

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE APPLICATION OF ENBRIDGE GAS FOR APPROVAL OF THE PICEANCE DEVELOPMENT AS A WEXPRO II PROPERTY	Docket No. 25-057-03
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**REDACTED DIRECT TESTIMONY OF BRADY B. RASMUSSEN**

**FOR ENBRIDGE GAS**

**Enbridge Gas Redacted Exhibit 3.0**

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**I. INTRODUCTION**

1 **Q. Please state your name and business address.**

2 A. My name is Brady B. Rasmussen. My business address is 333 South State Street, Salt Lake  
3 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.  
6 I oversee and am responsible for managing drilling, development, and operations  
7 associated with Wexpro’s cost-of-service properties. I am also responsible for compliance  
8 associated with oil and gas operations and compliance with the Wexpro I and Wexpro II  
9 Agreements.

10 **Q. What are your qualifications to testify in this proceeding?**

11 A. I have listed my qualifications in Enbridge Gas Exhibit 3.1.

12 **Q. Attached to your written testimony are Enbridge Gas Exhibits 3.1 through 3.3.  
13 Were these prepared by you or under your direction?**

14 A. Yes.

15 **Q. What is the purpose of your testimony in this Docket?**

16 A. The purpose of my testimony is to: 1) provide an overview of the Piceance Development  
17 provided as Enbridge Gas Confidential Exhibit K; 2) explain how Wexpro determines its  
18 annual drilling program; 3) explain how Wexpro can continue to drill at or below the 5-  
19 Year Forward Curve; 4) explain what Wexpro is doing and will continue to do to help  
20 reduce the overall price of cost-of-service gas; and 5) identify the guideline letters that will  
21 apply to the Piceance Development (“Piceance Development” or “Development”) if it is  
22 included as a Wexpro II property.

23 **Q. Are you familiar with the Verified Confidential Application and accompanying**  
24 **exhibits filed in this Docket?**

25 A. Yes. Many of the exhibits were prepared under my supervision and direction.

26 **II. PICEANCE DEVELOPMENT**

27 **Q. Please describe the terms of the joint development.**

28 A. In the oil and gas industry, joint development agreements take on a variety of forms, but  
29 commonly involve a promotion device (or simply a “promote”) whereby one party pays a  
30 greater percentage of exploration and development costs in relation to the interest earned  
31 by the party. *See* definition of “front-end loading” in Williams & Meyers, “Manual of Oil  
32 and Gas Terms,” 10<sup>th</sup> Ed. (1997). [REDACTED]

33 [REDACTED]  
34 [REDACTED]  
35 [REDACTED]  
36 [REDACTED]  
37 [REDACTED]  
38 [REDACTED]  
39 [REDACTED]  
40 [REDACTED]

41 [REDACTED] is recognized in the oil and gas industry  
42 as a “reward for searching for, identifying, and leasing the prospect as wells as the efforts  
43 it exerts in supervising the actual drilling and completion [of the wells].” *See* definition of  
44 “third-for-a-quarter deal” in Williams & Meyers, “Manual of Oil and Gas Terms,” 10<sup>th</sup> Ed.  
45 (1997). From the non-operator’s perspective, paying the operator a promote to participate  
46 in a development program provides the non-operator an opportunity to bolster reserves  
47 without having to expend resources to generate to the prospect. Non-operators paying a

48 promote may also benefit from the efficiencies gained through the operator’s existing oil  
49 and gas production infrastructure.

50 [REDACTED]  
51 [REDACTED]  
52 [REDACTED] Some wells have been drilled and  
53 completed, while others are in the process of being drilled and completed. The entire [REDACTED]  
54 [REDACTED] program is anticipated to conclude during 2025. [REDACTED]  
55 [REDACTED]  
56 [REDACTED]  
57 [REDACTED]  
58 [REDACTED]  
59 [REDACTED] Drilling and completion of the option wells is anticipated to  
60 begin later in 2025 and conclude in 2026.

