

SECURITIES AND EXCHANGE COMMISSION

FORM PREM14C

Preliminary information statements relating to merger or acquisition

Filing Date: **1994-05-13**  
SEC Accession No. **0000950129-94-000394**

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FILER

**DIAMOND SHAMROCK OFFSHORE PARTNERS LTD PARTNERSHIP**

CIK: **773350** | IRS No.: **752058990** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **PREM14C** | Act: **34** | File No.: **001-08970** | Film No.: **94527764**  
SIC: **1311** Crude petroleum & natural gas

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

## SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities Exchange Act  
of 1934

Check the appropriate box:

Preliminary Information Statement  
 Definitive Information Statement

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP  
(Name of Registrant As Specified In Charter)

DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP  
(Name of Person(s) Filing The Information Statement)

Payment of Filing Fee (Check the appropriate box):

\$125 per Exchange Act Rule 0-11(c)(i)(ii) or 14c-5(g)  
 Fee computed on table below per Exchange Act Rule 14c-5(g)  
and 0-11.

- 1) Title of each class of securities to which transaction applies:  
Depositary Units
- 2) Aggregate number of securities to which transaction applies:  
9,597,855 Depositary Units
- 3) Per unit price or other underlying value of transaction computed  
pursuant to Exchange Act Rule 0-11(1):  
\$43,046,379
- 4) Proposed maximum aggregate value of transaction:  
\$43,046,379

## CALCULATION OF FILING FEE

Transaction Valuation	Amount of filing fee
\$43,046,379(1)	\$8,609

(1) For purposes of calculating fee only. The amount assumes 9,597,855  
Depositary Units, representing all Depositary Units other than those  
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 Exchange Act  
Rule 0-11(a)(2) and identify the filing for which the offsetting fee was  
paid previously. Identify the previous filing by registration statement  
number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:  
\$8,609
- 2) Form, Schedule or Registration Statement No.:  
Schedule 13E-3
- 3) Filing Party:  
Burlington Resources Inc.  
Meridian Offshore Company
- 4) Date Filed:  
May 12, 1994

## PRELIMINARY COPY

DIAMOND SHAMROCK OFFSHORE  
PARTNERS LIMITED PARTNERSHIP

5051 WESTHEIMER  
SUITE 1400  
HOUSTON, TEXAS 77056

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INFORMATION STATEMENT  
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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.

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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 IS UNLAWFUL.

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THE DATE OF THIS INFORMATION STATEMENT IS \_\_\_\_\_, 1994.

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#### 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.

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.

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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.

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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 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.

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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.

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#### 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."

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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 precedential 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

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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 precedential 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

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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 depository for the Depository Units not to register transfers of the Depository 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.

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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.

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#### 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>

(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."

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"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

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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."

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"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                      GAS

	(MB)	(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."

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"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

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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

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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,

DECEMBER 31,

	1994 PRO FORMA	MARCH 31, 1994	MARCH 31, 1993	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

SELECTED INCOME STATEMENT DATA

<TABLE>

<CAPTION>

	THREE MONTHS ENDED				FOR THE YEAR ENDED DECEMBER 31,			
	MARCH 31, 1994	MARCH 31, 1994	MARCH 31, 1993	YEAR ENDED DECEMBER 31, 1993	1993	1992	1991	1990
	PRO FORMA	PRO FORMA	PRO FORMA	PRO FORMA	PRO FORMA	PRO FORMA	PRO FORMA	PRO FORMA
<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>

	DISTRIBUTIONS		
	HIGH	LOW	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

</TABLE>

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,

## 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

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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

&lt;TABLE&gt;

&lt;CAPTION&gt;

	MARCH 31, 1994	MARCH 31, 1993	DECEMBER 31,				
			1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
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

&lt;/TABLE&gt;

## SELECTED CONSOLIDATED INCOME STATEMENT DATA -- CONTINUING OPERATIONS

&lt;TABLE&gt;

&lt;CAPTION&gt;

	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.

FEEES 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

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FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1993

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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.

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UNAUDITED PRO FORMA STATEMENT OF INCOME FOR THE QUARTER ENDED MARCH 31, 1994.....	F-32

</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>

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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

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

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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.

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#### 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.

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#### 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

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## DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

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

	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

See Notes to Financial Statements.

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## DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

BALANCE SHEET  
(DOLLARS IN THOUSANDS)

	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.

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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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
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	EXPLORATION

	PARTNERS	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.

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DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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.

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DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

(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:

<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

(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.

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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
<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>

	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

(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.

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## 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.

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

&lt;/TABLE&gt;

## 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:

	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>

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DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

SUPPLEMENTARY FINANCIAL INFORMATION -- (CONTINUED)

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>

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## 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	BALANCE AT BEGINNING OF	DEDUCTIONS AMOUNTS	BALANCE AT END OF PERIOD
		-----	-----

ENDED	NAME OF DEBTOR	PERIOD	ADDITIONS	COLLECTED	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

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

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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

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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.

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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).

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DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

BALANCE SHEET  
(DOLLARS IN THOUSANDS)

<TABLE>  
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	MARCH 31, 1994 (UNAUDITED)	DECEMBER 31, 1993
	<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
	-----	-----
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).

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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).

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DIAMOND SHAMROCK OFFSHORE PARTNERS LIMITED PARTNERSHIP

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

<TABLE>  
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	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

See Notes to Interim Financial Statements (Unaudited).

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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.

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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.

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#### 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.

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#### 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		PRO-FORMA
		DEBIT	CREDIT	
<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>

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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		PRO FORMA
		DEBIT	CREDIT	
<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

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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		PRO-FORMA
		DEBIT	CREDIT	
<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

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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

S. Parker Gilbert..... principal occupation has been as shown above. 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>

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<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, Compensation 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>

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APPENDIX A

-----  
 -----  
 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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(i)

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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.

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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

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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.

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### 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. SCHISLER  
-----  
Name: Gerald J. Schissler  
Title: Executive Vice President

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