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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY FOR APPROVAL OF THE ALKALI GULCH ACQUISITION AS A WEXPRO II PROPERTY	Docket No. 22-057-05  <b>APPLICATION</b>
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Questar Gas Company dba Dominion Energy Utah (Dominion Energy or Company) submits this Application to the Utah Public Service Commission (Utah Commission) for an order approving inclusion of recently acquired properties within the Alkali Gulch field (the Alkali Gulch Acquisition) as Wexpro II properties pursuant to the Wexpro II Agreement.

The Alkali Gulch Acquisition is partially within and partially outside the existing Wexpro I Development Drilling Area. Simultaneously with this filing, Dominion Energy is applying for an order approving the Alkali Gulch Acquisition from the Wyoming Public Service Commission (Wyoming Commission). Under the terms of the Wexpro II Agreement, which was approved by the Utah Commission on March 28, 2013, and the

Wyoming Commission on April 11, 2013, Dominion Energy is required to apply for approval to include properties within a Wexpro I Development Drilling area acquired by Wexpro as Wexpro II properties. Accordingly, Dominion Energy seeks approval to include portions of the Alkali Gulch Acquisition within the Wexpro II Agreement. In addition, Dominion Energy voluntarily offers the remaining portions of the Alkali Gulch Acquisition for approval to be included as Wexpro II properties. Dominion Energy provides the following in support of this Application:

### **BACKGROUND**

1. On September 12, 2012, Wexpro Company, Dominion Energy, the Utah Division of Public Utilities (Division), and the Wyoming Office of Consumer Advocate (OCA) entered into the Wexpro II Agreement, subject to the approval of both the Utah Commission and the Wyoming Commission. On March 28, 2013, the Utah Commission issued a Report and Order in Docket No. 12-057-13 approving the Wexpro II Agreement. On April 11, 2013, the Wyoming Commission held a public hearing and public deliberations upon the matter in Docket No. 30010-123-GA-12 and rendered a bench order approving the Wexpro II Agreement. On October 16, 2013, the Wyoming Commission issued a formal Memorandum Opinion, Findings and Order Approving the Wexpro II Agreement in Docket No. 30010-123-GA-12.

2. On November 5, 2013, Dominion Energy filed an application seeking approval of the Trail Unit Acquisition as a Wexpro II property before the Utah and Wyoming Commissions. The Trail Unit Acquisition was an acquisition within a Wexpro I Development Drilling Area and, under the terms of the Wexpro II Agreement, Dominion

Energy was required to bring the property before both the Utah and Wyoming Commissions for approval.

3. On December 23, 2013, the Company, the Division, the Utah Office of Consumer Services (OCS), and the OCA, entered into a Settlement Stipulation for the Trail Unit Acquisition. The Utah Commission issued a report and order approving the Trail Unit Settlement Stipulation on January 17, 2014, and the Wyoming Commission issued an order approving the Trail Unit Settlement Stipulation on January 27, 2014.

4. The Trail Unit Settlement Stipulation provides that Wexpro generally designs its annual drilling program to provide cost-of-service production that is, on average, at or below the current 5-year Rockies-adjusted NYMEX price (5-Year Forward Curve). The Trail Unit Settlement Stipulation also provides that the Company and Wexpro will manage combined cost-of-service production from Wexpro I and Wexpro II properties to Dominion Energy at or below 65%.

5. On August 31, 2015, Dominion Energy filed an application seeking approval of the Canyon Creek Acquisition Area as a Wexpro II property before the Utah and Wyoming Commissions. The Canyon Creek Acquisition Area was an acquisition within a Wexpro I Development Drilling Area and, under the terms of the Wexpro II Agreement, Questar Gas was required to bring the property before both the Utah and Wyoming Commissions for approval.

6. On October 26, 2015, the Company, the Division, the OCS, and the OCA, entered into a Settlement Stipulation for the Canyon Creek Acquisition. The Utah Commission issued a report and order approving the Canyon Creek Settlement Stipulation

on November 17, 2015, and the Wyoming Commission issued an order approving the Canyon Creek Settlement Stipulation on February 24, 2016.

