will appoint a bank or trust company to act as disbursing agent (the "Disbursing Agent") for the payment of the Merger Consideration upon surrender of certificates representing the Units. Promptly after the Effective Time, the Company will cause the Disbursing Agent to mail to each person who was a record holder as of the Effective Time of an outstanding certificate or certificates which immediately prior to the Effective Time represented Depositary Units (the "Certificates"), a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Disbursing Agent) and instructions for use in effecting the surrender of the Certificate in exchange for payment of the Merger Consideration. Upon surrender to the Disbursing Agent of a Certificate, together with such letter of transmittal duly executed and such other documents as may be reasonably required by the Disbursing Agent, the holder of such Certificate will be paid in exchange therefor cash in an amount equal to the product of the number of Units represented by such Certificate multiplied by the Merger Consideration, and such Certificate shall forthwith be cancelled. No interest will be paid or accrued on the cash payable upon the surrender of the Certificates.

At and after the Effective Time, there will be no registration of transfers of Units and the Partnership will instruct the depositary for the Depositary Units not to register transfers of the Depositary Units. From and after the Effective Time, the holders of Units outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Units except as otherwise provided in the Merger Agreement or by applicable law.

At any time more than one year after the Effective Time, the Company will be entitled to require the Disbursing Agent to deliver to it any funds made available to the Disbursing Agent and not disbursed in exchange for Certificates. Thereafter, holders of Units will be entitled to look only to the Company (subject to abandoned property, escheat and other similar laws) as general creditors thereof with respect to any Merger Consideration that may be payable upon due surrender of the Certificates held by them. Neither the Company nor the Disbursing Agent will be liable to any holder of a Unit for any Merger Consideration delivered to a public official pursuant to any abandoned property, escheat or other similar law.

Distribution

Unit holders of record on May 13, 1994 will receive the Partnership distribution of $.13 per Unit declared on April 25, 1994, which is payable on June 7, 1994.

The foregoing summary of the Merger Agreement is qualified in its entirety by reference to the complete text of the Merger Agreement, a copy of which is attached as Appendix A.

CERTAIN AGREEMENTS BETWEEN THE COMPANY AND ITS AFFILIATES AND MAXUS

UNIT PURCHASE AGREEMENT

On April 26, 1994, the Company and Acquisition purchased the Maxus Interests for an aggregate purchase price of $291,088,000 (of which $3,341,230) was attributable to the general partnership interests in the Partnership) or approximately $4.485 per Unit, pursuant to the Unit Purchase Agreement. In accordance with the terms of the Unit Purchase Agreement, Maxus Exploration used $36,849,635 of the purchase price to repay the amount estimated to be outstanding under a promissory note of Maxus in favor of the Partnership (subject to post-closing adjustment based on the actual amount of the note as of April 26, 1994) and used $253,050 of the purchase price to pay the Partnership its share of the value of certain hedging transactions undertaken by Maxus, approximately 35% of which were allocated for the account of the Partnership.

In the Unit Purchase Agreement, Maxus made certain representations and warranties to the Company and Acquisition, including representations and warranties with respect to (i) the organization and qualification of Maxus, the

Partnership and its subsidiary, Diamond Shamrock Offshore Pipeline Company ("Pipeline"), (ii) the power and authority of Maxus to consummate the purchase and sale of the Maxus Interests, (iii) the absence of any material adverse change affecting the Partnership since December 31, 1993, (iv) the absence of pending or threatened litigation affecting the Partnership or Pipeline, (v) the accuracy of all filings of the Partnership with the Commission since December 31, 1990, including the Partnership's financial statements, (vi) the absence of consent or approval requirements for consummation of the purchase and sale, (vii) compliance by the Partnership with applicable laws, (viii) title of Maxus to the Maxus Interests, (ix) rights of the Partnership under oil and gas leases and (x) the absence of material liabilities or obligations of the Partnership other than those reflected in its financial statements at December 31, 1993 or incurred subsequently in the ordinary course of business.

Under the Unit Purchase Agreement, Maxus agreed to indemnify and hold harmless the Company and Acquisition from and against all damages incurred by the Company or Acquisition or any of their affiliates, arising out of, resulting from or relating to (i) a breach of any representation, warranty or agreement of Maxus contained in or made pursuant to the Unit Purchase Agreement or any facts or circumstances constituting such a breach, (ii) the Partnership's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 and all other forms, reports and documents filed by the Partnership with the Commission prior to April 26, 1994, (iii) any indebtedness of Maxus or any of its affiliates to the Partnership, or any transaction or arrangement (contractual or otherwise) involving the Partnership and Maxus or any of its affiliates, other than transactions or arrangements set forth in the Transition Agreement, and (iv) the transactions under an agreement of purchase and sale dated as of March 28, 1994, pursuant to which the Partnership sold certain oil and gas properties to Pogo Producing Company.

TRANSITION AGREEMENT

Concurrently with the execution of the Unit Purchase Agreement, Maxus Exploration and the Company entered into the Transition Agreement, pursuant to which Maxus Exploration will continue to provide management, operations, accounting, tax, marketing, technical and administrative services to the Partnership of the same type, level and quality provided prior to April 26, 1994, for a period of up to 90 days after April 26, 1994, to the extent Maxus Exploration is capable of providing such services and such services are not terminated by the Company. Under the Transition Agreement, Maxus Exploration will also assist the Company in preparing tax returns of the Partnership covering periods through December 31, 1994.

The Company agreed (i) to cause the Partnership to reimburse Maxus Exploration as provided in the Partnership Agreement with respect to service relating to periods prior to April 26, 1994, (ii) on behalf of the Partnership, to pay Maxus Exploration a fixed fee of $375,000 for services for each of the periods ending May 31, 1994 and June 30, 1994, and (iii) on behalf of the Partnership, to reimburse Maxus Exploration as provided in the Partnership Agreement for any services thereafter. The Company also agreed to indemnify and hold harmless Maxus Exploration against damages incurred by it arising out of the performance of the services, except to the extent arising from its gross negligence or willful misconduct.

The Transition Agreement also permits the Company to terminate certain existing marketing arrangements between Maxus and the Partnership pursuant to which Maxus markets gas produced by the Partnership, at no cost to the Partnership, and to require Maxus to assign to the Partnership all of its right, title and interest under certain gas sales and exchange contracts for which Maxus previously obtained gas supplies under the marketing arrangements referred to above.

Maxus further agreed that, to the extent the Company incurs damages arising out of matters for which Maxus could bring a claim under its insurance policies, Maxus will use its best efforts to bring a claim under such policies and will remit the net proceeds of any such claim to the Company.

PURCHASE AND SALE AGREEMENT

Also on April 26, 1994, Meridian and Maxus Exploration entered into the Purchase and Sale Agreement, pursuant to which Meridian agreed to acquire the interests of Maxus in the Maxus Fee Properties for $58,000,000, subject to certain adjustments. The Purchase and Sale Agreement contains representations and warranties, covenants, closing conditions and indemnities customary for purchase and sale transactions involving oil and gas properties.

INFORMATION CONCERNING THE PARTNERSHIP AND THE PROPERTIES

BUSINESS AND PROPERTIES

The following information is excerpted from the 1993 Partnership 10-K,

which was prepared by Maxus Offshore, which at that time was the managing general partner of the Partnership:

"The Partnership is engaged in oil and gas exploration and production activities in federal waters offshore Texas and Louisiana. The Partnership was formed in Delaware in 1985 to succeed to the oil and gas exploration and production business previously conducted by [Maxus] Exploration, a wholly owned subsidiary of Maxus [Energy], in federal waters offshore Texas and Louisiana. . . ."

"The Partnership properties include interests in 82 offshore federal leases within 45 fields. The Partnership is the operator of 46 of such leases. Of the leases, 49 are held by either oil or gas production, with sales being made from all of such leases in 1993. During 1993, the Partnership properties produced approximately 74 Mmcf of gas per day and 4,100 barrels of oil per day."

"The following table sets forth information with respect to certain of the Partnership properties. The blocks shown in the table are listed in descending order based upon the present value of estimated future net cash flows from production at December 31, 1993, before income taxes, discounted at 10% per annum ("Discounted Present Value"), with the total proved reserves from such blocks accounting for 55% of the Discounted Present Value attributable to the Partnership properties as of December 31, 1993. The two largest blocks, accounting for approximately 28% of the Partnership properties on a percentage of Discounted Present Value basis, are discussed in greater detail below.

<TABLE>
<CAPTION>

BLOCKS	% OF WORKING INTEREST(1)	YEAR PRODUCTION COMMENCED(2)	1993 AVERAGE NET DAILY PRODUCTION	
			BBL	MCF
<S>	<C>	<C>	<C>	<C>
Green Canyon 18	15.00	1987	1,149	1,341
West Cameron 142	100.00	1993	3(3)	102(3)
Ewing Banks 944, 988	15.00	1988	588	633
Main Pass 127 Complex	100.00	1980	8	23,526
Vermilion 225/226	68.16	1983; 1992	119	8,592

</TABLE>

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(1) A working interest entitles the owner to explore, develop, operate and receive the production from a property, subject usually to a royalty and sometimes to other non-operating interests. The working interest bears the operating and development costs. If more than one block is shown and different ownership interests occur in each block, then the working interest shown is a unitized working interest.

(2) For blocks with platforms that commenced production in different years, the year production commenced is shown for each platform.

(3) Average is for eight days of production during 1993."

"Green Canyon Block 18 accounts for approximately 15.2% of the Discounted Present Value of the Partnership properties. The block contains 5,760 acres in which the Partnership holds a 15% working interest. A total of 14 wells are currently producing."

"West Cameron Block 142 accounts for approximately 12.9% of the Discounted Present Value of the Partnership properties. The block was discovered and developed in 1993. Two wells were drilled on the block and current net production is approximately 13 Mmcf per day and 340 barrels of oil per day."

"During 1993, the Partnership had gas discoveries at West Cameron 142, Main Pass 181 and Main Pass 111, blocks where it had a 100% working interest. The Partnership's reserve additions resulted in replacement of approximately 122% of the year's production."

Developed and Undeveloped Properties

"The following table sets forth information at December 31, 1993 with respect to the developed and undeveloped oil and gas properties owned by the Partnership. As used in this report, "gross" acres are the total number of acres in which the Partnership owns any interest. "Net" acres are the sum of the fractional working interests the Partnership owns in gross acres.

<TABLE>

<CAPTION>

	DEVELOPED		UNDEVELOPED	
	GROSS ACRES	NET ACRES	GROSS ACRES	NET ACRES
<S>	<C>	<C>	<C>	<C>
Offshore Louisiana	26,383	9,686	219,005	145,707
Offshore Texas	12,478	2,800	132,761	77,319
Total	38,861	12,486	351,766	223,026

</TABLE>

The Managing General Partner believes that the time remaining under the primary terms of the leases covering undeveloped acreage included in the Partnership properties is, as a whole, sufficient for their exploration and development under current conditions."

Drilling Activity

"The following table sets forth information regarding exploratory and development wells drilled for the three years ended December 31, 1993. As used in this report, "gross" wells are the total number of wells in which the Partnership owns any interest. "Net" wells are the sum of the fractional interests the Partnership owns in gross wells. "Productive" wells are either producing wells or wells capable of commercial production although currently shut-in. One or more completions in the same bore hole are counted as one well.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Net Exploratory Wells Drilled			
Productive	2.0	0	2.3
Dry	1.0	1.0	1.6
Total	3.0	1.0	3.9
Net Development Wells Drilled			
Productive	1.5	3.2	.4
Dry	.1	.0	2.1
Total	1.6	3.2	2.5

</TABLE>

At February 28, 1994, the Partnership had 5 gross wells (.9 net wells) in progress."

Productive Wells

"The following table sets forth the Partnership's total gross and net productive oil and gas wells, including multiple completions, at December 31, 1993.

<TABLE>
<CAPTION>

	GROSS	NET
<S>	<C>	<C>
Productive oil wells	101	20.4
Productive gas wells	103	36.2
Multiple completions	11	3.7

</TABLE>

Production and Sales of Oil and Gas

"The following table sets forth the average sales prices and production costs of crude oil and natural gas produced for the three years ended December 31, 1993.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Average Sales Price			

Crude Oil (per barrel).....	$17.12	$18.61	$20.16
Natural Gas (per Mcf).....	$ 2.21	$ 2.01	$ 1.88
Average Production Cost (per barrel)*.....	$ 2.72	$ 2.33	$ 2.49

</TABLE>

- ---

* Production or lifting cost is exclusive of depreciation and depletion applicable to capitalized lease acquisition, exploration and development expenditures. The gas production was converted to equivalent barrels of crude oil by dividing the Mcf volume by six. Six Mcf of gas have approximately the heating value of one barrel of crude oil."

Regulation of Crude Oil and Natural Gas Production

"Domestic exploration for and production and sale of oil and gas are extensively regulated at both the national and local levels. The heavy regulatory burden on the oil and gas industry increases its costs of doing business and consequently affects its profitability."

Environmental Regulation

"Various federal, state and local laws and regulations covering the discharge of materials into the environment or otherwise relating to the protection of the environment may affect the Partnership's operations and costs. Environmental protection laws to date have not required the Partnership to make any significant additional capital outlays. It is not anticipated that the Partnership will be required in the near future to expend amounts that are material in relation to its total capital expenditure program by reason of environmental laws and regulations, but inasmuch as such laws and regulations are constantly being revised and changed, the Managing Partner is unable to predict the ultimate cost of complying with present and future environmental laws and regulations."

Competition and Marketing

"The Partnership's production represents only a small fraction of the total world markets for oil and natural gas. As a result, the prices the Partnership receives depend primarily on the relative balance between supply and demand in these markets."

"The Managing General Partner believes that the longer term potential for growth in natural gas demand remains high due to the abundance of the fuel, environmental awareness and price advantages; however, market prices remain extremely volatile with weather and regional supply and demand imbalances causing the potential for large monthly price swings. To counteract the potential for pricing swings, the Managing General Partner entered into a hedging program that essentially fixed prices beginning with June 1993 production for approximately 40% of the Partnership's gas production. The program has been extended through 1994 and

may cover a larger portion of the Partnership's gas production. Overall, the Partnership has been able to realize premium gas prices resulting from focused marketing efforts and the addition of aggregated supply, which enables the marketing staff to offer large volumes backed by diversified supply sources."

