

Piceance Development

Technical Conference

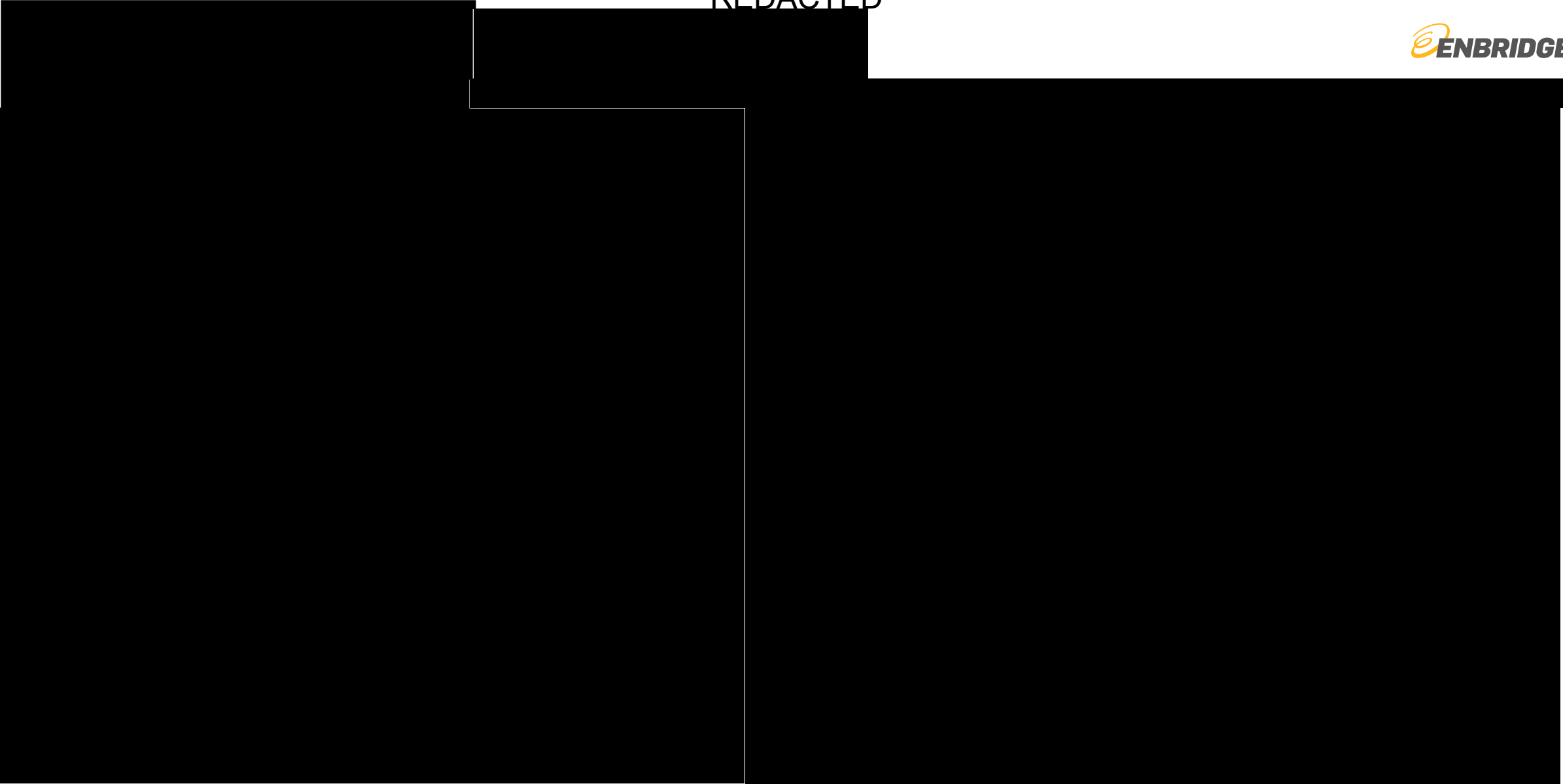
February 13, 2025

Docket No. 25-057-03



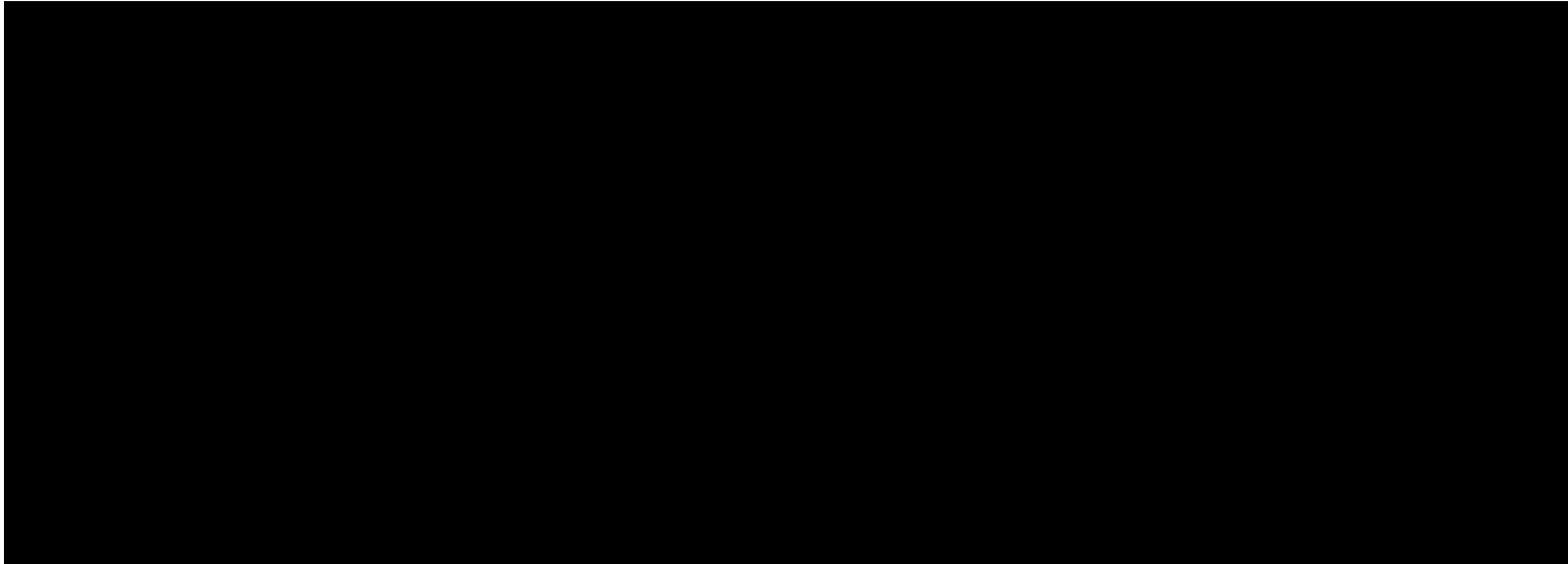
Nick Tingey

