

Fax Transmission

DATE: 5-1-2006

TO: Michael Stogner

FAX #: 1-505-476-3462 VOICE #: 1-505-476-3440

FROM: Rebecca Heath

Ellis & Associates

FAX #: (505) 327-3974 VOICE #: (505) 326-1730 Cell #: 505-486-4962

SUBJECT: Golden Bear #5T

Number of Pages Including Cover ____13___

Dear Michael,

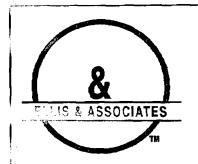
I have attached the Lease and Bill of Sale from Calpine to Pogo regarding the rights in Section 35.

Also attached is the plat from San Juan County showing the entire NW/4 of Section 2.

The engineers office is updating aerials as Farmington is growing so quickly that it is hard to keep up, but they cannot have that to me until tomorrow moming which I will forward to you immediately.

Thank you for your help today,

Becky Heath



May 1, 2006

New Mexico Oil ConservationDivision Attn: Michael Stogner 1220 South Francis Drive Santa Fe, New Mexico 87505

Re: Administrative application reference No. pTDS0606831494 for an exception to the well location provisions of the Basin-Fruitland Coal (Gas) Pool (71629) for Pogo Producing Company's ("Pogo") proposed Golden Bear Well No. 5-T to be drilled as an infill coal gas well at an unorthodox location 490 feet from the North line and 1015 feet from the West line (Lot 4/ Unit D) of Section 2, Township 29 North, Range 13 West NMPM, San Juan County, New Mexico within the existing 322.92- acre Standard lay-down gas spacing unit comprising Lots 1,2,3 and 4 and the 5/2 N/2 (N/2 equivalent) of Section 2, which is currently dedicated to Pogo's Golden Bear Well No. 5 (API No. 30-045-30765) located at a standard coal gas well location 1420 feet from the North line and 1850 feet from the East line (Unit G) of Section 2.

Dear Mr. Stogner,

Thank you for faxing me a copy of your March 10, 2006 letter to Ms. Wallace. I have attached a copy of the County plat map of the NW4 of Section Two. As you see, the college does not own the entire NW4, however the area not owned by the college is a mixed residential/retail business area. The City of Farmington has a 200 foot setback from all buildings, which makes it impossible to permit the well within in the southern half of said NW4. I have attached a copy of an aerial map.

Pogo does in fact own the mineral rights to the south half of Section 35 to the base of Pictured Cliffs formation. I have attached copies of the original BLM lease and the Assignment and Bill of Sale from Calpine Corporation, et al to Pogo Producing Company.

If you should need any more information, please contact me (505) 326-1730. Thank you for your assistance in this matter.

Sincerely,

Dave Harmeyer, J.D. Ellis and Associates, Inc. 2014 San Juan Blvd., Ste. C Farmington, NM 87401 Fax (505) 327-3974