"The Partnership's natural gas volumes are combined with aggregated, third party supplies for ultimate sale to several different types of customers under various sales arrangements, all of which are classified as either spot or term sales. Spot sales are made on a day-to-day basis, generally under contracts having terms of approximately one calendar month or less. Term sales are firm commitments that are made on a multi-month basis. Pricing is predominately set as a function of market clearing prices (index prices) which will fluctuate with the market, or fixed prices which will remain steady with the market. Index prices may be converted to a fixed price via the hedging program described above. Of the Partnership's total natural gas sales volumes and gas sales revenue in 1993, approximately 41% was ultimately sold directly to local distribution companies and end-users with the remaining 58% ultimately being sold to pipelines and gas marketing companies."

"The world oil market continues to be subject to uncertainty. Iraq has not yet resumed oil sales due to its failure to agree to United Nations imposed conditions on such sales, but the threat of increased Iraqi production continues to overhang the market. Oil prices have recently decreased primarily due to additional availabilities from non-OPEC countries and excessive OPEC production coupled with limited demand growth in developed countries."

OIL AND GAS RESERVES

The following information is excerpted from the 1993 Partnership 10-K:

"Net proved developed and undeveloped reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion."

"The following table represents the Partnership's net interests in estimated quantities of proved developed and undeveloped reserves of crude oil, including condensate (in thousands of barrels), and natural gas (in millions of cubic feet) at December 31, 1993, 1992 and 1991, and changes in such estimated quantities for the years then ended:

<TABLE>
<CAPTION>

	OIL (MB)	GAS (MMCF)
<S>	<C>	<C>
NET PROVED DEVELOPED AND UNDEVELOPED RESERVES		
January 1, 1991	11,354	186,846
Revisions of previous estimates	760	(5,257)
Extensions, discoveries and other additions	122	2,945
Production	(2,061)	(32,778)
Purchase of reserves in place	207	26,752
December 31, 1991	10,382	178,508
Revisions of previous estimates	953	(192)
Extensions, discoveries and other additions	307	10,852
Production	(1,583)	(31,559)
December 31, 1992	10,059	157,609
Revisions of previous estimates	487	(9,692)
Extensions, discoveries and other additions	660	47,223
Production	(1,517)	(27,181)
December 31, 1993	9,689	167,959
NET PROVED DEVELOPED RESERVES		
January 1, 1991	10,805	137,731
December 31, 1991	9,806	141,641
December 31, 1992	9,287	120,328
December 31, 1993	9,046	118,567

</TABLE>

FUTURE NET CASH FLOWS

The following information is excerpted from the 1993 Partnership 10-K:

"The standardized measure of discounted future net cash flows ("standardized measure") relating to proved oil and gas reserves is calculated and presented in accordance with Statement of Financial Accounting Standards No. 69. The standardized measure has been prepared assuming year-end selling prices (adjusted for future fixed and determinable contractual price changes) for the Partnership's estimated share of future production from proved oil and gas reserves. Future production and development costs were computed by applying year-end costs to future years. A prescribed 10% discount factor was applied to future net cash flows. Because prices fluctuate, a calculation of the standardized measure utilizing current prices would result in different discounted future net cash flows for 1993 than is presented."

"The Partnership cautions that this standardized measure is not representative of fair market value, and the standardized measure presented for the Partnership's proved oil and gas reserves is not representative of the reserve value. The standardized measure is intended only to assist financial statement users in making comparisons between companies."

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Future cash inflows	$ 522,176	$546,581	$ 580,780

Future production and development costs.....	(179,006)	(87,974)	(200,596)
Future net cash flows.....	343,170	358,607	380,184
Annual discount at 10% rate.....	(96,820)	(79,706)	(77,528)
Standardized measure of discounted future net cash flows.....	$ 246,350	$278,901	$ 302,656

</TABLE>

"The following are the principal sources of change in the standardized measure:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
January 1,.....	$278,901	$302,656	$417,655
Sales and transfers of oil and gas produced, net of production costs.....	(71,482)	(79,701)	(85,962)
Net changes in prices and production costs...	(6,474)	(9,504)	(119,686)
Extensions, discoveries and improved recovery, less related costs.....	48,483	15,152	6,051
Previously estimated development costs incurred during the year.....	6,099	(2,966)	5,719
Revisions of previous quantity estimates.....	(12,710)	28,433	17,855
Purchase of reserves in place.....	3,509	--	20,682
Accretion of discount.....	27,890	30,266	41,766
Other.....	(27,866)	(5,435)	(1,424)
December 31,.....	$246,350	$278,901	$302,656

</TABLE>

CERTAIN PROJECTIONS

In connection with its evaluation of the acquisition of the Maxus Interests and the Merger, the Company prepared for internal use certain estimates of future oil and gas production and net cash flows from the Properties. The Company and BR do not as a matter of course make public forecasts or estimates of future sales, production, capital expenditures, earnings or cash flows. The projections and estimates set forth below were not prepared with a view to public disclosure and are based upon numerous assumptions with respect to future prices of oil and gas, future production levels, results of development programs, timing of production and of development programs, future development costs and economic and other factors which are subject to significant uncertainties and conditions, many of which are beyond the control of the Company and BR. Neither the Company nor BR assumes any responsibility for the accuracy of the projections or estimates set forth below and there can be no assurance that such projections or estimates will be realized and actual results may be higher or lower than those shown. Such projections or estimates were not prepared with a view to complying with published guidelines of the Commission regarding projections and forecasts and were not prepared in accordance with guidelines published by the American Institute of Certified Public Accountants.

Oil and Gas Production from Proved Reserves

Approximately 42% of the proved reserves attributable to the Properties as of December 31, 1993 consisted of proved developed reserves which were currently producing and approximately 58% of the proved reserves attributable to the Properties as of December 31, 1993 were either proved developed reserves which were not currently producing or proved undeveloped reserves. The Company currently estimates that capital expenditures for the development of such non-producing reserves will aggregate approximately $11 million in

1994, $17.5 million in 1995, $2.5 million in 1996, $2 million in 1997 and $2 million in 1998. The Company believes that these capital expenditure programs should result in increases in oil and gas production. Based upon numerous assumptions, including the capital expenditures program described above, future oil and gas prices, rates of development of proved undeveloped reserves and a variety of other assumptions, the Company prepared estimates of oil and gas production of the Properties from proved reserves. The Company estimated oil production from proved reserves of 1,405 MBO, 1,446 MBO, 1,149 MBO, 803 MBO and 924 MBO for the years 1994, 1995, 1996, 1997 and 1998, respectively (of which 39 MBO, 139 MBO, 111 MBO, 76 MBO and 97 MBO were estimated to be attributable to production from proved undeveloped reserves), compared with historical oil production of the Partnership of 1,583 MBO and 1,517 MBO for the years 1992 and 1993, respectively. The Company estimated gas production from proved reserves of

27,156 Mmcf, 31,642 Mmcf, 27,896 Mmcf, 19,785 Mmcf and 14,263 Mmcf for the years 1994, 1995, 1996, 1997 and 1998, respectively (of which 3,836 Mmcf, 10,529 Mmcf, 10,490 Mmcf, 7,498 Mmcf and 5,634 Mmcf were estimated to be attributable to production from proved undeveloped reserves), compared with historical gas production of the Partnership of 31,559 Mmcf and 27,181 Mmcf for the years 1992 and 1993, respectively.

Cash Flows from Proved Reserves

In connection with the Company's evaluation of the acquisition of the Maxus Interests and the Merger, the Company prepared for internal use projections of net cash flow of the Properties (cash flow from operations of the Properties less capital expenditures for proved reserves) from proved reserves for the years 1994 through 1998. The assumptions underlying these projections were as follows: (a) the levels of production described above would be achieved; (b) capital expenditures would be equal to the amounts set forth above; (c) the Company used for this purpose estimates of future gas and oil prices based upon the actual average oil and gas prices received by the Partnership for 1993, with escalators, which were gas prices of $2.28, $2.40, $2.55, $2.71 and $2.82 per Mcf and oil prices of $15.39, $16.07, $16.58, $17.00 and $17.53 per Bbl for the years 1994, 1995, 1996, 1997 and 1998, respectively (for the quarter ended March 31, 1994, the Partnership reported that it had received average gas and oil prices of $2.37 per Mcf and $12.71 per Bbl, respectively); (d) royalty payments would remain a constant percentage of revenue; and (e) lease operating expenses would be equal to those incurred in 1993 and increase by 4% annually. These projections do not include any capital expenditures for the exploration, exploitation and development of probable, possible and speculative reserves or cash flows attributable to production from probable, possible or speculative reserves. Forecasts of future oil and gas prices are subject to numerous uncertainties. Actual future prices may be higher or lower than the prices set forth above and none of the Company, BR or the Partnership assumes any responsibility for the accuracy of such price estimates. Based upon the foregoing, the Company projected that net cash flow of the Properties (after capital expenditures for proved reserves) from proved reserves would be $56 million, $64 million, $70 million, $49 million and $41 million for the years 1994, 1995, 1996, 1997 and 1998, respectively, compared with historical net cash flow of the Partnership of $48 million and $38 million for the years 1992 and 1993, respectively.

Unproved Reserves

A substantial portion of the Properties consists of undeveloped acreage (approximately 225,000 net undeveloped acres at December 31, 1993), and the Company currently anticipates additional exploration and exploitation of the Properties in the future. In connection with the Company's evaluation of the acquisition of the Maxus Interests, the Company identified several major areas which it believes, based upon two dimensional and three dimensional seismic data, merit exploitation activity. Based upon the Company's review of such data, the Company estimates that these areas contain approximately 115 Bcfe of probable reserves (in addition to the 224 Bcfe of proved reserves attributable to the Properties as of December 31, 1993). The Company currently intends to drill wells in these areas commencing in 1994 or 1995. Such wells would involve capital expenditures not reflected in the projections set forth above and, depending upon the outcome of such activities, significant additional capital expenditures to develop these properties could be made in the future. The Company believes that, if these activities are successful, these properties would generate significant increases in proved reserves, production, cash flow and operating income in the future, which are not reflected in the projections described above. In addition, other activities could result in material future increases in

proved reserves, production, cash flow and operating income from the Properties. In the course of discussions between the parties, Maxus provided the Company with certain estimates prepared by Maxus of possible reserves and speculative reserves associated with the Properties, which indicated that Maxus believed that the Properties included possible reserves of approximately 500 Bcfe and speculative reserves of approximately 1,325 Bcfe. However, the Company has not independently verified this data. Estimates of probable reserves, possible reserves and speculative reserves are highly uncertain and there can be no assurance as to the level of reserves which may ultimately be recovered from the Properties. Future development and production of reserves is subject to numerous uncertainties, and will be substantially affected by changes in market prices for oil and gas and advances in drilling, completion and production technologies. Given the high level of uncertainty associated with possible and speculative reserves, the Company believes that information concerning such reserves is substantially less significant than information with respect to proved reserves.

SELECTED FINANCIAL DATA

The following selected financial data relating to the Partnership

(including pro forma data to reflect the sale by the Partnership on April 25, 1994 of its interests in Main Pass Blocks 72, 73 and 74 to Pogo Producing Company for approximately $18.2 million) has been taken from the 1993 Partnership 10-K for the five years ended December 31, 1993 as contained in reports filed with the Commission or as contained in the 1994 Partnership 10-Q. More comprehensive information is included in such reports and other documents filed by the Partnership with the Commission, and the financial data set forth below is qualified in its entirety by reference to such reports and other documents, including the financial statements and related notes contained therein. The selected financial data set forth below should be read in conjunction with the financial statements and the notes thereto as listed in the Index to Financial Information on Page F-1.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

SELECTED FINANCIAL DATA
(DOLLARS IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)

SELECTED BALANCE SHEET DATA

<TABLE>
<CAPTION>

	MARCH 31, 1994 PRO FORMA	MARCH 31, 1994	MARCH 31, 1993	DECEMBER 31, 1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total Assets.....	$171,975	$167,941	$184,780	$ 164,861	$ 193,692	$ 222,084	$ 222,357	$ 217,149
Net Assets.....	147,885	143,851	158,315	139,081	164,557	192,121	190,009	183,979
Book Value per Unit.....	2.00	1.95	2.15	1.89	2.23	2.70	2.78	3.11

</TABLE>

SELECTED INCOME STATEMENT DATA

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1994 PRO FORMA	THREE MONTHS ENDED MARCH 31, 1994	THREE MONTHS ENDED MARCH 31, 1993	YEAR ENDED DECEMBER 31, 1993 PRO FORMA	FOR THE YEAR ENDED DECEMBER 31, 1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales and Operating Revenues.....	$19,180	$20,694	$24,377	$ 78,620	$ 87,069	$ 95,871	$ 104,696	$ 111,767
Net Income.....	4,023	4,770	5,679	8,744	12,522	20,865	11,420	26,766
Net Income per Unit.....	.05	.06	.08	.12	.17	.28	.16	.39
Cash Distributions per Unit.....	--	--	.16	.51	.51	.65	.44	.30

<CAPTION>

	1989
<S>	<C>
Sales and Operating Revenues.....	$ 115,752
Net Income.....	2,931
Net Income per Unit.....	.05
Cash Distributions per Unit.....	2.80

</TABLE>

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PRICE RANGE OF UNITS; CASH DISTRIBUTIONS

The Units are listed and traded on the NYSE and the PSE under the symbol DSP. The following table sets forth, for the periods indicated, the reported high and low sales prices for the Units as reported in the Partnership 1993 10-K with respect to the years 1992 and 1993, and thereafter the high and low closing sale prices for the Units on the NYSE as reported in published financial sources.

<TABLE>
<CAPTION>

	HIGH	LOW	DISTRIBUTIONS PAID
<S>	<C>	<C>	<C>
1992			

First quarter	$ 4	$ 2 3/8	$ .14
Second quarter	3 5/8	2 3/4	.17
Third quarter	4 3/4	3 1/8	.15
Fourth quarter	5 5/8	4 1/2	.19
1993			
First quarter	$ 6 7/8	$ 4 5/8	$ .16
Second quarter	6 7/8	6	.10
Third quarter	6 3/4	5 5/8	.12
Fourth quarter	6 3/8	5	.13
1994			
First quarter	$ 6	$ 4	--
Second quarter (through , 1994)	5	4	$ .13

On April 25, 1994, the last full trading day prior to the announcement of the sale and purchase of the Maxus Interests and the proposed Merger, the high and low sales prices for the Units on the NYSE were $4 5/8 and $4 1/2, respectively. On , 1994, the last full trading day prior to the date of this Information Statement, the high and low sales prices for the Units on NYSE were $ and . UNIT HOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE UNITS.

