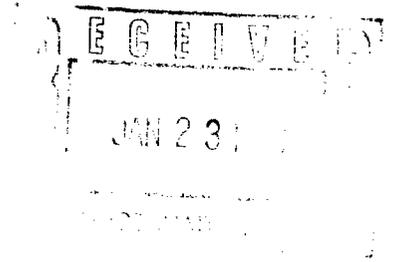


SOUTHWEST ROYALTIES INC
Southwest Royalties Building
407 N. Big Spring, Midland, TX 79701-4326
P.O. Box 11390, Midland, TX 79702-8390
(915) 686-9927, 1-800-433-7945



SOUTHWEST ROYALTIES



January 20, 1998

Oil Conservation Division
P. O. Box 6429
Santa Fe, New Mexico 87505

Case 7927

Attention: Mr. Michael E. Stogner

Re: Application of KCS Medallion Resources, Inc. for an Unorthodox Morrow Formation
Location in the S/2 Section 16, T19S, R29E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

Southwest Royalties, Inc. is the owner and operator of the Union Texas State No. 1 Well, to which the S/2 Section 17 has been dedicated as the spacing and proration unit. The Southwest Royalties' well is an immediate west offset to the captioned proposed unorthodox well location.

Please be advised that Southwest Royalties objects to the proposed KCS Medallion Resources unorthodox location for the reasons that (1) the proposed unorthodox location would drain the adjacent land of Southwest Royalties, and (2) such drainage could cause premature abandonment of Southwest Royalties' aforementioned well in the S/2 Section 17. Thus, the granting of KCS Medallion Resources' allocation would result in both physical and economic waste.

In addition, it appears from the isopach map attached to KCS Medallion Resources' application that a well drilled at a standard location in that unit would encounter the same Morrow sand thickness as Burlington Resources' well in the N/2 of said Section 16, and most likely more than that in the Southwest Royalties' well.

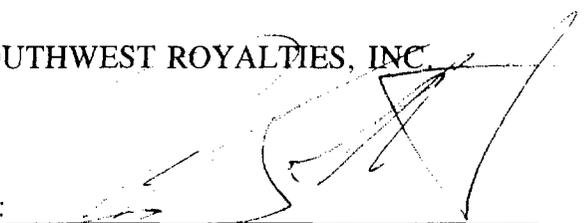
Southwest Royalties respectfully requests that the application of KCS Medallion Resources be set for administrative hearing and that after such hearing, the same be denied. In

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the alternative, if the application of KCS Medallion Resources be granted, an appropriate penalty should be attached to KCS Medallion Resources' production from its well at that unorthodox location so as to minimize the possibility of drainage of Southwest Royalties' land.

Respectfully,

SOUTHWEST ROYALTIES, INC

By: 

Jon P. Tate
Vice President

JPT/dg

cc: James Bruce
Attorney at Law
P. O. Box 1056
Santa Fe, New Mexico 87504