7. The Canyon Creek Settlement Stipulation provides clarification of and enhancements to the previous Wexpro II agreements and stipulations. First, it clarifies the calculation of the 5-Year Forward Curve established in the Trail Unit Settlement Stipulation. Second, it provides that all post-2015 development drilling and capital investment would earn the commission-allowed rate of return. It also provides that Dry Hole and non-commercial well costs will be charged and shared on a 50/50 basis between Dominion Energy customers and Wexpro. It further provides for sharing of cost savings from post-2015 volumes when the annual overall cost of service per dekatherm is less than the market price per dekatherm. It also provides that Wexpro will manage its production from Wexpro I and Wexpro II wells to 55% of the IRP demand beginning in the 2020 IRP year. Finally, it provides that Dominion Energy will maintain on its website a current copy of all relevant documents governing the cost-of-service arrangement between Wexpro and Dominion Energy.

8. In 2017, the Utah Commission and the Wyoming Commission approved the inclusion of the Vermillion Acquisition as a Wexpro II property in Docket No. 17-057-01 and Docket No. 30010-162-GA-17, respectively.

### **ALKALI GULCH ACQUISITION**

9. On March 25, 2022, Wexpro Development Company closed on the acquisition of additional interests in the natural gas producing properties in and around Alkali Gulch. These interests are partially within and partially outside the Development Drilling Areas defined in the Wexpro Agreements.

10. The Wexpro II Agreement governs the requirements for Wexpro and Dominion Energy relating to this purchase. Section IV-1 provides that “Wexpro will acquire oil and gas properties or undeveloped leases at its own risk.” Section IV-1(a) further provides that Dominion Energy “shall apply to the Utah and Wyoming Commissions for approval to include under this Agreement any oil and gas property that Wexpro acquires within the Wexpro I development drilling areas.” In addition, Section IV-1(b) provides that Dominion Energy “may apply for Commission approval to include these (properties outside the development drilling areas) properties under this agreement.”

11. Wexpro has purchased the Alkali Gulch Acquisition at its own risk and is selling production from these wells on the open market pending the outcome of a decision by the Utah and Wyoming Commissions to determine whether this acquisition should be included as a Wexpro II property. If the Alkali Gulch Acquisition is approved as a Wexpro II property, then the Acquisition Costs (as defined in the Wexpro II Agreement) will be adjusted downward for the depreciation of the gas sold from the time Wexpro closed on the Alkali Gulch Acquisition until Commission approval of this acquisition as a Wexpro II property.

### **SUPPORTING INFORMATION**

12. Section IV-2 of the Wexpro II Agreement provides that Dominion Energy will file an application with the Utah and Wyoming Commissions requesting approval to include proposed properties under the Wexpro II Agreement. The application is required to include the supporting information that is attached to this Application as Exhibits A through P.

**Dominion Energy Exhibit A: Purchase price and gas pricing assumptions**

Exhibit A provides the gas and oil pricing assumptions used in the Alkali Gulch Acquisition. A Rockies basis adjustment was applied to derive the spot market price where the properties are located.

**Dominion Energy Confidential Exhibit B: Locations of current and future wells**

The locations of current and future wells are depicted on a schematic attached to this Application as Dominion Energy Confidential Exhibit B.

**Dominion Energy Confidential Exhibit C: Historical production and remaining reserves of current wells**

Dominion Energy Confidential Exhibit C shows the historical production and remaining reserves of current wells within the Alkali Gulch Acquisition.

**Dominion Energy Confidential Exhibit D: Forecasted production/reserves for future wells**

Dominion Energy Confidential Exhibit D contains a spreadsheet listing the future wells that are planned to be drilled in the Alkali Gulch Acquisition, and their estimated production/reserves for the life of the wells.

**Dominion Energy Confidential Exhibit E: Forecasted decline curves for current and future wells**

Dominion Energy Confidential Exhibit E shows a rate-time plot for each current well, as well as the anticipated type curve for the future development wells in the Alkali Gulch Acquisition.

**Dominion Energy Confidential Exhibit F: Estimated drilling (capital) cost per well**

Dominion Energy Confidential Exhibit F provides a detailed estimate of the capital cost to drill a future well.