INFORMATION CONCERNING THE COMPANY, ACQUISITION, MERIDIAN AND BR

BUSINESS OF BR AND ITS SUBSIDIARIES

The Company is a Delaware corporation which was formed for the purposes of acquiring the .99% managing general partnership interest of Maxus Offshore in the Partnership and the 64,163,885 Units held by Maxus Exploration, and effecting the Merger. Acquisition is a Delaware corporation which was formed for the purpose of acquiring the .01% special general partnership interest of Maxus Energy in the Partnership. It is anticipated that prior to the Merger, Acquisition will be merged with and into the Company, as a result of which the Company will be the sole general partner of the Partnership. Each of the Company and Acquisition is a direct wholly owned subsidiary of Meridian, which in turn is a direct wholly owned subsidiary of MOHI. MOHI is a direct wholly owned subsidiary of BR. Each of such corporations is a Delaware corporation with its principal executive offices at 5051 Westheimer, Suite 1400, Houston, Texas 77056.

BR is a holding company whose principal operating subsidiary is Meridian. Meridian is engaged in (i) the exploration, development and production of oil and gas, and (ii) related marketing activities which include aggregation and resale of third-party oil and gas, operating intrastate natural gas pipelines and holding interests in crude oil pipelines. MOHI is the largest independent (nonintegrated) oil and gas company in the United States with total domestic proved equivalent reserves of approximately 6 trillion cubic feet of gas equivalent.

SELECTED FINANCIAL DATA

The following selected consolidated financial data relating to BR has been taken from the 1993 BR 10-K for the five years ended December 31, 1993 as contained in reports filed with the Commission or as contained

in the 1994 BR 10-Q. More comprehensive information is included in such reports and other documents filed by BR with the Commission, and the financial data set forth below is qualified in its entirety by reference to such reports and other documents, including the financial statements and related notes contained therein.

BURLINGTON RESOURCES INC.

SELECTED FINANCIAL DATA
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

SELECTED CONSOLIDATED BALANCE SHEET DATA

	MARCH 31, 1994	MARCH 31, 1993	DECEMBER 31, 1993	1992	1991	1990	1989
Total Assets	$ 4,469	$4,405	$4,448	$4,470	$5,480	$5,250	$4,625
Long-Term Debt(a)	817	935	819	1,003	1,298	529	87
Stockholders' Equity(b)	2,639	2,455	2,608	2,406	2,907	3,024	3,223
Book Value per Common Share	20.35	18.94	20.11	18.67	22.11	21.92	22.08

SELECTED CONSOLIDATED INCOME STATEMENT DATA -- CONTINUING OPERATIONS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1994	THREE MONTHS ENDED MARCH 31, 1993	FOR THE YEAR ENDED DECEMBER 31, 1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	$ 320	$ 316	$1,249	$1,141	$1,036	$1,025	$ 797
Operating Income.....	69	66	256	240	177	216	90
Income from Continuing Operations.....	48	45	255	190	100	124	77
Earnings per Common Share(c).....	0.37	0.35	1.95	1.44	0.75	0.87	0.52
Ratio of Earnings to Fixed Charges(d).....	3.48x	3.11x	4.79x	3.49x	1.95x	2.97x	3.27x
Cash Dividends Declared per Common Share(e)...	0.1375	0.1375	0.55	0.60	0.70	0.70	0.61

</TABLE>

- ---------------

(a) Excludes current maturities.

(b) On June 30, 1992 BR distributed its El Paso Natural Gas Company ("EPNG") common stock to BR's stockholders of record as of June 15, 1992. The distribution was accounted for as a $575 million non-cash dividend.

(c) Excluding non-recurring items totaling $0.45, $0.24, and $0.08 per share, earnings per common share from continuing operations would have been $1.50, $1.20 and $0.67 for the years ended 1993, 1992 and 1991, respectively.

(d) Earnings represent pretax income from continuing operations available for fixed charges, less equity in undistributed earnings of 20-50% owned companies, together with a portion of rent under long-term operating leases representative of an interest factor. Fixed charges represent interest expense, capitalized interest and a portion of rent under long-term operating leases representative of an interest factor.

(e) On April 7, 1994 BR's Board of Directors declared dividends of $0.1375 per common share, payable on July 1, 1994. In July 1992, the quarterly dividend rate was reduced to $0.125 per share to reflect the June 30, 1992 spin-off of EPNG to BR's stockholders.

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FEES AND EXPENSES

As described above, Smith Barney Shearson informed Meridian of Maxus' potential interest in selling the Maxus Interests. In connection with the acquisition of the Maxus Interests and the Merger, Meridian has agreed to pay Smith Barney Shearson a fee of $500,000. Smith Barney Shearson was not asked to, and did not, provide any report, opinion or appraisal in connection with the purchase of the Maxus Interests or the Merger.

The Company has retained Georgeson & Company Inc. to act as the Information Agent and The First National Bank of Boston to act as the Disbursing Agent in connection with the Merger. Each of the Information Agent and the Disbursing Agent will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith.

It is estimated that the expenses incurred in connection with the purchase of the Maxus Units and the Merger will be approximately as set forth below.

<TABLE>

<S>	<C>
Filing Fees.....	$
Financial Advisory Fees and Expenses.....	
Information Agent Fees and Expenses.....	
Disbursing Agent Fees and Expenses.....	
Legal Fees.....	
Printing and Mailing Costs.....	
Miscellaneous.....	
Total.....	

</TABLE>

Meridian and the Company will be responsible for all of the foregoing fees and expenses.

Brokers, dealers, commercial banks and trust companies will, upon request only, be reimbursed by the Company for customary mailing and handling expenses incurred by them in forwarding material to their customers.

REGULATORY APPROVALS

Under the HSR Act and the rules promulgated thereunder by the Federal Trade Commission (the "FTC"), the Merger may not be consummated until notifications have been given and certain information has been furnished to the FTC and the Antitrust Division of the Department of Justice (the "Antitrust Division") and specified waiting period requirements have been satisfied. The Company and the Partnership filed notification and report forms under the HSR Act with the FTC and the Antitrust Division on May , 1994. The required waiting period under the HSR Act will expire at 11:59 p.m. on June , 1994, unless extended by a request for additional information or documentary material or unless early termination of the waiting period is granted. If a request for additional information or documentary material is received, the waiting period will terminate 20 days after the Company and the Partnership have substantially complied with such request. The Company and the Partnership are not aware of any other regulatory approvals required in connection with the Merger. If any other regulatory approvals are required, the Company and the Partnership intend to seek such approvals as promptly as practicable.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

INDEX TO FINANCIAL INFORMATION

FINANCIAL INFORMATION FROM ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1993

All other schedules have been omitted because they are not applicable or the required information is shown in the Financial Statements or the Notes to Financial Statements.

FINANCIAL INFORMATION FROM QUARTERLY REPORT ON FORM 10-Q FOR THE UNAUDITED QUARTERLY PERIOD ENDED MARCH 31, 1994

INTERIM FINANCIAL STATEMENTS:

</TABLE>

PRELIMINARY NOTE

The information on pages F-2 through F-32 of this Information Statement has been taken directly from historical Securities and Exchange Commission (the "Commission") filings of Diamond Shamrock Offshore Partners Limited Partnership (the "Partnership"), which were prepared by Maxus Offshore Exploration Company ("Maxus Offshore"), the predecessor managing general partner of the Partnership, and relate to periods prior to the date on which Meridian Offshore Company became the managing general partner of the Partnership. Certain textual information, including information with respect to the distribution policy of the Partnership, future capital expenditures plans of the Partnership, the future outlook of the Partnership and arrangements between the Partnership and Maxus Offshore and its affiliates, is included solely because such information was contained in the Partnership's historical filings with the Commission for the relevant periods and does not take into account the transfer to Meridian Offshore Company of the managing general partnership interest in the Partnership or the proposed merger of the Partnership into Meridian Offshore Company. For additional information, see "SPECIAL FACTORS -- Purpose and Structure of the Merger" and "INFORMATION CONCERNING THE PARTNERSHIP AND THE PROPERTIES" in this Information Statement.

FINANCIAL INFORMATION FROM ANNUAL REPORT ON
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1993

The information on pages F-2 through F-21 is from the Diamond Shamrock Offshore Partners Limited Partnership's Annual Report on Form 10-K for the year ended December 31, 1993, as filed with the Securities and Exchange Commission by Maxus Offshore Exploration Company, which at that time was the managing general partner of Diamond Shamrock Offshore Partners Limited Partnership.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

SELECTED FINANCIAL DATA
(DOLLARS IN THOUSANDS, EXCEPT PER UNIT)

<TABLE>
<CAPTION>

	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Sales and operating revenues (including $49,081 to related parties in 1993).....	$ 87,069	$ 95,871	$104,696	$111,767	$115,752
Net income.....	12,522	20,865	11,420	26,766	2,931
Net income per Unit.....	.17	.28	.16	.39	.05
Cash distributions per Unit.....	.51	.65	.44	.30	2.80
Total assets.....	164,861	193,692	222,084	222,357	217,149
Net assets.....	139,081	164,557	192,121	190,009	183,979

</TABLE>

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Diamond Shamrock Offshore Partners Limited Partnership ("Partnership") reported net income of $12.5 million for the year ended December 31, 1993, $8.3 million less than 1992, primarily due to lower sales and operating revenues of $8.8 million, resulting chiefly from lower oil prices and lower gas volumes. Loss on the sales of assets, an exploratory dry hole in the fourth quarter and higher geological and geophysical costs also contributed to the lower reported net income. Net income for 1992 was $9.4 million higher than 1991 due to lower production costs, lower exploration costs and a decline in depreciation and depletion.

Lower natural gas sales volumes accounted for $10.7 million of the sales and operating revenue decline in 1993; however, the Partnership benefited from $5.4 million of higher gas prices. Average production was 74 million cubic feet per day ("mmcfpd"), 14% lower than 1992. Natural declines in production at Vermilion 226/237, Main Pass 116, Main Pass 73, High Island 365/376 and Brazos 412 were partially offset by new volumes at Vermilion 225. The 1992 gas volumes of 86 mmcfpd were 4 mmcfpd below the 1991 level primarily due to natural declines, along with sanding problems at West Cameron 648. This drop was partially offset by new production from Main Pass 181 and the Vermilion blocks

acquired in 1991. The 1993 average gas price was $2.21 per thousand cubic feet ("mcf"), up $.20 per mcf from $2.01 per mcf in 1992. Gas prices averaged $1.88 per mcf in 1991.

Crude oil and condensate sales revenues were down in 1993 due to both lower prices ($2.3 million) and volumes ($1.2 million). Crude oil and condensate sales volumes averaged 4,157 barrels per day ("bpd") in 1993, compared to 4,325 bpd in 1992 and 5,647 bpd in 1991. Green Canyon 18 and Ewing Bank 944/988 accounted for almost 700 BPD of the decline from 1991 to 1992 due to casing pressure problems. During 1993, new development wells at Green Canyon 18 replaced production lost in 1992. However, natural declines on this and other blocks still resulted in a slight decrease during 1993. Prices for 1993 averaged $17.12 per barrel, down from an average realized price of $18.61 per barrel in 1992 and $20.16 per barrel in 1991.

In 1993, other revenues, net included a loss of $3.3 million from the sale of the Partnership's interest in East Cameron Block 220. Other revenues, net in 1991 reflected a $2.2 million adverse pricing adjustment.

The Partnership reported production and operating costs in 1993 of $17.6 million, compared to $18.3 million and $20.1 million in 1992 and 1991, respectively. The higher 1991 costs, relative to 1993 and 1992, were due primarily to workovers performed in 1991 at Green Canyon 18 and Main Pass 72/73/74.

Exploration costs totaled $8.5 million in 1993, up slightly from 1992, due to higher geological and geophysical costs. In 1992, exploration costs were $7.8 million compared to $16.9 million in 1991 resulting from less drilling activity and lower geological and geophysical costs.

General and administrative costs were $5.6 million and $6.8 million during 1993 and 1992, respectively, compared to 1991 general and administrative costs of $7.2 million, resulting from lower direct and allocated administrative charges.

The decline in depreciation and depletion expense of $3.3 million during 1993 to $39.6 million was primarily due to lower gas production. A $4.7 million decrease in depreciation and depletion expense during 1992 as compared to 1991 was also due to lower production, offset somewhat by a rise in impairments for unproven acreage.

The Partnership is not required to pay federal income taxes on its income and, therefore, no tax provision or benefit is reflected in the Statement of Income.

FINANCIAL CONDITION

Net cash provided by operating activities for the Partnership during 1993 decreased 10% to $61.8 million compared to $68.7 million in 1992 and $62.8 million in 1991. Compared to 1992, lower 1993 sales and

operating revenues were offset in part by lower general and administrative costs and working capital requirements. For 1992, lower exploration costs and lower working capital requirements more than offset sales declines resulting in an increase in net cash provided by operating activities from 1991.

The ratio of current assets to current liabilities (current ratio) was 1.2 at December 31, 1993 versus 2.1 at December 31, 1992. Most of the change resulted from a reduction in the note receivable with Maxus Energy Corporation ("Maxus") due to an increase in capital expenditures. The 1992 current ratio remained essentially unchanged from 1991.

Expenditures for oil and gas properties and equipment, including dry hole costs, in 1993 were $36.1 million compared to $18.4 million in 1992 and $63.0 million in 1991. Higher expenditures for exploratory and development drilling, production equipment and property and lease acquisitions contributed to the increase over 1992 spending levels. During 1993, the Partnership was the successful bidder for seven offshore federal blocks at a cost of $4.3 million. The Partnership also drilled successful exploratory wells on West Cameron Block 142, Main Pass 111 and Main Pass 181. The reduction in 1992 from 1991 was largely due to lower property acquisition costs as the 1991 expenditures included the purchase of Freeport-McMoRan Inc.'s interest in producing oil and gas leases on Blocks 225 and 226, Vermilion area, offshore Louisiana, for $29.0 million. In addition, lower exploratory and development drilling expenditures also contributed to the decline in 1992 from 1991.

