FORM 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
03 APR -3 PM 2:26
070 Farmington, NM

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 reenter a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

5. Lease Designation and Serial No.
NM 26357

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

1. Type of Well
Oil Well [ ] Gas Well [X] Other [ ]

8. Well Name and No.
Morton #2

2. Name of Operator
Calpine Natural Gas

9. API Well No.
30-045-25766

3. Address and Telephone No.
1200 17th St., Suite 770, Denver, CO 80202

10. Field and Pool, or Exploratory Area
Basin Fruit Coal Gas & Harper Hill FS/PC

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1810' FSL & 1100' FEL Sec. 23-30N-14W

11. County or Parish, State
San Juan County, New Mexico

MAY 2003

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

TYPE OF SUBMISSION	TYPE OF ACTION	
[X] Notice of Intent	[ ] Abandonment	[ ] Change of Plans
[ ] Subsequent Report	[x] Recompletion	[ ] New Construction
[ ] Final Abandonment Notice	[ ] Plugging Back	[ ] Non-Routine Fracturing
	[ ] Casing Repair	[ ] Water Shut-Off
	[ ] Altering Casing	[ ] Conversion to Injection
	[ ] Other _____	[ ] 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.)*

Attached please find notice given to New Mexico OCD for proposed surface commingling.

14. I hereby certify that the foregoing is true and correct
Signed Hugo Cantu Title OPERATIONS MANAGER Date 03/31/03

(This space for Federal or State office use)
Approved by /s/ Jim Lovato Title _____ Date APR 23 2003
Conditions of approval, if any:

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 andy false, ficticious or fraudulent statements or representations as to any mater within its jurisdiction.

***See Instructions on Reverse Side**

NMOCD

CALPINE

CALPINE NATURAL GAS L.P.
TABOR CENTER
1200 17TH STREET, SUITE 770
DENVER, COLORADO 80202
720.359.9144
720.359.9140 (FAX)

March 31, 2003

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 23-30N-14W. These two wells are the Morton #1 and Morton #2.

The Morton #1 (API No. 30-045-25506) is located in NE/4 Section 23-30N-14W, San Juan County, New Mexico. The well produces from the Basin Fruitland Coal (Pool No.71629) and the Harper Hill FS/PC (Pool No.78160). The well is currently connected to El Paso Natural Gas Company. The existing El Paso meter will be converted to a CPD meter. Calpine will install an allocation meter for this well.

The Morton #2 (API No. 30-045-25766) is located in SE/4 Section 23-30N-14W, San Juan County, New Mexico. The well has been approved to be recompleted into the Basin Fruitland Coal (Pool No.71629) and the Harper Hill FS/PC (Pool No.78160). Calpine will install a low-pressure natural gas pipeline to the Morton #1 and connect to the compressor at the Morton #1. Calpine will install an allocation meter for this well.

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

1.) El Paso Natural Gas will convert the existing meter to a central delivery point at or near the Morton #1. This will serve as the sales meter for the Morton #1 and the Morton #2.
2.) Calpine will install a low-pressure gas pipeline to connect the Morton #2 to the Morton #1 compressor.
3.) Utilize the existing compression facility at the Morton #1 location to compress and surface commingle the gas from the Morton #1 and Morton #2.
4.) Install an allocation meter at the Morton #1.
5.) Install an allocation meter at the Morton #2.

6.) The compressor fuel use will be determined by the compressor rating and allocated based on the individual well production.
7.) The allocated sales for each well will be based on the gas sales from the central delivery point adjusted for BTU content and allocated back based on each well's allocation meter volume adjusted for BTU content.

