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February 17, 1998

By Fax: 505/827-8177

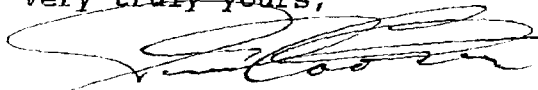
Mr. Michael Stogner  
New Mexico Oil Conservation Division  
PO Box 6429  
Santa Fe, NM 87505

Re: Case 11925 - Application of KCS Medallion Resources, Inc. for  
an Unorthodox Gas Well Location, Eddy County, New Mexico

Dear Mr. Stogner:

Faxed to you with this letter is the Prehearing Statement of  
Southwest Royalties, Inc. which will appear in opposition to the  
captioned application of KCS Medallion Resources.

Very truly yours,



Paul A. Cooter

PAC\smb

cc w/enc.: James Bruce (505/982-2151)

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 11925

APPLICATION OF KCS MEDALLION RESOURCES,  
INC. for an Unorthodox Gas Well Location,  
Eddy County, New Mexico

**PREHEARING STATEMENT**

This Prehearing Statement is submitted by Southwest Royalties, Inc., by and through its attorneys of record.

**APPEARANCES OF PARTIES**

**PARTY**

Southwest Royalties, Inc.  
PO Box 11390  
Midland, Texas 79702-8390  
915/686-9927

**ATTORNEY**

Kemp, Smith, Duncan &  
Hammond, P.C.  
Paul A. Cooter  
PO Box 1276  
Albuquerque, NM 87103-1276  
505/247-2315

**OPPOSITION OR OTHER PARTY**

The only known other party is the Applicant, KCS Medallion Resources, Inc., whose attorney is James Bruce, PO Box 1056, Santa Fe, NM 87504.

**STATEMENT OF CASE**

Southwest Royalties, Inc. objects to the proposed KCS Medallion Resources unorthodox location in Unit M of Section 16, T29S, R29E for the reasons that (1) the proposed unorthodox location would drain the adjacent land of Southwest Royalties and its Union Texas State No. 1 Well to which the the S/2 Section 17 has been dedicated as the spacing and proration unit, (2) violate the correlative rights of said Protestant and (3) cause premature abandonment of Protestant's Union Texas State No. 1 Well heretofore described.

**PROPOSED WITNESSES****WITNESS****ESTIMATED TIME**

Dave Alders  
James Blount

20 min.  
20 min.

A list of Southwest Royalties' proposed exhibits in this case (12 in number) is attached hereto.

**PROCEDURAL MATTERS**

None known at this time.

KEMP, SMITH, DUNCAN & HAMMOND, P.C.



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Paul A. Cooter  
Attorneys for Southwest  
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**SOUTHWEST ROYALTIES' EXHIBITS IN CASE 11925**

1. Structure Map
2. Cross-Section
3. Isopach
4. Well Drainage Radius (without Medallion Well)
5. Well Drainage Radius (with Medallion Well at requested unorthodox location)
6. Well Drainage Radius (with Medallion Well at standard location)
7. Table of Map Circle Volumes
8. Table of Calculations
9. Rate/Time Graph
10. Annual Cash Flow Report
11. Production Graph for Parkway 5 Well (SE/SW Sec. 20)
12. Production Graph for Parkway 6 Well (SW/SE Sec. 21)