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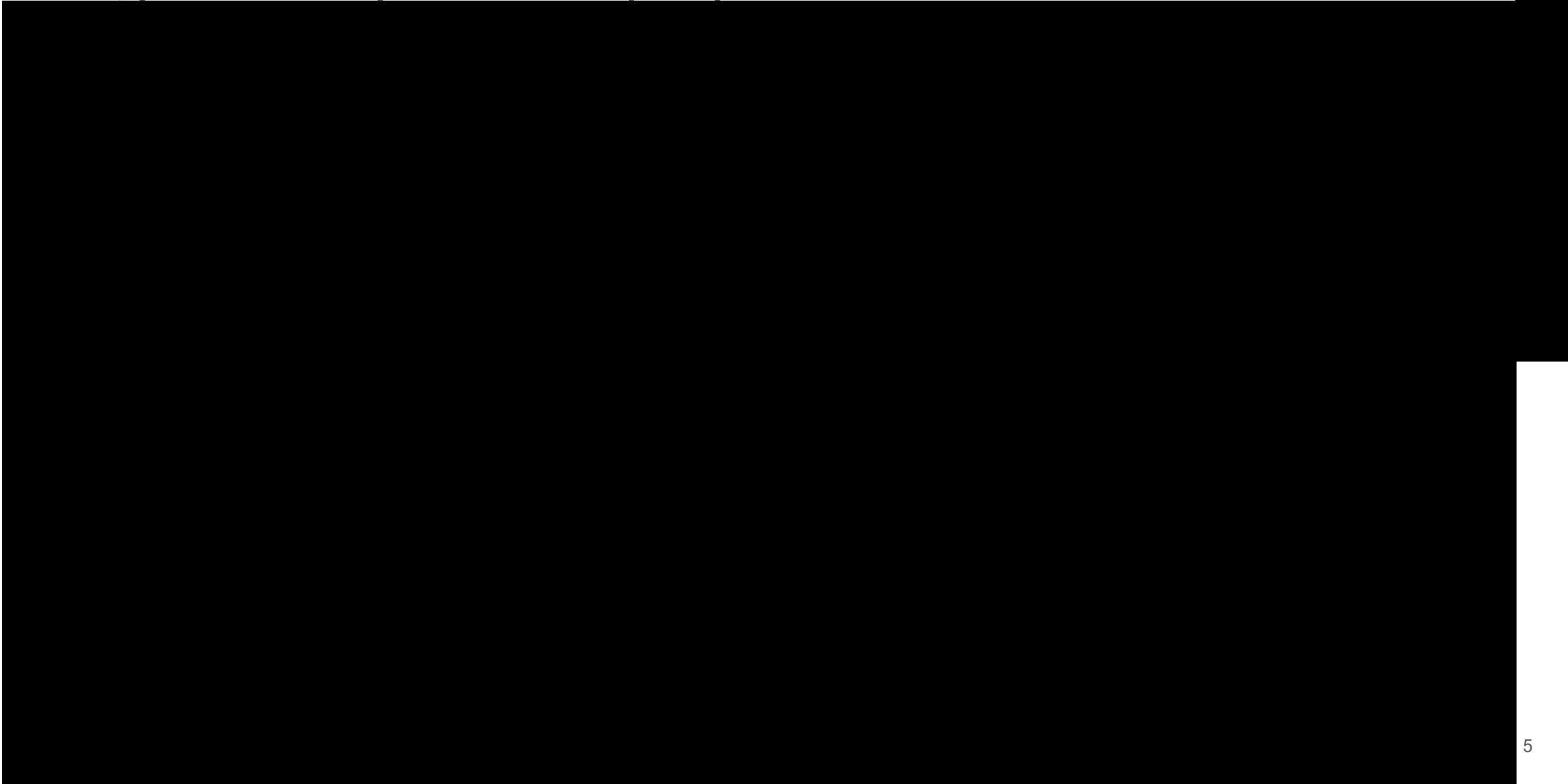
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Phase I Development Summary