61 **Q. What led to Wexpro’s participation in the Piceance Development?**

62 A. [REDACTED]  
63 [REDACTED] and has an excellent reputation for conducting operations efficiently and  
64 responsibly. [REDACTED] has a favorable acreage position which includes extensive  
65 undeveloped areas known to be highly prospective for the development of natural gas, and  
66 [REDACTED] has an ongoing drilling program to develop these resources. Importantly, natural  
67 gas produce from [REDACTED] area of operations can be readily transported through existing  
68 pipelines and contracts for delivery to Enbridge Gas. Wexpro and [REDACTED] negotiated a  
69 Joint Development Agreement during 2024 and executed the agreement on December 23,  
70 2024. A copy of the Joint Development Agreement is attached to the Application as  
71 Enbridge Gas Confidential Exhibit K. Upon execution of the Joint Development  
72 Agreement, Wexpro paid [REDACTED] for costs incurred to date on the [REDACTED]

73 drilling program. On January 7, 2025, Wexpro received a wellbore assignment for the first  
74 14 wells of the program.

75 **Q. Why would this property be valuable for Enbridge Gas’s customers?**

76 A. The Piceance Development offers many low-risk and low-finding-cost drilling  
77 opportunities whose production can be readily transported to Enbridge Gas. Wexpro  
78 believes that these properties have great value to Enbridge Gas<sup>1</sup> customers and hopes that  
79 the Utah Public Service Commission (“Utah Commission”) and the Wyoming Public  
80 Service Commission (“Wyoming Commission”) (together with the Utah Commission,  
81 “Commissions”) will approve their inclusion as Wexpro II properties. Wexpro was willing  
82 to participate in the Piceance Development at its own risk, regardless of whether these  
83 properties are included as Wexpro II properties. Wexpro believes the Piceance  
84 Development would be equally beneficial to shareholders if developed outside the Wexpro  
85 II Agreement.

86 **Q. Who bears the risk of the property acquisition until the Commissions either approve  
87 or reject the new properties as Wexpro II Properties?**

88 A. Wexpro bears the burden and risk of participating in the Piceance Development and  
89 producing the gas until the Commissions decide whether or not to approve it as Wexpro II  
90 properties.

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<sup>1</sup> I refer to Questar Gas Company dba Enbridge Gas Utah (in Utah), Enbridge Gas Wyoming (in Wyoming), and Enbridge Gas Idaho (in Idaho) as “Enbridge Gas” throughout my testimony.

91 **Q. If the Piceance Development is not included as a Wexpro II Property, does Wexpro**  
92 **plan to produce this property for other potential customers?**

93 A. Yes. If the Development is not approved for inclusion as a Wexpro II Property, Wexpro  
94 would still produce the natural gas from the Development and sell it into the marketplace  
95 at its own risk.

96 **III. WEXPRO'S DRILLING PROGRAM**

97 **Q. Please explain how Wexpro determines its annual drilling program?**

98 A. Throughout the year, Wexpro reviews its inventory of potential future wells to determine  
99 an efficient mix of low-cost wells, leasehold obligation wells, and wells that must be drilled  
100 in accordance with Bureau of Land Management mandates governing well development.

101 **Q. How does Wexpro help ensure that development drilling properties are cost effective?**

102 A. Wexpro will only contract for a drilling rig once Wexpro has developed a drilling program,  
103 the Hydrocarbon Monitor<sup>2</sup> has reviewed the program, and the wells can provide cost-of-  
104 service production that is, on average, at or below the 5-Year Forward Curve. Contracting  
105 for drilling and completion services typically occurs six months before drilling  
106 commences.

107 **Q. Given today's volatile natural gas prices, can Wexpro continue a drilling program**  
108 **and provide cost-of-service gas at or below the 5-Year Forward Curve?**

109 A. Yes, for a number of reasons. First, the stipulation approved in the Canyon Creek dockets<sup>3</sup>  
110 resulted in lowering the return Wexpro earns from newly-drilled wells. Second, the market

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<sup>2</sup> The Hydrocarbon Monitor is an independent evaluator retained by the Utah Division of Public Utilities to review Wexpro's drilling program, as well as any new properties proposed to be included as Wexpro II properties. See Section IV of the Wexpro II Agreement.

<sup>3</sup> Utah Docket No. 15-057-10; Wyoming Docket No. 30010-145-GA-15.

111 price of gas has significantly increased in recent years, which has led to significant  
112 customer savings from Wexpro production.