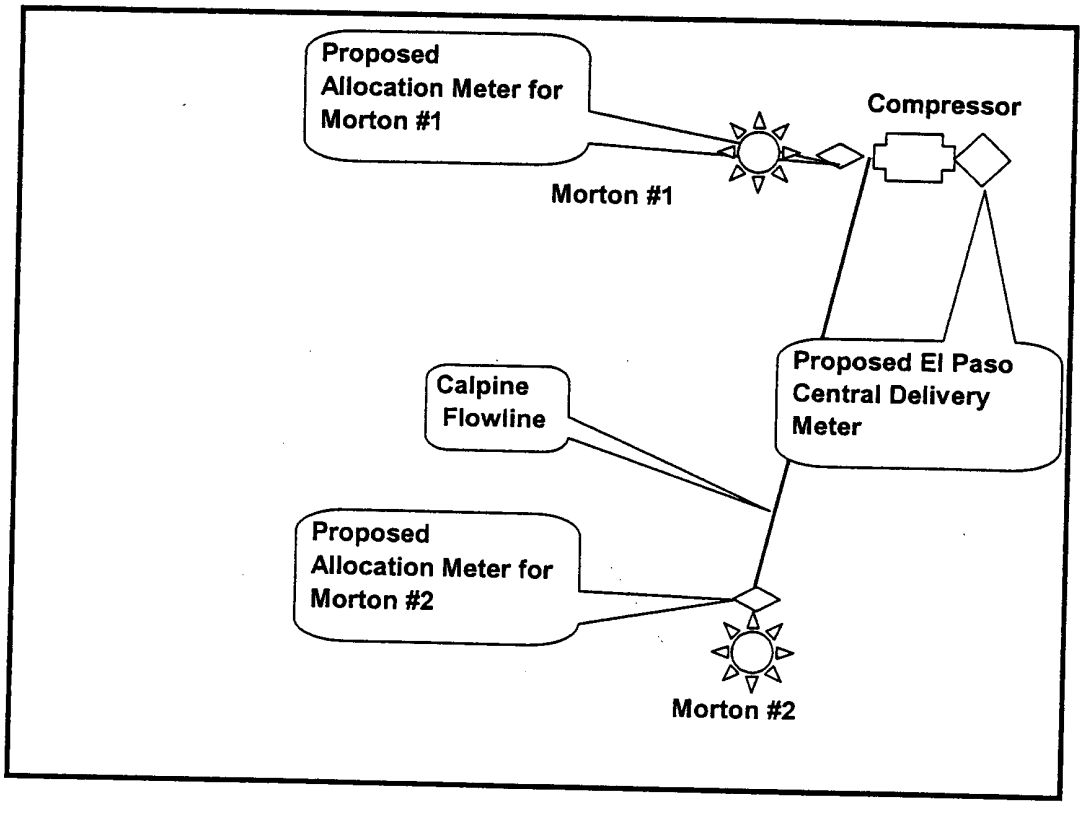
Attached please find a diagram of the surface commingling proposal.

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,

Hugo Cartaya
Rocky Mountains Production Manager

E/2 Section 23-30N-14W
San Juan County, New Mexico
(not to scale)



CALPINE

CALPINE NATURAL GAS L.P.
TABOR CENTER
1200 17TH STREET, SUITE 770
DENVER, COLORADO 80202
720.359.9144
720.359.9140 (FAX)

March 31, 2003

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

Subject: Morton #1 – NE/4 Section 23-30N-14W
Morton #2 – SE/4 Section 23-30N-14W

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

Hugo Cartaya
Rocky Mountains Production Manager

CALPINE

CALPINE NATURAL GAS L.P.
TABOR CENTER
1200 17TH STREET, SUITE 770
DENVER, COLORADO 80202
720.359.9144
720.359.9140 (FAX)

March 31, 2003

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:

This letter is to notify you that Calpine Natural Gas Company, L.P. has sent letters via certified mail notifying all of the working interest owners, royalty owners and overriding royalty interest owners of Calpine's proposed surface commingling proposal for the application for the Morton #1 and Morton #2. Attached please find copies of the letters and packages sent to the interested partners.

