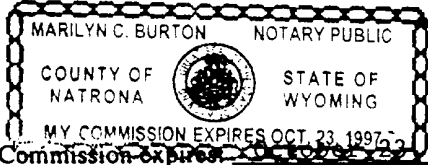


SUBSCRIBED AND SWORN TO before me this 14th day of November, 1996



Marilyn C. Burton
Notary Public

My Commission Expires Oct. 23, 1997

FOR OIL CONSERVATION DIVISION USE ONLY:

VIII. CERTIFICATION OF APPROVAL:

This Application for Qualification of Well Workover Project is hereby approved and the above referenced Well is designated as a Well Workover Project pursuant to the "Natural Gas and Crude Oil Production Incentive Act" (Laws 1995, Chapter 15, Sections 1 through 8). The Oil Conservation Division hereby verifies the Production Projection for the Well Workover Project attached to this application. By copy of this Application and Certification of Approval, the Division notifies the Secretary of the Taxation and Revenue Department of this Approval and certifies that this Well Workover Project has been completed as of 10/26, 1996.

[Signature]
District Supervisor, District 3
Oil Conservation Division

Date: 11/27/96

IX. DATE OF NOTIFICATION TO THE SECRETARY OF THE TAXATION AND REVENUE DEPARTMENT.

DATE: _____

APPLICATION FOR
QUALIFICATION OF WELL WORKOVER PROJECT
AND CERTIFICATION OF APPROVAL

Sarah E. Lilly B #1
NE/4 Section 8, T27N-R12W
San Juan County, New Mexico
West Kutz Pictured Cliffs field

Part IV - Description of workover process.

RM Energy, LLC decided to re-stimulate the Pictured Cliffs formation in the subject well to see if production could be increased. The well was re-fraced October 10, 1996 as per the attached BLM sundry notice. After testing the well for a week it was decided to install compression. Compression was installed October 26, 1996.

Part V - Production Rates

The Sarah E Lilly B #1 well was drilled and completed in 1958. It produced for many years prior to changing ownership in the 1990's. When RM Energy bought the well and lease, the well was shut-in. RM Energy returned the well to production upon transfer of ownership and has produced it continuously since November 1993 with the exception of a two month period. A production curve is attached. It shows the well's history between 1970 and 1996.

Also attached is a tabulation that includes a column of actual gas sales prior to the recent work and numerous columns of estimated production assuming the work was not performed. An annual decline rate of 7.5% was used for the estimated future production. This rate was determined based upon the well's performance from 1970 to 1986. This decline rate has been super-imposed upon the curve.

It should be noted that the estimated ultimate recovery (EUR) of the well would have been 579 MMCF based on our projection. We feel that this is a reasonable volume based on the December 1993 cumulative production of 501 MMCF and the low production rate since returning the well to production.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
BLM

96 OCT 30 PM 1:11

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

RM Energy, A Limited Liability Company

3. Address and Telephone No.

P.O. Box 831, Casper, Wy. 82602 (307)234-6419

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

990' FNL & 990' FEL Section 8 T27N-R12W

5. Lease Designation and Serial No.

NM 032325

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Sarah E. Lilly "B" No. 1

9. API Well No.

30-045-06728

10. Field and Pool, or Exploratory Area

West Kutz Pictured Cliffs

11. County or Parish, State

San Juan, NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other <u>Routine Restimulation</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

The subject was restimulated as follows:

- 10-7-96 MI RUWU. Killed well w/2% KCl water. NU BOPE. TOOH and layed down 1 1/4" tubing. PU 2 7/8" workstring. Ran bit and scraper to 1329' (PBD). TOOH.
- 10-8-96 Reperf'd Pictured Cliffs from 1302'-1318' w/2 JSPF. Ran 5 1/2" packer to 1210'. Set packer and pressure tested casing to 500 psi for 10 minutes. Held-OK.
- 10-10-96 Pressured up on backside to 200 psi. Frac'd down tubing at 30 BPM with 500 gals of 15% HCl followed by 28,500 gals of 70-60 Q N2 foam with 63,000# of 20/40 sand. Flowed well back to frac tank.
- 10-11-96 Pumped 15 bbls down tubing and killed well. Released packer and TOOH w/workstring PU and TIH w/2 3/8" tubing to 1329'. PU and landed tubing at 1317'. ND BOP and NU wellhead. Swab well in.
- 10-12-96 Flowed well overnight to clean up and then shut-in.
- 10-17-96 Turned well into sales line.
- 10-19 - 10-25-96 Average production 211 MCFD, 3 BLWPD.

