



Wexpro Company
180 East 100 South
P.O. Box 45601
Salt Lake City, UT 84145-0601
Tel 801 324 2600
Fax 801 324 2637

September 30, 2002

Darrell S. Hanson
Utah Division of Public Utilities
Heber M. Wells
160 East 300 South
PO Box 146751
Salt Lake City, UT 84114-6751

Re: The Mesa Unit (Pinedale) Upper Mesaverde Guideline Letter

Dear Mr. Hanson:

On May 31, 2000 a Guideline Letter was prepared and later approved allowing Wexpro to enjoy development rights to a portion of the Lower Lance Formation at The Mesa Unit under terms of the Wexpro Agreement. Wexpro now requests that the Upper Mesaverde Formation in participating areas "A", "B", and "C" of The Mesa Unit be included under the same terms as the portion of the Lower Lance specified in that May 31, 2000 Guideline Letter. The Upper Mesaverde is recognized as the interval between the bottom of the Lower Lance Formation and the top of the Ericson Member of the Mesaverde Formation.

Since the time of the original letter, wells have been drilled into the Upper Mesaverde Formation which lies directly below the Lower Lance Formation and it has proven to be productive for gas production. In fact most future wells will be drilled to the Upper Mesaverde Formation. The Lance and Upper Mesaverde Formations are similar in lithology, origin and reservoir quality. Both consist of a sequence of over-pressured sands and shales. The boundary between the Lance and Upper Mesaverde is difficult to precisely identify. It has become the BLM practice to consider the Lance and the Mesaverde equivalent for unit participating area purposes. A proposal to expand The Mesa Unit participating areas to include the Mesaverde and to allow commingling of production from the Lance and Mesaverde is being evaluated by the BLM. Based on prior decisions and conversations with the BLM, it is expected that they will approve this. Once approved this would in effect make the Mesaverde and Lance a single entity for unit purposes were it not for the difference in ownership between the two formations.

Commingled production greatly simplifies well site operations and reduces unnecessary equipment and expenses that would be required to produce the formations separately. When each company involved has ownership in both formations, it makes commingled production even more attractive. Other partners in the area have ownership in both formations, but currently Wexpro has development rights only in the Lance and Questar Exploration and Production (QEP) has the Mesaverde. Transferring the Questar Exploration and Production development rights in the Upper Mesaverde on similar terms as done for the Lower Lance will simplify the production accounting and will enable all owners to participate in both formations. On an incremental basis the Upper Mesaverde reserves are an attractive target for relatively low finding cost gas.

It is therefore proposed, that by means of this Guideline Letter, Wexpro be allowed, under the terms of the Wexpro Stipulation and Agreement, to develop and produce the entire Upper Mesaverde Formation on all leases within the contracted The Mesa Unit (Participating Areas "A", "B" and "C") that are subject to the Wexpro Agreement. Questar Exploration and Production will relinquish and deliver to Wexpro the same working interest and net revenue interest that Questar Gas would have delivered to Questar Exploration and Production under the terms of the Wexpro Agreement in the Upper Mesaverde sands outside those defined in the Productive Gas Reservoir. In return, Questar Exploration and Production will be entitled to and receive a proportionate 7% overriding royalty interest in those intervals transferred to Wexpro, that are below the defined Productive Gas Reservoir. This treatment will only apply specifically to The Mesa Unit (Pinedale) (Participating Areas "A", "B" and "C") Upper Mesaverde Formation and will not be considered a precedent by the parties to any other areas not discussed in this guideline letter.

This Guideline Letter in no way modifies or amends the terms of the Wexpro Agreement. This Guideline Letter will be binding upon the parties who sign this letter. Please indicate your approval of the proposed amended guideline in the signature boxes below. Of course, should you wish to discuss this, let me know.

Respectfully yours,

James R. Livsey

James R. Livsey
Coordinating General Manager
Wexpro Company

Approved:
Utah Division of Public Utilities

By: *Mark Gray*

Date: 10/13/02

Approved:
David E. Evans
Evans Consulting Company

By: *David Evans*

Date: October 18, 2002

Approved:
Staff of the Wyoming Public Service Commission

By: *Steve Ellender*

Date: 11/12/02

Ratification of Wexpro Guideline Letter dated September 30, 2002 regarding the Mesa Unit (Pinedale) Upper Mesaverde

Questar Exploration and Production Company (Questar E&P) ratifies the foregoing Guideline Letter and hereby relinquishes to Wexpro all of its right, title and interest to the wells drilled by Wexpro and production from formations pursuant hereto, such wells being classified as Development Gas Wells under the Wexpro Agreement, for the delivery of cost of service gas to Questar Gas Company, reserving unto Questar E&P a proportionate 7% of 8/8ths overriding royalty interest on all oil, gas and other hydrocarbons produced from the relinquished interest (the same overriding royalty Questar Gas would have received had Questar E&P retained the working interest).

Questar Exploration and Production Company

By: CS Stanley 2007
C. B. Stanley
President & CEO