Sincerely,

Hugo Cartaya
Director - Rocky Mountain Production

CALPINE

CALPINE NATURAL GAS L.P.
TABOR CENTER
1200 17TH STREET, SUITE 770
DENVER, COLORADO 80202
720.359.9144
720.359.9140 (FAX)

April 18, 2003

Bureau of Land Management
1235 La Plata Hwy
Suite A
Farmington, New Mexico 87401

Re: Additional Information for Surface Commingling
Morton #1 (API No. 30-045-25506)
Morton #2 (API No. 30-045-25766)

Dear Mr. Lovato

In response to your request for additional information, Calpine Natural Gas Company, L.P. wishes provide the following:

EQUIPMENT ON FACILITIES

Each of the referenced wells have been equipped as follows:

Equipment	Description	Gas Utilization (MCFPD)	Source of Gas Used
Separator	24" x 10' Horizontal 500#	0	No burners necessary, therefore no gas used.
Pumping Unit	114 Powered by C-46 Arrow Engine	4	Manufacturer's Rating
Barton Meter	Chart meter recorder	0	

In addition, there will be a compressor located at the Morton #1 which will compress the gas from the three wells and delivered into El Paso at a CPD meter. We anticipate that the compressor will be approximately 300 horsepower (HP) to discharge at 325# and deliver approximately 400 MCFPD. Based on 300 HP with a 10% reduction for altitude the useable HP would be 270. Assuming fuel usage of 10 cf/hr multiplied by the useable HP, the anticipated fuel usage would be 64.8 MCFPD. Once the wells are completed and more accurate production volumes are known, a compressor will be selected for the CPD location. We will use the actual manufacturer's rating for fuel usage for the specific engine at that time.

NATURAL GAS PIPELINE

A mechanical integrity test will be performed on the pipeline prior to utilization. The pipeline will be tested using Nitrogen to 250# and held for a period of 4 hours. Upon completion of the test, we will provide documentation.

ESTIMATED MONTHLY GAS PRODUCTION AND GAS ANALYSIS

The Morton #1 is the nearest well in the NE/4 Section 22-30N-14W. It is completed and produces from the PC and the Fruitland coals commingled. The well has produced an average of 141 MCFPD in 14 days in April. Attached is the monthly gauge sheet. We anticipate that production will increase to approximately 200 MCFPD as the well is dewatered. We anticipate that the Morton #2 will produce similar to the Morton #1.

Attached is gas analysis taken by El Paso on 1/27/03 on the Morton #1. The dry BTU was calculated to be 1009. We anticipate that the Morton #2 will have a similar BTU analysis.

ALLOCATION FORMULA

We will be installing meter recorders at each well and a gas analysis will be taken on the Morton #2 when production begins. Gas samples will be taken according to BLM's On Shore Order No. 5.

The individual well production, allocated individual well BTU's and the allocated individual well gas revenues will be allocated according to the allocation formula attached.

As both of these wells lie on the same lease and all interest owners are common, no off lease measurement information was provided.

Please feel free to call if you have any questions.

Sincerely,

Hugo Cartaya
Director – Rocky Mountains Operations

Proposed Allocation Formula

Base Data:

W= Volume (MCF) from Well Allocation Meter
X = Volume (MCF) from CPD Sales Meter
Y= BTU's From CPD Sales Meter
Z= Gas Revenue ($) from CPD Sales Meter

1. Individual Well Production = A+B+C+D+E

A= Allocated Sales Volume, MCF
= (W/SUM W) x X

B = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF.
Calculated sing equipment specifications and pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by (W/SUM W) for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volumes will be determined using industry accepted procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by (W/SUM W).

2. Allocated Individual Well BTU's = ((W x Individual well BTU)/Sum (W x individual well BTU)) x Y
Individual well gas heating values to be determined in accordance with BLM's On Shore Order No. 5.