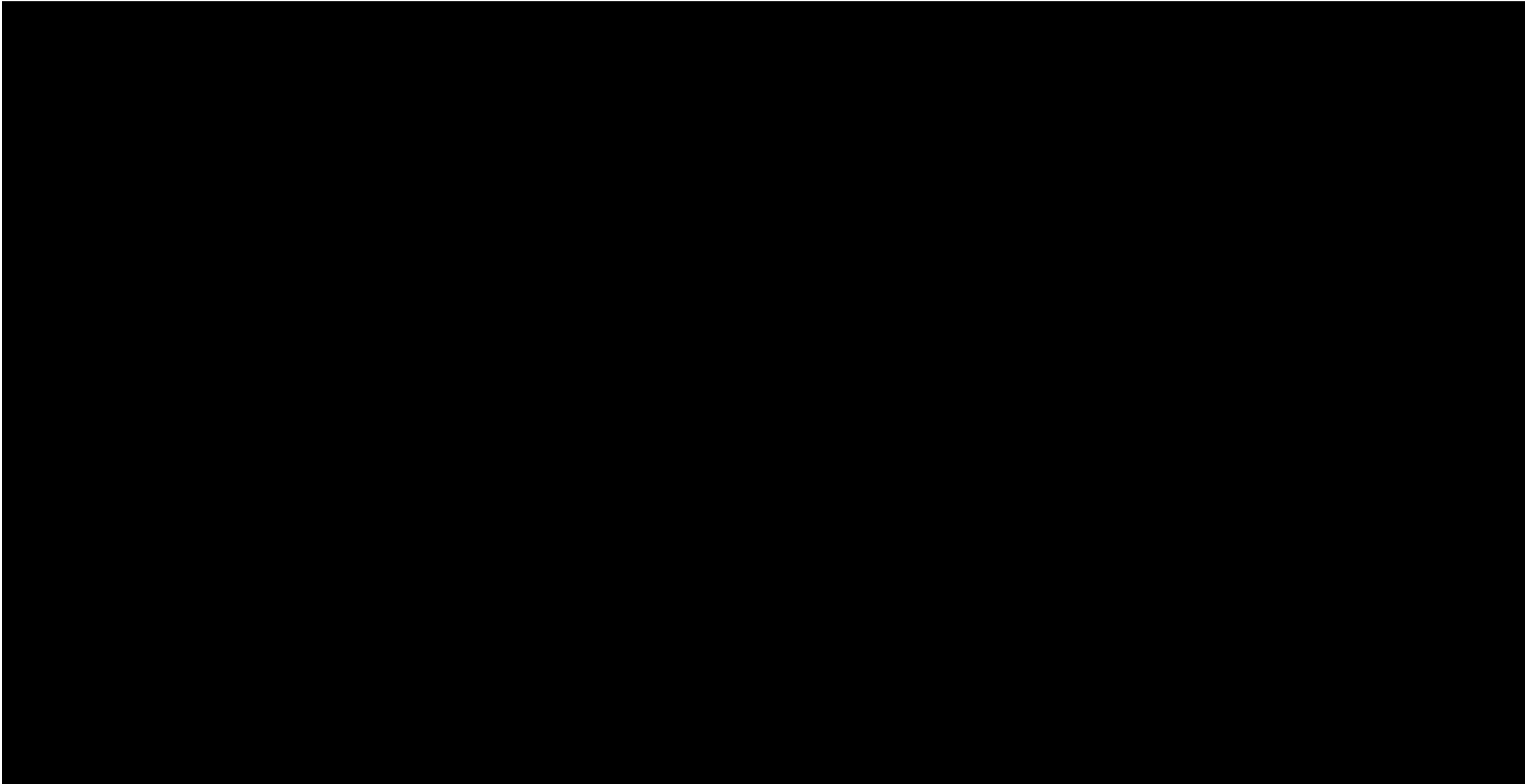
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Regional Map with Key Operators

