

August 31, 2017

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Re: *Guideline Letter – Oil Revenue Sharing*

The Utah Division of Public Utilities and Wexpro Company have recently discussed the methods by which oil revenue, positive or negative, is calculated under the Wexpro Agreement, Wexpro II Agreement, Trail Stipulation, Canyon Creek Stipulation, and Vermillion Stipulation to the extent applicable. This guideline letter serves to memorialize the calculation methods that have been used since at least the 1987 calculations pursuant to the Wexpro Agreement's Accounting Monitor's Wexpro Stipulation and Agreement Performance Review, Year Ended December 31, 1987 ("1987 Accounting Monitor Report").

The Wexpro Agreement was created in 1981 in part to address the allocation of income derived from oil in wells owned and/or developed by Wexpro. Additionally, the Wexpro Agreement was created in part to provide certain incentives for development of natural gas properties for the benefit of Questar Gas Company's customers.

The Wexpro Agreement, as it was drafted in 1981, did not expressly address what occurs when oil prices result in losses in connection with production of oil from certain wells. However, when in 1987 "expenses plus return on investment exceeded oil revenues" from Development Gas Drilling wells resulted in "an amount due from Mountain Fuel" or "negative sharing," the Accounting Monitor expressly outlined the process for "negative sharing" to be used when revenue from oil was insufficient to cover costs. *See* 1987 Accounting Monitor Report, pp. 12-13.

In its 1987 report, the Accounting Monitor described an allocation method where the burden of negative sharing is applied differently on wells resulting from Development Gas Drilling than on wells resulting from Development Oil Drilling:

Oil Sharing on Gas Wells. For all wells resulting from Development Gas Drilling, (a) positive oil sharing results in a 54/46 allocation of the proceeds between Questar Gas' customers and Wexpro Company, and (b) negative oil sharing results in 100% of the costs to be charged to Questar Gas' customers.

Oil Sharing on Oil Wells. For all wells resulting from Development Oil Drilling, (a) positive oil sharing results in a 54/46 allocation of the proceeds between Questar Gas' customers and Wexpro Company, and (b) negative oil sharing results in 100% of the costs to be paid by Wexpro Company.

Prior Company Wells and Acquired Wexpro II Gas Properties. No sharing calculation is necessary in connection with Prior Company Wells or an Acquired Wexpro II Gas Property because 100% is credited or charged to the cost-of-service.

The undersigned parties agree that the Accounting Monitor's approach in 1987, and Wexpro's subsequent use of this calculation, is consistent with the intent of the Wexpro Agreement, and the incentives provided to ensure diligent Development Gas Drilling.


The Parties desire to execute this guideline letter to memorialize the process used to determine the allocation of negative sharing. The spreadsheet attached hereto as Exhibit A, incorporated herein by this reference, provides a sample calculation of oil revenue sharing for wells from Development Gas Drilling and Development Oil Drilling under both the Wexpro Agreement and Wexpro II Agreement. The calculations in Exhibit A, use the product allocation ratio provided by the guideline letter dated April 27, 1999. The April 27, 1999 guideline letter is attached as Exhibit B.

Adoption of this guideline letter will provide for clear application of the negative sharing allocation. Please indicate your acceptance of this guideline letter by executing this letter below.

[Signatures on Following Page]

Approved:

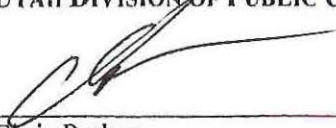
WEXPRO COMPANY



Brady B. Rasmussen
Vice President & General Manager

8/30/17
Date


UTAH DIVISION OF PUBLIC UTILITIES



Chris Parker
Director

8/31/17
Date

**WYOMING OFFICE OF CONSUMER
ADVOCATE**



Bryce Freeman
Administrator

8/16/17
Date

**WYOMING PUBLIC SERVICE COMMISSION
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Chris Petrie
Chief Counsel

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Colleen L. Bell
Vice President & General Manager

8/18/17
Date