Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [X] GAS WELL [ ] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: KCS Medallion Resources, Inc. 161859

3. ADDRESS AND TELEPHONE NO.: 7130 South Lewis Avenue, Suite 700, Tulsa, OK 74136-5489. Phone (918)499-1325

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 2310 ft FSL &1650 ft FEL of Section 24
At proposed prod. zone: Same Unit J

5. LEASE DESIGNATION AND SERIAL NO.: NM 93771 out of NM 025503

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: NA

7. UNIT AGREEMENT NAME: 27313 pending

8. FARM OR LEASE NAME, WELL NO.: Shugart West "24" Federal "J" No. 3

9. API WELL NO.: 30-015-31581

10. FIELD AND POOL, OR WILDCAT: Shugart; Bone Spring, N.

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 24, T18S, R30E N.M.P.M.

12. COUNTY OR PARISH: Eddy

13. STATE: New Mexico

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: The location is about 7 miles SE of Loco Hills

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 330 ft

16. NO. OF ACRES IN LEASE: 200 Acres more or less

17. NO. OF ACRES ASSIGNED TO THIS WELL: 40 Acres

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: 1320 ft

19. PROPOSED DEPTH: 8,500 ft

20. ROTARY OR CABLE TOOLS: Rotary Tools

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3624 ft, Ground Level

22. APPROX. DATE WORK WILL START*: 26 December 2000

23. PROPOSED CASING AND CEMENTING PROGRAM — SECRETARY'S POTASH — CAPITAN CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	Sch 10, 20"	52.73 lbs.	40 to80 ft	Ready-Mix to surface
17 1/2"	H40, 13 3/8"	48 lbs.	760 ft	520 sacks w/additi[illegible]
11"	J55, 8 5/8"	32 lbs.	2,800 ft	680 sacks w/additi[illegible]
7 7/8"	J55, 5 1/2"	15.5 & 17 lbs.	8,500 ft	480 sacks w/additives

Procedure:
1. Drill 26 in hole and set 20 in conductor w/rat hole digger if necessary. Cement to surface
2. Drill 17 1/2 in hole to 760 ft and set 13 3/8 in casing. Cement to surface.
3. Drill 11 in hole to 2800 ft and set 8 5/8 in casing. Cement to surface.
4. Install Hydrill and BOP Stack. Test to 2750 psig.
5. Drill cement in casing to within 20 ft of shoe. Test casing to 1500 psig.
6. Drill 7 7/8 in hole through the Bone Springs formation to TD. DST as necessary.
7. Run electric logs. Shoot sidewall cores if desired.
8. If warrented, run and cement 5 1/2 in casing w/stage collar at 4300 ft. Cement to 500 ft above top zone of interest and through stage collar with sufficient slurry to fill 500 ft into the 8 5/8 " surface casing..
9. Test 5 1/2 in casing to 3000 psig prior to perforationg.

Exhibits Attached:

A. Location and elevation plat.
B. Location Verification Map.
C. Vicinity map.
D. Surface Use Plan.
E. Drilling Plan.
F. Blow Out Preventer Diagram
G. Typical Wellsite Layout
H. Map of Existing Wells In Area
I. H2S Drilling operations Plan

RECEIVED
OCD - ARTESIA

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED: Tom Williams — TITLE: Senior Drilling Engineer — DATE: 11-21-00

Tom Williams

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY: /s/ Linda S. Whitlock — TITLE: Assoc. State Dir. — DATE: 12-22-00

*See Instructions On Reverse Side

APPROVED FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

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

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name

Property Code	Property Name	Well Number
	SHUGART WEST "24" FEDERAL "J"	3
OGRID No.	Operator Name	Elevation
	KCS MEDALLION RESOURCES, INC.	3624

Surface Location

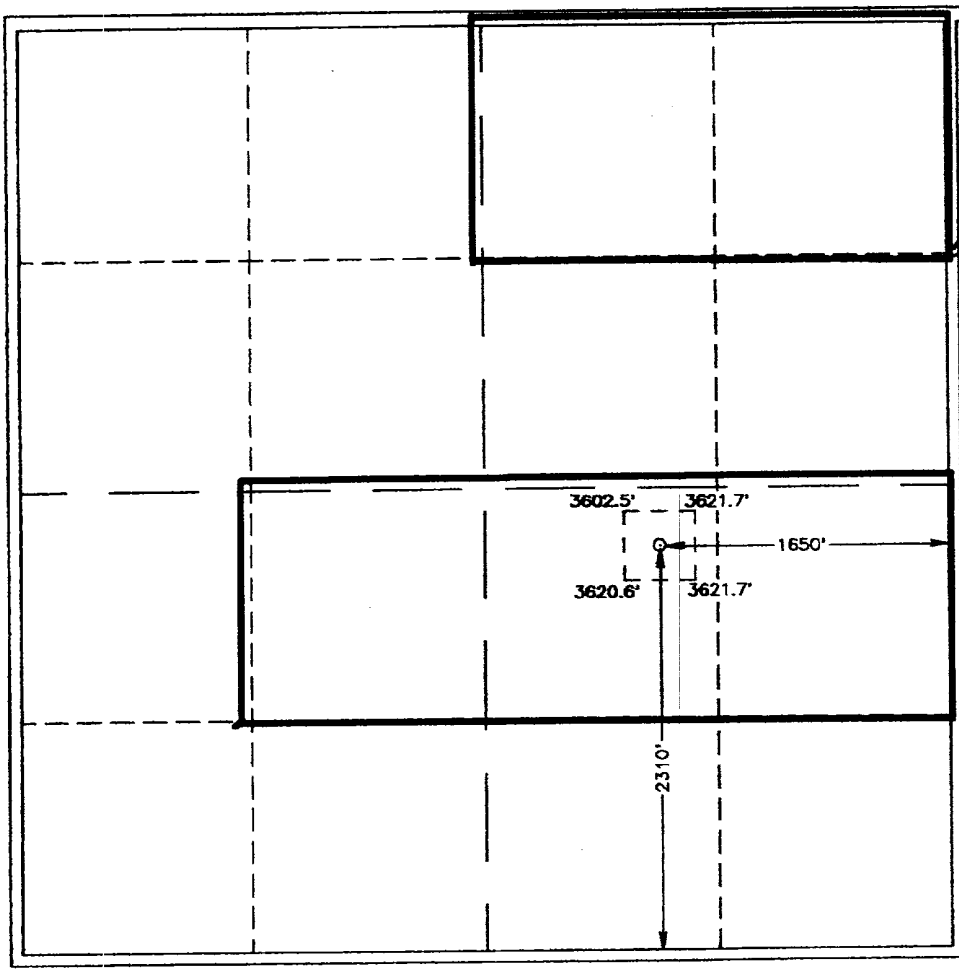
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	24	18 S	30 E		2310	SOUTH	1650	EAST	EDDY