The 1991 acquisition of the interests in the Vermilion area was funded by cash from operations and by proceeds from the issuance to Maxus Exploration Company ("Exploration") of newly issued units of the limited partnership ("Units") in the amount of $21.0 million. No additional Units were issued in 1992 or 1993 and, at December 31, 1993, Exploration owned approximately 87.0% of

the Units outstanding.

The Partnership distributed $38.0 million in cash ($.51 per Unit) to its partners during 1993, compared to total distributions of $48.4 million ($.65 per Unit) and $30.5 million ($.44 per Unit) in 1992 and 1991, respectively.

The Partnership presently intends to continue its distribution policy, which commenced in January 1990, of distributing on a quarterly basis substantially all distributable cash. For this purpose, distributable cash means net cash provided by operating activities and proceeds from the sale of assets, less (i) expenditures for oil and gas properties and equipment, including dry hole costs, (ii) reserves for future operating and capital requirements and contingencies and (iii) other Partnership obligations.

Because of the uncertainties of future oil and gas prices, production levels, future expenditures for properties and equipment and other factors, the amount of cash distributions for 1994 cannot be predicted but, as in 1993, is expected to vary quarterly based upon the levels of distributable cash available to the Partnership and changes, if any, in the Partnership's distribution policy. No cash distribution will be made for the first quarter 1994 due to the Partnership's lack of distributable cash for such quarter.

The Partnership has an agreement with Maxus providing for the Partnership to invest its surplus funds with Maxus at an interest rate not less than the rate (including points or other financing charges or fees) that Maxus would be charged by unrelated lenders on comparable loans. At December 31, 1993, the aggregate principal amount of such investment, evidenced by a note receivable, was $7.4 million and, at December 31, 1992, such amount was $21.5 million. Since its formation, the Partnership has incurred no debt.

During 1993, the Partnership entered into a hedging program with respect to natural gas based on an average of approximately 35 billion British thermal units per day. The program began with June production and has been extended through December 1994. Throughout 1993, this program enhanced net cash provided from operating activities by $.8 million.

FUTURE OUTLOOK

Natural gas prices continue to be somewhat volatile, primarily due to weather and regional supply and demand imbalances. Maxus Offshore Exploration Company ("Managing Partner") believes the desirability of natural gas as a fuel alternative will result in continued stability in demand with prices as strong or stronger than in recent years, but subject to seasonal and other periodic fluctuations.

Oil prices decreased substantially during the second half of 1993 and have remained at reduced levels. Although oil markets remain unstable, general price levels will likely continue to be negatively impacted by excess production, especially from non-OPEC countries, limited worldwide demand growth and the overhang from potential Iraqi oil exports in the future.

For 1994, gas production is expected to equal 1993 while oil production is anticipated to increase slightly. Normal declines are expected to be offset by new oil volumes at Green Canyon 18 and new gas volumes from West Cameron 142, which was placed into production in the fourth quarter of 1993.

The Managing Partner has planned an exploratory and development program of approximately $22.5 million for 1994, about half the 1993 actual program spending of $41.6 million. Emphasis in 1994 will be placed on maximizing the value of existing assets while maintaining the flexibility to respond to changes which would make further exploratory activity economical. Currently, the Partnership anticipates expenditures for platforms at High Island 376, Main Pass 181 and Main Pass 111. In addition, development drilling activity is planned for Main Pass 111, High Island 376 and Main Pass 288.

With current market expectations for 1994, the Managing Partner is of the opinion that the Partnership has the financial resources to meet anticipated needs for future operations. Net cash provided by operating activities is expected to be adequate to fund the Partnership's planned program for 1994.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of
Diamond Shamrock Offshore Partners
Limited Partnership

In our opinion, the financial statements listed in the index appearing on

page F-1 present fairly, in all material respects, the financial position of Diamond Shamrock Offshore Partners Limited Partnership at December 31, 1993 and 1992, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

Dallas, Texas
February 22, 1994

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

STATEMENT OF INCOME
(DOLLARS IN THOUSANDS, EXCEPT PER UNIT)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
REVENUES			
Sales and operating revenues (including $49,081 to related parties in 1993)	$87,069	$95,871	$104,696
Other revenues, net	(3,395)	720	(1,523)
	83,674	96,591	103,173
COSTS AND EXPENSES			
Production and operating costs	17,551	18,291	20,121
Exploration, including exploratory dry holes	8,484	7,846	16,926
Depreciation and depletion	39,564	42,824	47,494
General and administrative expenses	5,553	6,765	7,212
	71,152	75,726	91,753
NET INCOME	12,522	20,865	11,420
General Partners' Interest	125	209	114
NET INCOME APPLICABLE TO LIMITED PARTNERS	$12,397	$20,656	$ 11,306
PER UNIT			
Net income	$ .17	$ .28	$ .16
Cash distributions	$ .51	$ .65	$ .44
AVERAGE UNITS OUTSTANDING	73,761,740	73,761,740	71,116,991

</TABLE>

See Notes to Financial Statements.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

BALANCE SHEET
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1993	1992
<S>	<C>	<C>
ASSETS		
Current Assets		
Note receivable -- Maxus Energy Corporation	$ 7,428	$ 21,487

Accounts receivable -- oil & gas	9,335	14,849
Accounts receivable -- joint interest	1,817	1,242
Other	1,105	1,780
Total Current Assets	19,685	39,358
Oil and Gas Properties and Equipment	698,798	697,333
Less -- Accumulated depreciation and depletion	553,622	542,999
	145,176	154,334
	$164,861	$193,692
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Accounts payable	$ 15,081	$ 17,586
Take-or-pay liability	1,600	934
Total Current Liabilities	16,681	18,520
Other Liabilities and Deferred Credits	3,766	3,549
Take-or-pay Liability	5,333	7,066
Partners' Capital	139,081	164,557
	$164,861	$193,692

</TABLE>

See "Commitments and Contingencies."

The Partnership uses the successful efforts method to account for its oil and gas producing activities.

See Notes to Financial Statements.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 12,522	$ 20,865	$ 11,420
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	39,564	42,824	47,494
Dry hole costs	3,050	4,136	7,660
Other, including net (gain) loss on sales of assets	3,522	--	(514)
Changes in components of working capital:			
Accounts receivable	4,939	2,282	290
Other current assets	675	(801)	(608)
Accounts payable	(2,505)	(626)	(2,909)
Net cash provided by operating activities	61,767	68,680	62,833
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditures for oil and gas properties and equipment, including dry hole costs	(36,135)	(18,375)	(63,010)
Proceeds from sales of assets	--	72	1,050
(Increase) decrease in current note receivable	14,059	(1,634)	8,630
Other	(1,693)	(314)	(195)
Net cash used in investing activities	(23,769)	(20,251)	(53,525)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash distributions paid	(37,998)	(48,429)	(30,520)
Proceeds from sale of Units and reinvestments	--	--	21,000
Proceeds from capital contributions by general partners	--	--	212
Net cash used in financing activities	(37,998)	(48,429)	(9,308)
Net change in cash	--	--	--
Cash at beginning of year	--	--	--

Cash at end of year	$ --	$ --	$ --

</TABLE>

See Notes to Financial Statements.

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DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL
THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

		LIMITED PARTNERS		
	GENERAL PARTNERS	MAXUS EXPLORATION COMPANY	UNITHOLDERS	TOTAL
<S>	<C>	<C>	<C>	<C>
January 1, 1991	$4,699	$ 124,303	$61,007	$190,009
Net income	114	9,772	1,534	11,420
Distributions	(305)	(25,959)	(4,256)	(30,520)
Repurchase of Units	--	656	(656)	--
Reinvestments	212	21,000	--	21,212
December 31, 1991	4,720	129,772	57,629	192,121
Net income	209	17,969	2,687	20,865
Distributions	(484)	(41,706)	(6,239)	(48,429)
December 31, 1992	4,445	106,035	54,077	164,557
Net income	125	10,784	1,613	12,522
Distributions	(380)	(32,724)	(4,894)	(37,998)
December 31, 1993	$4,190	$ 84,095	$50,796	$139,081

</TABLE>

See Notes to Financial Statements.

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DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Data is as of December 31 of each year or for the year then ended and dollar amounts in tables are in thousands. Certain balance sheet amounts have been reclassified to conform to the 1993 presentation.

(1) ORGANIZATION AND CONTROL

Diamond Shamrock Offshore Partners Limited Partnership ("Partnership") is a Delaware limited partnership formed to succeed to substantially all of the oil and gas exploration and production business previously conducted by Maxus Exploration Company ("Exploration") in federal waters offshore Texas and Louisiana. Exploration is a wholly owned subsidiary of Maxus Energy Corporation ("Maxus") through which Maxus conducts all of its North American oil and gas exploration and production operations.

The Partnership was formed in 1985 when it sold to the public five million units of limited partnership interest ("Units") and issued 37.5 million Units to Exploration in exchange for its transfer of oil and gas properties.

Maxus Offshore Exploration Company ("Managing Partner"), a wholly owned subsidiary of Maxus, and Maxus have a combined 1% general partners' interest in the Partnership and are the managing general partner and special general partner, respectively. Maxus' aggregate interest in the Partnership was approximately 87.1% at December 31, 1993, 1992 and 1991.

The Partnership has no officers, directors or employees. Certain employees of Exploration are engaged principally in the conduct of the Partnership's oil and gas exploration and production business and certain officers of Maxus perform all management functions required for the Partnership.

Neither Maxus nor the Managing Partner receive, as general partners of the

Partnership, any carried interests, promotions, back-ins or other compensation. The Partnership reimburses Maxus for all direct costs incurred in managing the Partnership and all indirect costs (principally salaries and other general and administrative costs) allocable to the Partnership. The allocation between the Partnership and Maxus of direct and indirect costs incurred by Maxus and its subsidiaries is made by Maxus. Maxus believes that the method of allocation is reasonable.

(2) SIGNIFICANT ACCOUNTING POLICIES

Exploration and Development Costs

Oil and gas exploration and development activities are accounted for at cost under the successful efforts method of accounting. Costs of acquiring unproved oil and gas leasehold acreage are capitalized. Lease rentals and geological and geophysical costs are charged to expense as incurred. If, and when, exploratory wells are determined to be nonproductive, the related costs are charged to expense.

Costs incurred to drill and equip development wells, including production facilities, are capitalized.

Depreciation and Depletion

Depreciation and depletion related to the capitalized costs of all development drilling, successful exploratory drilling and related production equipment, and estimated future abandonment and dismantlement costs for offshore production platforms are provided by the unit of production method based upon estimated proved recoverable reserves. A valuation allowance is provided by a charge against earnings to reflect the impairment of unproved acreage.

Retirements and Property Dispositions

Gains or losses on sales or retirements are reflected in earnings when related to complete production units for which individual depreciation and depletion allowances are accumulated. Gains or losses from other sales or retirements are charged to accumulated depreciation and depletion.

Income Taxes

The Partnership is not subject to federal or state income taxes; accordingly, no recognition has been given to income taxes in the accompanying financial statements. The income or loss of the Partnership is to be included in the tax returns of the individual partners. The tax returns of the Partnership are subject to examination by federal and state taxing authorities. If such examinations result in adjustments to distributive shares of taxable income or loss, the tax liability of the partners could be adjusted accordingly.

The partners will have different investment bases depending upon the timing and prices of Units acquired, and each partner's tax accounting, which is partially dependent upon their individual tax situation, may differ from the accounting methods followed in the financial statements. Accordingly, there could be significant differences between the partners' tax bases and their proportionate shares of the net assets reported in the financial statements.

In 1993, the Partnership adopted the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 109 requires disclosure by a publicly held partnership of the aggregate difference in the bases of its net assets for financial and tax reporting purposes. Because the aggregate tax bases of the partners cannot be readily determined, the difference in the financial and tax bases of the partnership's net assets cannot be disclosed. Further, since taxes relating to the partners' distributive shares of the partnership income or loss are determined at the partners' level, rather than at the partnership level, the adoption of SFAS 109 had no effect on the Partnership's financial statements.

Revenue Recognition

Oil and natural gas revenues are accounted for using the sales method. Under this method, sales are recorded on all production sold by the Partnership regardless of the Partnership's ownership interest in the respective property. Imbalances result when sales differ from the seller's net revenue interest in the particular property's gas reserves and are recorded to reflect the Partnership's balancing position. At year-end 1993 and 1992, the volumetric imbalance and related values were immaterial.

Take-or-Pay Liability

In 1988, the Partnership received cash under provisions of a take-or-pay contract and recognized a liability to provide gas. The contract stipulated that the liability would be repaid if it was not eliminated by gas deliveries. During 1993, a portion of the take-or-pay liability was repaid at the option of the natural gas purchaser. Such payments will continue during 1994 and into 1997.

Hedging

The Partnership periodically hedges against the effects of fluctuations in the price of natural gas through price swap agreements. Gains or losses on these hedges are deferred until the related sales are recognized. The Partnership's hedging program began with June 1993 production based on approximately 35 billion British Thermal Units ("BTUs") per day. The program has been extended through December 1994 and may cover a larger portion of the Partnership's production.

(3) DISTRIBUTION POLICY

The Partnership presently intends to continue its current distribution policy, which commenced in January 1990, of distributing on a quarterly basis substantially all distributable cash. For this purpose, distributable cash means net cash provided by operating activities and proceeds from the sale of assets, less (i) expenditures for oil and gas properties and equipment, including dry hole costs, (ii) reserves for future operating and capital requirements and contingencies and (iii) other Partnership obligations.

During 1993, 1992 and 1991, the Partnership made per Unit distributions of cash in the aggregate of $.51, $.65 and $.44, respectively. Because of the uncertainties of future oil and gas prices, production levels, future expenditures for properties and equipment and other factors, the amount of cash distributions for 1994 cannot be predicted but is expected to vary quarterly based upon the levels of distributable cash available to the Partnership and changes, if any, in the Partnership's distribution policy. On January 25, 1994, the Managing Partner of the Partnership announced that no cash distribution would be paid to any partner or unitholder of the Partnership for the first quarter of 1994 due to the Partnership's lack of distributable cash for such quarter.

