



GEORGE R. LOCKER
PRESIDENT

24 HR. PH. AC 915 682 7424
OFF. PH. AC 915 682-5989

POST OFFICE BOX 5564 / MIDLAND, TEXAS 79701

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Estoril Producing Corporation
Mr. Bruce Monroe
1120 Vaughn Building
Midland, Texas 79701

Dear Bruce,

The following is a proposed drilling mud program for your #1 Mesa Federal, Eddy County Cisco test:

Surface:

Spud with bentonite and lime. There exists a slight possibility of lost circulation. This may be eliminated with the use of cotton seed hulls and wood fiber.

Intermediate:

Drill out with fresh water. Mix lime as needed for a constant 9.5 to 10.5 pH to combat corrosion. Mix ground paper for mild seepage. For critical seepage, or complete loss of returns suggest bentonite "slugs" periodically. If lost circulation is critical suggest you "blind drill" to set intermediate.

Production:

Drill out with fresh water. Continue lime for pH control as before. Mix ground paper as needed for seepage.

At 4000' initiate Potassium Chloride in the amount of 3-4% to inhibit all shales, and interstitial clays to T.D. At this writing Yates Petroleum Corporation is experiencing considerable problems from Woldcamp sloughing 4 miles Northeast of Hope.