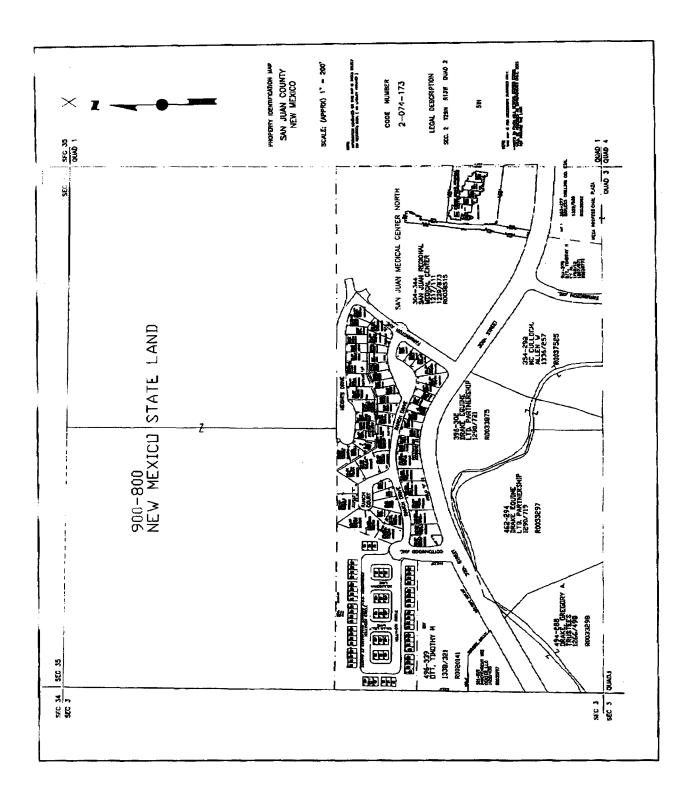
2014 San Juan Blvd.,Suite C

(505) 326-1730 Fax (505) 327-3974

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LEASE OF OIL AND GAS LANDS UNDER THE ACT OF

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through drainage in the amount determined under instructions of said Secretary; (2) SECTIONIAL TO Bights of Lessee. ... Theig thes lesser, oin, cansideration of Fents and is royaltiss too bai and dad and the punditions and sources too ben abserved as to Belle in the set of the bene best and the punditions and sources the set of the best and the set of the set tondrilli to reunine; iextreptor genovemendidi spess of all the old sadigas ideposits aides except helism geniin oryunderscheddlevingedessribedossastsef. land situsted in 1998 raggine to insure dillegence in the development and wattain of the property.

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When paid in value, such royalties on production shall be due and payable a the last day of the calendar month next, bllowing the calendar month in -{E}

(3) When paid in value, such royalties on projection shall be due and payable monthly on the last day of the calendar month next, blowing the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produces shall be that surfaces of stated to hiv redugod are by the top, server fille reducts anguinisted beson, unless of any servershy stated to by the particle highly reduces anguinisted lesson, unless of any servershy stated to by the particle highly reduced without cost to tanks provided by the lesses as real any server have an end of ministed teams that the lesses of the highly are provided when any server highly many the states the lesses of the highly and the server have any state of the second teams that the lesses of the highly and the highly and the second with the starts provided by the lesses are the second of the highly and the starts provided by the lesses are reduced and the second of the highly and the starts that the lesses of the highly and the second of the highly and the starts that the lesses of the highly and the highly and the starts the second the lesses of the second of the highly and the highly and the starts that the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and the highly and the starts the highly and the highly and the highly and highly and highly and highly and highly and highly cies with the terms of this lease occur.

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(b) <u>Cooperative or writiplent</u>, withan 30 days of demand, or if the land is within an approved unit plan, in the event such a plan is terminated prior to the explanation of this lease, within 30 days of demand made thereafter, to subscribe to and to operate under such reasonable to operative or unit. Then for instruction the

and to operate under Sach reasonable tooplate thereous embracing the landsho yab and operate under Sach reasonable tooplate thereous embracing the landsho yab included herein as the Secretary of the interior may determine to be printicable and necessary or active ables which plan shall adequately protect the rights of all of the parties in interest, maching the United States.

(((c) : Wells: Qiji Te drift and produce all wells heressing to potent the less the protect the set of the set

(d) <u>Rentals and royalties</u>. (1) To pay the rentals and royalties set out in the rental and royalty schedule attached hereto and made a part hereof.

