Consumers Energy

A CMS Energy Company

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July 18, 2000

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-12530
(In The Matter Of The Application Of Consumers Energy Company For Approval Of A Price Change Under Its January 1, 1991 Gas Purchase Agreement With Delta Energy Corporation, As Amended)

Dear Ms. Wideman:

Enclosed for filing in the above-referenced matter, are an original and four copies of Consumers Energy Company's **Application**.

Sincerely,

Francis X. Berkemeier

Francis X. Berkemeier

CC: Delta Energy Corporation

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of CONSUMERS ENERGY COMPANY for approval of a price change under its January 1, 1991 gas purchase agreement with Delta Energy Corporation, as amended.	)))))	Case No. U-12530

APPLICATION

Consumers Energy Company ("Consumers"), formerly known as Consumers Power Company, pursuant to Section 10 of 1929 PA 9, as amended; MCLA 483.110, hereby files this application for approval of a price change under its January 1, 1991 gas purchase agreement with Delta Energy Corporation ("Delta") as amended by amendments dated June 20, 1991, December 2, 1991, April 1, 1993, July 7, 1997 and May 26, 2000 ("Subject Agreement"), a copy of which is attached hereto as Exhibit A. In support hereof, Consumers shows the following:

1. Consumers is a corporation organized and existing under the laws of the State of Michigan, having its principal office at 212 West Michigan Avenue, Jackson, Michigan 49201. It is a public utility subject to the jurisdiction of this Commission and is engaged in, among other things, the purchase, distribution and sale of natural gas at retail to approximately 1.6 million customers within the State of Michigan.

2. By virtue of the above-mentioned May 26, 2000 amendment, the price of gas under the Subject Agreement is scheduled to change from $2.40 per MMBtu to $3.25 per MMBtu for 2001-2003 ("New Price"), effective January 1, 2001.

3. The New Price was contemplated by Section 6.4 of the Subject Agreement which provides that:

> "Subject to the other provisions hereof the price to be paid by Buyer to Seller for gas purchased and sold hereunder for the period beginning January 1, 2001 through December 31, 2003 shall be fixed by negotiations between the parties, such negotiations to be completed by July 1, 2000."

4. The current price of $2.40 per MMBtu has been in effect since January 1, 1995 after being approved by the MPSC in a June 16, 1994 Order in Case No. U-10583.

5. The New Price is the result of extensive negotiations and arms-length bargaining. Although it represents an increase in the price paid under the Subject Agreement, Consumers submits that the price is just and reasonable based on the information contained in Exhibit B.

6. MCLA 460.6 provides in pertinent part that:

> ". . . any alteration or amendment in rates or rates schedules applied for by any public utility which will result in no increase in the cost of service to its customers may be authorized and approved without any notice or hearing."

Consumers submits that ex-parte approval is appropriate in this instance, as it was in Case No. U-10583 where the current price of $2.40 per MMBtu was approved, because any approval that is granted by the Commission in this Case to change the price that Consumers pays for gas under the Subject Agreement will, by itself, result in no increase in the cost of service to Consumers' customers in that the recovery of Consumers' gas costs are determined pursuant to separate hearings conducted in accordance with MCLA 460.6(h).

WHEREFORE, Consumers respectfully requests that the Commission issue an Order:

A. Approving the New Price of $3.25 per MMBtu effective January 1, 2000.

B. Granting such other and further relief as the Commission may deem appropriate.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: July 18, 2000

By: Michael J. Shore

Michael J. Shore
Executive Director
– Gas Management Services

Francis X. Berkemeier

David A. Mikelonis, Senior Vice President
And General Counsel
Francis X. Berkemeier, Attorney
Business Address:
212 West Michigan Avenue
Jackson, Michigan 49201
(517) 788-2115

Attorneys for Consumers Energy Company

VERIFICATION

STATE OF MICHIGAN)
) SS.
COUNTY OF JACKSON)

Michael J. Shore, being first duly sworn, deposes and says that he is an Executive Director – Gas Management Services of Consumers Energy Company, Applicant herein; that he has read the foregoing Application by him subscribed for and on behalf of said Applicant; that he knows the contents thereof to be true except on matters of information and belief, which he believes to be true, and that he is authorized to subscribe to said Application on behalf of Consumers Energy Company.

Michael J. Shore

Michael J. Shore

Subscribed and sworn to before me this 18th day of July, 2000.

Sammie B. Dalton

Sammie B. Dalton
Notary Public, Jackson, County, Michigan
My Commission Expires: 01/04/2004

Exhibit A

DELTA ENERGY CORPORATION

Seller

and

CONSUMERS POWER COMPANY

Buyer

NATURAL GAS PURCHASE AGREEMENT

January 1, 1991

CT1290-0025A-FS05

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NATURAL GAS PURCHASE AGREEMENT

THIS AGREEMENT, effective as of January 1, 1991, is entered into by and between CONSUMERS POWER COMPANY, a Michigan corporation hereinafter referred to as Buyer, and DELTA ENERGY CORPORATION, an Illinois corporation hereinafter referred to as Seller.

