BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY FOR APPROVAL OF THE VERMILLION ACQUISITION AS A WEXPRO II PROPERTY

Docket No. 17-057-01

DIRECT TESTIMONY OF BRADY B. RASMUSSEN

FOR QUESTAR GAS COMPANY

QGC Exhibit 3.0

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I. INTRODUCTION

1	Ο.	Please state	your name and	business	address.
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- 2 A. My name is Brady B. Rasmussen. My business address is 333 South State Street, Salt
- 3 Lake City, Utah.
- 4 Q. By whom are you employed and what is your position?
- 5 A. I am employed by Wexpro Company (Wexpro) as Vice President and General Manager. I
- 6 oversee and am responsible for managing drilling, development, and operations associated
- with Wexpro's cost-of-service properties. I am also responsible for compliance associated
- 8 with oil and gas operations and compliance with the Wexpro I and Wexpro II Agreements.
- 9 Q. What are your qualifications to testify in this proceeding?
- 10 A. I have listed my qualifications in QGC Exhibit 3.1.
- 11 Q. Attached to your written testimony are QGC Exhibits 3.1 through 3.8. Were these
- prepared by you or under your direction?
- 13 A. Yes.
- 14 Q. What is the purpose of your testimony in this Docket?
- 15 A. The purpose of my testimony is to: 1) provide an overview of the Vermillion acquisition;
- 2) explain how Wexpro determines its annual drilling program; 3) explain how Wexpro
- can continue to drill at or below the 5-Year Forward Curve; 4) explain what Wexpro is
- doing and will continue to do to help reduce the overall price of cost-of-service gas; and 5)
- identify the guideline letters that will apply to the Vermillion Acquisition if it is included
- as a Wexpro II property.

Agreement.

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22 A. Yes. Many of the exhibits were prepared under my supervision and compared under my supervision and com	
Q. What led to Wexpro's purchase of the Vermillion Acquisition? A.	
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Wexpro also purchased v	working interests and
assumed operations in an additional Vermillion Basin field, Whi	skey Canyon, which
borders Canyon Creek and shares similar geologic features and pro-	oduction trends. In a
separate transaction, Wexpro was able to obtain the Kinney proper	rty from North Shore
Exploration and Production, LLC (North Shore). Application E	Exhibit B shows the
locations of each of these properties.	
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Q. Why would these properties be valuable for Questar Gas' custon	ners?
A. Each of the assets, Trail, Whiskey Canyon, Canyon Creek, and Kin	nney, offer many low
risk and low-finding-cost drilling opportunities and they are within o	or directly adjacent to
Wexpro's current operating footprint. Wexpro felt confident that	the properties would
receive Commission approval but was willing to purchase them at its	s own risk, regardless
of whether these properties are included as Wexpro II properties. W	Vexpro believes these
properties would be equally beneficial to shareholders if developed of	outside the Wexpro II

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Please describe the acquisition of Trail, Whiskey Canyon and Canyon Creek. Q. 43 In December 2015, A. 44 Wexpro purchased QEP's remaining working interests and overriding royalty interests in the Trail 45 Unit, a working interest in the Whiskey Canyon Unit, overriding royalty interests in the 46 Canyon Creek Mesaverde Participating Area from the surface to the base of the Mesaverde 47 formation, as well as a working interest in the Mesaverde formation outside of the Canyon 48 Creek Mesaverde Participating Area within the Canyon Creek Unit. A copy of the Purchase 49 and Sale Agreement between QEP, Wexpro Development, and Wexpro (as operator) is 50 51 attached to the Application as Confidential Exhibit K. Trail, Whiskey Canyon, Canyon Creek, and Kinney are repeatable low-risk and low-cost development locations. They are 52 53 ideal for supplementing Wexpro production at a low cost-of-service price for customers. Please describe the Kinney acquisition. 54 Q. 55 A. The transaction, which involved a small working interest in the Kinney Unit, closed in April 2015. 56 57 58 59 60 The \$350,000 associated with the was credited to Questar Gas 61 customers via the Wexpro Operator Service Fee in April 2015. A copy of the Agreement 62 between North Shore and Wexpro is attached to this Application as Confidential Exhibit 63