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any or all oil, gas, natural gasoline, and other products obtained from gas; due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted prices and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

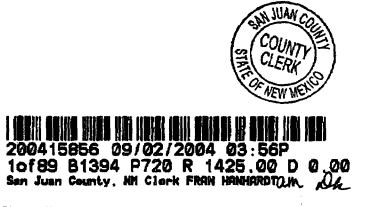
(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessor, unless otherwise agreed to by the parties hereit, at such times and the such tanks provided by the lessee as reasonably may be redified by the lesser, which is and the such as the second of the delendar month month of for the lesser provided by the lesse as reasonably may be redified by the lesser and the second of how and the lesser of the delendar month ment for the for the delendar month of the second of the delendar month for the the delendar month of the second of the delendar month of the second of the delendar month for the for the delendar month in which produced. The lesses shall not be responsible of held the delendar month in which produced. The lesses shall not be responsible of held the delendar month of royalty off or other products the storage from causes over the roas he has no control.

(4) Royalties shall be subject to reduction on the entire leasehold or on any portion thereof segregated for royalty purposes if the secretary of the Interfor finds that the lease cannot be successfully operated upon the royaltresseries of the interfor herein or that sich action will encourage the greatest attimate royaltresseries of six spi gas or promote conservation. The least is not be and not a nit back and the first subback and the first substance it a not back and of the first substance approved by the sector of the first substance of t

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ASSIGNMENT AND BILL OF SALE

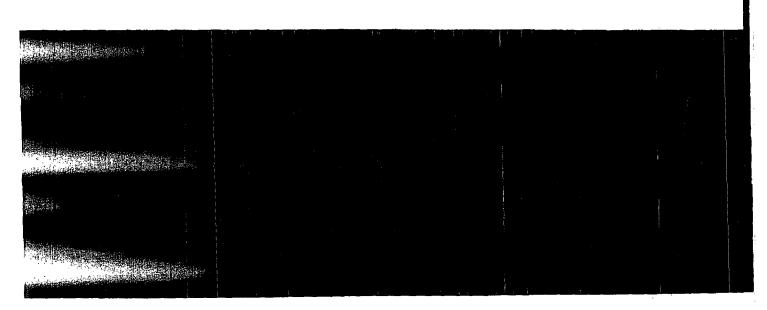
STATE OF NEW MEXICO

COUNTY OF SAN JUAN

KNOW ALL MEN BY THESE PRESENTS:

CALPINE CORPORATION and CALPINE NATURAL GAS L.P., whose address is 717 Texas Avenue, Suite 1000, Houston, Texas 77002 (hereinafter collectively called "Assignor"), for and in consideration of the sum of Ten and 00/100ths Dollars (\$10.00) and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, does hereby sell, transfer, assign and convey unto POGO PRODUCING COMPANY, a Delaware corporation, whose address is Five Greenway Plaza, Suite 2700, Houston, Texas 77046 (hereinafter called "Assignee"), effective as of July 1, 2004, 7:00 a.m. local time where each Property is located (the "Effective Date"), all of Assignor's right, title and interest in and to or derived from the following:

- (a) any and all rights, titles and interests owned by Seller in all of the oil, gas or mineral leases and other interests described on Schedule A (the "Leases").
- (b) any and all rights, titles and interests owned by Seller in, under or derived from all of the presently existing pooling, unitization and communitization agreements or other operating agreements and the units created thereby (including without limitation, all units formed under orders, regulations, rules or other official acts of any Governmental Body having jurisdiction) insofar and only insofar as they late to any of the Leases or to the production of Hydrocarbons from or attributable to such Leases as set forth on Schedule B (the "Beneficial Interests").
- (c) all contracts and agreements whether recorded or unrecorded in existence at the Effective Date, which affect the Leases, Personal Property, Beneficial Interests, Facilities and Easements, insofar and only insofar and only to the

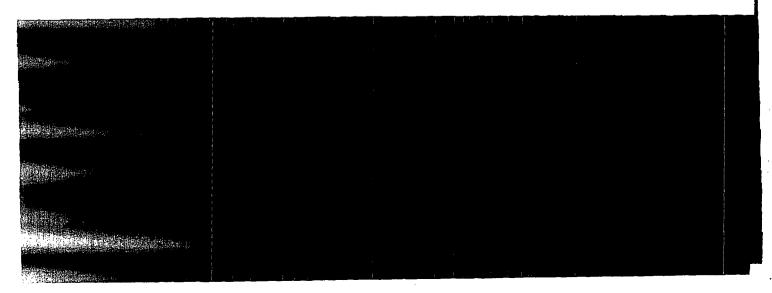


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extent as they specifically relate to the Leases, Personal Property, Beneficial Interests, Facilities and Easements, including but not limited to the contracts and agreements set forth on Schedule C, but specifically excluding the Easements, Leases, Beneficial Interests, and the contracts and agreements set forth on Schedule D (the "Contracts").