(4) RELATED PARTY TRANSACTIONS

The Partnership is charged for all direct costs and expenses associated with its operations. Additionally, general and administrative costs are allocated to the Partnership by Maxus. Allocation percentages are generally determined from studies of time devoted to specific services and utilization of jointly shared facilities as determined on an annual basis. Such direct and allocated administrative charges amounted to $5,553,000, $6,765,000 and $7,212,000 in 1993, 1992 and 1991, respectively.

During 1993, the Partnership entered into an agreement with Maxus Gas Marketing Company ("MGMC"), a wholly owned subsidiary of Maxus, to sell substantially all of the Partnership's gas production to MGMC at prices comparable to those received for like sales at similar properties. For the year 1993, such sales amounted to $45,944,000. An additional $3,137,000 of oil was sold during 1993 to Maxus.

The Partnership has invested its excess funds with Maxus (See Note 6: "Note Receivable -- Maxus Energy Corporation").

(5) SALES TO MAJOR CUSTOMERS

Sales of oil and gas to major customers (over 10% of sales) are summarized below:

<TABLE>

<S>	<C>	<C>
1993		
Maxus Gas Marketing Company	$45,944	53%
1992		
Amoco Production Company	$12,917	13%
Arkla Energy Resources	$ 9,533	10%
1991		
Shell Oil Company	$12,736	12%

</TABLE>

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(6) NOTE RECEIVABLE -- MAXUS ENERGY CORPORATION

The Partnership has an agreement to invest its surplus funds with Maxus. This investment is evidenced by a promissory note, including amendments or extensions. The note bears interest at a rate adjusted monthly not less than the rate (including points or other financing charges or fees) that Maxus would be charged by unrelated lenders on comparable loans. Interest earned on this note, which is included in "Other revenues, net," was $930,000, $1,262,000 and $1,210,000 in 1993, 1992 and 1991, respectively.

(7) VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Partnership's natural gas price swap agreements is the estimated amount the Partnership would receive to terminate the swap agreements at the reporting date. At December 31, 1993, the estimated fair value was $2.2 million. The fair value of all other financial instruments approximate their recorded value.

(8) ACCOUNTS RECEIVABLE

The Partnership's accounts receivable relate primarily to sales of oil and gas and amounts due from joint interest partners for expenditures made by the Partnership on their behalf. In addition to sales made to MGMC, sales are made to several major oil and gas and gas pipeline companies. The Partnership reviews the financial condition of potential purchasers and partners prior to signing sales or joint interest agreements. Payment terms are on a short term basis and in accordance with industry standards.

(9) PROPERTY AND EQUIPMENT

Summarized below is detail of the Partnership's property and equipment holdings:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Proved properties	$661,252	$665,222
Unproved properties	37,546	32,111
	698,798	697,333
Less -- Accumulated depreciation and depletion	553,622	542,999
	$145,176	$154,334

</TABLE>

(10) PROPERTY SALES AND ACQUISITIONS

During fourth quarter 1993, the Partnership recorded in "Other revenues, net," the $3.3 million loss on the sale of its entire interest in East Cameron 220, offshore Louisiana. Although a loss was recorded on the sale of the property, the disposition did not have a material effect on the ongoing results of operations or financial position of the Partnership for the year 1993. In July 1991, the Partnership purchased an interest in producing oil and gas leases on Blocks 225 and 226, Vermilion area, offshore Louisiana, for $29.0 million. On a pro forma basis, the acquisition did not have a material impact on 1991 operations.

(11) COMMITMENTS AND CONTINGENCIES

In instances where the Partnership owns less than a 100% of the working interest in a particular property, it is subject to joint operating agreements, area of mutual interest agreements, bidding agreements, and similar agreements which commit the Partnership for its share of any options, benefits or contingencies as covered by the terms and conditions of any such agreements.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

SUPPLEMENTARY FINANCIAL INFORMATION
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER UNIT)

QUARTERLY DATA

<TABLE>
<CAPTION>

	1993				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	FOR THE YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Sales and operating revenues (a).....	$24,377	$ 23,551	$19,344	$ 19,797	$ 87,069
Gross profit (b).....	8,079	9,526	5,929	6,420	29,954
Net income (loss).....	5,679	6,095	4,335	(3,587)	12,522
Per Unit					
Net income (loss).....	.08	.08	.06	(.05)	.17
Distributions.....	.16	.10	.12	.13	.51
Market price per Unit					
High.....	6 7/8	6 7/8	6 3/4	6 3/8	6 7/8
Low.....	4 5/8	6	5 5/8	5	4 5/8

</TABLE>

<TABLE>
<CAPTION>

	1992				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	FOR THE YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Sales and operating revenues.....	$25,051	$ 22,701	$23,383	$ 24,736	$ 95,871
Gross profit (b).....	7,359	8,071	8,697	10,629	34,756
Net income.....	833	6,272	6,475	7,285	20,865
Per Unit					
Net income (c).....	.01	.09	.09	.10	.28
Distributions.....	.14	.17	.15	.19	.65
Market price per Unit					
High.....	4	3 5/8	4 3/4	5 5/8	5 5/8
Low.....	2 3/8	2 3/4	3 1/8	4 1/2	2 3/8

</TABLE>

- ---------------

(a) Includes related party sales of $7,189, $15,211, $12,192 and $14,489 for quarters ended March 31, June 30, September 30 and December 31, respectively.

(b) Gross profit is sales and operating revenues less production costs and depreciation and depletion.

(c) As net income per unit is rounded, the sum of net income per unit does not equal the annual per unit amount.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

SUPPLEMENTARY FINANCIAL INFORMATION -- (CONTINUED)

OIL AND GAS PRODUCING ACTIVITIES

The following are disclosures about the oil and gas producing activities of the Partnership as required by Statement of Financial Accounting Standards No. 69:

RESULTS OF OPERATIONS

Results of operations relating to all of the Partnership's oil and gas activity are shown below. These results exclude revenues and expenses related to the purchase and resale of natural gas, administrative overhead and interest income.

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Sales (including $49,081 to related parties in 1993)...	$85,984	$93,399	$103,329
Production costs.....	16,466	15,819	18,754
Exploration costs.....	8,484	7,846	16,926
Depreciation and depletion.....	39,564	42,824	47,494
(Gain)/loss on sales of assets.....	3,522	--	(514)
Other.....	802	542	3,247

</TABLE>

Results of operations	$17,146	$26,368	$ 17,422

</TABLE>

CAPITALIZED COSTS

Capitalized costs applicable to the Partnership's oil and gas producing activities, all of which are conducted in the United States, include the cost of mineral interests in properties, completed and incomplete wells and related support equipment as follows:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Proved properties	$661,252	$665,222	$650,527
Unproved properties	37,546	32,111	38,880
	698,798	697,333	689,407
Less -- Accumulated depreciation and depletion	553,622	542,999	506,528
	$145,176	$154,334	$182,879

</TABLE>

COSTS INCURRED

Costs incurred by the Partnership in its oil and gas producing activities (whether capitalized or charged against earnings) were as follows:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Property acquisition costs	$ 5,111	$ 637	$36,629
Exploration costs	17,048	6,942	20,449
Development costs	19,410	14,506	15,198
	$41,569	$22,085	$72,276

</TABLE>

OIL AND GAS RESERVES

Net proved developed and undeveloped reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserve volumes that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserve volumes that are expected to be recovered from new wells on undrilled acreage or from existing wells where a significant expenditure is required for recompletion.

The following table represents the Partnership's net interests in estimated quantities of proved developed and undeveloped reserves of crude oil, including condensate (in thousands of barrels), and natural gas (in millions of cubic feet) at December 31, 1993, 1992 and 1991, and changes in such estimated quantities for the years then ended:

<TABLE>
<CAPTION>

	OIL (MB)	GAS (MMCF)
<S>	<C>	<C>
NET PROVED DEVELOPED AND UNDEVELOPED RESERVES		
January 1, 1991	11,354	186,846
Revisions of previous estimates	760	(5,257)
Extensions, discoveries and other additions	122	2,945
Production	(2,061)	(32,778)
Purchase of reserves in place	207	26,752

December 31, 1991	10,382	178,508
Revisions of previous estimates	953	(192)
Extensions, discoveries and other additions	307	10,852
Production	(1,583)	(31,559)
December 31, 1992	10,059	157,609
Revisions of previous estimates	487	(9,692)
Extensions, discoveries and other additions	660	47,223
Production	(1,517)	(27,181)
December 31, 1993	9,689	167,959
NET PROVED DEVELOPED RESERVES		
January 1, 1991	10,805	137,731
December 31, 1991	9,806	141,641
December 31, 1992	9,287	120,328
December 31, 1993	9,046	118,567

</TABLE>

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

SUPPLEMENTARY FINANCIAL INFORMATION -- (CONTINUED)

FUTURE NET CASH FLOWS

The standardized measure of discounted future net cash flows ("standardized measure") relating to proved oil and gas reserves is calculated and presented in accordance with Statement of Financial Accounting Standards No. 69. The standardized measure has been prepared assuming year-end selling prices (adjusted for future fixed and determinable contractual price changes) for the Partnership's estimated share of future production from proved oil and gas reserves. Future production and development costs were computed by applying year-end costs to future years. A prescribed 10% discount factor was applied to future net cash flows. Because prices fluctuate, a calculation of the standardized measure utilizing current prices would result in different discounted future net cash flows for 1993 than is presented.

The Partnership cautions that this standardized measure is not representative of fair market value, and the standardized measure presented for the Partnership's proved oil and gas reserves is not representative of the reserve value. The standardized measure is intended only to assist financial statement users in making comparisons between companies.

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Future cash inflows	$522,176	$546,581	$580,780
Future production and development costs	(179,006)	(87,974)	(200,596)
Future net cash flows	343,170	358,607	380,184
Annual discount at 10% rate	(96,820)	(79,706)	(77,528)
Standardized measure of discounted future net cash flows	$246,350	$278,901	$302,656

</TABLE>

The following are the principal sources of change in the standardized measure:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
January 1,	$278,901	$302,656	$417,655
Sales and transfers of oil and gas produced, net of production costs	(71,482)	(79,701)	(85,962)
Net changes in prices and production costs	(6,474)	(9,504)	(119,686)
Extensions, discoveries and improved recovery, less related costs	48,483	15,152	6,051
Previously estimated development costs incurred during the year	6,099	(2,966)	5,719
Revisions of previous quantity estimates	(12,710)	28,433	17,855
Purchase of reserves in place	3,509	--	20,682
Accretion of discount	27,890	30,266	41,766

Other	(27,866)	(5,435)	(1,424)
December 31,	$246,350	$278,901	$302,656

</TABLE>

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SCHEDULE II

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP
RELATED PARTY RECEIVABLES
FOR THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

YEAR ENDED	NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS AMOUNTS COLLECTED	BALANCE AT END OF PERIOD CURRENT
<S>	<C>	<C>	<C>	<C>	<C>
December 31, 1991.....	Maxus Energy Corp.	$ 28,483	--	$ 8,630	$19,853
December 31, 1992.....	Maxus Energy Corp.	$ 19,853	$ 1,634	--	$21,487
December 31, 1993.....	Maxus Energy Corp.	$ 21,487	--	$ 14,059	$ 7,428

</TABLE>

- ---------------

Refer to Note 6 to the Financial Statements, "Note Receivable -- Maxus Energy Corporation."

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SCHEDULE V

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP
OIL AND GAS PROPERTIES AND EQUIPMENT
FOR THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	DISPOSALS AND TRANSFERS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Year ended December 31, 1991.....	$ 682,135	$63,010	$ (55,738)	$ 689,407
Year ended December 31, 1992.....	$ 689,407	$18,375	$ (10,449)	$ 697,333
Year ended December 31, 1993.....	$ 697,333	$36,135	$ (34,670)	$ 698,798

</TABLE>

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SCHEDULE VI

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP
ACCUMULATED DEPRECIATION AND DEPLETION
OIL AND GAS PROPERTIES AND EQUIPMENT
FOR THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	DISPOSALS AND TRANSACTIONS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Year ended December 31, 1991.....	$ 507,100	$47,494	$ (48,066)	$ 506,528
Year ended December 31, 1992.....	$ 506,528	$42,824	$ (6,353)	$ 542,999
Year ended December 31, 1993.....	$ 542,999	$39,564	$ (28,941)	$ 553,622

</TABLE>

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

FINANCIAL INFORMATION FROM QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 1994

The information on pages F-22 through F-32 is from the Diamond Shamrock Offshore Partners Limited Partnership's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994.

The accompanying financial statements have not been examined by independent accountants, but in the opinion of Diamond Shamrock Offshore Partners Limited Partnership's management all adjustments (consisting only of normal accruals) necessary for a fair presentation of results of operations, changes in partners' capital, financial position and cash flows at the date and for the periods indicated have been included.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

STATEMENT OF INCOME -- (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER UNIT)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
<S>	<C>	<C>
REVENUES		
Sales and operating revenues -- trade	$ 3,476	$17,188
Sales and operating revenues -- associated companies	17,218	7,189
Other revenues, net	443	144
	21,137	24,521
COSTS AND EXPENSES		
Production and operating costs	3,943	5,514
Exploration, including exploratory dry holes	794	506
Depreciation and depletion	10,334	10,784
General and administrative expenses (b)	1,296	2,038
	16,367	18,842
NET INCOME	4,770	5,679
General Partners' Interest	48	57
NET INCOME APPLICABLE TO LIMITED PARTNERS	$ 4,722	$ 5,622
NET INCOME PER UNIT (c)	$ .06	$ .08
AVERAGE UNITS OUTSTANDING	73,761,740	73,761,740

</TABLE>

See Notes to Interim Financial Statements (Unaudited).