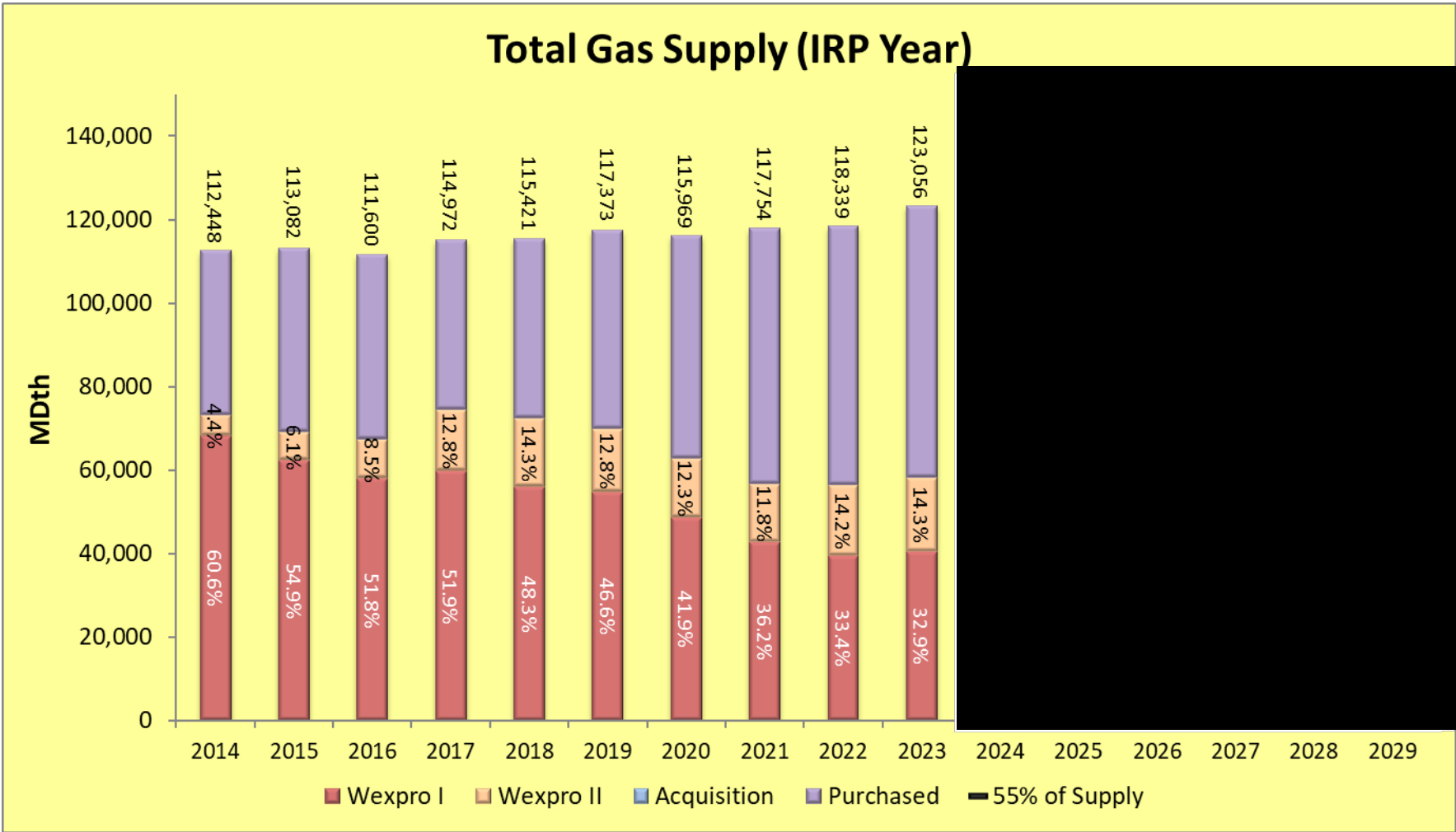


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Regional Map with Pad Locations



Gas Supply



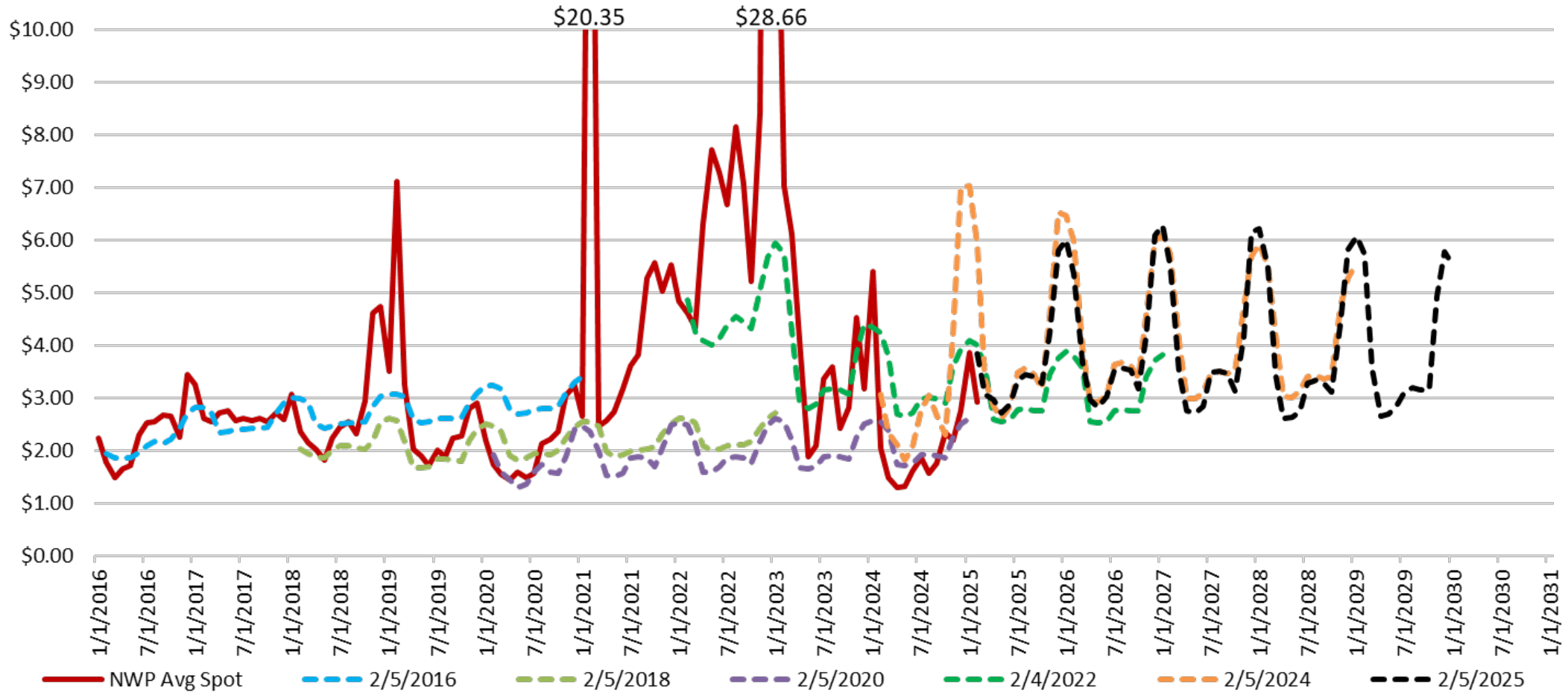
- With Wexpro supply under 50%, there is a need for additional COS volumes
- Wexpro peak supply is 50% in 2025 with acquisition

Brady Rasmussen

DPU 1.8 Historical Future Prices



Rockies Gas - Monthly Average Spot Price and Historical Futures



Rockies Gas is from Northwest Pipeline at Opal WY according to Platts/S&P Global Commodity Insights

DPU 1.21 Production Taxes



Answer - See the response below. Production tax and MMBtu delivered volume data sourced from Exhibit P.

