

KCS MEDALLION RESOURCES, INC.

AUTHORIZATION FOR EXPENDITURES

Description of Work: Drill 17 1/2" hole to 380' and set 13 3/8" water string. Drill 12 1/4" hole to 2800 and set 8 5/8". Drill 7 7/8" hole to TD and run 4 1/2" production casing to 11,000'.

Prospect Mosley Canyon Prospect Date 7/28/99
 Lease State of New Mexico "7" Well No. 2
 Location 1,800' FSL & 1,980' FWL Section 7 AFE No.
 Field Mosley Canyon County Eddy Township 24S Range 25E
 Well TD 11,000' Prim. Obj. Morrow State New Mexico
 Sec. Obj. Strawn

	Before Csg Point	After Csg Point	Total	Before Csg Point	After Csg Point	Total
--	------------------	-----------------	-------	------------------	-----------------	-------

INTANGIBLE COSTS	BCP-830	ACP-840	Total
.010 Location Cleanup & Damages	5,000	6,500	11,500
.020 Location Construction	38,000	0	38,000
.250 Directional Services	0	0	0
.030 Rig Mobilization	0	0	0
.040 Rig Cost: Footage 30/2	187,000	30,000	217,000
.230 Fuel & Power	0	0	0
.200 Bits	0	0	0
.070 Drilling Fluid	35,000	5,000	40,000
.090 Disposal Services	0	2,000	2,000
.170 Drill Stem Tests	4,000	X	4,000
.100 Cement and Cementing Service	12,500	10,000	22,500
.210 Casing Crew & Equipment	4,000	6,400	10,400
.120 Open Hole Logging & Analysis	12,000	X	12,000
.110 Mud Logging	5,313	0	5,313
.310 Stimulation & Fluids	0	50,000	50,000
.130 Water Pumping & Disposal	22,500	7,500	30,000
.120 Cased Hole Logging & Analysis	0	3,500	3,500
.240 Perforating	0	8,000	8,000
.150 Rental Equipment - Surface	8,000	15,000	23,000
.150 Rental Equipment - Sub-surface	0	0	0
.190 Fishing Tool Rental	0	0	0
.140 Hauling & Freight Charges	1,500	1,500	3,000
.220 Tubular Inspection	1,000	2,500	3,500
.180 Well Testing	2,000	4,500	6,500
.260 Contract Labor	20,406	10,000	30,406
.050 Company Geologist/Engineer	2,500	0	2,500
.060 Drilling/Completion Overhead	6,500	3,000	9,500
.280 Insurance	14,500	0	14,500
.300 Coiled Tubing Work	0	0	0
.290 Packer Redress/Rental	X	0	0
.320 Miscellaneous	0	0	0
.320 Contingency 7%	26,720	11,578	38,298
Subtotal	\$408,439	\$176,978	\$585,417

Pipeline	PL-860	Total
.030 Pipeline Other	X 9,500	9,500
.040 Pipeline Installation	X 0	0
.050 Pipeline Construction Overhead	X 0	0
.070 Pipeline Insurance	X 0	0
Subtotal	\$0 \$9,500	\$9,500

TOTAL INTANGIBLE COSTS \$408,439 \$186,478 \$594,917

TANGIBLE COSTS	BCP-835	ACP-845	Total
Casing, Tubing and Other Downhole Equip.			
.010 Casing	27,948	49,500	77,448
.030 Pkr, Liners & Sub-surface Equip.	1,900	5,300	7,200
.040 Well Head	3,000	13,000	16,000
.020 Tubing	X	26,250	26,250
Subtotal	\$32,848	\$94,050	\$126,898

Facilities	ACP-850	Total
.040 Surface Tanks	X 9,000	9,000
.030 Surface Sep./Prod Equip.	X 8,000	8,000
.020 Surface Heater Treater/Dehy.	X 6,000	6,000
.050 Surface Pipe, Valves & Fittings	X 9,000	9,000
.070 Surface Installation Costs	X 8,000	8,000
.010 Surface Compressors	X 0	0
.060 Surface Company Labor	X 0	0
.020 Surface Const. Overhead	X 0	0
.130 Surface Insurance	X 0	0
Subtotal	\$0	\$40,000 \$40,000

Artificial Lift Equipment	BCP-835	ACP-845	Total
.060 Pump Unit, Rods & Pumps	X	0	0
.070 Power Units	X	0	0
.080 Miscellaneous	X	4,000	4,000
.080 Contingency 7%	2,299	9,664	11,963
Subtotal	\$2,299	\$13,664	\$15,963

Pipeline	PL-860	Total
.020 Pipeline Equipment	X 10,000	10,000
Subtotal	\$10,000	\$10,000

TOTAL TANGIBLE COSTS \$35,147 \$157,714 \$192,861

TOTAL WELL COST \$443,586 \$344,192 \$787,778

Total Well Cost to Casing Point	\$443,586
Plugging Cost	\$15,000
Total Dry & Abandonment Cost	\$458,586
Total Completion Cost (Includes Artificial Lift)	\$158,456
Total Facilities & Pipeline Cost	\$75,463
KCS Medallion's WIO%	28.16%
KCS Medallion's Net Expenditure	\$221,838

Estimated Spud Date

Prepared By: THW

KCS MEDALLION RESOURCES, INC.

By: *Thomas Williams* Date: 7-29-99

By: Date:

By: Date:

Supplement No.

Original AFE Amount

Amount This Supplement

Revised AFE Amount

WORKING INTEREST OWNER APPROVED

Company Name:

By: Date:

Name: Date:

A