

May 16, 2024

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Re: Guideline Letter Changing the Market Price Convention used for Commercial Well Tests from the 12-Month Forward Curve at time of First Production to the Five-Year Forward Curve at the Time Drilling Obligations are Incurred

In the Guideline Letter Governing Commercial Well Designations Under Section I-20 of the Wexpro Agreement and Section I-11 of the Wexpro II Agreement, dated July 20, 2016 (the "2016 Letter"), the parties modified and memorialized certain practices related to Commercial Well determinations as set forth in Section I-20 of the Wexpro Agreement and Section I-11 of the Wexpro II Agreement.

The 2015 Canyon Creek Settlement Stipulation requires Wexpro to "design its annual drilling program to provide cost-of-service production, that is, at the time Wexpro incurs an obligation in connection with a drilling program, on average, at or below the 5-Year Forward Curve price that was agreed to in the Trail Settlement Stipulation" (the "Drilling Plan Price").

The 2016 Letter memorialized the practice of the previous Hydrocarbon Monitor to use the "NYMEX 12-month forward strip" ("12-Month Convention") as the market price used to calculate the value of future gas production when classifying new wells. While this practice is not required under the Wexpro Agreement, the 12-Month Convention has been and remains the current practice. The 2016 Letter noted the discrepancy, explaining that "for the Commercial Well Test the Rockies Adjusted Price will use a NYMEX 12-month forward curve instead of the NYMEX 5-year forward curve that is used to determine future drilling plans."

This Guideline Letter proposes to replace the current method for classifying Commercial Wells, the 12-Month Convention, determined at the time production on new wells begins

("Current Price Method"), with the Drilling Plan Price for two reasons. First, there is usually about a one-year period between the date "Wexpro incurs an obligation in connection with a drilling program," and the time a new well starts producing gas. Typically, Wexpro begins entering into agreements with vendors to supply drilling rigs, steel products, and other supplies about one year in advance of the new wells coming onto production. The decision to enter into such capital-intensive commitments is informed by a longer-range view of pricing, namely the five-year forward curve rather than the one-year forward curve. Over a one-year period gas prices can change significantly, introducing uncertainty into the decision-making process, but uncertainty can be reduced by using the less-volatile Drilling Plan Price

The second reason the Drilling Plan Price should be used for Commercial Well Determinations is that it aligns better with the goal of providing long-term gas supplies to customers. Recent gas price volatility highlights the potential risks faced by Wexpro when the Company decides to pursue a drilling program that benefits customers with long-term gas supplies. In highly volatile markets short-term weather conditions alone can threaten to exclude new wells from being deemed commercially viable because the 12-month forward curve could be substantially different from the Drilling Plan Price. These inconsistent price standards can also be detrimental for Questar Gas customers because wells that would be deemed commercial using the Drilling Plan Price might be deemed uneconomic using the shorter term, Current Price Method.

Adoption of this Guideline Letter will align the price used to make drilling plan decisions with the price used to determine Commercial Well status. The "Production Testing" provisions of the 2016 Guideline Letter will continue to apply without modification by this Guideline Letter.

The guidelines contained herein will be in effect and binding upon the parties who sign this letter until June 1, 2029 at which time the parties will evaluate the results of these modifications and determine whether to extend or modify them. The use of the Drilling Plan Price will go into effect beginning with the wells drilled by Wexpro during the 2023 program, which will be subject to Paying Well Determinations in 2024. To the extent not expressly modified herein, all other aspects of the 2016 Guideline Letter remain in effect.

Please indicate your acceptance of this Guideline Letter to amend the 2016 Guideline letter by replacing the 12-Month Convention with the Drilling Plan Price as the basis used to make Commercial Well Determinations.

Approved:

WEXPRO COMPANY

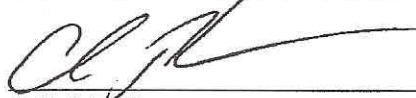


Brady B. Rasmussen
Vice President and General Manager -- Wexpro

5/16/2024

Date

UTAH DIVISION OF PUBLIC UTILITIES



Chris Parker

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Date

WYOMING OFFICE OF CONSUMER ADVOCATE

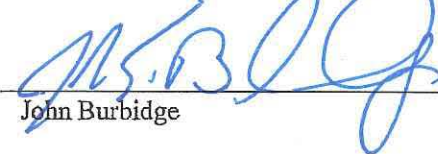


Anthony Ornelas

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WYOMING PUBLIC SERVICE COMMISSION STAFF



John Burbidge

5-23-2024

Date

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5/16/2024

Date