

BEFORE EXAMINER STEVEN
CLAYTON STEVENSON
Stevens COUNTY. 5
CASE NO. 10271

KAYWAL, INC.

P. O. Box 1060
Roswell, New Mexico 88201

March 7, 1991

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case #10271 Application of
Stevens Operating Corporation
for Directional Drilling and
possible unorthodox location
Chaves County, New Mexico

Gentlemen:

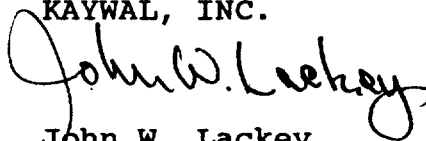
Kaywal, Inc. is the lessor of all mineral rights under Section 2, Township 13 South, Range 29 East, Chaves County, New Mexico, which section is a direct north offset to the proposed directional drilling and possible unorthodox location of Stevens Operating Corporation in the above captioned case.

By this letter, we hereby inform you of our support for this application, request you grant it your earliest approval and, in the event the bottom hole location of the well is closer than 330 feet to the lease line or east of 1650 feet, request you to consider that said well should not be penalized in any manner for its unorthodox location, if any. It is our understanding that the purpose of the well is to penetrate the highest portion of the reservoir which would benefit our royalty interest in the north offsetting lease by promoting the drilling and development of the smaller Devonian oil fields which seem to be the rule in this area.

On these bases, we request the Oil Conservation Division to approve the application of Stevens Operating Corporation for the drilling of the #1 Marjohn State as requested, without penalty.

Yours very truly,

KAYWAL, INC.



John W. Lackey
President

JWL/ceh