- (d) all facilities and equipment, whether active or inactive, that are customarily used directly in the production of Hydrocarbons, including, but not limited to injection facilities, disposal facilities, field separators, liquid extractors, compressors, LACT units, plants, tanks and the like (the "Facilities").
- (e) non-exclusive rights to the use and occupancy of the surface, including, without limitation, tenements, appurtenances, surface leases, easements, permits, licenses, franchises, servitudes and rights-of-way in any way appertaining, belonging, affixed or incidental to or used in connection with the ownership or operation of the Leases, Facilities and Beneficial Interests, whether recorded or unrecorded (the "Easements);
- (f) to the extent attributable to the Leases, Easements, Contracts and Beneficial Interests, but excluding any personal property owned by any Third Person as described on Schedule E or any of Seller's Affiliates and subject to the limitations below, all of Seller's right, title and interest in and to:
 - (1) all Wells (whether plugged or unplugged), equipment, Facilities and personal property of any kind including, but not limited to, tubing, casing, wellheads, pumping units, production units, compressors, valves, meters, flowlines, tanks, heaters, separators, dehydrators, pumps, injection units, gates and fences, which are located on or connected with the Gathering System, Leases, and Beneficial Interests and which are used solely and exclusively in connection with the production, separation, storage, treatment, gathering or transportation of Hydrocarbons from or attributable to the Leases and Beneficial Interests and that are not presently used in connection with any excluded assets;
 - (2) all licenses, authorizations, permits, variances and similar rights and interests related to the Leases, Facilities, Easements, Contracts and Beneficial Interests and personal property defined in (1) above;
 - (3) all other rights, privileges, benefits and powers conferred upon the owner and holder of the Leases, Facilities, Easements, Contracts and Beneficial Interests and personal property defined in (1) and (2) above; and





(4) copies of applicable general operating records, well files (including applicable well logs and production data), lease files, land files, environmental compliance files, regulatory reports and certificates, abstracts and title work pertaining to the Leases, Easements, Facilities, Contracts and Beneficial Interests and personal property defined in (1) above, but excluding: records containing trade secrets unrelated to the Assets, legal files, attorney-client communications or attorney work product materials and other similar documents covered by privilege, records and documents subject to confidentiality provisions and auditor's reports.

but excluding the Excluded Assets.

All of the above real and personal properties, rights, titles and interests described in subparagraphs (a) through (f) above, subject to the limitations and terms expressly set forth herein and in the Schedule "A" attached hereto, are hereinafter collectively called the "Properties" or, individually, a "Property".

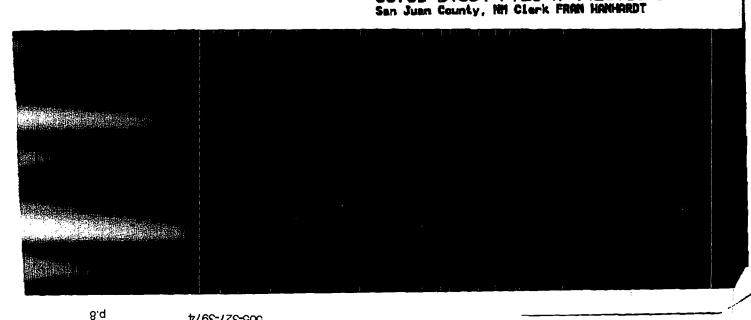
TO HAVE AND TO HOLD the Properties unto Assignee, its successors and assigns, forever. Notwithstanding any other provision contained herein, this Assignment and Bill of Sale is made without warranty of title, either expressed, implied or statutory except, to the extent of the interests set forth on Schedule H to the Purchase Agreement Assignor warrants title to the Properties, by, through and under Assignor, but not otherwise.