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

BALANCE SHEET
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	MARCH 31, 1994 (UNAUDITED)	DECEMBER 31, 1993
<S>	<C>	<C>
ASSETS		
Current Assets		
Note receivable -- Maxus Energy Corporation	$ 17,328	$ 7,428
Accounts receivable -- oil and gas sales	8,819	9,335
Accounts receivable -- joint interest	1,519	1,817
Other	454	1,105
Total Current Assets	28,120	19,685

</TABLE>

Oil and Gas Properties and Equipment -- held for sale, net	14,116	--
Oil and Gas Properties and Equipment	598,496	698,798
Less -- Accumulated depreciation and depletion	472,791	553,622
	125,705	145,176
	$ 167,941	$164,861
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Accounts payable	$ 13,660	$ 15,081
Take-or-pay liability	1,600	1,600
Total Current Liabilities	15,260	16,681
Other Liabilities and Deferred Credits	3,763	3,766
Take-or-Pay Liability	5,067	5,333
Partners' Capital	143,851	139,081
	$ 167,941	$164,861

</TABLE>

The Partnership uses the successful efforts method to account for its oil and gas producing activities.

See Notes to Interim Financial Statements (Unaudited).

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS -- (UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,770	$ 5,679
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and depletion	10,334	10,784
Dry hole costs	(9)	(332)
(Gain)/Loss on sale of assets	(42)	--
Changes in components of working capital:		
Accounts receivable	814	1,596
Other current assets	651	237
Accounts payable	(1,421)	(2,710)
Net cash provided by operating activities	15,097	15,254
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for oil and gas properties and equipment, including dry hole costs	(4,951)	(8,029)
(Increase) decrease in current note receivable	(9,900)	4,654
Other	(246)	42
Net cash used in investing activities	(15,097)	(3,333)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash distributions paid	--	(11,921)
Net cash used in financing activities	--	(11,921)
Net change in cash	--	--
Cash at beginning of period	--	--
Cash at end of period	$ --	$ --

</TABLE>

See Notes to Interim Financial Statements (Unaudited).

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL -- (UNAUDITED)(A)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

		LIMITED PARTNERS		
	GENERAL PARTNERS	MAXUS EXPLORATION COMPANY	UNITHOLDERS	TOTAL
<S>	<C>	<C>	<C>	<C>
December 31, 1993	$4,190	$84,095	$50,796	$139,081
Net income	48	4,108	614	4,770
March 31, 1994	$4,238	$88,203	$51,410	$143,851

</TABLE>

See Notes to Interim Financial Statements (Unaudited).

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(A) ORGANIZATION

Diamond Shamrock Offshore Partners Limited Partnership ("Partnership") is a Delaware limited partnership formed in 1985 to succeed to substantially all of the oil and gas exploration and production business previously conducted by Maxus Exploration Company ("Exploration"), a wholly owned subsidiary of Maxus Energy Corporation ("Maxus"), in federal waters offshore Texas and Louisiana. In exchange for its contribution of properties to the Partnership, Exploration received units of limited partnership interest ("Units") in the Partnership. As of March 31, 1994, Maxus Offshore Exploration Company ("MOEC"), a wholly owned subsidiary of Maxus, was the managing general partner of the Partnership and Maxus was the special general partner.

On April 26, 1994, Maxus, MOEC and Exploration sold all their partnership interests consisting of general partners' interests and Units to affiliates of Burlington Resources Inc. for an aggregate $291.1 million. Maxus' aggregate ownership interest in the Partnership was approximately 87.1%. As a result of the sale, Meridian Offshore Company, a Burlington Resources Inc. affiliate, became the managing general partner of the Partnership and Meridian Offshore Acquisition Company became the special general partner.

(B) GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses represent allocations from Maxus. Maxus believes that the method of allocation is reasonable.

(C) INCOME PER UNIT

Net Income per Unit is calculated for financial reporting purposes only. Income or loss for federal income tax purposes will be calculated and communicated separately for each Unitholder subsequent to December 31, 1994.

(D) FINANCIAL INSTRUMENTS

As discussed in the Partnership's Annual Report on Form 10-K for year ended December 31, 1993, the Partnership hedged against the effects of fluctuations in the price of natural gas through price swap agreements. As of April 26, 1994, the Partnership settled all then-outstanding hedged positions for a $253,050 gain.

(E) DISPOSITION OF ASSETS

On April 25, 1994, the Partnership sold its interests in Main Pass Blocks 72, 73 and 74, offshore Louisiana, to Pogo Producing Company for approximately $18.2 million. The net book value of the properties was $14.1 million. The unaudited pro forma financial statements are presented on pages F-30 through F-32.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FIRST QUARTER, 1994

RESULTS OF OPERATIONS

Diamond Shamrock Offshore Partners Limited Partnership ("Partnership") reported net income of $4.8 million for the first three months of 1994, a $.9 million decline over the same period in 1993. This decrease was a result of lower sales and operating revenues, despite lower production costs and lower administrative expenses. Sales and operating revenues for the first three months of 1994 were $20.7 million, down from $24.4 million recorded for the same period of 1993.

Average gas production in the first three months of 1994 was down 18% to 73 million cubic feet ("mmcf") per day compared to 89 mmcf per day in the same period of 1993. Contributing to the volume decline were watering and sanding at Main Pass 116/126 (7 mmcf per day) and watering at Vermilion 226/237 (3 mmcf per day) and Main Pass 181 (5 mmcf per day) partially offset by new production at West Cameron 142 (8 mmcf per day). The average gas price in the first quarter 1994 was $2.37 per thousand cubic feet ("mcf"), up $.31 per mcf from $2.06 per mcf in the first quarter last year.

Crude oil and condensate sales revenues were down in the first three months of 1994 due to lower oil prices which averaged $12.71 per barrel compared to $18.05 per barrel in the first quarter last year. Production increased to 4,468 barrels ("bbls") per day compared to 4,246 bbls per day in the same period in 1993. New production from West Cameron 142 (252 bbls per day) and Ewing Bank 944/988 (420 bbls per day) were partially offset by watering at Vermilion 226 and field decline at Main Pass 288/289.

Production and operating costs were $3.9 million in the first quarter 1994 as compared to $5.5 million in the first quarter 1993. The decrease resulted from third-party gas purchase costs of $1.1 million recorded in first quarter 1993.

Depreciation and depletion expense was $10.3 million in the first quarter of 1994, $.5 million below the same period last year. Lower production was responsible for the decline, despite higher depletion rates.

FINANCIAL CONDITION

Net cash provided by operating activities for the Partnership during the first three months of 1994 decreased slightly to $15.1 million from $15.3 million in the same period in 1993. Lower working capital requirements offset the decline in operating cash income.

Expenditures for oil and gas properties and equipment, including dry hole costs, in the first three months of 1994 were $5.0 million compared to $8.0 million in 1993. The decrease in 1994 was largely due to lower spending on exploratory wells. During the first quarter 1994, the Partnership was high bidder at the Federal lease sale on two blocks offshore Louisiana. One of these, Eugene Island 395 (100% working interest) has been awarded to the Partnership. The bid for the other, West Cameron 54 (100% working interest), must be accepted or rejected by the Minerals Management Service on or before June 29, 1994.

At March 31, 1994, the Partnership's ratio of current assets to current liabilities (current ratio) equaled 1.8 compared to a ratio of 1.2 at December 31, 1993. Current assets rose primarily due to an increase in the note receivable with Maxus Energy Corporation ("Maxus") which, at March 31, 1994, was $17.3 million, an increase of $9.9 million from December 31, 1993. This note was repaid in full on April 26, 1994 upon sale of Maxus' interest to Meridian Offshore Company and the proceeds from the repayment have been advanced to Meridian Offshore Company.

No cash distribution was made for the first quarter 1994 due to the Partnership's lack of distributable cash for the quarter. A second quarter cash distribution, payable June 7, 1994, was declared at $.13 per Unit to Unitholders of record on May 13, 1994.

OTHER EVENTS

On April 25, 1994 the Partnership sold its interest in Main Pass 72, 73 and 74 to Pogo Producing Company for $18.2 million. The net book value of the properties was $14.1 million.

On April 26, 1994, Maxus, the special general partner of the Partnership,

Maxus Offshore Exploration Company, the managing general partner, and Maxus Exploration Company sold all of their interests in the Partnership consisting of general partners' interests and 64,163,885 Units to affiliates of Burlington Resources Inc. for an aggregate of $291.1 million. Units were sold at an equivalent of approximately $4.48 per Unit. Maxus' aggregate ownership interest in the Partnership was approximately 87.1%. As a result of the sale, Meridian Offshore Company, a Burlington Resources Inc. affiliate, became the managing general partner of the Partnership and Meridian Offshore Acquisition Company became the special general partner.

Also, on April 26, 1994, Burlington Resources Inc. announced that it intends to acquire the remaining Units through merger for $4.48 per unit.

PRO FORMA INFORMATION

On April 25, 1994, the Partnership sold its interests in Main Pass Blocks 72, 73 and 74, offshore Louisiana, to Pogo Producing Company for approximately $18.2 million. The net book value of these properties was $14.1 million. An unaudited pro forma balance sheet as of March 31, 1994 has been prepared as if the sale had occurred at that date. The unaudited pro forma statements of income for the year ended December 31, 1993 and the three months ended March 31, 1994 have been prepared as if the sale had occurred at January 1, 1993 and January 1, 1994, respectively. The pro forma data are not necessarily indicative of the financial results which would have occurred had the sale been effective on those dates and should not be viewed as indicative of the Partnership in future periods. The unaudited pro forma financial statements are presented on pages F-30 through F-32.

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

UNAUDITED PRO FORMA BALANCE SHEET
AS OF MARCH 31, 1994

<TABLE>
<CAPTION>

	HISTORICAL D.S. OFFSHORE PARTNERS	PRO-FORMA ADJUSTMENTS DEBIT	PRO-FORMA ADJUSTMENTS CREDIT	PRO-FORMA
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current Assets				
Note Receivable -- Maxus Energy Corporation.....	$ 17,328	$18,150	--	$ 35,478
Accounts Receivable -- oil and gas sales.....	8,819	--	--	8,819
Accounts Receivable -- joint interest.....	1,519	--	--	1,519
Other.....	454	--	--	454
Total Current Assets.....	28,120	18,150	--	46,270
Oil and Gas Properties and Equipment -- held for sale, net.....	14,116	--	$14,116	--
Oil and Gas Properties and Equipment.....	598,496	--	--	598,496
Less -- Accumulated depreciation and depletion.....	472,791	--	--	472,791
	125,705	--	--	125,705
	$ 167,941	$18,150	$14,116	$171,975
LIABILITIES AND PARTNERS' CAPITAL				
Current Liabilities				
Accounts Payable.....	$ 13,660	--	--	$ 13,660
Take-or-pay liability.....	1,600	--	--	1,600
Total Current Liabilities.....	15,260	--	--	15,260
Other Liabilities and Deferred Credits.....	3,763	--	--	3,763
Take-or-Pay Liability.....	5,067	--	--	5,067
Partners' Capital.....	143,851	--	$ 4,034	147,885
	$ 167,941	--	$ 4,034	$171,975

</TABLE>

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

UNAUDITED PRO FORMA STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1993

<TABLE>
<CAPTION>

	HISTORICAL D.S. OFFSHORE PARTNERS	PRO-FORMA ADJUSTMENTS DEBIT	PRO-FORMA ADJUSTMENTS CREDIT	PRO FORMA
<S>	<C>	<C>	<C>	<C>
REVENUES				
Sales and operating revenues -- trade	$37,988	$6,600	--	$31,388
Sales and operating revenues -- associated companies	49,081	1,849	--	47,232
Other revenues, net	(3,395)	--	--	(3,395)
	83,674	8,449	--	75,225
COSTS AND EXPENSES				
Production and operating costs	17,551	--	$1,355	16,196
Exploration, including exploratory dry holes	8,484	--	--	8,484
Depreciation and depletion	39,564	--	3,316	36,248
General and administrative expenses	5,553	--	--	5,553
	71,152	--	4,671	66,481
NET INCOME	12,522	8,449	4,671	8,744
General Partner's Interest	125	85	47	87
NET INCOME APPLICABLE TO LIMITED PARTNERS	$12,397	$8,364	$4,624	$ 8,657
NET INCOME PER UNIT	$ .17			$ .12
AVERAGE UNITS OUTSTANDING	73,761,740			73,761,740

</TABLE>

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

UNAUDITED PRO FORMA STATEMENT OF INCOME
FOR THE QUARTER ENDED MARCH 31, 1994

<TABLE>
<CAPTION>

	HISTORICAL D.S. OFFSHORE PARTNERS	PRO-FORMA ADJUSTMENTS DEBIT	PRO-FORMA ADJUSTMENTS CREDIT	PRO-FORMA
<S>	<C>	<C>	<C>	<C>
REVENUES				
Sales and operating revenues -- trade	$ 3,476	$1,116	--	$ 2,360
Sales and operating revenues -- associated companies	17,218	398	--	16,820
Other revenues, net	443	--	--	443
	21,137	1,514	--	19,623
COSTS AND EXPENSES				
Production and operating costs	3,943	--	$118	3,825
Exploration, including exploratory dry holes	794	--	--	794
Depreciation and depletion	10,334	--	649	9,685
General and administrative expenses	1,296	--	--	1,296
	16,367	--	767	15,600
NET INCOME	4,770	1,514	767	4,023
General Partner's Interest	48	15	7	40
NET INCOME APPLICABLE TO LIMITED PARTNERS	$ 4,722	$1,499	$760	$ 3,983
NET INCOME PER UNIT	$ .06			$ .05
AVERAGE UNITS OUTSTANDING	73,761,740			73,761,740

</TABLE>

SCHEDULE 1

DIRECTORS AND EXECUTIVE OFFICERS OF BR AND THE COMPANY

The name, business address and present principal occupation or employment and five year employment history of each director and executive officer of BR and the Company are set forth below. The business address of each director and executive officer, unless otherwise indicated below, is 5051 Westheimer, Houston, Texas 77056. Each of the individuals listed below is a United States citizen. To the knowledge of BR and the Company, none of such individuals owns any Units.