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.
40			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Larry Wheat
Signature

Larry Wheat
Printed Name

Drlg Supt
Title

11-4-00
Date

SURVEYOR CERTIFICATION

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 supervison, and that the same is true and correct to the best of my belief.

OCTOBER 28, 2000
Date Surveyed JLP

Signature & Seal of Professional Surveyor

RONALD J. EIDSON
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR

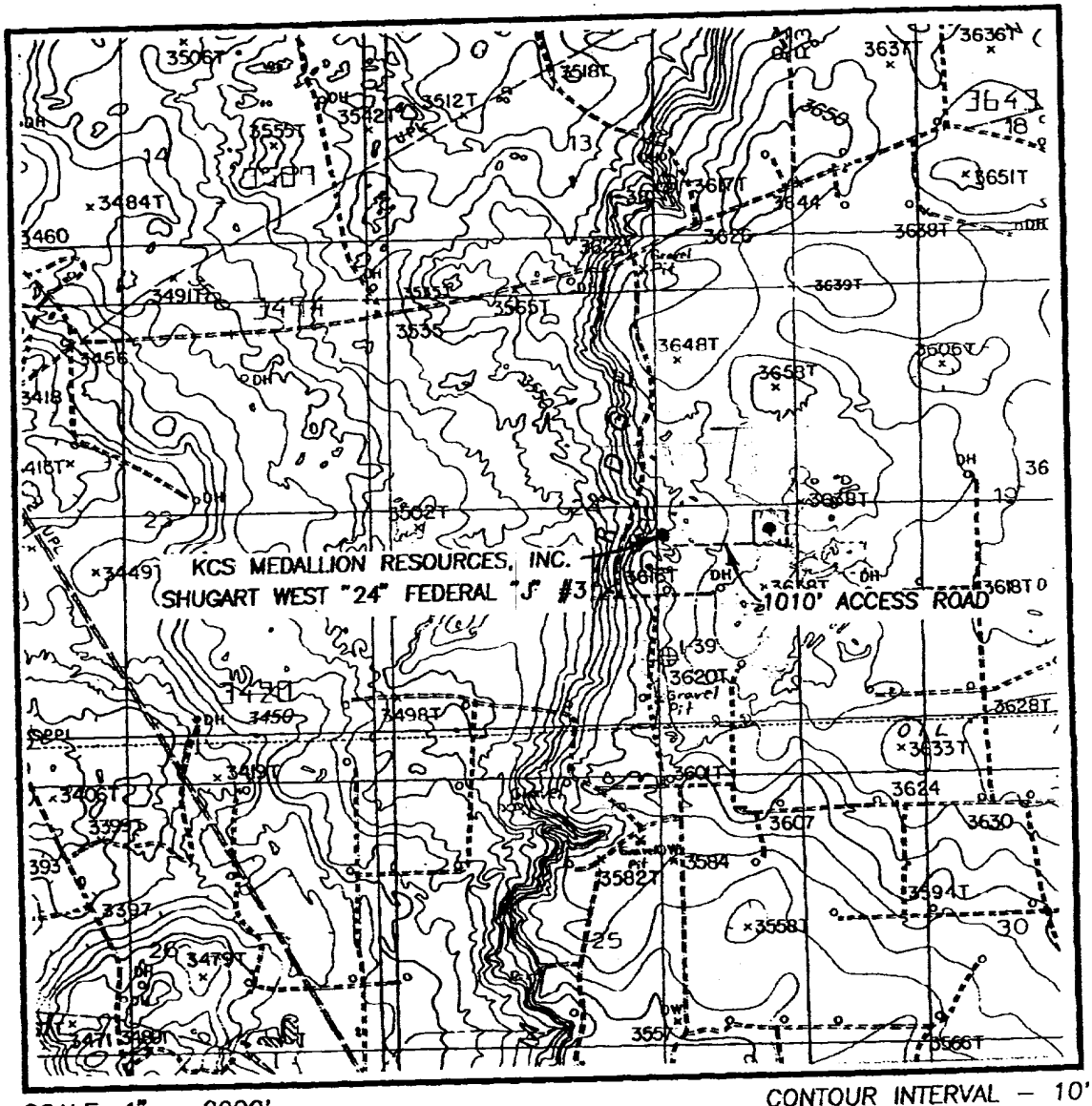
Ronald J. Eidson 10/30/00

W.O. Num. 00-11-1355

Certificate No. RONALD J. EIDSON 3239
GARY L. EIDSON 12641

Exhibit B

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL – 10'

SEC. 24 TWP. 18-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2310' FSL & 1650' FEL

ELEVATION 3624

OPERATOR KCS MEDALLION RESOURCES, INC.

LEASE SHUGART WEST "24" FEDERAL "J"

U.S.G.S. TOPOGRAPHIC MAP
HACKBERRY LAKE, N.M.