Except to the extent specifically excepted or reserved by Assignor, Assignee 1. accepts this Assignment and Bill of Sale and assumes all of the Assumed Liabilities and all of Assignor's obligations and liabilities that accrue after the Effective Date under all oil, gas and mineral leases, assignments, subleases, farmout agreements, unit agreements, joint operating agreements, pooling agreements, letter agreements, easements, rights-ofway, gather and transportation agreements, sales agreements, and other agreements (including compliance with express and implied covenants and payment of costs, rentals, shut-in payments, minimum royalties, and production royalties), to the extent that these obligations and liabilities concern or pertain to the Properties and are binding on Assignor or its successors or assigns. Assignee's obligations under this article apply to all applicable instruments, whether recorded or not. Assignee will comply with all rules, regulations, statutes, and laws applicable to Assignee's ownership or operation of the Properties.

All crude oil, natural gas, casinghead gas, condensate, sulphur, natural gas liquids, 2. plant products and other liquid or gaseous hydrocarbons (including CO2), and all other minerals of every kind and character hich may be covered by or included in the (the "Hydrocarbons") produced prior to the Effective Date (irrespective of whether payment for the same has been made or received) which are attributable to the Assets shall belong to Assignor, and all such Hydrocarbons attributable to the Properties assigned herein and produced from and after the Effective Date shall belong to Assignee. All costs and expenses attributable to the Properties assigned herein with respect to the Properties incurred or accrued prior to the Effective Date shall be the obligation of and be paid by

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VadiJ xeM May 01 06 05:53p Assignor and all such costs and expenses which relate to the period commencing with the Effective Date shall be the obligation of and be paid by Assignee.

All exhibits referenced in and attached to this Assignment and Bill of Sale are incorporated into it.

This Assignment and Bill of Sale is subject to the terms and conditions, including, but not limited to assumptions and indemnifications contained in that certain Purchase and Sale Agreement dated effective July 1, 2004, among Calpine Corporation and Calpine Natural Gas L.P., as Seller, and Pogo Producing Company as Buyer (hereinafter called the "Purchase Agreement") and including, but not limited to the Preferential Right to Purchase Hydrocarbons described therein.

In the event of conflicts between this Assignment and Bill of Sale and the Purchase Agreement, the terms and conditions of the Purchase Agreement shall control. All capitalized terms not otherwise defined in this Assignment and Bill of Sale shall have the meaning given them in the Purchase Agreement.

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This instrument may be executed in counterparts, all of which together will be considered one instrument.

EXECUTED this 1st day of September, 2004, but effective as of the Effective Date.

ASSIGNOR:

CALPINE CORPORATION

By:

21 Michael A. Gerlich Senior Vice President

CALPINE NATURAL GAS L.P.

By:

Michael A. Gerlich

Vice President

ASSIGNEE:

POGO PRODUCING By:

Print Name: Stephen R. Brunner

Tijs: Executive Vice President

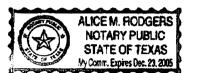
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STATE OF TEXAS

COUNTY OF HARRIS

) ss.

This instrument was acknowledged before me on this 1st day of September, 2004, by <u>Michael A. Gerlich</u> as <u>Sr.Vice Arsident</u> of Calpine Corporation, a Delaware corporation.



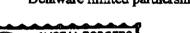
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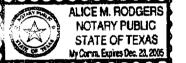
STATE OF TEXAS

COUNTY OF HARRIS

) ss.)