DIRECTORS OF BR

<TABLE>
<CAPTION>

NAME	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT, BUSINESS ADDRESS AND FIVE YEAR HISTORY
<S>	<C>
John V. Byrne.....	President, Oregon State University, Corvallis, Oregon 97331 -- Education. Since November 1984, Dr. Byrne's principal occupation has been as shown above.
S. Parker Gilbert.....	Retired. Mr. Gilbert's address is c/o Morgan Stanley Group Inc., 1251 Avenue of the Americas, New York, New York 10020. Mr. Gilbert has been retired since January 1991. From January 1984 until December 1990, Mr. Gilbert was Chairman and Managing Director of Morgan Stanley Group Inc.
James F. McDonald.....	President and Chief Executive Officer, Scientific-Atlanta, Inc., One Technology Parkway South, Norcross, Georgia 30092 -- Telecommunications. Since July 1993, Mr. McDonald's principal occupation has been as shown above. From July 1991 to July 1993, Mr. McDonald was a partner with J.H. Whitney & Co. From January 1991 until July 1991, Mr. McDonald was Vice Chairman of the Board of Prime Computer Inc. From January 1990 until January 1991, Mr. McDonald was Vice Chairman of the Board and Chief Executive Officer of Prime Computer, Inc. From September 1989 until January 1990, Mr. McDonald was President and Chief Executive Officer of Prime Computer, Inc. From October 1988 until August 1989, Mr. McDonald was Chairman of the Board, President and Chief Executive Officer of Gould/ Computer Systems Inc. and Gould/IGD Inc.
Thomas H. O'Leary.....	Chairman of the Board, President and Chief Executive Officer of BR. Since February 1993, Mr. O'Leary's principal occupation has been as shown above. From July 1992 to February 1993, Mr. O'Leary was Chairman of the Board and Chief Executive Officer of BR. From October 1990 until July 1992, Mr. O'Leary was Chairman of the Board, President and Chief Executive Officer of BR. From January 1989 until October 1990, Mr. O'Leary was President and Chief Executive Officer of BR.
Donald M. Roberts.....	Vice Chairman and Treasurer, United States Trust Company of New York, 114 West 47th Street, New York, New York 10036. Since February 1990, Mr. Roberts' principal occupation has been as shown above. From January 1989 to February 1990, Mr. Roberts was Treasurer of United States Trust Company of New York.
Walter Scott, Jr.....	Chairman and President, Peter Kiewit Sons', Inc., 1000 Kiewit Plaza, Omaha, Nebraska 68131 -- Construction, Mining and Telecommunications. For over five years, Mr. Scott's principal occupation has been as shown above.

</TABLE>

<TABLE>
<CAPTION>

NAME	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT, BUSINESS ADDRESS AND FIVE YEAR HISTORY
<S>	<C>
William E. Wall.....	Of Counsel, Siderius Longergan, 847 Logan Building, 500 Union Street, Seattle, Washington 98101 -- Law. above. For more than 5 years, Mr. Wall's principal occupation has been as shown above.

EXECUTIVE OFFICERS OF BR;
DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

John E. Hagale.....	Senior Vice President and Chief Financial Officer of BR since April 1994. Executive Vice President and Chief Financial Officer of Meridian since March 1993. Vice President, Finance, of BR from April 1992 to February 1993. Vice President, Taxes, of BR from November 1990 to April 1992. Assistant Vice President, Taxes, of BR from January 1989 to November 1990. Executive Vice President and Chief Financial Officer and Director of the Company.
Harold E. Haunschild.....	Vice President, Human Resources, of BR since July 1992. Executive Vice President, Human Resources and Administration, of Meridian since May 1993. Assistant Vice President, Com- pensation and Benefits, of BR from May 1988 to July 1992. Executive Vice President of the Company.
George E. Howison.....	President and Chief Executive Officer of Meridian since May 1993. Senior Vice President and Chief Financial Officer of BR from November 1990 to April 1994. Vice President, Planning and Treasurer, August 1988 to October 1990. President of the Company.
L. Edward Parker.....	Executive Vice President, Marketing, of Meridian since February 1993. Senior Vice President, Marketing, of Meridian from December 1990 to February 1993. Vice President, Marketing, of Meridian from August 1988 to November 1990. Executive Vice President of the Company.
Gerald J. Schissler.....	Senior Vice President, Law, of BR since December 1993. Executive Vice President, Law and Corporate Affairs, of Meridian since July 1993. Consultant from June 1991 to July 1993. Senior Vice President, Law, of Meridian Minerals Company, a subsidiary of BR, from November 1987 to June 1991. Executive Vice President and Director of the Company.
Bobby S. Shackouls.....	Executive Vice President and Chief Operating Officer of Meridian since June 1993. President and Chief Operating Officer of Torch Energy Advisors, Inc., an affiliate of Torchmark Corporation, from September 1988 to May 1993. Executive Vice President and Director of the Company.

</TABLE>

APPENDIX A

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AGREEMENT AND PLAN OF MERGER

DATED AS OF APRIL 28, 1994

BETWEEN

DIAMOND SHAMROCK OFFSHORE PARTNERS
LIMITED PARTNERSHIP

AND

MERIDIAN OFFSHORE COMPANY

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of April 28, 1994 (the "Agreement"), between DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP, a Delaware limited partnership (the "Partnership"), and MERIDIAN OFFSHORE COMPANY, a Delaware corporation (the "Company").

BACKGROUND

The Board of Directors of the Company has approved on behalf of the Company, and the Company, in its capacity as managing general partner of the Partnership, has approved on behalf of the Partnership, upon the terms and subject to the conditions set forth in this Agreement, the merger of the Partnership into the Company (the "Merger"), whereby each outstanding LP Unit (as defined in the Second Amended and Restated Agreement of Limited Partnership of the Partnership, as amended (the "Partnership Agreement")) not owned by the Company or any of its affiliates will be converted into the right to receive the Merger Consideration (as hereinafter defined). The Company, as the holder of a .99% managing general partnership interest in the Partnership and 64,163,885 LP Units, and Meridian Offshore Acquisition Company, as the holder of a .01% special general partnership interest in the Partnership, have both executed a written consent approving the Merger.

Now, therefore, the Partnership and the Company hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.01 The Merger. Upon the terms and subject to the conditions hereof, and in accordance with the relevant provisions of the Delaware General Corporation Law (the "DGCL") and the Delaware Revised Uniform Limited Partnership Act (the "DRULPA"), the Partnership shall be merged with and into the Company as soon as practicable following the satisfaction or waiver, if permissible, of the conditions set forth in Article III. Following the Merger, the Company shall continue as the surviving corporation (the "Surviving Corporation") and shall continue its existence under the laws of the State of Delaware, and the separate existence of the Partnership shall cease. At the election of the Company, any direct or indirect wholly-owned subsidiary of Meridian Oil Holding Inc. ("Parent") may be substituted for the Company as a constituent party in the Merger.

SECTION 1.02 Effective Time. As soon as practicable following the satisfaction or waiver of the conditions set forth in Article III, the Merger shall be consummated by filing with the Secretary of State of the State of Delaware a certificate of merger or other appropriate documents (in any case, the "Certificate of Merger") in accordance with the DGCL and the DRULPA. The Merger shall become effective at such time as the Certificate of Merger is duly filed, or at such other time as the Partnership and the Company shall specify in the Certificate of Merger (the time the Merger becomes effective being the "Effective Time").

SECTION 1.03 Effects of the Merger. The Merger shall have the effects set forth in Section 259 of the DGCL.

SECTION 1.04 Certificate of Incorporation and By-Laws. The Certificate of Incorporation and the By-Laws of the Company shall be the certificate of incorporation and by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

SECTION 1.05 Directors and Officers. The directors and officers of the Company immediately prior to the Effective Time shall be the directors and officers of the Surviving Corporation until the earlier of their resignation or removal or until their respective successors are duly elected and qualified.

SECTION 1.06 Conversion of Units. At the Effective Time, by virtue of the Merger and without any action on the part of the Partnership, the Company or the holders of any of the following securities:

(a) each partnership interest in the Partnership held by the Company

or any affiliate of the Company shall be cancelled and retired and shall cease to exist, and no payment or consideration shall be made with respect thereto;

(b) each issued and outstanding LP Unit, other than LP Units included in the partnership interests referred to in paragraph (a) above shall be converted into the right to receive from the Surviving Corporation an amount in cash, without interest, equal to $4.485 per LP Unit (the "Merger Consideration"). At the Effective Time, all such LP Units shall cease to be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such LP Unit shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, without interest; and

(c) each issued and outstanding share of capital stock of the Company shall remain outstanding and shall represent one fully paid and nonassessable share of common stock, par value $.01, of the Surviving Corporation.

SECTION 1.07 Closing. The closing of the Merger (the "Closing") will take place at 10:00 a.m. on a date to be specified by the parties, which shall be no later than the second business day after satisfaction or waiver of the conditions set forth in Article III, at the offices of Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, NY 10004, unless another date or place is agreed to in writing by the parties hereto.

ARTICLE II

EXCHANGE OF UNITS

SECTION 2.01 Exchange of Certificates. (a) Prior to the Effective Time, the Company shall appoint a bank or trust company to act as disbursing agent (the "Disbursing Agent") for the payment of Merger Consideration upon surrender of certificates representing the LP Units. Parent will enter into a disbursing agent agreement with the Disbursing Agent, in form and substance reasonably acceptable to the Company, and shall deposit or cause to be deposited with the Disbursing Agent in trust for the benefit of the holders of LP Units cash in an aggregate amount necessary to make the payments pursuant to Section 1.06 to holders of LP Units (such amounts being hereinafter referred to as the "Exchange Fund"). The Disbursing Agent shall, pursuant to irrevocable instructions, make the payments provided for in the preceding sentence out of the Exchange Fund. The Disbursing Agent shall invest portions of the Exchange Fund as the Company directs, provided that such investments shall be in obligations of or guaranteed by the United States of America, in commercial paper obligations receiving the highest rating from either Moody's Investors Service, Inc. or Standard & Poor's Corporation, or in certificates of deposit, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding $100 million. The Exchange Fund shall not be used for any other purpose, except as provided in this Agreement.

(b) Promptly after the Effective Time, the Surviving Corporation shall cause the Disbursing Agent to mail to each person who was a record holder as of the Effective Time of an outstanding certificate or certificates which immediately prior to the Effective Time represented Depositary Units (as defined in the Partnership Agreement) representing LP Units (the "Certificates"), and whose LP Units were converted into the right to receive Merger Consideration pursuant to Section 1.06, a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Disbursing Agent) and instructions for use in effecting the surrender of the Certificate in exchange for payment of the Merger Consideration. Upon surrender to the Disbursing Agent of a Certificate, together with such letter of transmittal duly executed and such other documents as may be reasonably required by the Disbursing Agent, the holder of such Certificate shall be paid in exchange therefor cash in an amount equal to the product of the number of LP Units represented by such Certificate multiplied by the Merger Consideration, and such Certificate shall forthwith be cancelled. No interest will be paid or accrued on the cash payable upon the surrender of the Certificates. If payment is to be made to a person other

than the person in whose name the Certificate surrendered is registered, it shall be a condition of payment that the Certificate so surrendered be properly endorsed or otherwise be in proper form for transfer and that the person requesting such payment pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of the Certificate surrendered or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not applicable. Until surrendered in accordance with the provisions of this Section 2.01, each Certificate (other than Certificates representing LP Units owned by the Company or any affiliate of the Company shall represent for all purposes only the right to receive the Merger Consideration in cash multiplied by the number of LP Units represented by such

Certificate, without any interest thereon.

(c) At and after the Effective Time, there shall be no registration of transfers of LP Units and the Partnership shall instruct the depositary for the Depositary Units not to register transfers of the Depositary Units which were outstanding immediately prior to the Effective Time. From and after the Effective Time, the holders of LP Units outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such LP Units except as otherwise provided in this Agreement or by applicable law. All cash paid upon the surrender of Certificates in accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the LP Units previously represented by such Certificates. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, such Certificates shall be cancelled and exchanged for cash as provided in this Article II.

(d) At any time more than one year after the Effective Time, the Surviving Corporation shall be entitled to require the Disbursing Agent to deliver to it any funds which had been made available to the Disbursing Agent and not disbursed in exchange for Certificates (including, without limitation, all interest and other income received by the Disbursing Agent in respect of all such funds). Thereafter, holders of LP Units shall look only to the Surviving Corporation (subject to abandoned property, escheat and other similar laws) as general creditors thereof with respect to any Merger Consideration that may be payable, without interest, upon due surrender of the Certificates held by them. Notwithstanding the foregoing, neither the Surviving Corporation nor the Disbursing Agent shall be liable to any holder of an LP Unit for any Merger Consideration delivered in respect of such LP Unit to a public official pursuant to any abandoned property, escheat or other similar law.

SECTION 2.02 Distribution. Nothing in this Agreement shall be construed as affecting the rights of holders of LP Units to receive the distribution of $.13 per LP Unit to be paid on June 7, 1994 to holders of record of LP Units as of May 13, 1994.

ARTICLE III

CONDITIONS TO CONSUMMATION OF THE MERGER

SECTION 3.01 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger are subject to the satisfaction or waiver, where permissible, prior to the Effective Time, of the following conditions:

(a) no statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent), shall have been enacted, entered, promulgated or enforced by any court or governmental authority which is in effect and has the effect of prohibiting the consummation of the Merger; provided that each of the parties shall have used its best efforts to prevent the entry of any injunction or other order and to appeal as promptly as possible any injunction or other order that may be entered; and

(b) the waiting period (and any extension thereof) applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, if any, shall have expired or been terminated and a 20-day period shall have elapsed from the date of mailing to holders of LP Units of an information statement with respect to the Merger.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of all the parties.

SECTION 4.02 Entire Agreement; Assignment. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. Neither this Agreement nor any right, interest or obligation under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise without the prior written consent of the other parties.

SECTION 4.03 Validity. In the event any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

SECTION 4.04 Governing Law. This Agreement shall be governed by and

construed in accordance with the substantive laws of the State of Delaware regardless of the laws that might otherwise govern under principles of conflicts of laws applicable thereto.

SECTION 4.05 Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

SECTION 4.06 Parties in Interest. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 4.07 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its respective officers thereunto duly authorized, all as of the day and year first above written.

DIAMOND SHAMROCK OFFSHORE
PARTNERS LIMITED PARTNERSHIP

By Meridian Offshore Company,
its managing general partner

By /s/ RANDOLPH P. MUNDT

Name: Randolph P. Mundt
Title: Senior Vice President

MERIDIAN OFFSHORE COMPANY

By /s/ GERALD J. SCHISSLER

Name: Gerald J. Schissler
Title: Executive Vice President

EXHIBIT (G)(1)

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

LESLIE SUSSER,

Plaintiff,

-- against --

BURLINGTON RESOURCES INC., DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP, MAXUS ENERGY CORPORATION, MAXUS OFFSHORE EXPLORATION COMPANY, C.L. BLACKBURN, STEVEN G. CROWELL, AND JOHN C. SCHMID,

Defendants.