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67	. The Kinney recompletions are in

3.0 DIRECT TESTIMONY

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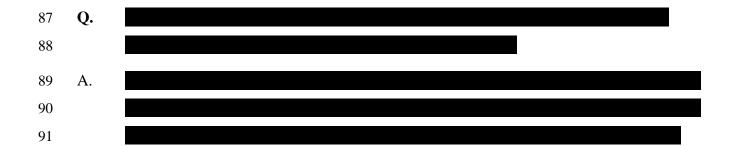
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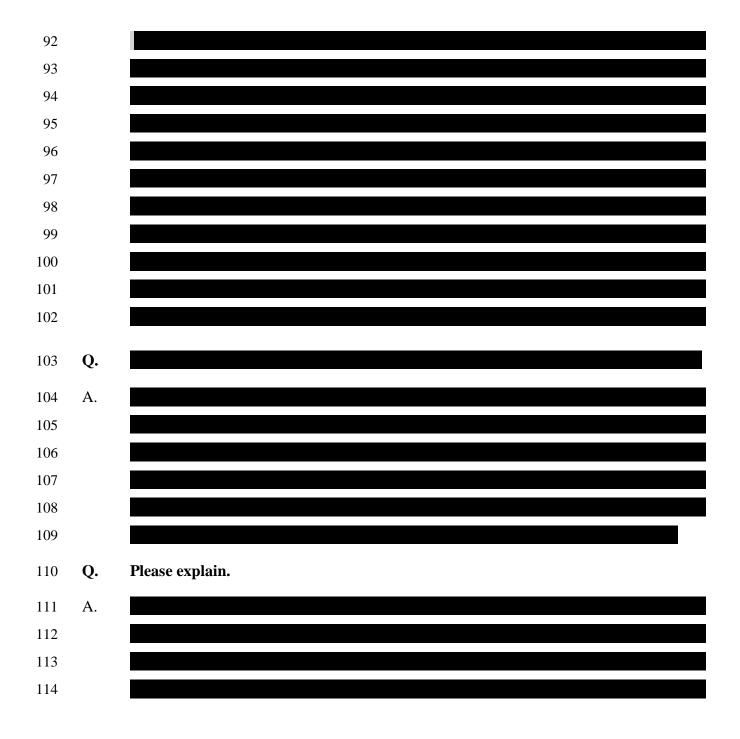
68	their infancy stage and, therefore, the benefits have not been included in the analysis that
69	accompanies the Application in this Docket.
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- 72 Q. Who bears the risk of the property acquisition until the Utah and Wyoming
- 73 Commissions either approve or reject the new properties as Wexpro II Properties?
- A. Wexpro bears the burden and risk of purchasing these properties and producing the gas until the Commissions decide whether they should be approved as Wexpro II properties.
- Currently, Wexpro is selling production from this acquisition on the open market.
- Q. If the Vermillion Acquisition is approved as a Wexpro II Property, will the acquisition cost be adjusted for the gas that Wexpro has sold?
- Yes. Attached as QGC Exhibit 3.2 is an estimate of the acquisition cost adjusted for the gas that has been or will be sold by Wexpro up to the estimated time of Commission approval.
- Q. If the Vermillion Acquisition is not included as a Wexpro II Property, does Wexpro plan to produce this property for other potential customers?
- A. Yes. Wexpro would produce the natural gas from the Vermillion Acquisition for other customers. The price at which the Vermillion Acquisition was purchased will allow Wexpro to effectively market this production.