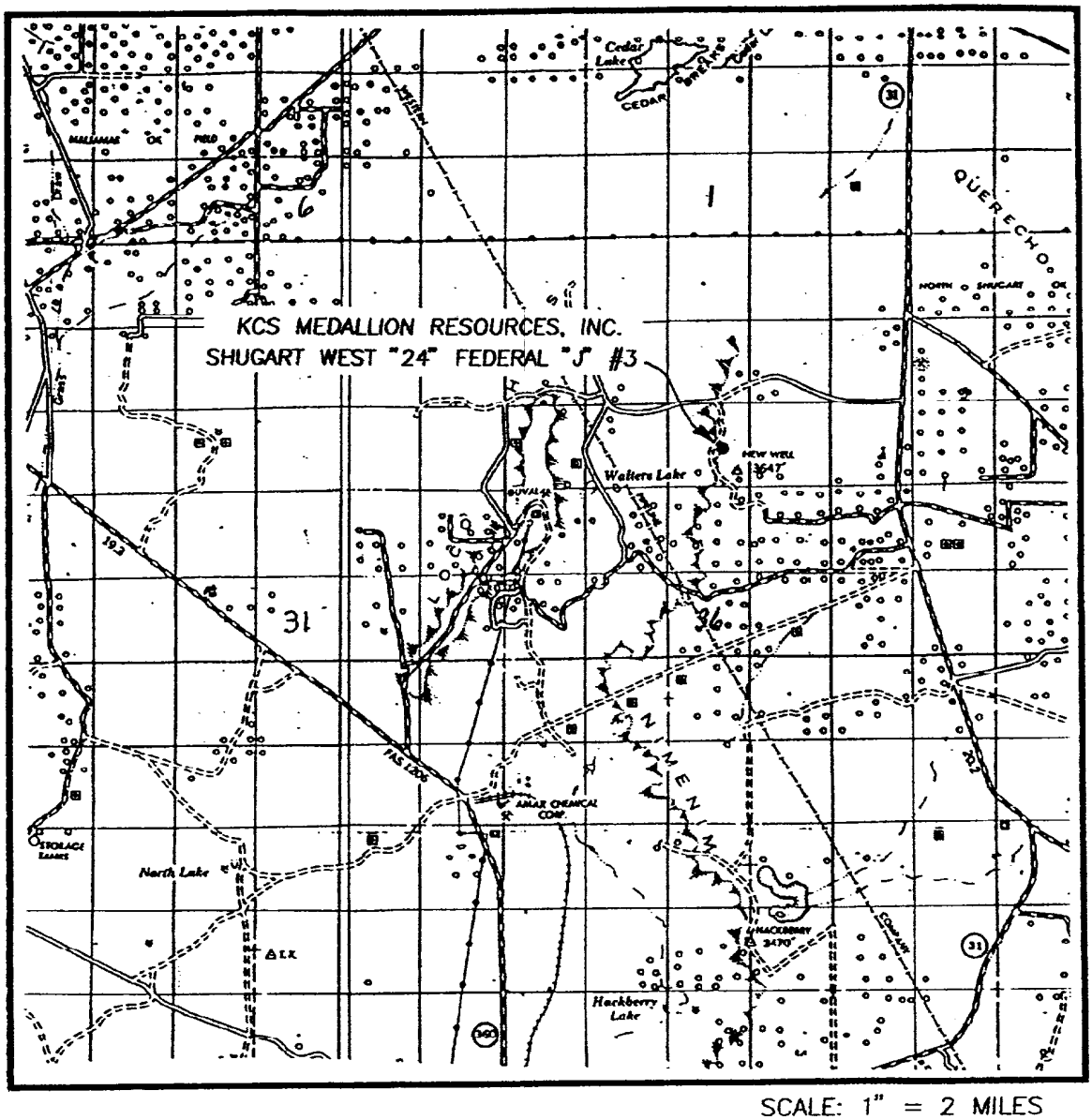
NOV 13 2000

OPERATOR

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

Exhibit C

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 24 TWP. 18-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2310' FSL & 1650' FEL

ELEVATION 3624

OPERATOR KCS MEDALLION RESOURCES, INC.

LEASE SHUGART WEST "24" FEDERAL "J"

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

Exhibit "D"

Multi-Point Surface Use and Operations Plan
KCS Medallion Resources, Inc.
7130 South Lewis Avenue. Suite 700
Tulsa. OK 74136

Shugart West "24" Federal "J" No. 3
2310 ft FSL & 330 ft FWL
Sec. 24, T18S, R30E NMPM
Eddy County, New Mexico

Lease No.: NM 93771 out of NM 025503
Lease Description: NE/4 SW/4, N/2 SE/4 & N/2 NE/4 of Sec. 24

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed in rehabilitating the surface after completion of operations so that a complete appraisal can be made of the environmental effects associated with the operation.

1 Existing Roads

A. Exhibit "B", the Location Verification Map, is a reproduction of portion of a topographic map showing the location of the proposed well as staked with reference to the local topography and to the existing roads, wells, and other culture in the area. Exhibit "C" is a map of smaller scale showing the proposed location with reference to the major roads in the vicinity. The proposed well is located approximately 7 miles SE of Loco Hills and about 2 miles north west of the intersection of CR 222 and Grubbs Road, CP 250..

B. Directions: From Loco Hills go approximately 6 miles east on US 82 to the intersection of US 82 and CR222,then go south on CR222 7miles to Grubbs Road, CP250. Turn west on CP250 and go 1.4 miles to a lease road on the north. Go north on lease road about 0.8 miles, jog left about 0.1 mile, then turn right and continue back north for approximately 0.5 miles. Turn west and follow the lease road about 0.3 of a mile to the KCS Medallion Shugart West 19 No. 7 well location and on to the north west about 750 ft to the KCS Medallion Shugart West 24 Federal No. 1 location. The proposed location lies about 1000 ft to the west.

2. Planned Access Road

A. Length and Width: The new road will be extended from the Shugart West 24 Federal No. 1 well location and will be about 1010 ft long and about 20 ft wide, including the shoulders. The road centerline has been flagged.

B. Surfacing Material: The new road will be constructed of material-in-place. If necessary the road will be surfaced with caliche.

C. Maximum Grade: Less than 1%

D. Turnouts: One may be constructed about half way between the two locations..

E. Drainage Design: The road will be constructed with about 4 in of crown at the centerline. Water turnouts will be constructed at 300 ft intervals.

F. Culverts: None appear to be necessary.

G. Cuts and Fills: Any cut or fill on the location would be less than 3 ft.

H. Gates and Cattle guards: None additional appear to be necessary.

I. Right of Way: Right of Way across existing roads has been previously acquired from The Bureau of Land Management across Section 30, T18S, R31E, Eddy Co. to provide access for the drilling of the W. Shugart 19 Federal No.1, located in the SW/4 of Sec. 19, T18S, R31E. It is expected that this same ROW will be utilized for this well.

