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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY FOR APPROVAL OF THE HORSESHOE BEND DEVELOPMENT AS A WEXPRO II PROPERTY	Docket No. 24-057-03 VERIFIED REDACTED APPLICATION
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Questar Gas Company dba Dominion Energy Utah (“Dominion Energy” or “Company”) submits this Verified Confidential Application (“Application”) to the Utah Public Service Commission (“Utah Commission”) for an order approving inclusion of recently acquired properties within the Horseshoe Bend Farmout¹ area (“Horseshoe Bend Development” or “Development”) as a Wexpro II property pursuant to the Wexpro II Agreement. This Application is supported by the attached Dominion Energy Exhibits A through P, the pre-filed Direct Testimony of Kelly B Mendenhall (Dominion Energy Confidential Exhibit 2.0) and the pre-filed Direct Testimony of Brady Rasmussen (Dominion Energy Confidential Exhibit 3.0), all of which are incorporated by this reference.

¹ A “Farmout” agreement is an agreement by one who owns drilling rights to assign all or a portion of those rights to another in return for drilling and testing on the property. The agreement at issue in this Application is described in greater detail in the pre-filed Direct Testimony of Brady Rasmussen, attached hereto as Dominion Energy Exhibit 3.0.

The Horseshoe Bend Development is outside the existing Wexpro I Development Drilling Area. Simultaneously with this filing, Dominion Energy is applying for an order approving the Horseshoe Bend Development 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. Though none of the Horseshoe Bend area is in the Wexpro I Development Drilling Area, Dominion Energy voluntarily offers the entire Horseshoe Bend Development for approval to be included as a Wexpro II property. 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 (referred to herein as the “Wexpro Production Cap”). 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.

9. On February 3, 2022, the Company, the Division, the OCS, and the OCA, filed Applications in Utah and Wyoming seeking the Utah and Wyoming Commission’s approval of a Settlement Stipulation that would modify the Wexpro Production Cap in order to allow

Wexpro to take advantage of potentially lower production costs. *See* Utah in Docket No. 22-057-04 and Wyoming in Docket No. 30010-203-GA-22 (the “Production Cap Docket”).

10. The Settlement Stipulation in the Production Cap Docket (the “Production Cap Settlement Stipulation”) modified the terms of the Canyon Creek Settlement Stipulation by allowing Wexpro to produce more than the 55% of the Company’s IRP demand. The Production Cap Settlement Stipulation provides that Wexpro may be permitted to manage combined cost-of-service production from Wexpro I and II properties to exceed the 55% threshold if: (a) Wexpro shows that the planned production will be provided at a cost lower than the five-year forecast curve together with shut-in costs; (b) the planned production does not exceed (i) 65% of Dominion Energy’s annual forecasted demand identified in its Integrated Resource Plan (“IRP”); or (ii) 65% of the minimum threshold as defined in the Trail Settlement Stipulation ; (c) the Company identifies the date by which Wexpro I and Wexpro II production levels will again be reduced to a level at or below 55% of Dominion Energy’s annual IRP forecast; and (d) the Commission finds the plan to be in the public interest. The Utah Commission approved the Production Cap Settlement Stipulation on April 13, 2022, and the Wyoming Commission approved the Production Cap Settlement Stipulation on August 8, 2022.

11. Also in 2022, the Utah Commission and the Wyoming Commission approved the inclusion of the Alkali Gulch Acquisition as a Wexpro II property in Docket No. 22-057-05 and Docket No. 30010-204-GA-22, respectively.

12. The Wexpro Agreement, the Wexpro II Agreement, and the settlement stipulations described in this Application are referred to collectively as the “Wexpro Agreements.”

HORSESHOE BEND DEVELOPMENT

13. On October 16, 2023, Wexpro Development Company entered into a Farmout Agreement with the owner of a working interest in two federal leases located in Uintah County Utah (the “Farmout Agreement”). A copy of the Farmout Agreement is attached hereto as Dominion Energy Confidential Exhibit K. The Farmout Agreement provided that Wexpro would receive additional interests in certain natural gas properties in the Horseshoe Bend drilling area in exchange for conducting drilling operations. The properties at issue in the Farmout Agreement are outside of the Development Drilling Areas defined in the Wexpro Agreements.