14. I hereby certify that the foregoing is true and correct

Signed Paul C. Bertoglio

Title Partner

Date October 28, 1996

(This space for Federal or State office use)

Approved by _____
Conditions of approval, if any: _____

Title _____

Date _____

ACCEPTED FOR RECORD

OCT 31 1996

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

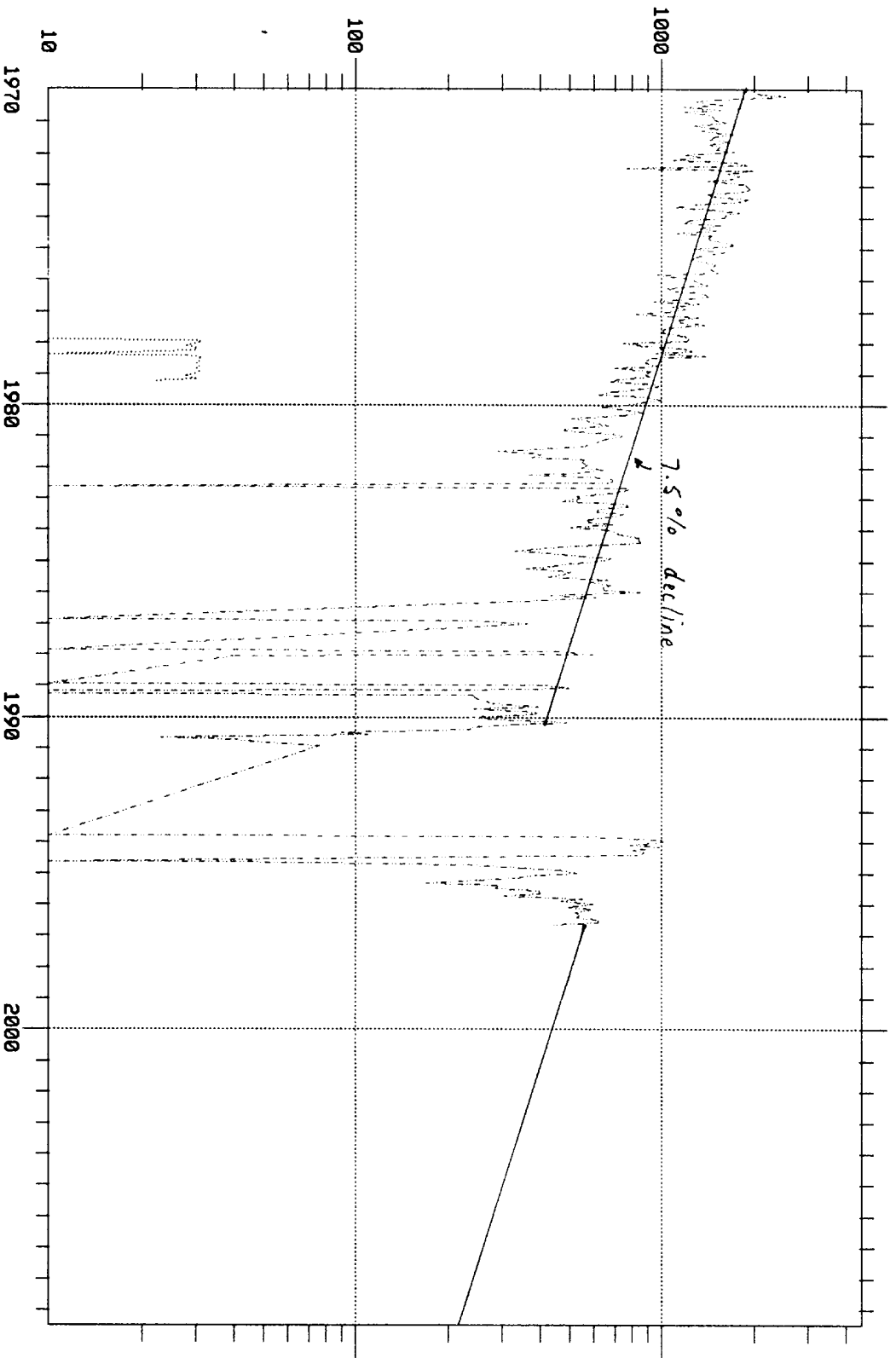
OPERATOR

FARMINGTON DISTRICT OFFICE

Calculated
 Oil ———
 Gas - - - -
 Water

RME Operated Wells
 Production Rate vs Time
 Bbl/Mo or Mcf/Mo vs Months
 SARAH E LILLY B:8 027N 012M A
 For the Period 01/1970 to 12/2005

Production
 Oil ———
 Gas - - - -
 Water



Reported Oil Production = 0 Bbls
 Reported Gas Production = 515290 Mcf
 Reported Water Production = 472 Bbls