3. Allocated Individual Well Gas Revenues = (Allocated Individual well BTU's/ Sum Allocated Individual Well BTU's) x Z.

Month : 4 Year : 2003

Well Name : **Morton #1** Pool : Twin Mounds - PC

Tank #	17752
Size	400 Bbl.
Bbls./In.	1.67
Meter Coefficient :	

Meter : 3 1/4" Range : 150 Spring : 500# Orifice : 0.625

				Line	Compressor		Water gauge			Water	Water	Remarks
Day	MCFPD	FTP	FCP	Pressure	Suction	Discharge	Ft	Inches	Bbls.	Hauled	Prod	
Prev.							3	0.00	60	Bbls.	Bbls.	
1	117			285			3	0.00	60		0	Pump jack down. Haul 80bbls.
2	173	0	6	291	6	270	3	0.00	60		0	Haul 160bbls.
3	224			294			3	0.00	60		0	Haul 160bbls.
4	131			286			3	0.00	60		0	Pump jack down. Haul 160bbls.
5	136			292			3	0.00	60		0	Comp down.
6	162			305			3	0.00	60		0	
7	118			331			3	0.00	60		0	Pump jack down. Haul 160bbls.
8	123			336			3	0.00	60		0	
9	171			349			3	0.00	60		0	Haul 80bbls.
10	182			351			3	0.00	60		0	Haul 240bbls.
11	120			356			3	0.00	60		0	Pump jack down. Haul 80bbls.
12	65	0	13	348	13	338	3	0.00	60		0	Comp down. Hlp. Haul 80bbls.
13	35			343			3	0.00	60		0	Comp down. Hlp
14	215			273			3	0.00	60		0	
15							3	0.00	60		0	
16							3	0.00	60		0	
17							3	0.00	60		0	
18							3	0.00	60		0	
19							3	0.00	60		0	
20							3	0.00	60		0	
21							3	0.00	60		0	
22							3	0.00	60		0	
23							3	0.00	60		0	
24							3	0.00	60		0	
25							3	0.00	60		0	
26							3	0.00	60		0	
27							3	0.00	60		0	
28							3	0.00	60		0	
29							3	0.00	60		0	
30							3	0.00	60		0	
31							3	0.00	60		0	

Totals 1972 **Days Produced :** 14 0 0

Average 141 **Average Line Pressure:** 317 14

BLM Gas Analysis

)s0b0T

Accounting/Production Period: 03/2003

CALPINE NATURAL GAS COMPANY LP
Recipient Code: 110292448
Location Code: NA DRN
Report Date/Time: 04/11/2003 11:16

y Statement
) (832)676-7958

Reporting Basis: MCF @ 14.730

#1 Device: (No spec equip) GPA Version: GPAEP97

)le Date	Dry BTU	Wet BTU	Gravity
?7/2003	1009	991	0.5651

	Methane	Ethane	Propane	Butane	Iso Butane	Pentane	Iso Pentane	Neo Pentane	Hexane	Heptane	Octane	H2S	CO2	Nitrogen	Total
Mole %-	98.58	0.26	0.08	0.02	0.02	0.00	0.01	0.00	0.02	0.00	0.00	0.00	0.46	0.56	100.00
GPM-		0.0688	0.0219	0.0068	0.0054	0.0017	0.0025	0.0000	0.0069						0.1139

#4 Device: (No spec equip) GPA Version: GPAEP97

)le Date	Dry BTU	Wet BTU	Gravity
)3/2002	1116	1097	0.6347

	Methane	Ethane	Propane	Butane	Iso Butane	Pentane	Iso Pentane	Neo Pentane	Hexane	Heptane	Octane	H2S	CO2	Nitrogen	Total
Mole %-	91.06	4.29	2.02	0.57	0.37	0.15	0.21	0.00	0.37	0.00	0.00	0.00	0.78	0.18	100.00
GPM-		1.1474	0.5566	0.1797	0.1210	0.0543	0.0768	0.0000	0.1614						2.2973