3. Location of Existing Wells

Existing wells are shown on Exhibit 'H'.

4. Location of Existing and/or Proposed Facilities

If the well is productive, production, storage, and measurement facilities will be constructed on the wellpad.

5. Location and Type of Water Supply

Plans are to purchase water for the drilling operations from a commercial supplier.

6. Source of Construction Materials

Plans call for use of material-in-place for construction. If caliche is necessary for road or pad surfacing, it would be obtained from the reserve pit. No caliche or other material will be taken from Public Land without prior approval.

7. Methods of Handling Waste Disposal

A. Drill cuttings will be disposed of in the drilling pits.

B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.

C. Water produced during testing will be stored in tanks and trucked to an approved disposal facility. Oil produced during testing will be stored in test tanks until sold.

D. The operator will comply with current laws and regulations pertaining to the disposal of human waste.

E. Trash, waste paper, garbage, and junk will be stored in a trash trailer and will be contained to prevent scattering by the wind.

F. All trash and debris will be removed from the wellsite within 30 days after completing drilling, completion, and construction operations and will be disposed of in an approved trash disposal facility.

8. Ancillary Facilities

None are necessary.

9. Well Site Layout

A. The well location and the 400 ft X 400 ft surrounding area have been surveyed and flagged.

B. Dimensions and relative location of the drill pad, pit, and equipment are shown on Exhibits "A", "B", and "G".

C. Top soil for the restoration will be stock-piled on the north and east sides of the location.

10. Plans for Restoration of the Surface

A. After completion of drilling, completion, and construction operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk so as to leave the wellsite in an as aesthetically pleasing condition as possible.

B. Any unguarded pits containing fluids will be fenced until they are filled.

C. If the well is not productive, the disturbed area will be restored to Federal Agency requirements and will be accomplished as expeditiously as possible.

11. Surface Ownership

A. All the surface in Section 24 is Public Land.

12. Other Information

A. Topography: The area is described as being "situated on the east edge of the Nimenim Ridge escarpment on the west margin of the Querecho Plains. The area is marked by an undulating surface with aeolian deposits between 1 to 5 metres high and interdunal deflation basins."

B. Soil: Described as being Kermit-Berino association which are sandy, deep soils from wind-worked mixed sand deposits.

C. Flora and Fauna: The vegetation consists primarily of Grassland Formation, Scrub-grass, Disclimax Community with ground visibility averaging about 75%. No wildlife was observed but probably consists primarily of small reptiles and rodents.

D. Pond or Streams: There are no pond or streams within one mile.

E. Residences and Other Structures: There are no known structures or residences within one half mile of the location.

F. Archaeological, Historical, and other Cultural Sites: An archaeological survey of the well pad and road has been made by Geo-Marine Inc.of El Paso, TX. A copy of their report will be filed with the Bureau of Land Management in Carlsbad as soon as it is available.

G. Land Use: No livestock were seen and there was no evidence of grazing. The land appears to be essentially idle.

H. Operator's Representative:

Larry Wheat, Drilling Superintendent	Office Phone:	(918) 491 4114
7130 S. Lewis Ave., Suite 700	Cell Phone:	(918) 855 6222
Tulsa, OK 74136-5489	Pager:	(918) 643 6430
	Fax:	(918) 488 8750

Certification:

I certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge true and correct; that the work associated with the operations proposed herein will be performed by KCS Medallion Resources, Inc. and its subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date 11-21-00 Signed Tom Williams

Title: Drilling Engineer

Exhibit "E"

Eight Point Compliance Program

KCS Medallion Resources, Inc.

7130 South Lewis Avenue. Suit 700

Tulsa. OK 74139-5489

Drilling Plan

Shugart West "24" Federal "J" No. 3
2310 ft FSL & 1650 ft FEL
Sec. 24. T18S. R30E N.M.P M.
Eddy Co. New Mexico

Lease No.: NM 93771 out of NM 025503
Lease Description: NE/4 SW/4. N/2 SE/4 & N/2 NE/4 of Sec. 24

1. Estimated Tops of Geologic Markers

Horizon	Depth ft	Sea Level Datum
Surface	0	+3,624
Anhydrite	510	+3,114
B/Salt	1,770	+1,854
Yates	1,930	+1,694
7-Rivers	2,164	+1,460
Queen	3,114	+510
Penrose	3,390	+234
Grayburg	3,590	+34
San Andres	4,328	-704
Delaware	4,770	-1,146
Bone Springs	5,800	-2,176
1st Bone Springs sd.	7,640	-4,016
2nd Bone Springs dolo.	8,170	-4,546
Total Depth	8,500	-4,876

2. Estimated Depths of Water, Oil or Minerals

A. Fresh Water

It is possible that fresh water zones could be encountered at depths up to 200 to 300 ft. Any zones encountered will be protected by the 13 5/8" casing set at 760 ft and by the 8 5/8" casing set at 2800 ft. Both strings of casing will be cemented to the surface.

B. Oil and Gas

Oil in the Bone Springs Sand is the primary objective of this well. It is also possible that shows of gas or oil may be encountered in other zones. Potentially productive horizons. as indicated by samples and/or electric logs will be protected by 5½" casing with cement up to a minimum of 500 ft above the upper-most zone of interest.

2. The Operators Minimum Specifications for Pressure Control

A. Exhibit F is a schematic diagram of the blowout prevention equipment. The annular BOP and rams will be hydraulically tested to 2750 psig (70% of the internal yield strength of the 8 5/8" 32 lb/ft. J55 casing) after nippling up and after any use under pressure. Annular and pipe rams will be operationally tested each 24 hr period and blind rams will be tested each time the drill pipe is out of the hole. Accessories to the BOP will include a floor safety valve and a choke manifold with a pressure rating equivalent to the BOP stack

B. Testing Procedures:

1. All casing below the surface string will be tested to .22 psig/ft or to 1500 psig, whichever is greater, but not to exceed 70% of the internal yield strength of the casing.

