

devon
ENERGY CORPORATION

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: 405/552-4615
FAX 405/552-8113

February 9, 2000

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

Attention: Tim Wilson

Re: State #2-7 (Mosley Canyon Prospect)
Section 7-24S-25E
Eddy County, New Mexico

Gentlemen:

Reference is made to that certain Letter Agreement dated December 20, 1999 ("Letter Agreement") by and between Devon Energy Corporation (Nevada) (hereinafter referred to as "Devon") and KCS Medallion Resources, Inc. (hereinafter referred to as "KCS") covering the captioned lands. In accordance with our recent discussions regarding this project, Devon and KCS hereby agree to amend said Letter Agreement as follows:

Article III, Operations, Section 3.1- Devon shall be the Operator for the Unit and any subsequent wells drilled by the Parties on the lands described in Exhibit "A" pursuant to a mutually agreeable Operating Agreement to be executed on or before March 1, 2000 (the "Operating Agreement").

Article II, Test Well, Section 2.2, Payment - Within forty-eight (48) hours after receipt of written notice from Devon of the spudding date of the Test Well, KCS shall forward one hundred percent (100%) of its fifty percent (50%) cost share to Devon of the estimated dry hole costs as set forth on the AFE attached hereto as Exhibit "B" by corporate check via overnight delivery service or wire transfer. [Note: Exhibit "B" attached hereto shall supercede and replace that certain AFE attached as Exhibit "B" to the Letter Agreement.]

Within forty-eight (48) hours of KCS' election to participate in completing the Test Well, KCS shall forward one hundred percent (100%) of its fifty percent (50%) cost share to KCS of the estimated completion costs set forth on the AFE attached hereto as Exhibit "B" by corporate check via overnight delivery service or wire transfer.

The parties hereto do further agree that this pre-payment provision shall also apply to any subsequent wells drilled within the AMI.

Should KCS fail to timely pre-pay its proportionate share of dry hole costs or completion costs for the Test Well or any subsequent well as provided herein, KCS' interest will be deemed non-consent and shall be subject to the terms and conditions of the Operating Agreement.

Article II, Test Well, Section 2.3, Failure to Commence Test Well - Should operations for drilling of the Test Well not be commenced on or before March 25, 2000, then KCS shall have the option to be reimbursed for its share of any and all costs previously paid by KCS to Devon related to the interests. Such reimbursement shall be made within fifteen (15) days from written receipt of KCS' notice. Further, in the event the Test Well is not commenced as referenced above, this Agreement and the Operating Agreement provided for in Article III, Section 3.1 shall terminate and be of no further force and effect.