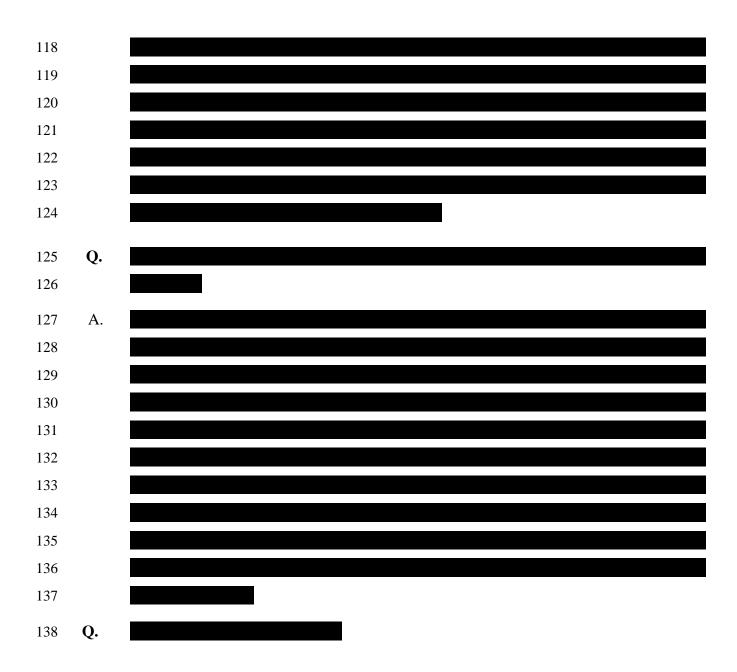
QGC EXHIBIT

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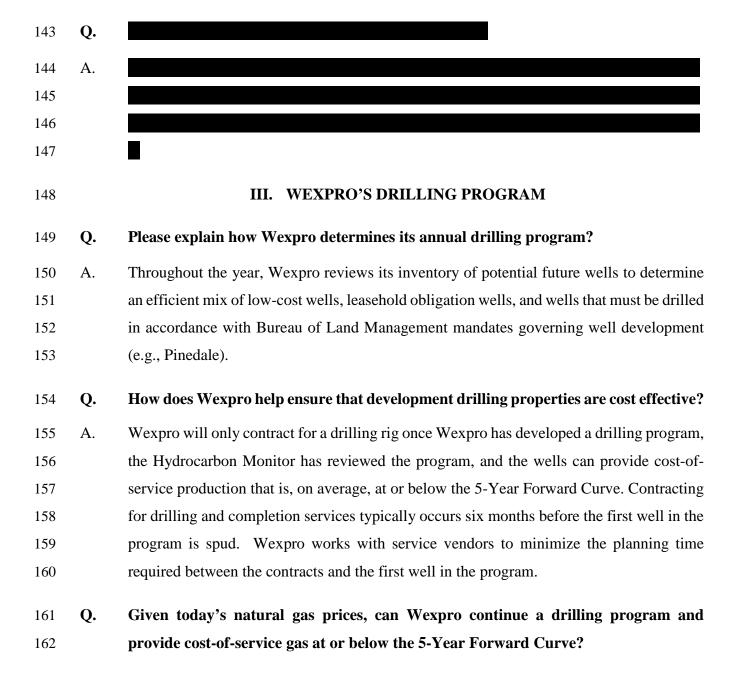




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163 A. Yes, for a number of reasons. First, the Canyon Creek Stipulation lowered the return
164 Wexpro earns from newly drilled wells. Second, Wexpro has significantly lowered general
165 and administrative (G&A) and operating expenses (O&M) in recent years and

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will continue to decrease these costs into 2017 which, in turn, decreases forecasted cost-of-service gas (see attached Exhibit 3.4). Third, Wexpro's reduction of drilling/completion costs and positive production results in this area all contribute to Wexpro delivering gas from new wells drilled under the Wexpro Agreement below the current 5-Year Curve (see attached Exhibit 3.5). Finally, Wexpro recently entered into a field-wide compression agreement that will deliver incremental gross field volumes

Trail Unit.