Production Taxes p/Dth (Annual)

Application	Docket #	Type	2013		2014		2015		2016		2017		2018		2019		2020		2021	
Trail Canyon	13-057-13	PDP/PUD	\$	0.41	\$	0.43	\$	0.45	\$	0.46	\$	0.47	\$	0.49	\$	0.51	\$	0.51	\$	0.51
Creek	15-057-10	PDP/PUD	-		-		0.29		0.31		0.33		0.32		0.33		0.35		0.35	
Vermillion	17-057-01	PDP/PUD	-		-		-		-		0.36		0.30		0.31		0.35		0.36	
Alkali Gulch	22-057-05	PDP/PUD	-		-		-		-		-		-		-		-		-	
Horseshoe Bend	24-057-03	PUD Only	-		-		-		-		-		-		-		-		-	
Piceance JV	25-057-03	PUD Only	-		-		-		-		-		-		-		-		-	

Application	Docket #	Type	2022		2023		2024		2025		2026		2027		2028		2029	
Trail Canyon	13-057-13	PDP/PUD	\$	0.51	\$	0.51	\$	0.51	\$	0.51	\$	0.51	\$	0.51	\$	0.51	\$	0.51
Creek	15-057-10	PDP/PUD		0.35		0.35		0.35		0.35		0.35		0.35		0.35		0.35
Vermillion	17-057-01	PDP/PUD		0.33		0.34		0.34		0.34		0.34		0.34		0.34		0.34
Alkali Gulch	22-057-05	PDP/PUD		0.40		0.35		0.32		0.31		0.30		0.30		0.30		0.30
Horseshoe Bend	24-057-03	PUD Only		-		-		0.19		0.29		0.26		0.25		0.25		0.25
Piceance JV	25-057-03	PUD Only		-		-		-		0.12		0.14		0.15		0.14		0.13

Exhibits - Regarding Exhibit I: Please provide the production taxes per Dth for each Wexpro II property compared to the production taxes per Dth expected in this application.

DPU 1.27 Equipping Wells

- Equipping a production well includes many different pieces of equipment. Initially the stream flows through a production separator which separates the stream into a gas stream, a produced water stream, and a condensate stream. The water and condensate streams are routed to their appropriate tanks for storage. The tanks have burners in them to prevent freezing and to allow for further separation. The gas stream will then flow through a gas meter for gas measurement and will then flow into a dehydrator to remove any entrained water in the gas in order to meet pipeline quality specs. Included in the equipment will be various methanol tanks and pumps, chemical tanks and pumps, and typically a glycol circulation system to prevent production line freezes.

DPU 1.32 Gas Sales to Other Customers



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.**

DPU 1.33 Reduced ROE



- Lines 107-108 asks: Given today's volatile natural gas prices, can Wexpro continue a drilling program and provide cost-of-service gas at or below the 5-Year Forward Curve.
- Lines 109-110 answers: Yes, for a number of reasons. First, the stipulation approved in the Canyon Creek dockets resulted in lowering the return Wexpro earns from newly-drilled wells.
- The documentation is the Settlement Stipulation in the Canyon Creek Docket (No. 15-057-10)

15. The Parties agree for purposes of settlement that the rate of return on pre-2016 natural gas and oil Developmental Wells and Appurtenant Facilities will be governed over their remaining life as set forth in the Wexpro I and Wexpro II Agreements.

16. The Parties agree for purposes of settlement that the rate of return on post-2015 Wexpro I and Wexpro II Development Drilling or any other capital investment, and any associated

5



SETTLEMENT STIPULATION
DOCKET NO. 15-057-10

AFUDC, for both natural gas and oil wells, will be the **Commission-Allowed Rate of Return** as defined in Section I-31 of the Wexpro II Agreement.

Rasmussen Testimony - Beginning on line 110: Please provide the documentation which substantiates that claim on an annual basis.

DPU 1.35 Man Hours for Acquisitions



- Answer – There will be no incremental man-hours or headcount with this acquisition. These wells are operated by Wexpro's drilling partner and the operating and maintenance costs are included in the forecasted costs in the project

Dee Heugly

DPU 1.10 Dry Holes in Piceance Development



- Each party bears the risk of dry holes in proportion to their working interests in the wells.

Application - What is the understanding and reference in the Agreement regarding dry holes?

DPU 1.13 Hydrocarbon Monitor



- Section 8.2 of the Wexpro Stipulation provides that the Division may retain monitors to review and advise all parties with respect to the performance of the Agreements.
- The Hydrocarbon Monitor reviews Wexpro's proposed drilling plans and acquisitions and engages in a meaningful discussion about all aspects of the technical and financial work involved in these processes.