2. All ram type preventers will be tested to the rated working pressure of the stack or to 70% of the minimum internal yield of the casing , whichever is less.

3. Tests will be performed at the time of installation, and prior to drilling out of the casing shoe, and at least every 30 days.

4. The intermediate casing string will be tested prior to drillout by drilling cement to within 15-20 ft of the shoe, raising the drillstring off bottom, closing the pipe rams, and raising the casing pressure to the desired pressure.

5. The production string will be tested prior to drillout or perforating by pressuring to the desired pressure.

D. No over pressured formations are expected to be encountered, however drilling fluid levels will be visually monitored while circulating the reserve pit. A flow rate monitor will be installed in the mud flow line and fluid level indicators will be installed on the steel circulating tanks.

4. Proposed Casing and Cementing Programs

A. All casing below the conductor will either be new and manufactured to API specifications or used and reconditioned to Grade "A" specifications. Minimum casing specifications are shown below.

String	Size	Wt/ft	Grade	Thread Type	Setting Depth	Condition
1.	20"	52.73#	Sch 10	NA	40' to 80'	Used, Grd. A
2.	13 3/8"	48#	H40	8 rnd, ST & C	760'	New or Used, Grd. A
3.	8 5/8"	32#	J55	8 rnd, ST & C	2,800'	New or Used, Grd. A
4.	5 ½"	17#	J55	8 rnd, LT & C	0' to 900'	New or Used, Grd. A
	5 ½"	15.5#	J55	8 rnd, LT & C	900' to 6200'	New or Used, Grd. A
	5 ½"	17#	J55	8 rnd, LT & C	6200' to 8500'	New or Used, Grd. A

B. Cementing

1. The hole for the conductor casing will be cut with a rat hole digger and sufficient hole will be cut to drill into consolidated sediments. Since the casing comes in 40 ft lengths, either 40ft or 80 ft of hole will be drilled depending on the consolidation of the underlying sediments. After drilling is completed

casing will be set on bottom and cemented to the surface with ready-mix cement.

2. The 13 3/8" surface casing will be set at approximately 760 ft in 17 ½" hole using a guide shoe, insert float, and at least three centralizers. It will be cemented to the surface with 100% excess slurry consisting of a lead slurry of 320 sacks of Class 'H' cement + 3% D79 + 0.25pps of D29 mixed with 14.14 gal/sk of water for a weight of 12.0 ppg and a yield of 2.39 cf/sack, followed by a tail slurry of 200 sacks of Class 'C' Cement + 2% S1 mixed with 6.3 gal/sk of water for a weight of 14.8 ppg and a slurry yield of 1.34 cu ft/sack. 1" pipe and a 100 sack top out system will be available in the event that the cement does not circulate.

3. The 8 5/8" intermediate casing will be set at approximately 2800 ft in 11" hole using a float shoe, a float collar, and at least 6 centralizers. The slurry design will provide 100% excess and will include a lead slurry of 480 sacks of class 'H' cement + 3% D79 + 0.25 ppg of D29 mixed with 14.14 gal/sk of water for a weight of 12.0 ppg and a yield of 2.39 cf/sack followed by a tail slurry of 200 sacks of Class 'C' Cement + 1% S1 mixed with 6.3 gal/sk of water for a weight of 14.8 ppg and a yield of 1.33 cf/sack.

3. If run, the 5 ½" production string will be set at about 8,500 ft in 7 7/8" hole. A float shoe, a float collar, and sufficient centralizers to centralize the casing through all prospective pay zones will be run. Sufficient slurry will be pumped to cover the uppermost prospective zone with at least 500 ft of cement using at least 20% excess slurry. Assuming a First Bone Springs Sand completion with casing set at 8,500 ft and a desired cement top of 7,000 ft (Bone Springs Sand top estimated to be below 7500 ft), the casing would be cemented with a lead system of 25 sacks of 50:50 Poz:Class 'H' Cement: +2.5% D44(bwow) + 2% D20 + 0.2% D59, mixed with 12.52gal/sk of water for a weight of 12.0 ppg and a yield of 2.18 cf/sack. The slurry would be preceded by 20 bbls of CW-7 Chemical Wash. This slurry would be followed by a tail system of 245 sacks of 50:50 Poz:Class 'H' Cement +5%D44(bwow) + 2% D20 + 0.2% D59. The top of the lead slurry should reach to about 6750 ft.

A stage collar will be run in the 5 ½" casing at about 4300 ft. The casing will be cemented through the stage collar with a lead slurry consisting of approximately 160 sacks of 35:65 Poz:Class H cement + 5% D44(bwow) + 6% D20 mixed with 12.94 gal/sk of water for a weight of 12.2 ppg and a yield of 2.27 cf/sk followed by a tail slurry of 50 sacks of Class 'H' cement + 1% S1 mixed with 5.21 gal/sk of water for a mixed weight of 15.6 ppg and a yield of 1.19 cf/sk. These slurry volumes are approximate as they will be adjusted to the actual hole volume as determined by a caliper log to be run over the interval to be cemented. Sufficient slurry will be pumped to put the top of the cement up to about 2,300 ft; i.e., 500 ft into the 8 5/8" surface casing.

4. Casing seats shown are at approximate depths and cement volumes are approximate. Actual volumes may vary depending upon hole conditions and actual casing setting depths.

5. Drilling Fluid Program

A. Fluid Characteristics by Interval

1. 0 to 760 ft, Fresh water, native mud, gel, & LCM.

Weight	8.6 to 9.0 ppg
Viscosity	27 - 45 sec/qt
Fluid Loss	NC
ph	9.5 - 10
LCM	as needed

2. 760 ft to 2800 ft, Brine/ water, gel, caustic soda, lime, & polymer.