**Dominion Energy Confidential Exhibit G: Estimated operating expenses for current and future wells**

Dominion Energy Confidential Exhibit G is a summary of the estimated operating expenses for current and future wells within the Alkali Gulch Acquisition. The information shown is based on historical data and Wexpro's experience operating and maintaining wells in, near, and around the Alkali Gulch Acquisition Area.

**Dominion Energy Confidential Exhibit H: Gross working interest and net revenue interest for current and future wells**

Dominion Energy Confidential Exhibit H shows the working interest and net revenue interest for the current wells and the future wells for each of the properties.

**Dominion Energy Exhibit I: Estimated production tax per Dth for current and future wells**

Exhibit I is a summary of the estimated production tax per Dth for current and future Alkali Gulch Acquisition wells. Production taxes vary based on the market price of natural gas. Therefore, included in this summary table are natural gas prices ranging from \$2.00 to \$6.00 per Dth.

**Dominion Energy Confidential Exhibit J: Estimated gathering/processing costs per Dth for current and future wells**

Dominion Energy Confidential Exhibit J is a summary of the estimated gathering/processing costs per Dth for current and future Alkali Gulch Acquisition wells.

**Dominion Energy Confidential Exhibit K: Description of any land lease, title, and legal issues related to real property**

Dominion Energy Confidential Exhibit K contains a confidential copy of the Purchase and Sale Agreement by and between HRM Resources III, LLC and Wexpro Development Company. Exhibit K-1 is the First Amendment to Purchase and Sale Agreement between HRM Resources III, LLC and Wexpro Development Company and addresses those properties with the environmental defect described more fully in the Direct Testimony of Kelly B Mendenhall, attached hereto as Dominion Energy Confidential Exhibit 2.0.

**Dominion Energy Confidential Exhibit L: Forecasted long-term cost-of-service analysis**

Dominion Energy Confidential Exhibit L shows the estimated cost-of-service analysis over a 30-year period for the Alkali Gulch Acquisition. For illustrative purposes, cost-of-service is shown on a cumulative and annual basis.

Pages 1 through 4 on the exhibit show the cumulative cost of service; pages 5 through 8 show the annual cost of service. For comparison purposes, the estimated production over the 25-year period has also been included in each graph.



**Dominion Energy Confidential Exhibit M: Impact on Questar Gas' gas supply**

Dominion Energy Confidential Exhibit M is a bar chart showing the estimated production levels for Wexpro I and Wexpro II production, and the incremental Alkali Gulch Acquisition production for the next five (5) years.

**Dominion Energy Confidential Exhibit N: Geologic data**

Dominion Energy Confidential Exhibit N shows the geology of the Alkali Gulch Acquisition Area. Page 1 is an index map showing the location of the Alkali Gulch Acquisition Area in Southwest Wyoming and its relationship to the Canyon Creek and Trail field areas. On the detailed map, the contours depict the subsurface depth of the top of the Mesaverde Group in the Canyon Creek, Alkali Gulch, and Trail fields. The contours reveal that the top of the Mesaverde Group forms two linked anticlinal structures (upside-down bowls) within the Canyon Creek - Alkali Gulch - Trail field areas. The linked anticlinal structures have served to trap the natural gas in the Mesaverde Group within the area.

Page 2 is a detailed view of the Alkali Gulch Acquisition Area from the map on page 1.

Page 3 is a Late Cretaceous stratigraphic column for the Alkali Gulch Acquisition Area. Shown from top to bottom are the different rock formations encountered in the Vermillion Acquisition wells. The Lance Formation and Fox Hills Sandstone are non-productive intervals. The Lewis Shale provides the top seal for the gas accumulation in the Mesaverde Group. This seal is necessary to trap the gas in the anticlinal structure depicted on the previous pages. The red symbol to the right of the diagram depicts the

Almond Formation as the gas productive member of the Mesaverde Group in the Alkali Gulch Acquisition Area.