Application - Please explain what is meant by the statement "the Wexpro monitor reviews". Namely, does the Company believe that the Hydrocarbon monitor has authority regarding Wexpro's actions, or that its "review" of Wexpro's actions adds to the credibility of the work and/or drilling plan? If so, or if not, please explain.

DPU 1.24 Future Prices



- Working interest owners, like Wexpro, do not have an option to opt out when market prices change. The five-year curve is held flat in Wexpro's projections, which is unlikely to materialize as prices generally rise over time, but there may be times when cost of service from this production is higher than market as is the case with all Wexpro production.
- Rates change due to:
 - > Taxes are based on market prices.
 - > Operating expenses are based on future cost forecasts.
 - > Depreciation is steady (any differences in Exhibit L are de minimis).
 - > Wexpro before-tax return increases on a per unit basis as wells age because they generally produce a lower percentage of their overall production each year over the life of the well.
 - > Sharing and liquids credits decreases over time due to liquids forecast prices and increases in expenses, which reduce the credit.

Exhibits - Regarding Confidential Exhibit L: The graph shows that the annual COS will be above Market price at about 2038, but cumulatively below. Please explain what would be required for Wexpro to opt-out when the price gets above the five-year market price. Also, does the Company believe that Ratepayers should still be buying the gas after 2038 given that it would be more expensive than the expected market price? Finally, please explain why the rates shown in the attached tables change, namely, NRI, Depreciation, Wexpro Before tax return, Royalties, Sharing and Liquid credits.

Nick Tingey

DPU 1.4 Wobbe at Wexpro II Properties



- Wexpro does not track the Wobbe index or specific gravity for its wells, but it does track BTU values at the wellhead and report them to the state. The Wobbe index is typically used for the suitability of fuel gases as a fuel source in the utility system after several layers of processing from wellhead to burner tip. At the wellhead, there is a limited range in BTU values across the Wexpro footprint. For example, across all Wexpro wells, the minimum value is 1000 BTU and the maximum value is 1200 BTU, with a standard deviation across the fields of 50 BTU. In Vermillion, where many of the Wexpro II applications have been approved, the average BTU by well is 1132 and the standard deviation is 36 BTU. Therefore, the range of BTU values and the associated uncertainty is limited. Generally, BTU values for acquisitions have been based on actual BTU data for wells where there is additional working interest acquired, and field averages are used for future drilling.

General - Please provide the Wobbie Interchangeability number for each Wexpro II property filing at the time of filing and currently.

DPU 1.12 – Drilling Plan



- This agreement does not change Wexpro's drilling plans.

Application - Please explain how fulfilling this agreement alters the Wexpro drilling plan from before the Agreement was signed, like December 1, 2024.

DPU 1.18 Gross and Net AFE Costs



- This information will be provided in Excel format. These costs are set forth in the Wexpro agreement and include:
 - > Pad construction
 - > Rig mobilization
 - > Drilling
 - > Completion
 - > Facilities costs (facilities is inclusive of connection to gathering system).
- The COS price includes all these costs (typically called F&D cost or "finding cost") as well as operating expense, gathering, transportation, and other costs as outlined in the Wexpro agreement such as taxes and royalty payments.

DPU 1.26 – Well Completions



- A well that has been drilled, hydraulic fractured and is online and producing.

Mendenhall Testimony - Beginning on line 29: Please define the word “completed” as used in this context.

DPU 1.29 Current Piceance Production



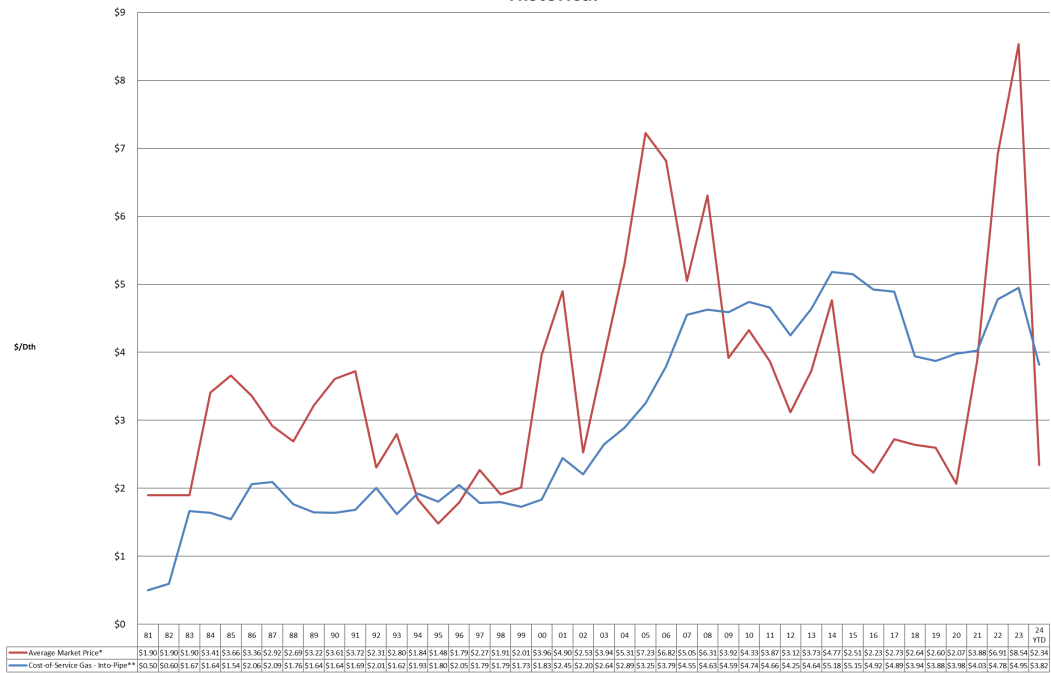
- The first pad of 14 wells is currently producing.

