



CALPINE

PKRV0309352975 WVS ALC

4/22/03

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

RECEIVED

APR 2 2003

Oil Conservation Division

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.

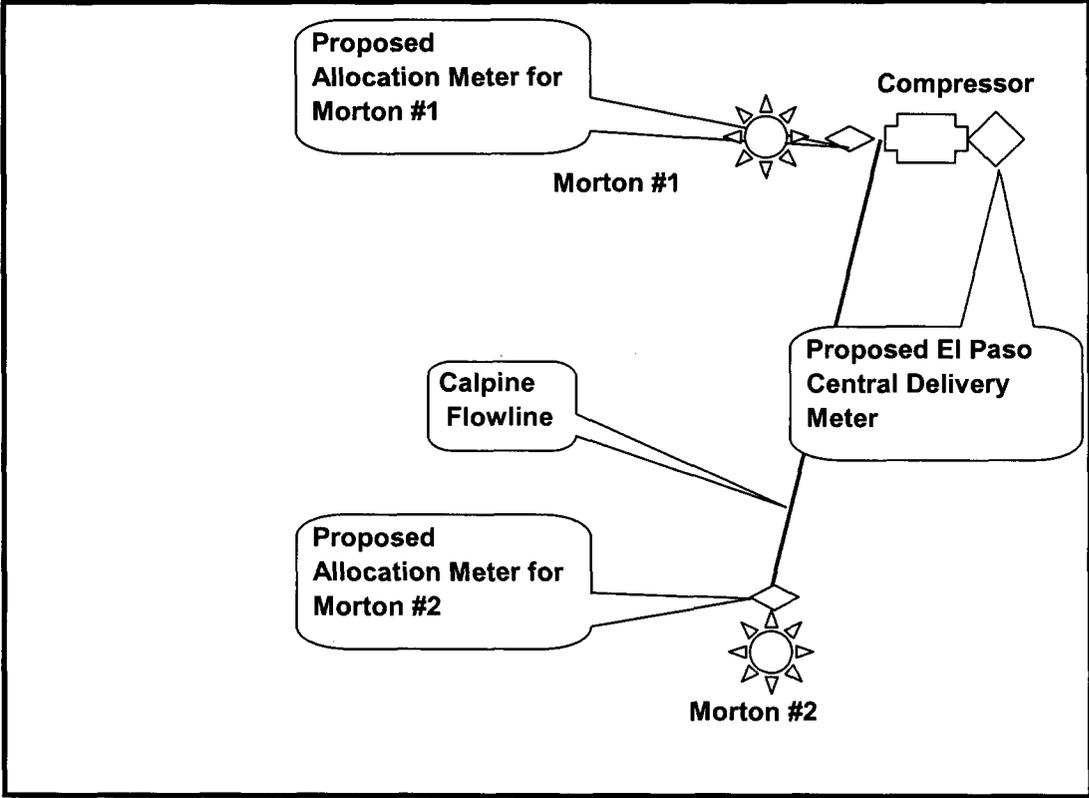
Calpine Natural Gas Company, L.P. is requesting administrative approval to grant an exception to Rule 303A. Please feel free to call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Hugo Cartaya". The signature is written in a cursive, flowing style.

Hugo Cartaya  
Rocky Mountains Production Manager

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





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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  
Rocky Mountains Production Manager



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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