W I T N E S S E T H

WHEREAS, Seller owns an interest in certain oil and gas wells and desires to sell certain gas which is produced therefrom, all in accordance with the terms and conditions hereof; and

WHEREAS, Buyer, a public utility engaged in the distribution and sale of gas within the State of Michigan, is willing to purchase gas owned or controlled by Seller which Seller now has the right to sell and deliver to Buyer; and

WHEREAS, Seller and Buyer have previously contracted for the sale and purchase of gas under contracts dated July 1, 1974, July 1, 1977, July 1, 1979 and December 1, 1983, respectively; and

WHEREAS, the December 1, 1983 contract terminates on December 31, 1990 and the July 1, 1974, July 1, 1977 and July 1, 1979 contracts terminate on November 1, 1991 and Seller and Buyer wish to terminate all of the contracts on December 31, 1990 and combine all three into one sale and purchase contract effective January 1, 1991;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 The following terms, when used in this Agreement, shall have the following meanings:

A. Amoco Gas Processing Plant shall mean that plant so identified in the definition of "Delivery Point" below.

B. The term "Btu" shall mean a British thermal unit.

C. The term "Delivery Point" or "Point of Delivery" means the outlet of the Amoco Gas Processing Plant situated in Section 31, Township 27 North, Range 7 West, Kalkaska Township, Kalkaska County, Michigan.

D. The term "Contract Wells" shall mean the wells set forth on Exhibits "A" and "B" but only with respect to production from the Niagaran formation.

E. The term "Contract Year" shall mean a calendar year.

F. The term "cubic foot of gas" shall mean the volume of gas contained in one (1) cubic foot of space at a pressure of fifteen and twenty-five thousandths (15.025) psia, at a temperature of sixty degrees (60°) Fahrenheit.

G. The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 7:00 AM Eastern Standard Time (EST).

H. The term "gas" shall mean and include natural gas produced from gas wells (gas well gas), gas which immediately prior to being produced from a reservoir is in solution with crude oil, or dispersed in an intimate association with crude oil, or in contact with crude oil across a gas-oil contact (casinghead gas), or residue gas resulting from the processing of either or both casinghead gas and gas well gas.

I. The term "Heating Value" shall mean the quantity of heat, in Btu, produced by the complete combustion of a cubic foot of gas under standard conditions at constant pressure with air of the same temperature and pressure as the gas where the products of combustion are cooled to the initial temperature of the gas and air and where water formed by the combustion is condensed to a liquid state, all adjusted to reflect the actual water vapor content of the gas delivered. Standard conditions for the gas shall be a temperature of sixty degrees (60°) Fahrenheit, and a pressure of fifteen fifteen and twenty-five thousandths (15.025) psia.

J. The term "lease" shall mean any written instrument which gives Seller the rights to drill for, produce, and dispose of gas in, under, and from the lands described therein.

K. The term "Mcf" shall mean one thousand (1,000) cubic feet of gas.

L. The term "MMBtu" shall mean a quantity of gas having a Heating Value of one million (1,000,000) Btu.

M. The term "month" shall mean the period beginning at 7:00 AM Eastern Standard Time (EST) on the first day of a calendar month and ending at 7:00 AM EST on the first day of the next succeeding calendar month.

N. The term "Prime Rate" shall mean the fluctuating per annum lending rate of interest from time to time published by the National Bank of Detroit or its successor for creditors having a credit rating equal to or better than that required to qualify for such banks lowest commercial rate of interest without a third party's guarantee of the debt.

O. The term "psia" shall mean pounds per square inch absolute.

P. The term "psig" shall mean pounds per square inch gauge.

ARTICLE II

TERM OF AGREEMENT

This Agreement, subject to the right of termination provided in Article VII and possible extension as provided for in Article V, shall be effective from the date hereof and shall continue in full force and effect through December 31, 1994.

ARTICLE III

COMMITMENT OF WELLS AND GAS

Seller, during the term of this Agreement and subject to the reservations of Article IV, commits to this Agreement the wells described on Exhibits "A" and "B" to the extent that Seller's gas from or attributed to any well so committed that is produced or attributed to the Niagaran formation may not be contracted under another contract, and that during such period of commitment Seller shall sell gas that is so produced therefrom or attributable thereto to Buyer, subject to all of the terms and conditions hereof.

ARTICLE IV

SELLER'S RESERVATIONS

4.1 Seller reserves and excepts from the terms of this Agreement the following:

(a) All oil and condensate separated and saved by Seller.

(b) Liquefiable hydrocarbons subject to Seller's extracting or arranging for the extraction thereof prior to the delivery of the gas to Buyer.

(c) Nonhydrocarbon substances subject to Seller's extracting or arranging for the extracting thereof prior to delivery of the gas to Buyer.

(d) Gas for development and field operations on any of Seller's wells, including fuel for the operation of compression facilities used by or on behalf of Seller.

(e) Gas for repressuring, pressure maintenance, cycling, and gas lift in a closed system.

(f) Gas which is required to be furnished lessors under any lease covering a well committed hereto or wells pooled or unitized therewith.

(g) Gas attributable to any well now owned by Seller which is subject to any prior obligation or reservation made by a third party or Buyer for the purchase and sale of such gas.

4.2 Seller also reserves to itself the following:

(a) The right to operate its property, free from any control by Buyer, in such manner as Seller in its sole discretion may deem advisable, including, without limitation by enumeration, the right to drill new wells, to test wells, to repair and rework wells, and to abandon any well and the right to renew, extend, release, surrender or permit to expire any lease as Seller deems best in its sole and exclusive discretion.

(b) The right to unitize any of its leases with other properties of Seller and of others in such manner as to protect Buyer's rights hereunder, in which event this Agreement will cover Seller's interest in the unit and gas attributable thereto, to the extent that such interest is derived from commitments of gas made hereunder. The term "unit" as used in this subparagraph shall mean either: (1) any unit recognized by the state regulatory agency having jurisdiction, or (2) other pooling of acreage not requiring recognition by a regulatory agency in which acreage is contributed from two or more leases.

ARTICLE V

QUANTITY

Buyer agrees to purchase and take from Seller, and Seller agrees to sell and deliver to Buyer, the gas committed under Article III hereof.

