



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: Tiger #1 - 1325' FSL & 1635' FEL, Section 35-30N-13W.

Tiger #2 - 1087' FSL & 1592' FWL Section 35-30N-13W.

Golden Bear #3 - 813' FNL & 1501' FEL, Section 2-29N-13W.

Tiger #17 - 660' FSL & 905' FWL, Section 35-30N-13W.

Golden Bear #5 - 1420' FNL & 1850' FEL, Section 2-29N-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 5 wells in Section 35-30N-13W and Section 2-29N-13W. These five wells are the Tiger #1, Tiger #2, Golden Bear #3, Tiger #17 and the Golden Bear #5.

The Tiger #1 (API No. 30-045-29495) is located 1325' FSL and 1635' FEL Section 35-30N-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. This meter will become an allocation meter for this well.

The Tiger #2 (API No. 30-045-29499) is located 1087' FSL and 1592' FWL Section 35-30N-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. This meter will become an allocation meter for this well.

The Golden Bear #3 (API No. 30-045-29421) is located 813' FNL and 1501' FEL Section 2-29N-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. This meter will become an allocation meter for this well.

The Tiger #17 (API No. 30-045-30823) is a newly drilled well which is located 660' FSL and 905' FWL Section 35-30N-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 Golden Bear #3 location.

The Golden Bear #5 (API No. 30-045-30765) is a newly drilled well which is located 1420' FNL and 1850' FEL Section 2-29N-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 Golden Bear #3 location.

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

- 1.) El Paso Natural Gas will install a new central delivery point at or near the Golden Bear #3. This will serve as the sales meter for the Tiger #1, Tiger #2, Golden Bear #3, Tiger #17 and the Golden Bear #5.
- 2.) Utilize the existing compression facility at the Golden Bear #3 location to compress and surface commingle the gas from the Tiger #1, Tiger #2, Golden Bear #3, Tiger #17 and the Golden Bear #5.
- 3.) Convert the existing El Paso Natural Gas Company meter at the Golden Bear #3 to an allocation meter.
- 4.) Convert the existing El Paso Natural Gas Company meter at the Tiger #1 to an allocation meter.
- 5.) Convert the existing El Paso Natural Gas Company meter at the Tiger #2 to an allocation meter.
- 6.) Install an allocation meter at the Tiger #17.
- 7.) Install an allocation meter at the Golden Bear #5.
- 8.) The compressor fuel use will be determined by the compressor rating and allocated based on the individual well production.
- 9.) The sales for each well will be based on the gas sales from the central delivery point allocated back based on each well's allocation meter volume..

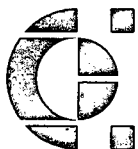
Attached please find a diagram of the surface commingling proposal.

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 fluid and cursive, with the first name "Hugo" and last name "Cartaya" clearly distinguishable.

Hugo Cartaya
Rocky Mountains Production Manager



CALPINE

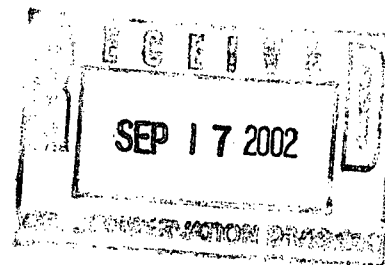
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NA 10/6/02
CALPINE NATURAL GAS COMPANY
TABOR CENTER
1200 17th STREET, SUITE 770
DENVER, COLORADO 80202
720.359.9144
720.359.9140 (FAX)

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 5 wells in Section 35-30N-13W and Section 2-29N-13W. These five wells are the Tiger #1, Tiger #2, Golden Bear #3, Tiger #17 and the Golden Bear #5.

SE 1/4 Sec 35
The Tiger #1 (API No. 30-045-29495) is located 1325' FSL and 1635' FEL Section 35-30N-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. This meter will become an allocation meter for this well.

SW 1/4 Sec 35
The Tiger #2 (API No. 30-045-29499) is located 1087' FSL and 1592' FWL Section 35-30N-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. This meter will become an allocation meter for this well.

NE 1/4 Sec 2
The Golden Bear #3 (API No. 30-045-29421) is located 813' FNL and 1501' FEL Section 2-29N-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. This meter will become an allocation meter for this well.

