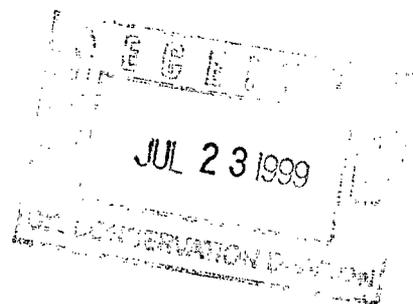


JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



July 23, 1999

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application to Amend Administrative Order NSL-3972

Esperanza Well No. 1
E½ S28, Township 21 South, Range 27 East, NMPM
Eddy County, New Mexico

Operator: KCS Medallion Resources, Inc.

Dear Mr. Stogner:

The above application was filed on July 12, 1999. Enclosed is a letter from OXY USA Inc., the only offset operator, waiving objection to the new location.

Very truly yours,

James Bruce

Attorney for KCS Medallion
Resources, Inc.

KCS Medallion Resources, Inc.
7130 South Lewis Avenue
Suite 700
Tulsa, OK 74136-5489

(918) 488-8283 phone
(918) 488-8182 fax

RECEIVED
JUL 15 1999
KCS MEDALLION RESOURCES, INC.

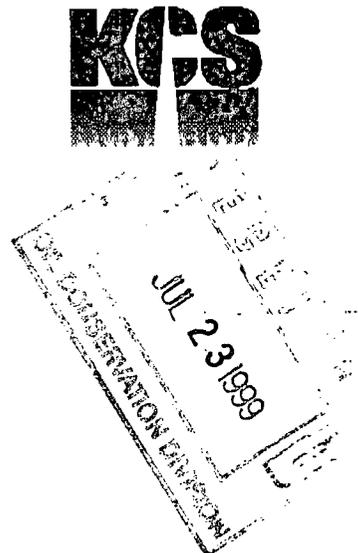
July 7, 1999

VIA FAX # (713) 350-4618

Oxy USA Inc.
P.O. Box 27570
Houston, TX 77227

Attention: Mr. Richard E. Foppiano, P. E.

Re: Application of KCS Medallion Resources, Inc.
Unorthodox Well Location Authority
RGD Well #1 (660 FNL & 840 FEL of 19-T21S-R27E)
Esperanza Well #1 (660 FSL & 600 FEL of 28-T21S-R27E)
Eddy County, New Mexico



Gentlemen:

On January 13, 1998, OXY USA Inc. ("Oxy") issued a Letter Agreement which was accepted by KCS Medallion Resources, Inc. ("KCS") on January 14, 1998, that memorialized the agreement between both companies regarding certain Unorthodox Well Location Authority for the captioned wells.

KCS plans to commence operations on the Esperanza Well #1 at a location 660' FSL and 1,304' FEL of Section 28-21S-27E, Eddy County, New Mexico. This is a change from the location established in the Letter Agreement referred to above. The original location that was agreed upon by our companies was set at 660' FSL and 660' FEL of said Section 28.

KCS requests that Oxy agree with us to amend the January 13, 1998, Letter Agreement by changing the location of the proposed Esperanza Well #1 as set forth in the paragraph above. All other terms and conditions contained in that Letter Agreement will remain unchanged. Kindly indicate your agreement by signing both copies of this letter below and return one of them to our office for our files.

Oxy USA Inc.
July 7, 1999
Page 2

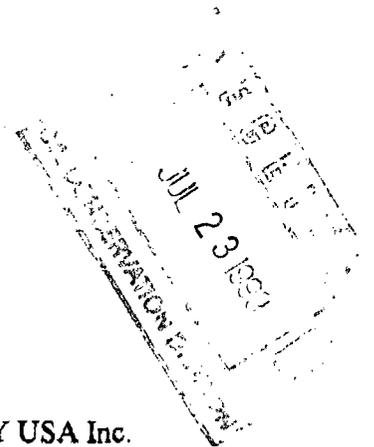
Thank you for your assistance with this problem and please feel free to contact me at my direct telephone number of (918) 491-4110 if you have any questions.