C.A. NO. 13483

CLASS ACTION COMPLAINT

Plaintiff, by his attorneys, for his complaint against defendants, alleges upon information and belief, except for paragraphs 1 and 2 hereof, which are alleged upon knowledge, as follows:

1. Plaintiff brings this action pursuant to Rule 23 of the Rules of the Court of Chancery on his behalf and as a class action on behalf of all persons, other than the defendants and those in privity with them, who own publicly traded securities of Diamond Shamrock Offshore Partners, Limited Partnership ("Diamond Shamrock" or the "Company").

2. Plaintiff owns, and has owned at all relevant times, a limited partnership interest in Diamond Shamrock through his Individual Retirement Account.

3. Defendant Diamond Shamrock is a limited partnership duly organized and existing under the laws of the State of Delaware. The Company is a master limited partnership formed in September 1985. Diamond Shamrock explores for and produces natural gas and crude oil on federal offshore leases. All 82 of its leases are in the Gulf of Mexico off the shores of Texas and Louisiana. The Company's publicly traded securities are traded on the New York and Pacific Stock Exchanges under the symbol DSP. The Company maintains its principal executive offices at 717 North Harwood Street, Dallas, Texas 75201.

4. Defendant Burlington Resources, Inc. ("Burlington"), is incorporated in Delaware and is a holding company engaged, through its principal subsidiary, Meridian Holding, Inc., and its other subsidiaries, in the exploration,

production and development of oil and gas, and related marketing activities. Burlington also owns and operates natural gas gathering systems, intrastate natural gas pipelines and has an interest in a crude oil pipeline.

5. Defendant Maxus Energy Corporation ("Maxus") is a New York Stock Exchange listed company engaged in the exploration, production and development of oil and gas. Maxus is the special general partner of Diamond Shamrock.

6. Defendant Maxus Offshore Exploration Company ("Offshore"), a wholly owned subsidiary of Maxus, is the managing general partner of Diamond Shamrock. Both Maxus and Offshore engaged in the transactions complained of herein.

7. Defendant C.L. Blackburn ("Blackburn") is, and at all relevant times, has been Chairman of the Board of Directors of Offshore.

8. Defendant Steven G. Crowell ("Crowell") is and, at all relevant times, has been President and a Director of Offshore.

9. Defendant John C. Schmid ("Schmid") is and, at all relevant times, has been Vice President and a Director of Offshore.

10. The individual defendants are members of the board of Offshore, the managing general partner of Diamond Shamrock.

11. The individual defendants, by reason of their directorships, stand in a fiduciary position relative to Diamond Shamrock's public security holders, and said defendants' fiduciary duties, at all times relevant herein, required them to exercise their best judgment, and to act in a prudent manner, and in the best interests of Diamond Shamrock's minority security holders. Said defendants owe the public securities holders of Diamond Shamrock the highest duty of good faith, fair dealing, due care, loyalty, and full, candid and adequate disclosure.

12. Burlington, by virtue of its purchase of an 87.1% limited and general partnership interest in Diamond Shamrock from Maxus and Offshore, is a controlling securities holder of Diamond Shamrock and orchestrated the merger at issue for its own benefit, at the expense of Diamond Shamrock's minority securities holders.

13. Each defendant herein is sued individually as a conspirator and aider and abettor, as well as in his capacity as a director of Offshore (in the case of the individual defendants), or as a control person and the liability of each arises from the fact that he has engaged in all or part of the unlawful acts, plans, schemes, or transactions herein.

CLASS ACTION ALLEGATIONS

14. Plaintiff brings this action on his own behalf and as a class action, pursuant to Rule 23 of the Rules of the Court of Chancery, on behalf of all

security holders of the common securities of Diamond Shamrock (except the defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any of the defendants) and their successors in interest, who are or will be threatened with injury arising from defendants' actions as more fully described herein.

15. This action is properly maintainable as a class action.

16. The class is so numerous that joinder of all members is impracticable. As of December 31, 1993, there were approximately 74,010,440 Diamond Shamrock securities outstanding. As of March 1, 1994, 9,846,555 of these securities were held by the public including numerous class members.

17. A class action is superior to other methods for the fair and efficient adjudication of the claims herein asserted, and no unusual difficulties are likely to be encountered in the management of this class action. The likelihood of individual class members prosecuting separate claims is remote.

18. There are questions of law and fact which are common to the class and which predominate over questions affecting any individual class member. The common questions include, inter alia, the following:

(a) whether defendants have breached their fiduciary and other common law duties owed by them to plaintiff and the members of the class;

(b) whether defendants are pursuing a scheme and course of conduct designed to eliminate the public securities holders of Diamond Shamrock in violation of the laws of the State of Delaware in order to benefit from a proposed acquisition of Diamond Shamrock by Burlington at the expense and to the detriment of the plaintiff and the other public securities holders who are members of the class;

(c) whether defendants are acting on both sides of the possible going-private transaction, thus presenting a conflict of interest, self-dealing and overreaching;

(d) whether the said proposed acquisition, hereinafter described, constitutes a breach of the duties of fair dealing and/or entire fairness with respect to the members of the class; and,

(e) whether the class is entitled to injunctive relief or damages as a result of the wrongful conduct of the defendants.

19. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. The claims of the plaintiff are typical of the claims of other members of the class and

plaintiff has the same interests as the other members of the class. A class action is superior to any other type of adjudication of this controversy.

20. Defendants have acted in a manner which affects plaintiff and all members of the class, thereby making appropriate injunctive relief and/or corresponding declaratory relief with respect to the class as a whole.

SUBSTANTIVE ALLEGATIONS

21. Diamond Shamrock had a dismal year in 1993 as revenues declined and the Company suffered a tremendous decrease in earnings. For the year ended December 31, 1993, Diamond Shamrock reported net income of $12.5 million or approximately $0.17 per share, on revenues of $87.1 million, compared with a net profit in 1992 of $20.9 million, or $0.28 per share, on revenues of $95.9 million. Diamond Shamrock's performance in the fourth quarter of 1993 was even more dismal. The Company lost $3.6 million, or $0.05 per share, compared to net income in the comparable quarter in the prior year of $7.3 million, or $0.10 per share. Defendant Crowell stated in a "Letter to Partners," dated March 21, 1994, in Diamond Shamrock's 1993 Annual Report that "[t]he reduction [in revenues and earnings in 1993] was primarily due to lower oil prices and lower gas volumes."

22. On January 25, 1994, Offshore announced that no cash distribution was to be made to Diamond Shamrock security holders for the first quarter of 1994, due to substantially higher exploration and development expenditures and lower crude oil prices and reduced natural gas volumes.

23. However, on February 24, 1994, Diamond Shamrock reported that "in a nearly three-fold increase over its 1992 replacement rate," it had replaced 122% of its production of oil and gas at a finding, development and acquisition ("FD&A") cost of $0.94 per thousand cubic feet equivalent, lower than the FD&A cost of $1.21 for the previous year.

24. On April 25, 1994, in a reversal from the prior quarter and as a reflection of the Company's improved prospects, Diamond Shamrock declared a quarterly dividend of $0.13 per partnership interest. This distribution was consistent with Diamond Shamrock's previously announced policy to distribute cash based on cash generated by the Company.

25. Due to the Company's increased development and acquisition of oil and gas properties, whose cost was borne in part by Diamond Shamrock's public security holders, and recent higher prices for oil and gas, Diamond Shamrock is on the verge of renewed and sustained profitability.

26. However, on April 26, 1994, just as Diamond Shamrock is poised to regain its footing after a disastrous 1993 and was returning to profitability, Burlington shocked the market with its purchase of an 87.1% general and limited partnership interest in Diamond Shamrock from Maxus and Offshore. Burlington also announced its plan to merge the remaining 12.9% of Diamond Shamrock's publicly traded securities into Burlington. Burlington plans to pay $4.48 in cash for each publicly traded security of Diamond Shamrock outstanding at the time of the merger. The price proposed to be paid by Burlington to Diamond

Shamrock limited partners represents a decrease from the last price paid for Diamond Shamrock security interests prior to the announcement of the proposed transaction. Trading in Diamond Shamrock securities was halted by the New York Stock Exchange for hours on April 26 as the price of the shares was reset downward to reflect Burlington's announcement.

27. Maxus and Offshore were under pressure to sell their stake in Diamond Shamrock due to the growing financial problems at Maxus. On January 11, 1994, Standard & Poor's Corp. ("S&P") said that it placed the ratings of Maxus' BB senior debt and its B-plus preferred stock on Creditwatch with negative implications. S&P stated that additional steps needed to be taken by Maxus to improve cash flow measures to strengthen the capital structure over the medium-term in order to avert a ratings downgrade. On March 17, 1994, Moody's Investors Services made a similar announcement regarding Maxus' prospects. Indeed, on April 21, 1994, only five days before the transaction at issue was announced, Duff & Phelps Credit Rating Co. did, in fact, lower its senior debt and preferred stock ratings on Maxus. Maxus' rapidly deteriorating financial

condition forced it to accept any offer made for Diamond Shamrock rather than adhering to its fiduciary duties to Diamond Shamrock's minority security holders to attempt to achieve the highest possible price for the Company.

28. The proposed purchase price of $4.48 to be paid to Diamond Shamrock limited partners does not represent the true value of the assets and future prospects underlying each limited partnership interest of Diamond Shamrock.

29. By virtue of its dominance and control over Diamond Shamrock, Burlington, Maxus, and Offshore, together with the individual defendants, have engaged in a plan involving acts which are grossly unfair to plaintiff and the other members of the class. The purpose of the plan is to enable Burlington to acquire 100% equity ownership of Diamond Shamrock and its assets for its own benefit, and at the expense of the other Diamond Shamrock security holders who would be deprived of their equity investment and the benefits to accrue thereafter, for a grossly inadequate price.

30. Defendants' announcement of the proposed bid fails to disclose whether, prior to making the offer, they obtained an unconditional opinion of an independent investment banker regarding the fair value of the publicly traded Diamond Shamrock securities. Nor do the terms of the merger give any credit to the improving prospects for Diamond Shamrock due to the recent three-fold increase in the replacement rate of the Company's production, the cost of which was partially borne by the minority shareholders, and the improving market prices for oil and gas. Further, the merger announcement does not mention that Diamond Shamrock is on the verge of reporting sustained and significant profits.

31. Because of Burlington's newly acquired 87.1% equity position and overwhelming control over Diamond Shamrock, all of Offshore's directors who will

be considering the offer, and the entire Offshore board of directors, no third party, as a practical matter, can attempt any competing bid for Diamond Shamrock, as the success of any such bid would require the consent and cooperation of Burlington. In fact, because of the predominant control of Diamond Shamrock by Burlington, it is a foregone conclusion that whatever Burlington may offer, such merger will be consummated.

32. The proposed transaction serves no legitimate business purpose of Diamond Shamrock, but rather is an attempt by defendants to benefit unfairly Burlington from the transaction at the expense of Diamond Shamrock's public security holders. The proposed plan will deny plaintiff and the other members of the class their right to share proportionately in the future success and growth in profitability of Diamond Shamrock and its valuable assets, while permitting Burlington to reap huge benefits from the contemplated transaction.

33. The price of $4.48 per limited partnership interest to be paid to the class members is unconscionable, unfair and grossly inadequate. The terms of the proposed merger constitute unfair dealing with respect to the minority security holders because, among other things:

(a) the market value, until the proposed transaction was made, and the intrinsic value of the publicly traded securities of Diamond Shamrock was and is materially in excess of $4.48 per limited partnership interest, giving due consideration to the likely growth and profitability of Diamond Shamrock in light of the reversal in fortunes of and future earnings potential of its business.

(b) The $4.48 per limited partnership interest price is not the result of arm's length negotiations and was not based upon any independent Evaluation of the current value of Diamond Shamrock securities, assets or business, but was fixed arbitrarily by defendants, as part of a plan by Burlington to obtain complete ownership of Diamond Shamrock's assets and business at the lowest possible price, to obtain for itself benefits disproportionate with those to be received by the public security holders, which facts were not and perhaps will not be disclosed since it is not in defendants' interests to disclose such facts.

34. Because the defendants are in possession of corporate information concerning Diamond Shamrock's assets, businesses and future financial prospects, the level of knowledge and economic power between defendants and the public security holders is unequal, making it grossly and inherently unfair for Burlington to obtain ownership of Diamond Shamrock's assets from the public security holders at the proposed price.

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35. By reason of the foregoing acts, practices and course of conduct, Burlington, Maxus and Offshore have breached and continue to breach their duties as past and present controlling security holders of Diamond Shamrock and the

individual defendants have breached and continue to breach their duties as directors of Offshore, to the remaining security holders, including plaintiff and the other members of the class herein.

36. Plaintiff and the class will suffer irreparable damage unless defendants are enjoined from continuing to breach their fiduciary duties and from carrying out the aforesaid plan and scheme.

37. Plaintiff and the other members of the class have no adequate remedy at law.

WHEREFORE, plaintiff demands judgment against the defendants jointly and severally, as follows:

(1) declaring this action to be a class action and certifying plaintiff as the class representative and his counsel as class counsel;

(2) enjoining, preliminarily and permanently, Burlington's offer for acquisition of the Diamond Shamrock securities owned by plaintiff and the other members of the class;

(3) to the extent, if any, that the contemplated transaction or transactions complained of are consummated prior to the entry of this Court's final judgment, rescinding such transaction or transactions, and granting, inter alia, rescissionary damages;

(4) directing that defendants pay to plaintiff and the other members of the class all damages caused to them and account for all profits and any special benefits obtained as a result of their unlawful conduct;

(5) requiring defendants to shop Diamond Shamrock without using the controlling ownership to block the highest offer in a fair auction;

(6) requiring disclosure of internal forecasts regarding Diamond Shamrock's future earnings potential;

(7) awarding to plaintiff the costs and disbursements of this action, including a reasonable allowance for the fees and expenses of plaintiff's attorneys and experts; and

(8) granting plaintiff and the other members of the class such other and further relief as may be just and proper.

Dated: April 27, 1994

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