

in the event loss circulation is encountered and one to two pits of mud loaded with loss circulation material does not restore circulation, we suggest dry drilling to casing point and run 8 5/8" casing.

2. For corrosion control: see CORROSION SECTION.

PRODUCTION: 5000' of 4 1/2"

We suggest drilling out below surface with brine water, 10.0 lbs/gal., using Lime for pH control, 9.5 to 10.0 pH.

This type drilling fluid should be sufficient to drill to 4000'.

At 4000' we suggest mudding up with a Salt Gel, My-Lo-Jel type drilling fluid having the following characteristics:

Weight	10.1 to 10.3 lbs/gal.
Viscosity	36 to 40 sec/1000 cc
Water Loss	20 cc or less

This type drilling fluid should be sufficient to drill to 5000'.

For any cores or DST's we suggest adding additional My-Lo-Jel to lower the water loss to 10 cc or less.

COMMENTS:

1. There is a slight possibility you will encounter a seepage from 600' to 1100'. Normally, Dick's Mud Seal is sufficient to control this seepage or minor loss.
2. We suggest circulating a portion of the reserve pit, returning to steel pits for any mud up.
3. Jet Jel or BenEx may be used to help settle solids and use smaller volume in the reserve pit. We suggest discontinuing the use of a flocculant 24 hours prior to mud up.
4. For corrosion control: see CORROSION SECTION.

ESTIMATED MUD COST: \$3,500.00 to \$5,000.00

The above cost does not include oil, brine water, severe loss circulation, fishing jobs or any unanticipated hole troubles.

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EXHIBIT G

Pauley Petroleum Inc.
Poker Lake Unit No. 46
660' FNL and 660' FWL
Section 5, T-25-S, R-31-E,
Eddy County, New Mexico.