Sincerely,

Charles G. Stoltz, Jr.
Charles G. Stoltz, Jr.
Landman

CGS\lap

cc: Jim Bruce, Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504



AGREED AND ACCEPTED this 17th day of July, 1999, by OXY USA Inc.

Signed: *Richard E. Foppiano*

Title: *Senior Advisor - Regulatory Affairs*

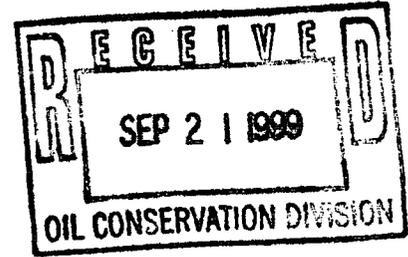
NSL-3972-AM2

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



September 21, 1999

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: KCS Medallion Resources, Inc.
Esperanza Well No. 1
E½ S28-21S-27E

Request to amend Amended Administrative Order NSL-3972

Dear Mr. Stogner:

Amended Administrative Order NSL-3972 approved a location of 660 feet FSL and 1304 feet FEL for the above well in the Burton Flat-Morrow Gas Pool. The location was based on the geological reasons. However, a subsequent archaeological survey has revealed an archaeological site at the proposed location, requiring that the well's location be moved to 860 feet FSL and 1204 feet FEL. A new Form C-102 for the well is attached as Exhibit A. As a result, KCS Medallion Resources, Inc. requests that the revised location be approved.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce".

James Bruce

Attorney for KCS Medallion
Resources, Inc.

cc: Richard Foppiano
OXY USA, Inc. (via certified mail)

DISTRICT I
P.O. Box 1880, Hobbs, NM 88241-1880

State of New Mexico

Energy, Minerals and Natural Resources Department

SEP 01 1999
KCS MEDALLIONS

Form C-102
Revised February 10, 1984
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0710

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------|--|-------------------|
| API Number | Pool Code | Pool Name |
| Property Code | Property Name ESPERANZA "28" | Well Number 1 |
| OGRID No. | Operator Name KCS MEDALLION RESOURCES, INC. | Elevation 3178 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 28 | 21 S | 27 E | | 860 | SOUTH | 1204 | EAST | EDDY |