ARTICLE VI

PRICE

6.1 Subject to the other provisions hereof, the price to be paid by Buyer to Seller for gas purchased and sold hereunder shall be $2.20 per MMBtu delivered.

ARTICLE VII

BILLING AND PAYMENT

7.1 Seller shall furnish Buyer a detailed statement showing the total quantity of gas delivered by Seller to Buyer hereunder. Such statement shall be based on the Amoco Gas Processing Plant measurements. Such statement shall be submitted as soon as it is available and Buyer's payment shall be due fifteen days after Buyer's receipt of Seller's statement. Upon request, Seller shall furnish Buyer charts and measurement data supporting such statement not later than the twenty-fifth (25th) day of each month.

7.2 Each party shall have the right at reasonable hours to examine the books, records, and charts of the other party to the extent necessary to verify the accuracy of any statement, charge, or computation made pursuant to the provisions hereof. If any such examination reveals any inaccuracy in any billing theretofore made, the necessary adjustment in such billing and payment shall be promptly made, provided that no adjustment for any billing or payment shall be made after the lapse of two (2) years from the rendition thereof unless challenged prior thereto.

7.3 Should Buyer fail to pay any amount due Seller under any provisions of this Agreement when same is due, interest shall accrue at the Prime Rate until all payments, including such interest, are paid and current. If a default in payment continues for sixty (60) days Seller may, in addition to all other rights and remedies, suspend deliveries of gas hereunder and terminate this Agreement. The foregoing provision in this Section shall not apply, however, if Buyer's refusal to pay is the result of a bona fide dispute as to the accuracy of any statement and Buyer pays all amounts not in dispute.

ARTICLE VIII

DELIVERY POINT(S) - LIABILITY

8.1 The Point of Delivery shall be at the tailgate of the Amoco Gas Processing Plant in Kalkaska, Michigan and all costs incurred to produce, compress, transport or process such gas prior to its delivery to Buyer shall, as between Buyer and Seller, be for the account of Seller.

8.2 Title to gas shall pass from Seller to Buyer at the Point of Delivery. Seller shall be in control and possession of the gas delivered hereunder and responsible for any damage or injury caused thereby until the same shall have been delivered by Buyer at the Point of Delivery after which delivery Buyer shall be deemed to be in exclusive control and possession thereof and responsible for any injury or damage caused thereby.

8.3 Seller agrees that it will and hereby does warrant title to all gas sold under this Agreement and the right to sell the same, and that such gas is free and clear from all liens and adverse claims; and Seller agrees to indemnify, defend and save Buyer harmless from and against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons or parties to said gas or to royalties, taxes, license fees or charges with respect thereto, which are a proper charge against Seller, or which may be levied or assessed upon the production of said gas, the operation of Seller's wells, the handling of such gas prior to its delivery to Buyer, or the sale thereof to Buyer.

8.4 Seller undertakes and agrees to maintain and be entirely responsible for its wells, equipment and other facilities up to the Point of Delivery hereinabove specified and further agrees to indemnify, defend and save Buyer harmless from and against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or in any manner connected therewith. Buyer, except as herein otherwise specifically provided, agrees to maintain and be entirely responsible for the facilities beyond the above-mentioned Point of Delivery.

ARTICLE IX

DELIVERY PRESSURE

Seller shall be required to deliver gas hereunder against the varying pressures in the pipeline at the Point of Delivery.

ARTICLE X

QUALITY OF GAS

10.1 The gas delivered hereunder (a) shall not contain more than three percent oxygen by quantity; (b) shall be commercially free from objectionable odors, solid or liquid matter, dust, gum or gum-forming constituents which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters or other appliances through which it flows; (c) shall not contain more than 0.3 grain of hydrogen sulphide per one hundred cubic feet; (d) shall not contain more than twenty grains of total sulfur (including hydrogen sulphide and mercaptan sulfur) per one hundred cubic feet; (e) shall not at any time have a carbon dioxide content in excess of two percent (2%) by volume; and (f) shall not contain an amount of moisture which at any time exceeds seven pounds per million cubic feet; and (g) shall be fully "interchangeable" in accordance with the provisions of AGA Research Bulletin No 36.

10.2 The gas hereunder shall have a total heating value per cubic foot of not less than 960 Btu's nor more than 1,110 Btu's. The term "total heating value per cubic foot" shall mean the number of Btu's produced by the combustion, at constant pressure, of one cubic foot of gas, with air of the same pressure and temperature as the gas, when the products or combustion are cooled to the initial temperature of the gas and air, and when the water formed by the combustion is condensed to the liquid state. This definition applies to this contract regardless of the equipment used to determine the total heating value per cubic foot.

10.3 Should the gas offered for sale to Buyer fail at any time to conform to any of the specifications of this Article, Buyer may notify Seller of any such failure and Seller shall make a diligent effort to correct such failure so as to deliver gas conforming to the above specifications. If Seller is unable to deliver gas conforming to the specifications hereof by treatment consistent with prudent operations and by means which are economically feasible in Seller's opinion, Buyer may, at its opinion, accept delivery of the gas, and at Buyer's sole cost, treat the gas so that it will conform to the subject specifications or Buyer may refuse to take such gas. In the event neither Seller nor Buyer elect to treat gas not meeting the quality specifications hereof, that gas and that gas only shall be released from commitment under the terms hereof.

ARTICLE XI
MEASUREMENT

11.1 Measurement of gas delivered at the Point of Delivery will be based on equipment installed at the Amoco Gas Processing Plant and the reports issued by Amoco or its successor with respect to such measurement.

ARTICLE XII
WARRANTY OF TITLE

Seller hereby warrants title to the gas sold by it hereunder and its right to sell the same, and warrants that all such gas is owned or controlled by it free from all liens, encumbrances and adverse claims. Seller shall indemnify, save and hold Buyer free and harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons to the gas sold by Seller hereunder.

ARTICLE XIII

TAXES

13.1 Seller agrees to pay or cause to be paid all taxes imposed upon gas prior to its delivery to Buyer hereunder or upon any occupation or privilege relating to the production, sale or delivery of such gas to Buyer. Buyer agrees to pay or cause to be paid all taxes imposed on such gas after its receipt by Buyer, or any occupation or privilege relating to the transmission or sale of such gas after its receipt by Buyer.

13.2 As used in this Article XIII, the term "tax" shall mean sales, transaction, occupation, service, production, severance, gathering, transmission, value added, export or excise tax, assessment or fee levied, assessed or fixed by governmental authority, and taxes of a similar nature or equivalent in effect.

13.3 Buyer agrees to deduct from the amount payable to Seller the severance and privilege taxes due from the sale of gas hereunder, and furthermore shall remit and report to the State of Michigan in accordance with the severance and privilege tax statutory filing requirements.

13.4 If either party receives written notice from the other that questions the validity of any tax, the parties will consult with each other as to the best procedure to be followed in the payment of the questioned tax and the means of testing its validity, having due regard for the protection of the interests of both Seller and Buyer. Following such consultation, each party will pursue the course of action it deems proper.

13.5 Buyer shall never be liable for and shall never be obligated to reimburse Seller for any tax levied or assessed upon or with respect to oil, condensate, liquefiable hydrocarbons or other liquids, helium or nonhydrocarbon substances which may be extracted or separated by Seller from gas delivered to Buyer hereunder or upon or with respect to the process of extracting or separating any such products or substances from such gas or of handling, selling, transporting or otherwise dealing in or with any of such products or substances, all of which taxes shall be borne and paid solely by Seller and if paid by Buyer shall be reimbursed by Seller to Buyer.

ARTICLE XIV
ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no conveyance, transfer of any interest, or change of ownership by either party shall be binding upon the other party until such other party has been furnished with a written notice evidencing such conveyance, transfer of interest, or change of ownership and approved it. Such approval shall in no event, however, be unreasonably withheld and it is understood that this provision in no way restricts the rights of Seller as to the transfer or assignment of Seller's leases or property thereon as provided in Section 4.2(a) hereof.

ARTICLE XV

NOTICES

15.1 Any notice, request, demand, statement, or payment provided for in this Agreement shall be sent to the parties hereto at the following addresses:

BUYER: Consumers Power Company
Attn: Director of Gas Supply
1945 West Parnall Road
Jackson, MI 49201

SELLER: Delta Energy Corporation
125 Windsor Drive, Suite 101
Oak Brook, IL 60521

15.2 Either party shall have the right by prior written notice to the other to change its address or addresses given above at any time.

ARTICLE XVI

LAWS AND REGULATIONS

This Agreement, insofar as it is affected thereby, shall be subject to all valid and applicable laws, orders, rules and regulations of Federal, State and any other governmental authorities having jurisdiction. Any party hereto shall have the right to contest the validity of any such law, order, rule or regulation, and the acquiescence therein or compliance therewith for any period of time shall not be construed as a waiver of such right. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan.

ARTICLE XVII

FORCE MAJEURE

17.1 If Buyer or Seller is rendered unable, wholly or in part, by force majeure to perform or comply with any obligations or conditions of this Agreement, such obligations or conditions shall be suspended during the continuance of the inability so caused and such party so rendered unable shall be relieved of liability and shall suffer no prejudice for failure to perform the same during such period, it being understood that Buyer's obligation to take or pay for gas hereunder shall be reduced by the volume which Buyer was unable to take/receive during the period of time the inability exists; provided, obligations to make payment then due for gas delivered hereunder shall not be suspended, and provided further that the cause of suspension (other than strikes, lockouts or labor disputes) shall be remedied insofar as possible with reasonable dispatch. The foregoing not withstanding, settlement of strikes, lockouts, or labor disputes shall be wholly within the discretion of the party having the difficulty.

17.2 The term "force majeure" shall include, without limitation by the following enumeration, acts of God and of the public enemy, unseasonal weather, freezing of wells or lines of pipe, repairing or altering machinery or lines of pipe, fires, accidents, breakdowns, strikes, labor disputes, and any other industrial, civil or public disturbance, inability to obtain materials, supplies, rights-of-way, permits, or labor on customary terms, any act or omission by a third party Transmission Company, or parties not controlled by the party having the difficulty, any act or omission (including failure to take gas) of a purchaser of gas from Buyer which is excused by any event or occurrence of the character herein defined as constituting force majeure, failure of gas supply, and any laws, orders, rules, regulations, acts, or restraints of any governmental body or authority (including disallowance of contract costs by order of the Michigan Public Service Commission), civil or military, or any other cause beyond the control of the parties hereto.

ARTICLE XVIII

MISCELLANEOUS

18.1 No waiver by either party hereto of one or more defaults in the performance of any provision of this Agreement shall operate or be construed as a waiver, by such party, of a future default, whether of a like or a different character.

18.2 All headings appearing herein are for convenience only and shall not be considered a part of this Agreement for any purpose or as in any way interpreting, construing, varying, altering, or modifying this Agreement or any of the provisions hereof.

18.3 Each party hereby agrees to grant to the other, wherever necessary or convenient for carrying out the terms of this Agreement, requisite easements and rights of way over, across and under any land as to which such party has the right to make such grants.

18.4 There shall be no modification of any of the terms and provisions of this Agreement except by the formal execution of supplemental written agreements.

18.5 The July 1, 1974, July 1, 1977 and July 1, 1979 contracts are hereby superseded and replaced by this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed as of the day and year first above written.

WITNESSESS:

BUYER: CONSUMERS POWER COMPANY

By:

SELLER: DELTA ENERGY CORPORATION

By:
James J. Kokenis, President
Delta Energy Corporation
125 Windsor Drive, Suite 101
Oak Brook, IL 60521

EXHIBIT "A"

FOR

GAS PURCHASE CONTRACT

DATED JANUARY 1, 1991

BETWEEN

CONSUMERS POWER COMPANY

AND

DELTA ENERGY CORPORATION

<u>CONTRACT WELLS</u>

Fairway 2-25A St Manistee

Delta Oil 1-23A Walter

Delta 1-4 Walter

Shell 2-26A Walters

EXHIBIT "B"

FOR

GAS PURCHASE CONTRACT

DATED JANUARY 1, 1991

BETWEEN

CONSUMERS POWER COMPANY

AND

DELTA ENERGY CORPORATION

CONTRACT WELLS

Mosbacher 3-31 Guernsey
Mack Oil 1-7A Fewless
Miller Bros 1-26 Springdale
Miller Bros 3-27 St Springdale
Delta GLN 1-34 Franco
GLN 1-9 Jouppi-Wild
Shell 2-11 St Charlton
Shell 1-10 St Charlton
Shell 1-11 St Charlton
Shell 5-7 St Charlton
Shell 1-12 St Corwith
Shell 2-12 St Corwith
Shell 1-14 St Corwith
Shell 1-23 St Corwith
Shell 2-31 St Corwith
Shell 3-31 St Corwith
Shell 3-8A Wistrand

AMENDMENT TO GAS PURCHASE CONTRACTS

THIS AGREEMENT made this 20th day of June 1991, by and between Consumers Power Company, a Michigan Corporation, herein called "Buyer", and Delta Energy Corporation, an Illinois Corporation, herein called "Seller."

WITNESSETH THAT

WHEREAS, Buyer and Seller presently have Gas Purchase Agreements dated January 2, 1988 and January 1, 1991, respectively;

WHEREAS, Buyer and Seller wish to amend the aforementioned Gas Purchase Agreements to clarify purchase and sales limitations under the 1988 agreement and allow for transactions in excess of those limitations under the latter agreement.

NOW, THEREFORE, in consideration of the covenants and promises of each as set forth herein, the parties agree as follows:

1. Article IV, of the January 2, 1988 Gas Purchase Agreement is hereby deleted and replaced with the following:

> 1. Seller shall, promptly after the execution hereof, make available to Buyer such basic noninterpretive information and data in Seller's possession as may reasonably be required by Buyer for the purpose of estimating the amount of Seller's reserves attributable to each well unit then subject to this contract. All information furnished by Seller to Buyer pursuant to this paragraph shall be treated and held as confidential by Buyer and shall not be disclosed to others without Seller's written permission.

2. When a new gas well has been completed, Seller, within thirty (30) days after the completion thereof, shall furnish basic data as hereinbefore provided for other wells and Buyer shall calculate reserves attributable to such new well unit and shall furnish Seller within thirty (30) days after the receipt of such data a written statement of Buyer's estimate of reserves for such well unit.

2. Article V of the January 2, 1988 Gas Purchase Agreement is hereby deleted and replaced with the following:

1. Buyer agrees to purchase and receive from Seller or nevertheless to pay for if available in accordance with the terms hereof but not taken, on a monthly basis, a quantity of gas referred to herein as the Monthly Contract Quantity (MCQ).

2. The MCQ under this Agreement shall, subject to the other provisions hereof including Section 5 below, be 4 million cubic feet per day calculated on a cumulative calendar year to date basis. Any production in any month that is in excess of the MCQ will not be subject to this Agreement, but will instead, up to a limit of 4 million cubic feet per day, be dedicated for sale to Buyer under the terms of the January 1, 1991 Gas Purchase Agreement between Buyer and Seller.

3. In the event of Seller's inability to perform its delivery obligation in accordance with a specific request from Buyer because of a valid force majeure (on the part of either Seller or Buyer), then Buyer's take-or-pay obligation for the time of the force majeure shall be the volume, if any, which Seller was capable of delivering or Buyer of taking, as the case may be, during the period of such force majeure.

4. If for any reason other than force majeure Seller shall fail to make available for delivery the volume requested by Buyer for a given month, the Buyer's take-or-pay obligation for such month shall be the volume so made available.

5. If the total volume of gas well gas actually purchased and taken by Buyer during any month is less than the MCQ, Buyer shall pay Seller for any such deficiency. As to gas from any gas well paid for by Buyer but not taken, Buyer shall have the right during the five (5)

years immediately following the month in which the deficiency was incurred to take any gas paid for but not taken by Buyer hereunder by taking such gas as makeup gas, from volumes in excess of the MCQ. Any gas well gas taken as makeup gas shall be free of additional cost to Buyer. If after five (5) years Seller is unable to deliver gas paid for but not taken by Buyer then Seller shall reimburse Buyer the value, at the time of the deficiency payment, for such gas previously paid for but not taken, such refund, if any, shall be computed assuming that makeup gas is to be accounted for on a first purchased, first taken basis.

3. Section 1 of Article 14 of the January 2, 1988 Gas Purchase Agreement shall be deleted in its entirety and replaced with the following:

1. Buyer, not later than the twenty-fifth (25th) day of each calendar month, shall furnish Seller a detailed statement showing the total quantity of gas that Buyer was committed to take, or nevertheless pay for, hereunder with respect to the preceding calendar month and the amount then due and payable by Buyer therefor, and simultaneously shall make payment to Seller in such amount. Upon request, Buyer shall furnish Seller charts and measurement data supporting such statement.

4. Article I, Definitions, of the January 1, 1991 Gas Purchase Agreement is hereby amended by adding the following definition:

Q. The term "Surplus Antrim Gas" shall mean those quantities of gas, if any, up to ~~4~~ 11 million cubic feet per day, which Seller could produce and sell to Buyer under an earlier agreement between the parties dated January 2, 1988, as amended, were it not for a 4 million cubic feet per day limit under that earlier agreement.

5. Article III, Commitment of Wells and Gas, of the January 1, 1991 Gas Purchase Agreement is hereby amended by inserting the following words on the second line following the word "Agreement":

"Surplus Antrim Gas and"

Except as herein specifically agreed to, the above mentioned January 2, 1988 and January 1, 1991 Gas Purchase Agreements remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this amendment by their duly authorized officials on the day first above written.

CONSUMERS POWER COMPANY

By ______________________

DELTA ENERGY CORPORATION

By ______________________ CST.

AMENDMENT TO GAS PURCHASE CONTRACT

THIS AGREEMENT made this 1st day of April 1993, by and between Consumers Power Company, a Michigan Corporation, herein called "Buyer" and Delta Energy Corporation an Illinois Corporation, herein called "Seller".

WITNESSETH THAT

WHEREAS, Buyer and Seller presently have a Gas Purchase Agreement dated January 1, 1991;

WHEREAS, that agreement was modified by amendments dated June 20, 1991 and December 2, 1991 respectively;

WHEREAS, Buyer and Seller wish to further amend the aforementioned Gas Purchase Agreement with respect to volume limitations, price and term;

NOW, THEREFORE, in consideration of the covenants and promises of each as set forth herein, the parties agree as follows:

1. Article I, Definitions, Item Q is hereby amended by deleting the first "4" and replacing it with "11".

2. Article II, TERM OF AGREEMENT, is hereby amended by deleting "1994" and replacing it with "2003".

3. Article VI, PRICE is hereby amended by adding the phrase "through December 31, 1994" at the end of Section 6.1 and adding new Sections 6.2, 6.3 & 6.4.

   6.2 Subject to the other provisions hereof the price to be paid by Buyer to Seller for gas purchased and sold hereunder for the period January 1, 1995 through December 31, 1997 shall be $2.40 per MMBtu delivered.

   6.3 Subject to the other provisions hereof the price to be paid by Buyer to Seller for gas purchased and sold hereunder for the period January 1, 1998 through December 31, 2000 shall be fixed by negotiations between the parties, such negotiations to be completed by July 1, 1997.

6.4 Subject to the other provisions hereof the price to be paid by Buyer to Seller for gas purchased and sold hereunder for the period beginning January 1, 2001 through December 31, 2003 shall be fixed by negotiations between the parties, such negotiations to be completed by July 1, 2000.

Except as herein specifically agreed to, the above mentioned January 1, 1991 Gas Purchase Agreement remains unchanged and in full force and effect. This amendment shall be effective as of April 1, 1993 except in so far as it relates to a change in price. Any change in price shall be subject to approval of the MPSC.

IN WITNESS WHEREOF, the parties hereto have executed this amendment by their duly authorized official on the day first above written.

CONSUMERS POWER COMPANY

BY ______________________ 9/7/93

R. J. ODLEVAK VICE PRESIDENT

DELTA ENERGY CORPORATION

BY Chris Kokenis
CHRIS KOKENIS, PRESIDENT

CT2-22

MODIFICATION AND AMENDMENT TO GAS PURCHASE CONTRACT

THIS AMENDMENT, made and entered into as of the 1st day of June 1993, by and between CONSUMERS POWER COMPANY, a Michigan corporation, hereinafter referred to as "Buyer", and DELTA ENERGY CORPORATION, an Illinois corporation, hereinafter referred to as "Seller";

WITNESSETH:

WHEREAS, By Gas Purchase Contract dated January 2, 1988, Buyer and Seller entered into an agreement upon the terms, conditions and provisions therein contained and covering the area described on Exhibit A attached thereto; and

WHEREAS, Buyer and Seller amended said Gas Purchase Contract on June 1, 1988, by replacing Exhibit A with First Amended Exhibit A; and

WHEREAS, Buyer and Seller further amended said Gas Purchase Contract under an amendment dated June 20, 1991; and

WHEREAS, Buyer and Seller further amended said Gas Purchase Contract under an amendment dated December 2, 1991; and;

WHEREAS, Buyer and Seller further amended said Gas Purchase Contract under an amendment dated April 1, 1993; and

WHEREAS, Buyer and Seller desire to modify and amend said Gas Purchase Contract to cover and include, in addition to the area now covered and included therein, certain additional areas in Montmorency County, Michigan;

NOW THEREFORE, for and in consideration of the premises, Buyer and Seller mutually agree as follows:

1. Effective as of June 1, 1993, the Third Amended Exhibit A attached to said Gas Purchase Contract is of no further force and effect and there is hereby substituted therefore, effective as of June 1, 1993, the Fourth Amended Exhibit A which is attached hereto and made a part hereof.

2. With respect to Seller's commitments to sell gas to Midland Cogeneration Venture Limited Partnership under an agreement dated September 17, 1990, Seller hereby agrees not to increase the Maximum Daily Quantity under such agreement without the prior consent of Buyer.

3. Except as specifically herein modified and amended, all of the other terms, conditions and provisions of said Gas Purchase Contract as amended are and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed as of the day and year first above written.

WITNESSES:

Michael Ohore

Ray Bigford

BUYER

CONSUMERS POWER COMPANY

By R J Odlevak

R. J. ODLEVAK, VICE PRESIDENT

5/7/93

SELLER

DELTA ENERGY CORPORATION

By Chris Kokenis

Chris Kokenis - President

Orlando Unondero

FOURTH AMENDED EXHIBIT "A"

FOR

GAS PURCHASE CONTRACT

DATED JANUARY 2, 1988

BETWEEN

CONSUMERS POWER COMPANY

AND

DELTA ENERGY CORPORATION

CONTRACT AREA

Acreage which is included in the Production Unit(s) described below or in any other Production Unit which drains gas from a reservoir common to same.

Production Unit	Common Line Tap
Acreage which is described below (attributable to the Antrim Shale Formation only):	

Otsego County, Michigan

T29N-R4W	T30N-R3W	T31N-R3W	Charlton Township, T31N-R1W
T29N-R3W	T30N-R2W	T31N-R2W	Section 32 - Charlton 32, 8184
T29N-R2W	T30N-R1W	T31N-R1W	Dover Township, T31N-R2W
			Section 23 - Dover 23, 8110

Montmorency County, Michigan

T29N-R3E, Sections 1, 2
T30N-R2E, Sections 12, 13, 14, 15, 16, 21, 22, 23, 24, 25, 35, 36
T31N-R1E, Sections 1, 2, 3, 4, 5, 6, 10, 11, 12, 13, 14, 15, 23, 24, 25, 34, 35, 36
T31N-R2E, Sections 17, 18, 19, 20, 29, 30, 31, 32, 33, 34, 35
T30N-R3E, Sections 7, 19, 20, 30, 31, 32
T32N-R1E, Sections 26, 27, 28, 29, 30, 31, 32, 33, 34, 35

NOTE: Gas produced from the sections underlined above is committed only to the extent that in any month it is in excess of the Maximum Daily Quantity committed under a September 17, 1990 contract with Midland Cogeneration Venture.

AMENDMENT TO GAS PURCHASE CONTRACT

THIS AGREEMENT made this 1st day of January 1996, by and between Consumers Power Company, a Michigan Corporation, herein called "Buyer" and Delta Energy Corporation, an Illinois Corporation, herein called "Seller".

WITNESSETH THAT

WHEREAS, Buyer and Seller presently have a Gas Purchase Agreement dated January 1, 1991;

WHEREAS, that agreement was modified by amendments dated June 20, 1991, December 2, 1991 and April 1, 1993, respectively;

WHEREAS, coincident herewith, Buyer and Seller are also entering into an Amendment to Buyer's earlier Gas Purchase Contract with Seller dated January 2, 1988 that modifies Article VII thereof regarding "Delivery Point(s) - Liability."

WHEREAS, Buyer and Seller wish to further amend the aforementioned Gas Purchase Agreement,

NOW, THEREFORE, in consideration of the covenants and promises of each as set forth herein, the parties agree as follows:

1. Article I, Definitions, Item Q, which currently provides "The term "Surplus Antrim Gas" shall mean those quantities of gas, if any, up to 11 million cubic feet per day, which Seller could produce and sell to Buyer under an earlier agreement between the parties dated January 2, 1988, as amended, were it not for a 4 million cubic feet per day limit under that earlier agreement", is hereby amended to read as follows:

    "The term "Surplus Antrim Gas" shall mean those quantities of gas, if any, up to 11 million cubic feet per day, which Seller could produce and sell to Buyer under an earlier agreement between the parties dated January 2, 1988, as amended, were it not for a 4 million cubic feet per day limit under that earlier agreement. Effective January 1, 1997, or such later date, if any, as may be required by Commission Order addressing the coincident amendment in Buyer's January 2, 1988 Gas Purchase Contract with Seller, the 11 million cubic feet per day above shall be raised to 15 million cubic feet per day. In the event the coincident amendment to the aforementioned 1988 contract is denied by order of the Michigan Public Service Commission, this amendment shall be null and void."

2. Article VIII, Delivery Point(s) - Liability, Section 8.1, which currently provides "The Point of Delivery shall be at the tailgate of the Amoco Gas Processing Plant in Kalkaska, Michigan, and all costs incurred to produce, compress, transport or process such gas prior to its delivery to Buyer shall, as between Buyer and Seller, be for the account of Seller", is hereby amended to read as follows:

   "The Point of Delivery shall be at the tailgate of the Amoco Gas Processing Plant in Kalkaska, Michigan, and all costs incurred to produce, compress, transport or process such gas prior to its delivery to Buyer shall, as between Buyer and Seller, be for the account of Seller. Effective the first day of the month following the in-service date of Michigan Consolidated Gas Company's compressors at Goose Creek, Goose Creek shall also be a point of delivery hereunder with the same qualifications set forth above."

Except as herein specifically agreed to, the above mentioned January 1, 1991 Gas Purchase Agreement remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this amendment by their duly authorized official on the day first above written.

CONSUMERS POWER COMPANY

By: ______________________

Its: Director - Gas Supply, Planning & Control

DELTA ENERGY CORPORATION

By: Chris Kofin

Its: President

Consumers Energy

A CMS Energy Company

1945 West Parnall Road
Jackson, MI 49201-8643

Tel: 517 788 2470
Fax: 517 788 1340

Michael J. Shore
Director of Gas Supply
Planning and Control

July 7, 1997

Delta Energy Corporation
Attn: James Kokenis
125 Windsor Drive, Suite 101
Oak Brook, IL 60521

RE: JANUARY 1, 1991 GAS PURCHASE CONTRACT-AMENDMENT

Dear Jim:

Under the terms of the above referenced agreement, as amended, Consumers Energy (Consumers), previously Consumers Power Company, and Delta Energy were to negotiate a price for gas delivered during the period January 1, 1998 through December 31, 2000. Furthermore, such negotiations were to be completed by July 1, 1997.

In keeping with that intent, Consumers and Delta reached agreement last week to set the price for the three years 1998, 1999 and 2000 at $2.40 per MMBtu. We also agreed that the volume limit set forth in Article I, Definitions, Item Q would be raised by 6 million cubic feet per day (from 15 million cubic feet per day to 21 million cubic feet per day) effective January 1, 1998. All other provisions of the referenced Agreement, as amended, are, however, to remain unchanged.

If you are in agreement with these terms please acknowledge by signing this letter and returning it to my attention.

Thank you for your cooperation in this matter and we look forward to continuing the longstanding relationship between Consumers and Delta.

Sincerely,

Michael J. Shore 7/7/8

Agreed to and Accepted this 8th day of July, 1997

Chris Kokenis

Delta Energy Corporation
Chris Kokenis
President

Consumers Energy

A CMS Energy Company

1945 West Parnall Road
Jackson, MI 49201-8643

Tel: 517 788 2470
Fax: 517 788 1340

Michael J. Shore
Executive Director
Gas Management Services

May 26, 2000

Delta Energy Corporation
Attn: James Kokenis
125 Windsor Drive, Suite 101
Oak Brook, IL 60521

RE: JANUARY 1, 1991 GAS PURCHASE CONTRACT - AMENDMENT

Dear Jim:

Under the terms of the above referenced agreement, Consumers Energy (Consumers), and Delta Energy are to negotiate a price for gas delivered during the period January 1, 2001 through December 31, 2003. Furthermore, such negotiations are to be completed by July 1, 2000.

In keeping with that intent, Consumers and Delta agree to set the price for the three years 2001, 2002 and 2003 at $3.25 per MMBtu. All other provisions of the referenced Agreement, as amended, remain unchanged.

If you are in agreement with these terms please acknowledge by signing this letter and returning it to my attention.

Thank you for your cooperation in this matter and we look forward to continuing the longstanding relationship between Consumers and Delta.

Sincerely,

Michael J. Shore

Agreed to and Accepted this 26th day of May, 2000

Chris Kokis, President

Delta Energy Corporation

K:\GASSPC\WP61\MJS\03MJS00

Exhibit B

Bloomberg Natural Gas
Petroleum Product Prices
Detroit

NYMEX NATURAL GAS FUTURES

Date	Natural Gas *City Gate* $/MMBtu	No. 6 *Oil* $/MMBtu	No. 2 *Oil* $/MMBtu	*Propane* $/MMBtu	Natural Gas *2001* $/MMBtu	Natural Gas *2002* $/MMBtu	*Propane* $/Gal	*Propane* $/MMBtu	*No. 2 Oil* $/Gal	*No. 2 Oil* $/MMBtu
07-Apr-00	$3.05	$3.46	$6.00	$5.43	$2.84	$2.74	$0.46	$5.00	$0.63	$4.52
14-Apr-00	$3.18	$3.42	$6.24	$5.43	$2.91	$2.77	$0.46	$5.03	$0.63	$4.51
21-Apr-00	$3.25	$3.54	$7.21	$5.54	$2.92	$2.78	$0.48	$5.21	$0.66	$4.78
28-Apr-00	$3.20	$3.62	$6.01	$5.38	$2.96	$2.80	$0.46	$5.04	$0.66	$4.76
05-May-00	$3.24	$3.66	$6.00	$5.38	$2.94	$2.77	$0.48	$5.27	$0.66	$4.74
12-May-00	$3.48	$3.82	$6.35	$5.54	$3.14	$2.88	$0.53	$5.76	$0.71	$5.15
19-May-00	$3.85	$3.98	$6.60	$6.06	$3.49	$3.16	$0.56	$6.09	$0.73	$5.25
26-May-00	$4.32	$4.14	$6.30	$6.06	$3.85	$3.46	$0.57	$6.26	$0.75	$5.38
02-Jun-00	$4.46	$4.18	$6.05	$6.06	$3.63	$3.27	$0.59	$6.48	$0.73	$5.28
09-Jun-00	$4.01	$4.22	$5.84	$6.42	$3.59	$3.20	$0.56	$6.11	$0.72	$5.21
16-Jun-00	$4.44	$4.30	$6.27	$6.20	$3.79	$3.30	$0.55	$6.04	$0.72	$5.19
23-Jun-00	$4.52	$4.34	$6.20	$6.20	$3.72	$3.15	$0.57	$6.24	$0.77	$5.56
30-Jun-00	$4.34	$4.53	$6.43	$6.09	$3.67	$3.08	$0.59	$6.47	$0.79	$5.66

Note: NYMEX prices are the daily close. The Natural Gas prices are the averages for the 2001 and 2002 contracts, January through December.
Propane is the average of the forward contracts. Propane generally only has eight to nine months of contracts.
No. 2 Fuel Oil is the average forward 12 months. No. 2 Oil only has 18 months of contracts.
Converting from $ per gallon to $ per Million Btu 42 gallons per barrel and 3.836 and 5.825 million Btu per barrel where used for propane and No. 2 Fuel Oil respectively.