Q. How does having an ongoing drilling program benefit Questar Gas customers?

A. Attached as QGC Exhibit 3.6 is a chart representing the typical cumulative production of a well. About half of the production from a typical well is produced during the first five years of its 20 to 30-year life. If these volumes are not replaced with volumes from new wells, then fixed costs of producing wells will be spread over fewer and fewer volumes thus causing the cost per-unit to go up. A drilling program helps to keep costs per-decatherm lower.

Q. Are there other benefits of having an ongoing drilling program?

A. Yes, having a continuous drilling program ensures Wexpro can continue to provide customers cost-efficient operations. Starting and stopping a drilling program by erratically adding and removing drilling and completions personnel can be very costly and inefficient. Also, in times of industry growth, Wexpro struggles to find and retain qualified personnel, which it has experienced many times over the decades. Consistently adding wells to the portfolio keeps costs lower and avoids the "boom and bust" approach that is often

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associated with this industry. The key is being able to add wells at or below the current 5-

188 Year Forward Curve.

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189	Q.	Has Wexpro taken steps in the last year to reduce the price of cost-of-service
190		production?
191	A.	Yes. As shown in Exhibit 3.7, Column B, the reduced G&A and O&M expenses, decreased
192		drilling and completion costs, increased production results, and the Trail Compression
193		agreement have all contributed in decreasing overall forecasted cost-of-service gas even
194		beyond what was previously shown in FDR 1.01 in the Canyon Creek proceeding, Docket
195		No. 15-057-10. (Exhibit 3.7, Column A).
196	Q.	If the Commissions approve the Vermillion Acquisition to be included as a Wexpro
197		II property, will it reduce the overall cost-of-service?
198	A.	Yes. Column C of Exhibit 3.7 shows the cost-of-service from the Vermillion Acquisition.
199		Column D shows the overall impact of including the Vermillion Acquisition as a Wexpro
200		II property.
201		IV. MANAGEMENT OF VERMILLION ACQUISITION PRODUCTION
202	Q.	How will Wexpro manage the Vermillion Acquisition if it is approved as a Wexpro II
203		property?
204	A.	Wexpro and Questar Gas will continue to coordinate to manage cost-of-service production
205		to ensure that customers have a long-term reliable supply of low-cost gas now and in the
206		future. Wexpro understands the dynamics surrounding Questar Gas' current gas supply.

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207	Q.	Can Wexpro continue to comply with the supply limitations (65% through 2019 and
208		55% thereafter) if the Commissions approve the inclusion of the Vermillion
209		Acquisition as a Wexpro II property?

210 A. Yes. Application Exhibit M shows that the addition of the Vermillion Acquisition as a
211 Wexpro II property will enable Wexpro to produce volumes up to the supply limit.

212		Doing so will maximize the benefit of allocating fixed costs over the greater number of
213		volumes. This helps to reduce the cost of service.
214		V. APPLICABLE GUIDELINE LETTERS
215	Q.	If the Vermillion Acquisition is approved as a Wexpro II property, are there
216		Guideline Letters that will apply to the property?
217	A.	Yes, attached as QGC Exhibit 3.8 are copies of all the Guideline Letters that will apply to
218		the Canyon Creek Acquisition.
219	Q.	In summary, what are your recommendations regarding the Vermillion Acquisition?
220	A.	This is a logical time to acquire this property because acquisition prices for natural gas
221		reserves are low. The Vermillion Acquisition Area is our best performing property.
222		Wexpro believes it can manage the Vermillion Acquisition properties as part of the Questar
223		Gas portfolio for the benefit of Questar Gas's customers for years to come.
224	Q.	Does this conclude your testimony?
225	A.	Yes.

State of Utah)
County of Salt Lake)
I, Brady B. Rasmussen, being first duly sworn on oath, state that the answers in the
foregoing written testimony are true and correct to the best of my knowledge, information and
belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by
me or under my direction and supervision, and they are true and correct to the best of my
knowledge, information and belief. Any exhibits not prepared by me or under my direction and
supervision are true and correct copies of the documents they purport to be.
Brady B. Rasmussen
SUBSCRIBED AND SWORN TO this day of January, 2017.

Notary Public