



CALPINE

CALPINE NATURAL GAS COMPANY

TABOR CENTER

1200 17th STREET, SUITE 770

DENVER, COLORADO 80202

720.359.9144

720.359.9140 (FAX)

September 16, 2002

Re: Application for Surface Commingling for San Juan County, New Mexico wells.

Subject: Arnie #3 - 1765' FNL & 1765' FEL, Section 25-30N-13W

Arnie #4 - 735' FNL & 660' FEL, Section 25-30N-13W

Dear Interest Owner:

Calpine Natural Gas Company, L.P. has applied for surface commingling with the State of New Mexico Oil Conservation Division for the subject wells. Attached please find a copy of the application submitted.

As a result of the proposed commingling, Calpine Natural Gas Company, L.P. anticipates the following:

- 1.) A reduction in operating expenses as a result of utilizing more efficient compressors which will reduce the per well rental fees as the cost is allocated over several wells.
- 2.) A reduction in the gas use to operate the compressor as gas use will be allocated over more wells.
- 3.) More efficient operations as compressors can be optimized for specific needs.

According to New Mexico Oil Conservation Division regulations, you have 20 days to file a protest with the New Mexico Oil Conservation Division at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505.

Please feel free to call me if you have any questions.

Sincerely,

Hugo Cartaya
Rocky Mountains Production Manager

September 11, 2002

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico

Re: Surface Commingling Rule 19.15.5.303

Dear Sir or Madam:

Calpine Natural Gas Company, L.P. wishes to apply for an exception to Rule 303A to permit commingling in common facilities of commonly owned production from two or more common sources of supply.

Calpine Natural Gas Company, L.P. currently operates 2 wells in Section 25-30N-13W. These two wells are the Arnie #3 and the Arnie #4.

The Arnie #3 (API No. 30-045-29688) is located 1765' FNL and 1765' FEL Section 25-30N-13W, San Juan County, New Mexico. The well produces from the Fulcher-Kutz Pictured Cliffs pool (Pool No. 77200). The well is currently connected to El Paso Natural Gas Company. The gas from this well is metered by El Paso at the well location.

The Arnie #4 (API No. 30-045-31008) is a newly drilled well which is located 735' FNL and 660' FEL Section 25-30N-13W, San Juan County, New Mexico. The well produces from the Basin Fruitland Coal (Gas) pool (Pool No. 71629). Calpine Natural Gas Company, L.P. has constructed a natural gas pipeline, which will connect to the compressor at the Arnie #3 location.

Calpine Natural Gas Company, L.P. proposes the following:

- 1.) Utilize the existing compression facility at the Arnie #3 location to compress and surface commingle the gas from the Arnie #3 and the Arnie #4 wells.
- 2.) Convert the existing El Paso Natural Gas Company meter at the Arnie #3 location to a central delivery point. This will serve as the sales meter for both the Arnie #3 and the Arnie #4.
- 3.) Install a gas chart meter at the Arnie #4 location, which will be used to allocate the production between the Arnie #3 and the Arnie #4 wells.
- 4.) The compressor fuel use will be determined by the compressor rating and allocated based on the individual well production.

5.) The production from the Arnie #3 well will be based on the gas sales from the central delivery point plus the compressor fuel usage less the metered volume from the Arnie #4.

Attached please find a diagram of the surface commingling proposal.

Calpine Natural Gas Company, L.P. is requesting administrative approval to grand an exception to Rule 303A. Please feel free to call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Hugo Cartaya". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Hugo Cartaya
Rocky Mountains Production Manager

NE/4 Section 25-30N-13W
San Juan County, New Mexico

(not to scale)