Weight	9.7 to 10.0 ppg
Viscosity	27 to 34 sec/qt
Fluid loss	NC
ph	9.5 - 10.5
LCM	as needed

3. 2800 to 6,000, Fresh water, gel, polymer, KCl, caustic soda, and lime

Weight	8.4 - 8.6 ppg
Viscosity	27 to 30 sec/qt
Fluid loss	NC
ph	9.5 - 10.0
LCM	as needed

4. 6,000 to 8,500, Fresh water, KCl, polymer, gel, caustic soda, and lime

Weight	8.8 - 9.0 ppg
Viscosity	30 to 32 sec/qt
Fluid loss	10 cc
ph	9.5 - 10.0
LCM	as needed

B. Adequate stocks of drilling fluid materials will be on hand to handle lost circulation and/or kicks should they occur.

6. Testing, Logging, Coring, and Completion Programs

A. Testing:

The Bone Springs Sand is the primary objective in this well and will possibly be drillstem tested if present. Other zones may be tested if hydrocarbon shows are encountered.

B. Logging:

A Gamma Ray/Compensated Neutron log will be run from the surface to TD.
A Dual Laterolog and a Formation Density Log will be run from TD to 7600 ft and from 6000ft to 4700 ft..
A Mud Logger will be installed and in operation from 4800 ft to TD.

C. Coring:

No conventional coring is anticipated. Sidewall cores may be taken over zones of interest.

D. Samples:

Formation samples will be caught and bagged at 10 ft intervals beginning at 2800 ft.

E. Completion:

Zones expected to be productive will be selectively perforated and tested. Acid treatment for mud cleanup and stimulation may be necessary. Hydraulic fracturing may be employed to increase productivity if required.

7. Anticipated Abnormal pressures, Temperatures, or Other Hazards

A. Abnormal Pressures:

There have been a few isolated instances of minor over pressuring reported in the area but none is expected here. With the flow detection equipment, casing design, drilling fluid program, surface pressure control equipment, and with alerted crews, any unusual flows caused by over pressuring will be quickly detected and readily contained.

B. Abnormal Temperatures:

There are no known instances of abnormally high subsurface temperatures being recorded in the area and none are expected in this well.

C. Other Hazards:

Hydrogen Sulfide has been considered and none is anticipated in any of the formations to be penetrated in this well. However, monitoring equipment will be installed and crew training completed prior to drilling out of the 8 5/8" casing to be set at about 2800 ft. In the event that Hydrogen sulfide is encountered, a Hydrogen Sulfide Drilling Operations Plan is included as Exhibit "I".

8. Anticipated Starting Date and Duration of Operations

Dirt work operations will commence as soon as drilling contractor selection is completed and the required permits have been received which is expected to be late December, 2000. Location and road construction will require about 5 working days. Drilling operations will require about 20 days and completion operations and surface facilities construction are estimated to require an additional 30 days.

Exhibit "F"

KCS Medallion Resources, Inc.