This instrument was acknowledged before me on this 1st day of September, 2004, by <u>Inichael A. Gerlich</u> as <u>Viceftesident</u> of Calpine Natural Gas L.P., a Delaware limited partnership.





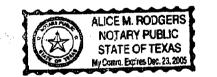
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STATE OF TEXAS

COUNTY OF HARRIS

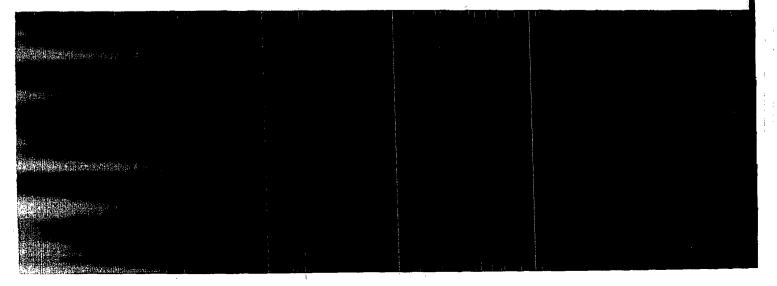
This instrument was acknowledged before me on this 1st day of September, 2004, by Stephan R. Brunner as Executive Vice Resident of Pogo Producing

Company, a Delaware corporation.



Notary Public in and for the State of My commission expires:

200415856 09/02/2004 03:56P 60f89 B1394 P720 R 1425.00 D 0.00 San Juan County, NM Clerk FRAN HANHARDT



Schedule A

"Leases"

Attached to and made a part of that certain Assignment and Bill of Sale among Calpine Corporation, Calpine Natural Gas L.P. and Pogo Producing Company dated the 1st day of September, 2004.

[Attached]



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Schedule A

Attached to and made a part of that certain Assignment and Bill of Sale among Calpine Corporation, Calpine Natural Gas L.P. and Pogo Producing Company effective as of July 1, 2004

State: CNG Lease No.	NEW MEXICO . Lessor	L #85.66	Lease Date Book Pace	Entry
302541063000		RODNEY P CALVIN ET AL	478	
		SEC. 11: PORTION OF SW/4 SW/4 (SEE LEASE FOR METES & BOUNDS Description), among other lands not herein included, containing 9.0 acres, more or less	INDS CONTAINING 9.0 ACRES,	
		SURFACE TO BASE OF PICTURED CLIFFS FORMATION SAN JUAN COUNTY, NEW MEXICO		
302541064000	BLM SF-078213	C S PAGE JR	12/1/1947 0	
		T30N-R13W NMPM SEC 25: N/2		
		SEC 26: SW/4, NE/4		
		SEC 27: SE/A NE/A, E/2 SE/A SEC 34: NE/A SE/A		
		SEC 35: ALL, AMONG OTHER LANDS NOT HEREIN INCLUDED, CONTAINING 1520 ACRES.	NTAINING 1620 ACRES,	
		MORE OR LESS, SURFACE TO BASE OF PICTURED CLIFFS FORMATION WITH THE EXCEPTION OF SECTION 28: SW/4-SURFACE TO BASE OF PICTURED CLIFFS FORMATION	ATION WITH THE RED CLIFFS FORMATION	
		LESS AND EXCEPT THE FRUITLAND COAL INTERVAL; NE/4-PICTURED CLIFFS FORMATION ONLY SAM 11AM CONMERY MEMOOD		•••
302641065000	ORVALL RICKETTS ET AL	SOUTHERN UNION GAS COMPANY	7/15/1952 192 127	
		T30N-R13W NMPM		
		SEC: 34: S/2 SE/4, AMONG OTHER LANDS NOT HEREIN INCLUDED, CONTAINING 80.0 ACRES, MORE OR LESS), CONTAINING	erk
		SURFACE TO BASE OF PICTURED CLIFFS FORMATION SAN JUAN COUNTY, NEW MEXICO		
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