S 1/2 Sec 35
The Tiger #17 (API No. 30-045-30823) is a newly drilled well which is located 660' FSL and 905' FWL Section 35-30N-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 Golden Bear #3 location.

*A = Fed
B = State
G, H = Fed*

all Fed

N/R
SAR

The Golden Bear #5 (API No. 30-045-30765) is a newly drilled well which is located 1420' FNL and 1850' FEL Section 2-29N-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 Golden Bear #3 location.

Fig = Root
= A
= B, C, D

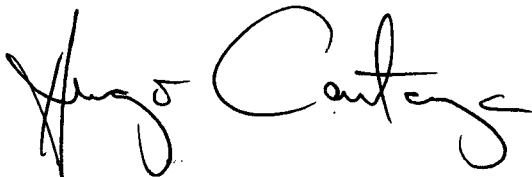
Calpine Natural Gas Company, L.P. proposes the following:

- 1.) El Paso Natural Gas will install a new central delivery point at or near the Golden Bear #3. This will serve as the sales meter for the Tiger #1, Tiger #2, Golden Bear #3, Tiger #17 and the Golden Bear #5.
- 2.) Utilize the existing compression facility at the Golden Bear #3 location to compress and surface commingle the gas from the Tiger #1, Tiger #2, Golden Bear #3, Tiger #17 and the Golden Bear #5.
- 3.) Convert the existing El Paso Natural Gas Company meter at the Golden Bear #3 to an allocation meter.
- 4.) Convert the existing El Paso Natural Gas Company meter at the Tiger #1 to an allocation meter.
- 5.) Convert the existing El Paso Natural Gas Company meter at the Tiger #2 to an allocation meter.
- 6.) Install an allocation meter at the Tiger #17.
- 7.) Install an allocation meter at the Golden Bear #5.
- 8.) The compressor fuel use will be determined by the compressor rating and allocated based on the individual well production.
- 9.) The sales for each well will be based on the gas sales from the central delivery point allocated back based on each well's allocation meter volume..

Attached please find a diagram of the surface commingling proposal.

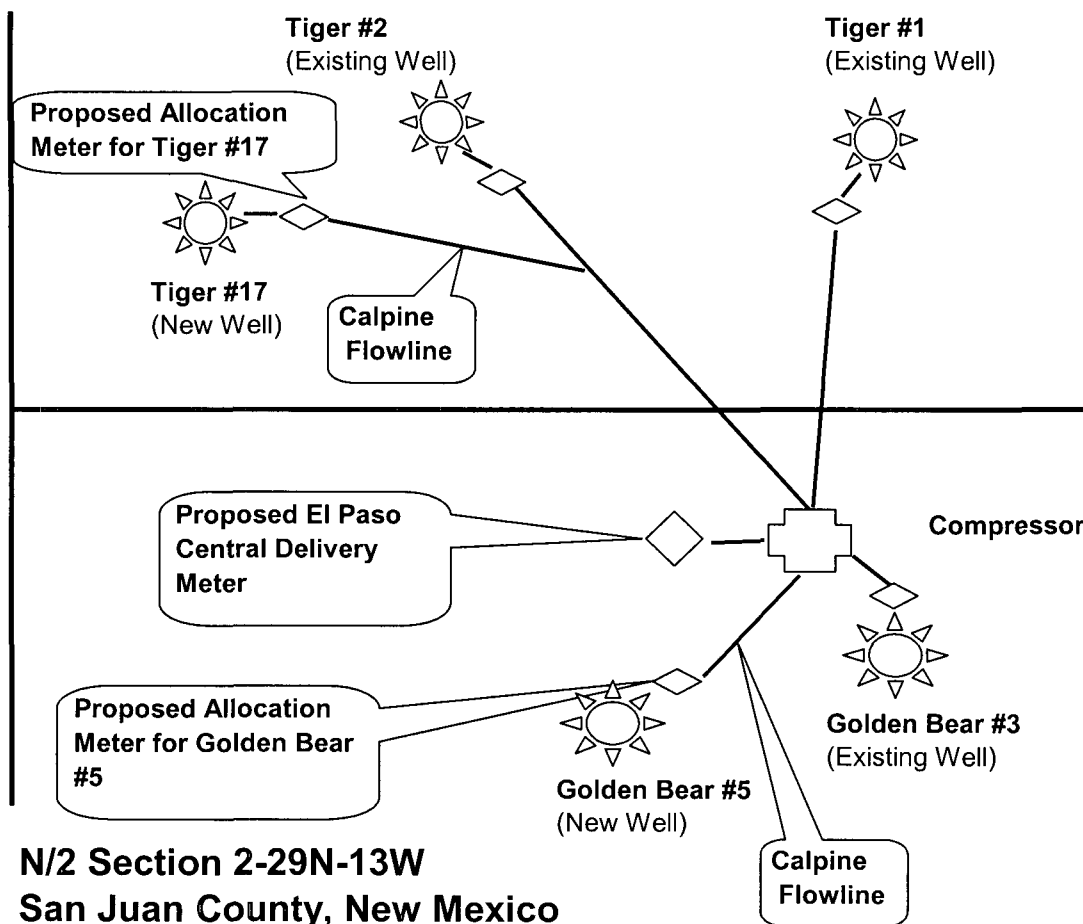
Calpine Natural Gas Company, L.P. is requesting administrative approval to grand an exception to Rule 303A. Please feel free to call me if you have any questions.