Typical BOP Equipment Arrangement

All BOP Equipment to be 3000 psig Working Pressure or Greater

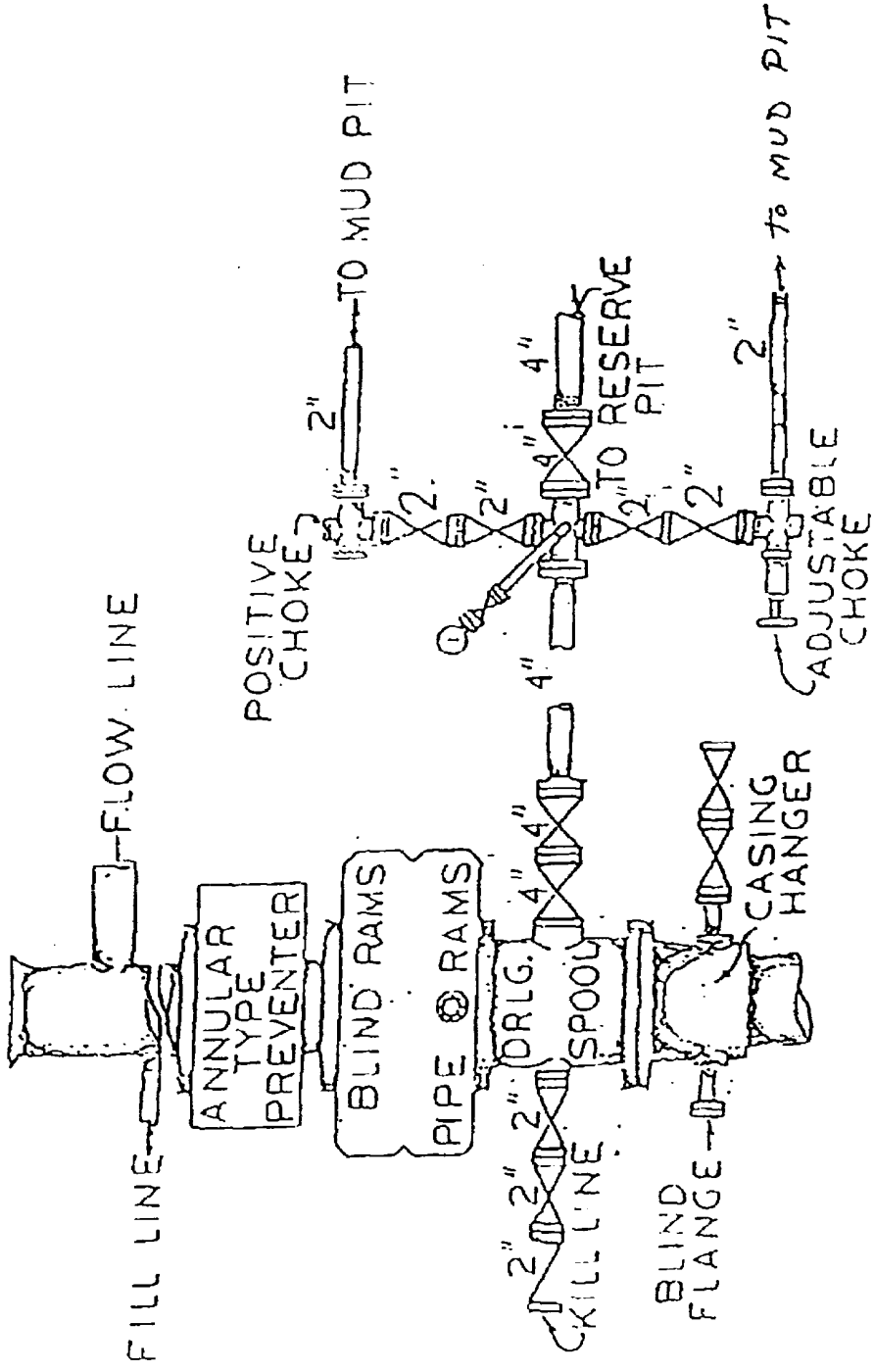
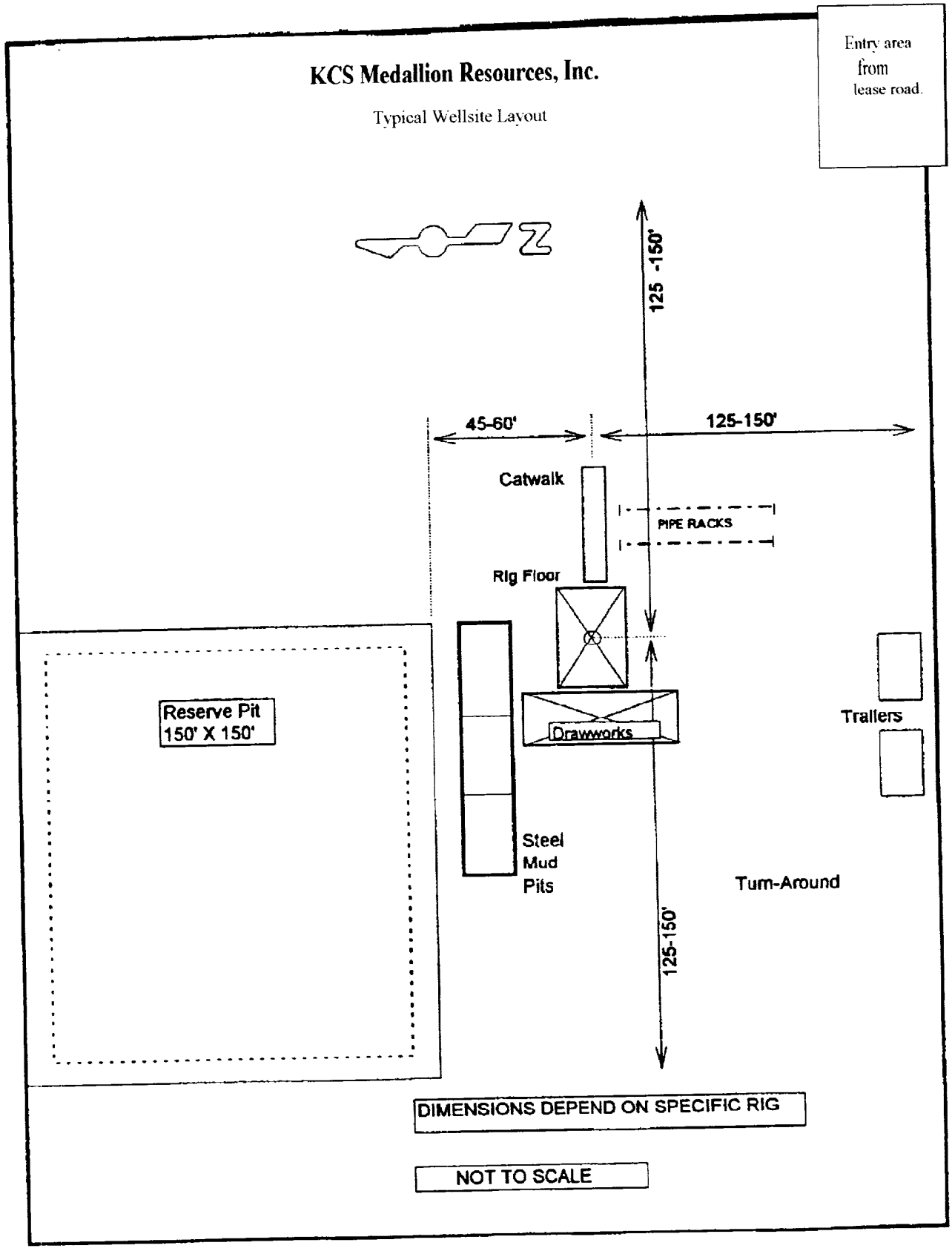


Exhibit G


KCS Medallion Resources, Inc.
Typical Wellsite Layout
Entry area from lease road.
125 -150'
45-60'
125-150'
Catwalk
PIPE RACKS
Rig Floor
Reserve Pit
150' X 150'
Drawworks
Trailers
Steel Mud Pits
Turn-Around
125-150'
DIMENSIONS DEPEND ON SPECIFIC RIG
NOT TO SCALE