14. The Wexpro II Agreement governs the requirements for Wexpro and Dominion Energy when Wexpro acquires a property like the Horseshoe Bend Development outside the Development Drilling Area (as defined in the Wexpro II Agreement). Section IV-1 of the Wexpro II Agreement 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.”

15. Wexpro has “farmed-in²” the Horseshoe Bend property at its own risk. If the Horseshoe Bend Development is approved as a Wexpro II property, then the drilling costs

² The person or entity that receives the right to drill, referred to as the “farmee” is said to have “farmed in” to the lease or to have entered into a “farm-in agreement.”

associated with the Horseshoe Bend Development incurred thus far will be passed on to customers.

SUPPORTING INFORMATION

16. Section IV-2 of the Wexpro II Agreement provides that when Dominion Energy files an application with the Utah and Wyoming Commissions requesting approval to include proposed properties under the Wexpro II Agreement, they must include certain information. This Application contains the specified information in the attached Dominion Energy Exhibits A through P, which are incorporated by this reference. Each exhibit is described below.

Dominion Energy Exhibit A: Purchase price and gas pricing assumptions

Dominion Energy Exhibit A provides the gas and oil pricing assumptions used in the Horseshoe Bend Development. 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 Exhibit C: Historical production and remaining reserves of current wells

Since the Development does not include current production, Dominion Energy Exhibit C shows that there is no historical production or remaining reserves of current wells within the Horseshoe Bend Development property.

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 Horseshoe Bend Development, 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 the anticipated type curve for the future development wells in the Horseshoe Bend Development.

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 wells in this area. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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 future wells within the Horseshoe Bend Development. The information shown is based on historical data and Wexpro's experience operating and maintaining wells near the Horseshoe Bend area.

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

Dominion Energy Exhibit I is a summary of the estimated production tax per Dth for future Horseshoe Bend 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 and future wells

Dominion Energy Confidential Exhibit J is a summary of the estimated gathering/processing costs per Dth for future Horseshoe Bend 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 Farmout Agreement by and between [REDACTED] and Wexpro Development Company.

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 Horseshoe Bend Development. 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 Dominion Energy’s 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 Horseshoe Bend Development production for the next five (5) years.

Dominion Energy Confidential Exhibit N: Geologic data

Dominion Energy Confidential Exhibit N shows the geology of the Horseshoe Bend Development Area. Page 1 is an index map showing the location of the Horseshoe Bend Area in Eastern Utah and its relationship to the Island Unit Area.

Page 2 is a detailed view of the Horseshoe Bend Area. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Page 3 depicts the location of the cross section shown in Page 4. On Page 4, the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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 2024 through 2029 within the Horseshoe Bend Development.

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 Confidential economic model for the Horseshoe Bend Development properties. Wexpro used this model in the cost-of-service analysis of the Horseshoe Bend Development, and it will be provided to each Commission, the OCS, the Division, and the OCA electronically.

Dominion Energy has also filed the sworn direct 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 Horseshoe Bend Development 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. In the event that the production is more than 55%, the Company will follow the procedures outlined in the Production Cap 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.

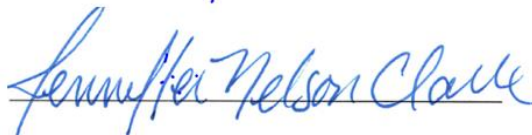
PRAYER FOR RELIEF

Based upon the foregoing, and supporting testimony, Dominion Energy respectfully requests that the Utah Commission approve the Horseshoe Bend Development as a Wexpro II property.

DATED this 1st day of February, 2024.

Respectfully submitted,

DOMINION ENERGY




Jenniffer Nelson Clark (7947)
Dominion Energy

Attorney for Dominion Energy

VERIFICATION


State of Utah)
) ss.
County of Salt Lake)

Brady Rasmussen, being first duly sworn upon oath, deposes and states: he is the Vice President and General Manager of Wexpro Company; he has direct personal knowledge of the matters addressed herein; he has read the foregoing Application; and the statements made in the Application are true and correct to the best of his knowledge, information and belief. The documents attached thereto are true and correct copies of the documents they purport to be.



Brady B. Rasmussen
Vice President and General Manager

Subscribed and sworn to before me this 1st day of February, 2024.



Notary Public



CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Verified Confidential Application was served upon the following persons by email on February 1, 2024:

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