113 **Q. How does having an ongoing drilling program benefit Enbridge Gas customers?**

114 A. Attached as Enbridge Gas Exhibit 3.2 is a chart representing the typical cumulative  
115 production of a well. As the chart shows, about half of the production from a typical well  
116 is produced during the first five years of its 20 to 30-year life. If these volumes are not  
117 replaced with volumes from new wells, then fixed costs of producing wells will be spread  
118 over fewer and fewer volumes thus causing the cost per-unit to go up. A drilling program  
119 helps to keep costs per-dekatherm lower. In addition, given the volatility of natural gas  
120 prices during the past few years, and the increase in gas prices over the past year, an  
121 ongoing drilling program as proposed in this Application will help to keep gas prices stable  
122 and low for Enbridge Gas customers.

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

124 A. Yes, having a continuous drilling program ensures Wexpro can continue to provide  
125 customers cost-efficient operations. Starting and stopping a drilling program by erratically  
126 adding and removing drilling and completions personnel can be very costly and inefficient.  
127 Also, in times of industry growth, Wexpro struggles to find and retain qualified personnel,  
128 which it has experienced many times over the decades. Consistently adding wells to the  
129 portfolio keeps costs lower and avoids the “boom and bust” approach that is often  
130 associated with this industry. The key is being able to add wells at or below the current 5-  
131 Year Forward Curve.

132 **Q. If the Commissions approve the Piceance Development to be included as Wexpro II  
133 properties, will it reduce the overall cost of service?**

134 A. Yes. Column B of Enbridge Gas Confidential Exhibit 3.3 shows forecasted cost of service  
135 prices without the Piceance Development. Column C shows the anticipated cost of service



136 from the Piceance Development by itself. Column D shows a forecast of the overall  
137 Wexpro II cost of service if the Commissions agree to include the Piceance Development  
138 production in Wexpro II. As is clear from the exhibit, adding the Piceance Development  
139 as a Wexpro II property will further reduce the cost of service.

140 **IV. MANAGEMENT OF PICEANCE DEVELOPMENT PRODUCTION**

141 **Q. How will Wexpro manage the Piceance Development if the Commissions approve the**  
142 **request to include those properties as Wexpro II properties?**

143 A. Wexpro and Enbridge Gas will continue to coordinate to manage cost-of-service  
144 production to ensure that customers have a long-term reliable supply of low-cost gas now  
145 and in the future. Wexpro understands the dynamics surrounding Enbridge Gas's current  
146 gas supply.

147 **Q. Can Wexpro continue to comply with the 55% supply limitation if the Commissions**  
148 **approve the inclusion of the Piceance Development as Wexpro II properties?**

149 A. Yes. Enbridge Gas Application Exhibit M shows that the addition of the Piceance  
150 Development as a Wexpro II property will not cause Wexpro to produce volumes over the  
151 55% supply limit. It will, however, increase the benefit of allocating fixed costs over the  
152 greater number of volumes, thus helping to reduce the cost of service as discussed above.

153 **Q. If the Piceance Development is approved as a Wexpro II property, are there Guideline**  
154 **Letters that will apply to the property?**

155 A. Yes. The Piceance Development property is subject to the guideline letters that can be  
156 found on Enbridge Gas's website<sup>4</sup>.

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<sup>4</sup> <https://www.enbridgegas.com/utwyid/wexpro>

157 **Q. In summary, what are your recommendations regarding the Piceance Development?**

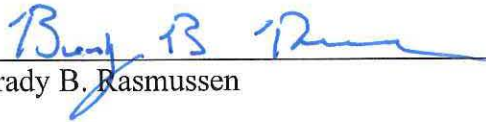
158 A. The Piceance Development is a low-risk opportunity for Wexpro to produce additional  
159 volumes at cost-of-service prices for Enbridge Gas customers. Additionally, the projected  
160 Development will produce at prices below the five-year curve. Any future wells will still  
161 need to beat the 5-Year Forward Curve and pass the economic test after they are drilled to  
162 be included into the investment base. This protects the customers from uneconomic  
163 investment.

164 **Q. Does this conclude your testimony?**

165 A. Yes.

STATE OF UTAH                    )  
  ) ss.  
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. 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.

  
\_\_\_\_\_  
Brady B. Rasmussen

SUBSCRIBED AND SWORN TO this 24<sup>th</sup> day of January, 2025.

  
\_\_\_\_\_  
Notary Public

