

MAVERICK MUD SERVICE, INC.

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ODESSA, TEXAS 79760

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July 18, 1979

Mr. Jerry Moritz
C & E Operators, Inc.
Gihls Tower West
Midland, Texas

Dear Mr. Moritz:

The following is a suggested drilling fluid and casing program with estimated mud cost for your Kyle Federal #1 to be drilled in Section 27, Township 9 South, Range 33 East, Lea County, New Mexico.

SURFACE: 350' of 12 3/4"

Suggest spudding with a Fresh Water Gel and Lime type drilling fluid with a 35 to 40 sec/1000 cc viscosity. This type drilling fluid should be sufficient to drill to 350' and run surface casing.

INTERMEDIATE: 4000' of 8 5/8"

Suggest drilling out from under 12 3/4" casing with fresh water, circulating the reserve pit, maintaining a 32 to 33 sec/1000 cc viscosity with native "Red Beds". As soon as a 32 sec/1000 cc viscosity is reached, we recommend adding 3% oil and 10 to 12 sacks of Dick's Mud Seal, then 2 to 3 sacks of Dick's Mud Seal for every 100' of hole drilled. Oil content should be maintained at 3% to total depth. This type drilling fluid should be sufficient to drill to 4000' and run 8 5/8" casing.

COMMENTS:

1. The "Red Bed" section in this area is very troublesome and in the event it starts to heave, we recommend raising the viscosity to 50 to 60 sec/1000 cc and reducing the water loss to 10 cc.
2. Without trouble, oil should not exceed 150 bbls.