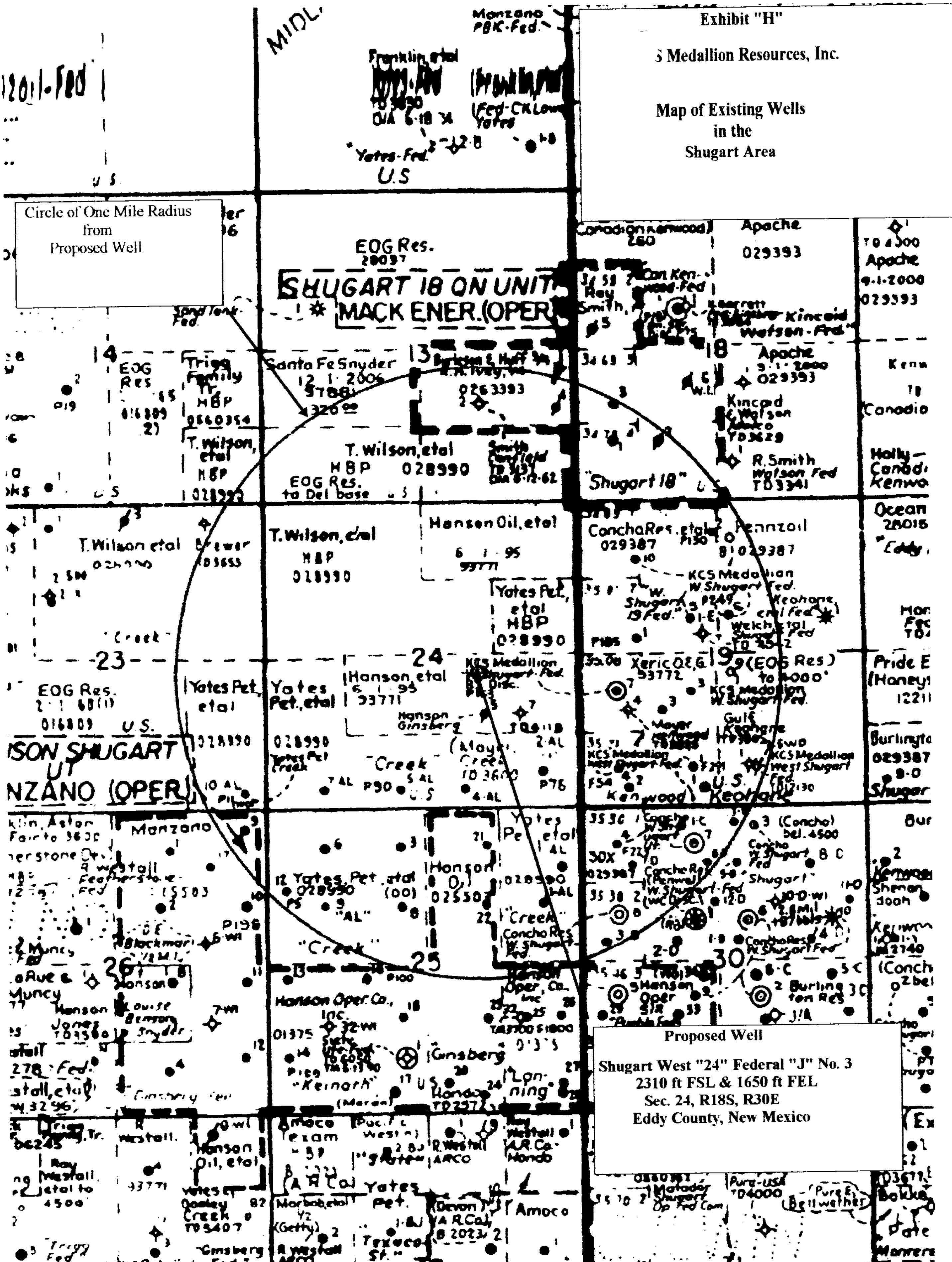


Exhibit "H"
S Medallion Resources, Inc.
Map of Existing Wells in the Shugart Area
Circle of One Mile Radius from Proposed Well
Proposed Well
Shugart West "24" Federal "J" No. 3
2310 ft FSL & 1650 ft FEL
Sec. 24, R18S, R30E
Eddy County, New Mexico
SHUGART 18 ON UNIT
MACK ENER.(OPER)
EOG Res.
Santa Fe Snyder
T. Wilson, etal
HBP
028990
Hanson Oil, etal
Yates Pet, etal
KCS Medallion
Concha Res. etal
Pennzoil
Apache
029393
"Shugart 18"
Manzano
Hanson Oper Co., Inc.
Ginsberg
Amoco
Yates Pet.

Exhibit "I"

KCS Medallion Resources, Inc.

Hydrogen Sulfide Drilling Operations Plan

I. Hydrogen Sulfide Training.

A. All rig crews and company personnel will receive training from a qualified instructor in the following areas prior to penetrating any hydrogen sulfide bearing formations during drilling operations:

1. The hazards and characteristics of hydrogen sulfide (H2S).
2. The proper use and maintenance of H2S safety equipment and of personal protective equipment to be utilized at the location, such as H2S detection monitors, alarms, warning systems, and breathing equipment. Briefing areas and evacuation procedures will also be discussed and established.
3. Proper rescue techniques and procedures will be discussed and established.

B. In addition to the above, supervisory personnel will be trained in the prevention of oil and gas well blowouts in accordance with Minerals Management Service Standards Subpart -0- 250 - 212.

Prior to penetrating any known H2S bearing formation, H2S training will be required at the well site for all rig crews and company personnel that have not previously had such training. This instruction will be provided by a qualified instructor with each individual being required to pass a 20 question test regarding H2S safety procedures. All contract personnel employed on an unscheduled basis will be required to have received appropriate H2S training.

The Hydrogen Sulfide Drilling Operations Plan will be available at the well site during drilling operations.

II H2S Safety Equipment and Systems.

A. All H2S safety equipment and systems will be installed, tested, and operational when drilling operations reach a depth approximately 500 ft above any known or probable H2S bearing formation. The safety systems to be utilized during drilling operations are as follows:

1. Well Control Equipment:

a. Annular BOP with a properly sized closing unit so as to accommodate all pipe sizes in use.
b. A choke manifold with a minimum of one remote choke.

2. H2s Detection and Monitoring Equipment:

a. Three(3) H2S detection monitors will be placed in service at the location. One monitor will be placed near the bell nipple on the rig floor; one will be placed at the rig substructure; and one will be at the working mud pits or shale shaker. This monitoring system will have warning lights and audible alarms that will

alert personnel when H2S levels reach 10 ppm.

b. One Sensidyne pump or equivalent with appropriate detection tubes will also be available to perform spot checks for H2S concentrations in any remote or isolated areas.

3. Protective Equipment for Essential Personnel.

a. Four(4) five minute escape packs located at strategic points around the rig.
b. Two(2) thirty minute rescue packs to be located at the designated briefing areas

4. Visual Warning System.
The visual warning system will consist of the following:

a. Three(3) wind direction indicators.
b. Two(2) condition/warning signs which will be posted on the road providing direct access to the location. One sign will be placed at the point that the access road leaves the public road; the second sign will be placed where the access road enters the location. The signs will contain lettering of sufficient size to be readable at a reasonable distance from the immediate vicinity. The sign will inform the public that a hydrogen sulfide gas environment could be encountered at the location

Exhibit "I" (cont.)

KCS Medallion Resources, Inc.

Hydrogen Sulfide Drilling operations Plan

Typical Wellsite Layout