Bottom Hole Location if Different From Surface

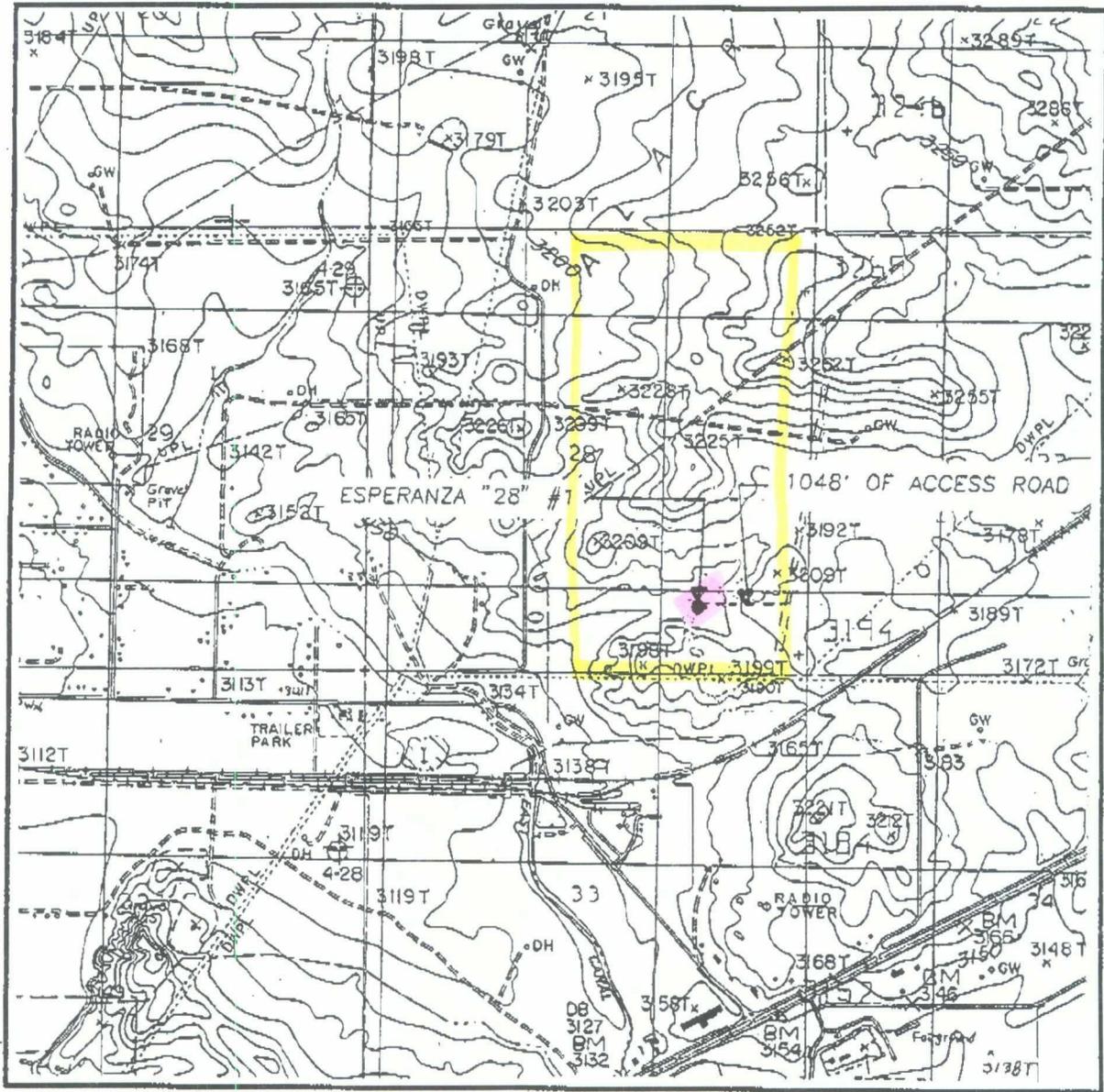
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|-----------------|---------|-----------------|--------------------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres | | Joint or Infill | Consolidation Code | | Order No. | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | |
|--|--|
| | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p style="text-align: center;">AUGUST 24, 1999</p> <p>Date Surveyed _____ Signature of _____ Professional Surveyor No. _____ State of _____</p> <p style="text-align: right;">DMCC</p> <p style="text-align: center;">SEE DETAIL</p> <p style="text-align: right;">3239 8-25-99 09-11-068</p> <p>Certified _____ No. _____ State of _____ PROFESSIONAL SURVEYOR No. _____ State of _____</p> |

EXHIBIT
A

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CARLSBAD EAST- 10'