Page 4 is a type log for the Alkali Gulch Field. Open-hole logs (Log) are run in the wells in the Alkali Gulch Acquisition Area prior to running casing to ensure that the expected productive sands are present in the well. This page depicts a representative Log for the Alkali Gulch Field. At the far left of the Log the Almond Formation is depicted. The upper portions of the Almond Formation are a shoreface (beach to slightly offshore) depositional environment. Deeper in the Almond, the environment turns to a coastal plain with river channels, overbank mudstones, and coal seams. Below the Almond Formation and depicted for reference to the Canyon Creek and Trail fields, are the Canyon Creek Sandstone, Rusty Shale, and the Trail Sandstone. The formations below the Almond, while productive in the Canyon Creek and Trail field areas, are not productive in the Alkali Gulch Acquisition Area.

Page 5 is a table of petrophysical values derived from the Log mentioned in the previous paragraph and from core data. This data shows that within the Almond Formation the porosity (open space in the rock) is 11-12%. The water saturation value is the percent of the porosity occupied by water. Average water saturation in the Almond Formation is approximately 45%. Core permeability averages 0.1 millidarcies. These porosity and permeability values make the Almond Formation a high-quality, tight-gas reservoir.

Page 6 is a Net Reservoir thickness map showing the Almond shoreface (beach) sands across the Canyon Creek – Alkali Gulch – Trail field areas. Sand thicknesses values at each well location are used to model sand thickness across the field area. The NW-SE

orientation of the shoreline is visible on these maps. The thickest shoreface sands are present in the Alkali Gulch Acquisition Area.

Page 7 is a detailed view of the Alkali Gulch Acquisition Area from the map on page 6.

Page 8 is a Net Reservoir map showing the Almond fluvial sands across the Canyon Creek – Alkali Gulch – Trail field areas. These sands trend perpendicular to the shoreface sands and represent rivers that were flowing eastward and delivering sand to the shorelines. In the Alkali Gulch Acquisition Area the thickest fluvial sands are found in the northern part of the acreage.

Page 9 is a detailed view of the Alkali Gulch Acquisition Area from the map on page 8.

**Dominion Energy Confidential Exhibit O: Future development plan for the proposed properties**

Dominion Energy Confidential Exhibit O is a summary of future wells planned to be drilled from 2022 through 2027 within the Alkali Gulch Acquisition Area.

**Dominion Energy Confidential Exhibit P: Other data as requested or as may be appropriate to an evaluation of the property**

Dominion Energy Confidential Exhibit P includes the Highly Confidential economic model for the Alkali Gulch Acquisition properties. Wexpro used these models in the cost-of-service analysis of the Alkali Gulch Acquisition, and it will be provided to each Commission, the OCS, the Division, and the OCA electronically.

Dominion Energy has also filed the sworn testimony of Kelly B Mendenhall (Dominion Energy Confidential Exhibit 2.0) and Brady B. Rasmussen (Dominion Energy

Confidential Exhibit 3.0) in support of this Application. As set forth in Mr. Mendenhall's testimony, approval of the Alkali Gulch Acquisition as a Wexpro II property would provide an opportunity for Dominion Energy's customers to receive cost-of-service gas that is estimated to provide lower-cost gas for many years. Additionally, as set forth in Mr. Rasmussen's testimony, Wexpro will continue to manage its current production and future drilling programs at or below the 5-Year Forward Curve and to manage combined cost-of-service production from Wexpro I and Wexpro II properties to Dominion Energy at or below the thresholds established in the Canyon Creek Settlement Stipulation. Mr. Mendenhall's and Mr. Rasmussen's testimonies, their attachments, and Dominion Energy Exhibits A through P are incorporated herein by this reference.

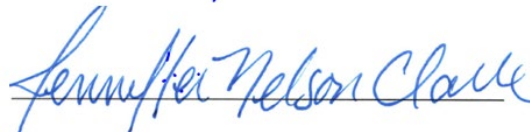
**PRAYER FOR RELIEF**

Based upon the foregoing, and supporting testimony, Dominion Energy respectfully requests that the Utah Commission approve the Alkali Gulch Acquisition as Wexpro II properties.

DATED this 14th day of April, 2022.

Respectfully submitted,

DOMINION ENERGY

A handwritten signature in blue ink that reads "Jenniffer Nelson Clark". The signature is written in a cursive style and is positioned above a horizontal line.

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## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Application was served upon the following persons by email on April 14, 2022:

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/s/ Ginger Johnson