Austin Summers

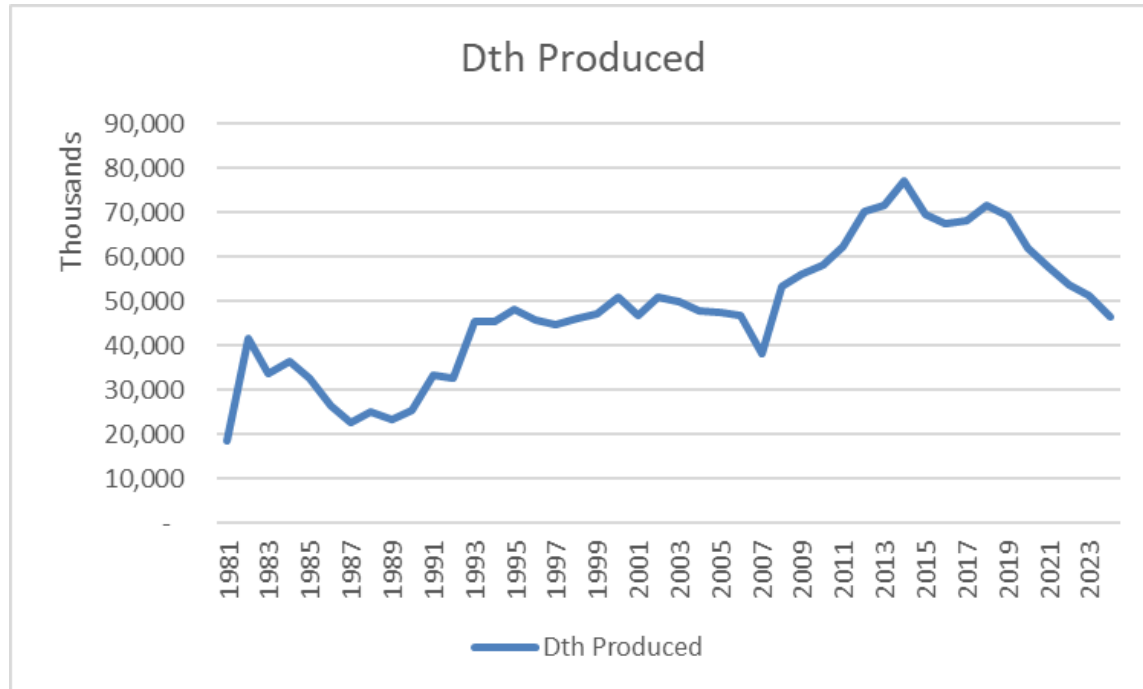
DPU 1.9 Wexpro II Volumes and COS Prices