SEC. 28 TWP. 21-S RGE. 27-E

SURVEY _____ N.M.P.M. _____

COUNTY _____ EDDY _____

DESCRIPTION 860' FSL & 1204' FEL

ELEVATION _____ 3178 _____

OPERATOR _____ KCS MEDALLION
RESOURCES, INC _____

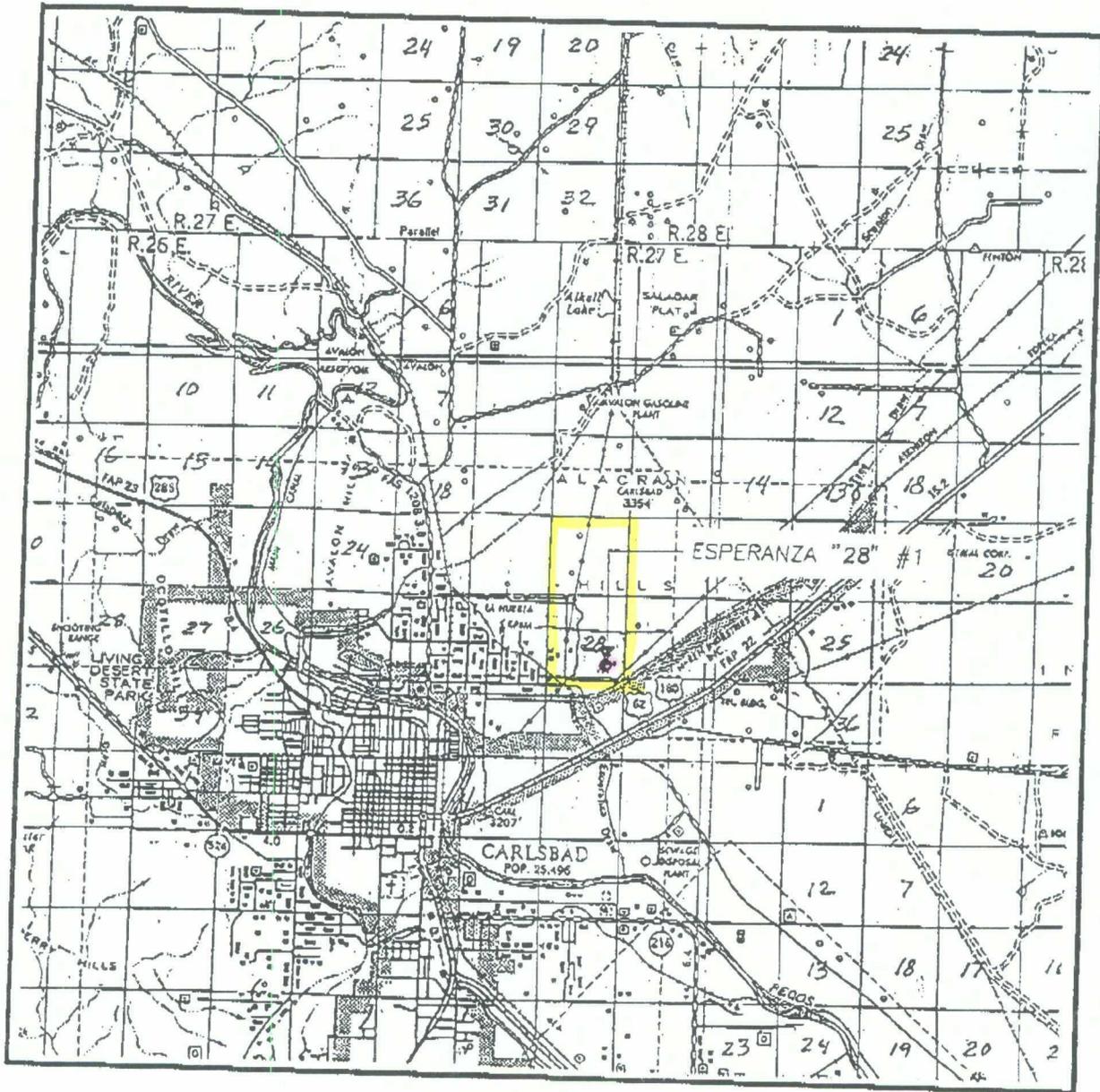
LEASE _____ ESPERANZA "28" _____

U.S.G.S. TOPOGRAPHIC MAP

CARLSBAD EAST. N.M. _____

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 28 TWP. 21-S RGE. 27-E
 SURVEY N.M.P.M.
 COUNTY EDDY
 DESCRIPTION 860' FSL & 1204' FEL
 ELEVATION 3178
 OPERATOR KCS MEDALLION RESOURCES, INC
 LEASE ESPERANZA "28"

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117