

November 20, 2000

Mr. Tom Williams
KCS Medallion Resources, Inc.
7130 S. Lewis
Tulsa, Oklahoma 74136-5427

Dear Mr. Williams,

Thank you for the opportunity to submit our drilling fluid recommendations for your LLA Huerta 32 # 1 in Eddy County, New Mexico. These recommendations are based on information from your office, offset well data, and our knowledge of the area.

Of particular concern in this area is the potential for lost circulation in the intermediate interval and abnormal pressure in the production interval. Potential problems are discussed in the "Drilling Fluid Program" section of this proposal.

We estimate drilling time for this well to be 26 to 28 days at an estimated cost of \$20,000.00 to \$25,000.00 for a standard Xanthan Gum system and \$28,000.00 to \$34,000.00 for an enhanced LSRV fluid. All support services, including warehousing and trucking for this well, are in Hobbs, New Mexico. Thank you for considering us to be a part of your drilling team.

Sincerely,

Carlton Crowover