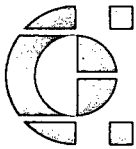
Sincerely,



Hugo Cartaya
Rocky Mountains Production Manager

S/2 Section 35-30N-13W
San Juan County, New Mexico
(not to scale)





CALPINE



CALPINE NATURAL GAS COMPANY

TABOR CENTER

1200 17th STREET, SUITE 770

DENVER, COLORADO 80202

720.359.9144

720.359.9140 (FAX)

September 18, 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

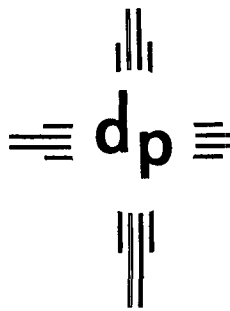
Dear Mr. Will Jones:

This letter is to notify you that Calpine Natural Gas Company, L.P. sent letters via certified mail on September 16, 2002 notifying all of the working interest owners, royalty interest owners and overriding royalty interest owner of Calpine's proposed surface commingling proposal for the five applications sent last week. Attached please find copies of the letters and the packages sent to the interested parties.

Thanks for all of your help.

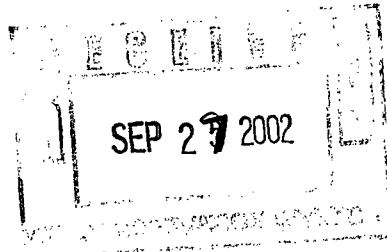
Sincerely,

Hugo Cartaya
Rocky Mountains Production Manager



dugan production corp.

September 24, 2002



Mr. Hugo Cartaya
Calpine Natural Gas Company
Tabor Center
1200 17th Street, Suite 770
Denver, CO 80202

Re: Calpine's Surface Commingling Application Dated 09-11-02
Golden Bear Wells No. 3 & 5 and Tiger Wells No. 1, 2 & 17
Sections 2 (T-29N-13W) & 35 (T-30N-13W)

Dear Mr. Cartaya,

The subject application was received by Dugan Production Corp. on 09-23-02. The application states that "commonly owned production" is being commingled. We do not believe this is correct. Upon reviewing Dugan's records, we have a small overriding royalty interest in the Golden Bear No. 3 and will have an overriding royalty interest in the Golden Bear No. 5 (different from the overriding royalty interest in the #3 well), but have not received Division Orders on this well. Dugan has no interest in the Tiger wells.

In addition, since the heating value of gas from the Fulcher Kutz PC will likely be different than that of gas from the Basin Fruitland Coal, we believe that the allocation of gas sales should be based upon BTU's rather than allocation meter volumes.

We do support the concept of surface commingling and agree your proposal has merits; however, as an interest owner in only part of the wells, we need more information as to how the allocation meters will be maintained, the gas volumes will be determined, and how the differences in gas values will be handled. In addition, it appears that there will also be a need for off-lease measurement for the Tiger wells.

By copy of this letter, I am advising the NMOCD of our concerns. Dugan does not object to your proposal, but believes there are issues your application does not adequately address.

Sincerely yours,

John D. Roe
Engineering Manager

JDR:sh

cc: NMOCD - Santa Fe
Attention Mr. David Catanach