

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
Field	Mosley Canyon	Township	24S
Well TD	11,000'	State	Range 25E
		County	New Mexico
		Prim. Obj.	Eddy
		Sec. Obj.	Morrow
			Strawn

	Before Csg Point	After Csg Point	Total		Before Csg Point	After Csg Point	Total
INTANGIBLE COSTS				TANGIBLE COSTS			
	BCP-830	ACP-840			BCP-835	ACP-845	
.010 Location Cleanup & Damages	5,000	6,500	11,500	Casing, Tubing and Other Downhole Equip.			
.020 Location Construction	38,000	0	38,000	.010 Casing	27,948	49,500	77,448
.250 Directional Services	0	0	0	.030 Pkr, Liners & Sub-surface Equip.	1,900	5,300	7,200
.030 Rig Mobilization	0	0	0	.040 Well Head	3,000	13,000	16,000
.040 Rig Cost: Footage 30/2	187,000	30,000	217,000	.020 Tubing	X	26,250	26,250
.230 Fuel & Power	0	0	0	Subtotal	\$32,848	\$94,050	\$126,898
.200 Bits	0	0	0				
.070 Drilling Fluid	35,000	5,000	40,000	Facilities			
.090 Disposal Services	0	2,000	2,000			ACP-850	
.170 Drill Stem Tests	4,000	X	4,000	.040 Surface Tanks	X	9,000	9,000
.100 Cement and Cementing Service	12,500	10,000	22,500	.030 Surface Sep./Prod Equip.	X	8,000	8,000
.210 Casing Crew & Equipment	4,000	6,400	10,400	.020 Surface Heater Treater/Dehy.	X	6,000	6,000
.120 Open Hole Logging & Analysis	12,000	X	12,000	.050 Surface Pipe, Valves & Fittings	X	9,000	9,000
.110 Mud Logging	5,313	0	5,313	.070 Surface Installation Costs	X	8,000	8,000
.310 Stimulation & Fluids	0	50,000	50,000	.010 Surface Compressors	X	0	0
.130 Water Pumping & Disposal	22,500	7,500	30,000	.060 Surface Company Labor	X	0	0
.120 Cased Hole Logging & Analysis	0	3,500	3,500	.020 Surface Const. Overhead	X	0	0
.240 Perforating	0	8,000	8,000	.130 Surface Insurance	X	0	0
.150 Rental Equipment - Surface	8,000	15,000	23,000	Subtotal	\$0	\$40,000	\$40,000
.150 Rental Equipment - Sub-surface	0	0	0				
.190 Fishing Tool Rental	0	0	0	Artificial Lift Equipment			
.140 Hauling & Freight Charges	1,500	1,500	3,000			BCP-835	ACP-845
.220 Tubular Inspection	1,000	2,500	3,500	.060 Pump Unit, Rods & Pumps	X	0	0
.180 Well Testing	2,000	4,500	6,500	.070 Power Units	X	0	0
.260 Contract Labor	20,406	10,000	30,406	.080 Miscellaneous	X	4,000	4,000
.050 Company Geologist/Engineer	2,500	0	2,500	.080 Contingency	7%	2,299	9,664
.060 Drilling/Completion Overhead	6,500	3,000	9,500	Subtotal	\$2,299	\$13,664	\$15,963
.280 Insurance	14,500	0	14,500				
.300 Coiled Tubing Work	0	0	0	Pipeline			
.290 Packer Redress/Rental	X	0	0			PL-860	
.320 Miscellaneous	0	0	0	.020 Pipeline Equipment	X	10,000	10,000
.320 Contingency	7%	26,720	11,578	Subtotal		\$10,000	\$10,000
Subtotal	\$408,439	\$176,978	\$585,417				
				TOTAL TANGIBLE COSTS			
					\$35,147	\$157,714	\$192,861

Pipeline			
		PL-860	
.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

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

Supplement No.

Original AFE Amount

Amount This Supplement

Revised AFE Amount

WORKING INTEREST OWNER APPROVED

Company Name:

By:

Date:

Name:

Estimated Spud Date

Prepared By:

THW

KCS MEDALLION RESOURCES, INC.

By:

Date: 7-29-99

By:

Date:

By:

Date: