WEXPRO COMPANY

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R. M. KIRSCH
PRESIDENT

September 7, 1984

Mr. Douglas Ball
Ball Associates, Ltd.
105 Main Street
P.O. Box 8
Black Hawk, CO   80422

Mr. Robert Lake
Price Waterhouse
50 West Broadway
Salt Lake City, UT   84101

Gentlemen:

RE: Tentative Plan to Fracture Stimulate Mesa Unit Well No. 2
      Sublette County, WY

FACTS

The Mesa Unit Well No. 2 was drilled in January through February of 1981 by Mountain Fuel Supply Company. This well was drilled for data on potential commercial gas production from the Pinedale field. The well was cored in the Fort Union Formation and individual zones were ranked according to expected gas deliverability. The ranking went from No. 1 to No. 12 with No. 1 being best.

Insitu-stress measurements were taken prior to completion. The well was completed in the lower Fort Union from 11,500 feet to 11,600 feet. This zone has a No. 2 ranking. It was then fracture stimulated with 80,700 gallons gelled water, 116,000 pound 20-40 mesh Bauxite and 250 Scf per barrel fluid of nitrogen.

The well stabilized at an average rate of 453 Mcf per day. It is presently producing 300 Mcf per day. Wexpro intends to perforate three additional zones which are respectively ranked No. 1, 3, and No. 1 in expected deliverability. These zones should also be fracture stimulated and commingled to enhance overall gas production.

The Mesa Well No. 2 is listed on Schedule 3(b) of the Wexpro Agreement as a prior company well.

PROBLEM

Wexpro Company desires monitor concurrence that the proposed plan to fracture stimulate additional zones in the Mesa Well No. 2 would qualify as a recompletion attempt.

DISCUSSION

Generally, in the oil and gas industry parlance, a recompletion occurs when the prior producing interval is plugged off or cemented in and a new interval is opened for production. In the referenced Mesa Well No. 2, Wexpro intends to open a new zone but to commingle the production with the existing producing zone. Wexpro believes that its operations are a recompletion operation and have attached hereto an Interoffice from T. M. Colson to R. G. Myers dated March 23, 1984, which outlines in detail the proposed operations. Wexpro will also furnish the monitors with copies of the logs for their analysis.

The term "recompletion" is not defined in the Wexpro Agreement. However, that term is used in Section I-28 of the Wexpro Agreement which reads as follows:

> Development Gas Drilling. Any drilling completed (or recompleted in a prior well) after July 31, 1981; drilled within any development drilling area; and . . ..
> (Emphasis added.)

As you know, development gas drilling is entitled to the base rate of return plus 8%.

If the proposed fracture stimulation on the Mesa Well No. 2 is not considered a recompletion, the cost would come under Section III-4 which reads as follows:

> Post-July 1981 Facilities. Any investment made in the productive gas reservoirs after July 31, 1981, and in commercial development gas wells (including appurtenant facilities) will not be capitalized into the Company's utility accounts, but will be capitalized by Wexpro, and Wexpro will be compensated for these investments by the Company as provided in Section III-5. Necessary facilities installed downstream from the delivery point will be capitalized in the Company's utility accounts.

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Section III-5(c) specifically provides that the "monthly billing for services will specifically include a return on investment for post-July 1981 facilities (described in Section III-4) at the base rate of return (r); . . . .."

We intend to begin immediately the proposed operations and would appreciate your cooperation in an expedited reply. If you find this proposal to be acceptable, please so indicate below.
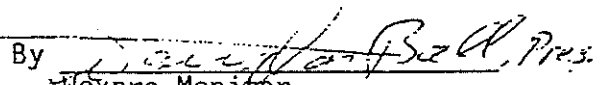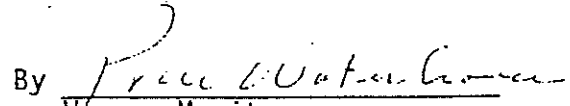
Very truly yours,

ckb

Attachment

ACCEPTED this ___7___ day of _Sevtember_____, 1984.

By _____, Pres.
Wexpro Monitor
Ball Associates, Ltd.

By _____
Wexpro Monitor
Price Waterhouse