Average Market Price vs. Cost-of-Service Gas
Historical



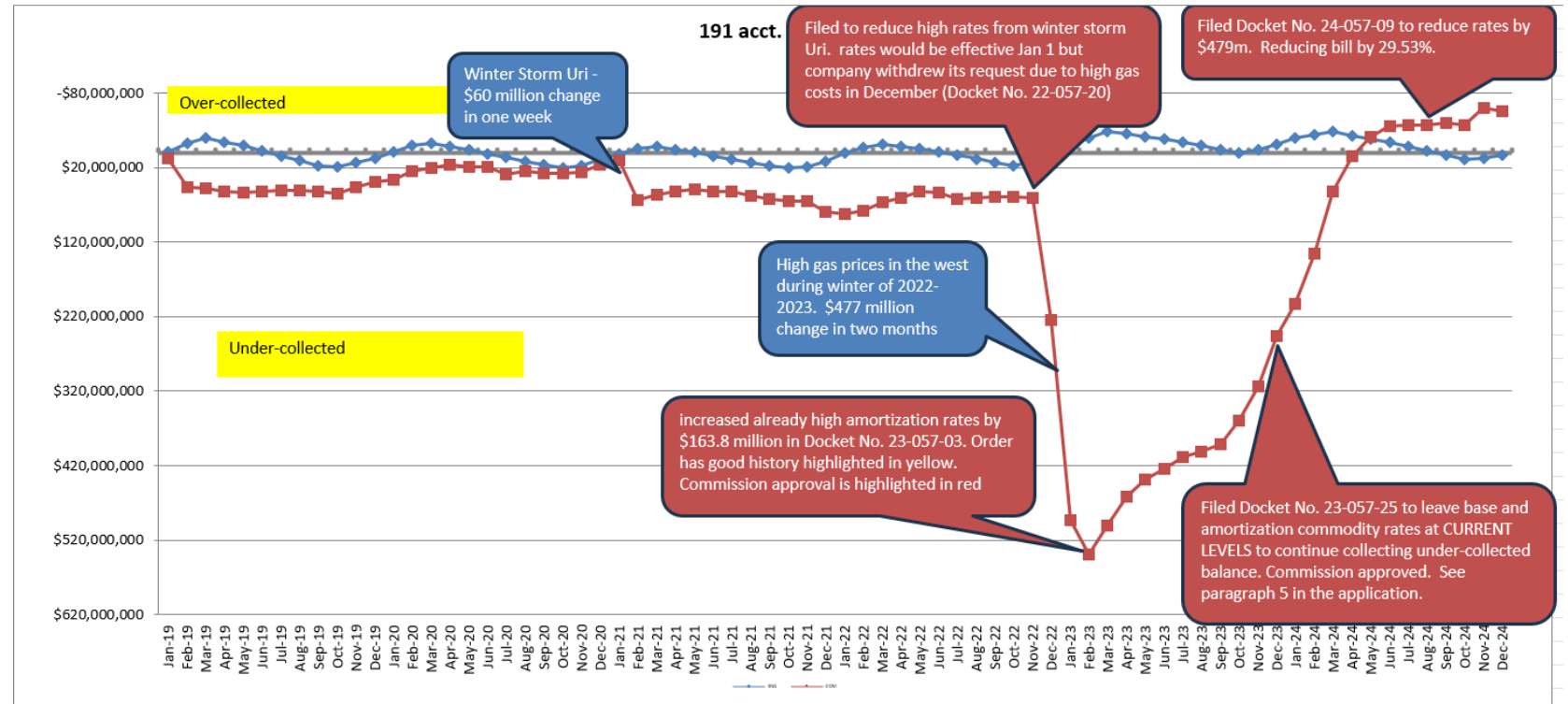
Dth Produced



General - Please provide the annual volume and COS price from the beginning of the Wexpro II agreement.

DPU 1.34 High Gas Prices

- Lines 107-108 asks: Given today's volatile natural gas prices, can Wexpro continue a drilling program and provide cost-of-service gas at or below the 5-Year Forward Curve.
- Lines 110-111 answers: Second, the market price of gas has significantly increased in recent years, which has led to significant customer savings from Wexpro production.
- The documentation is the Settlement Stipulation in the Canyon Creek Docket (No. 15-057-10)

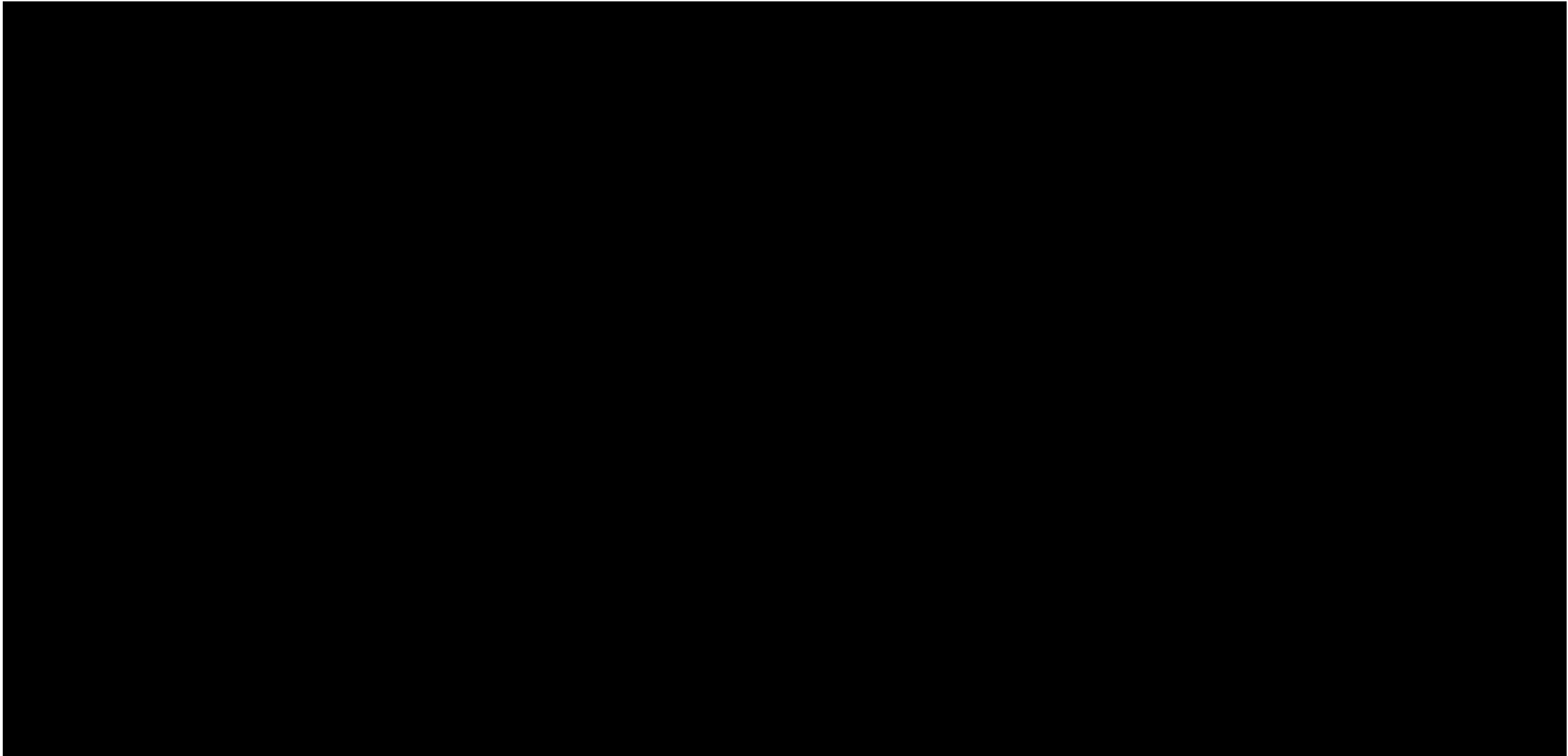


Rasmussen Testimony - Beginning on line 111: Please quantify this statement.

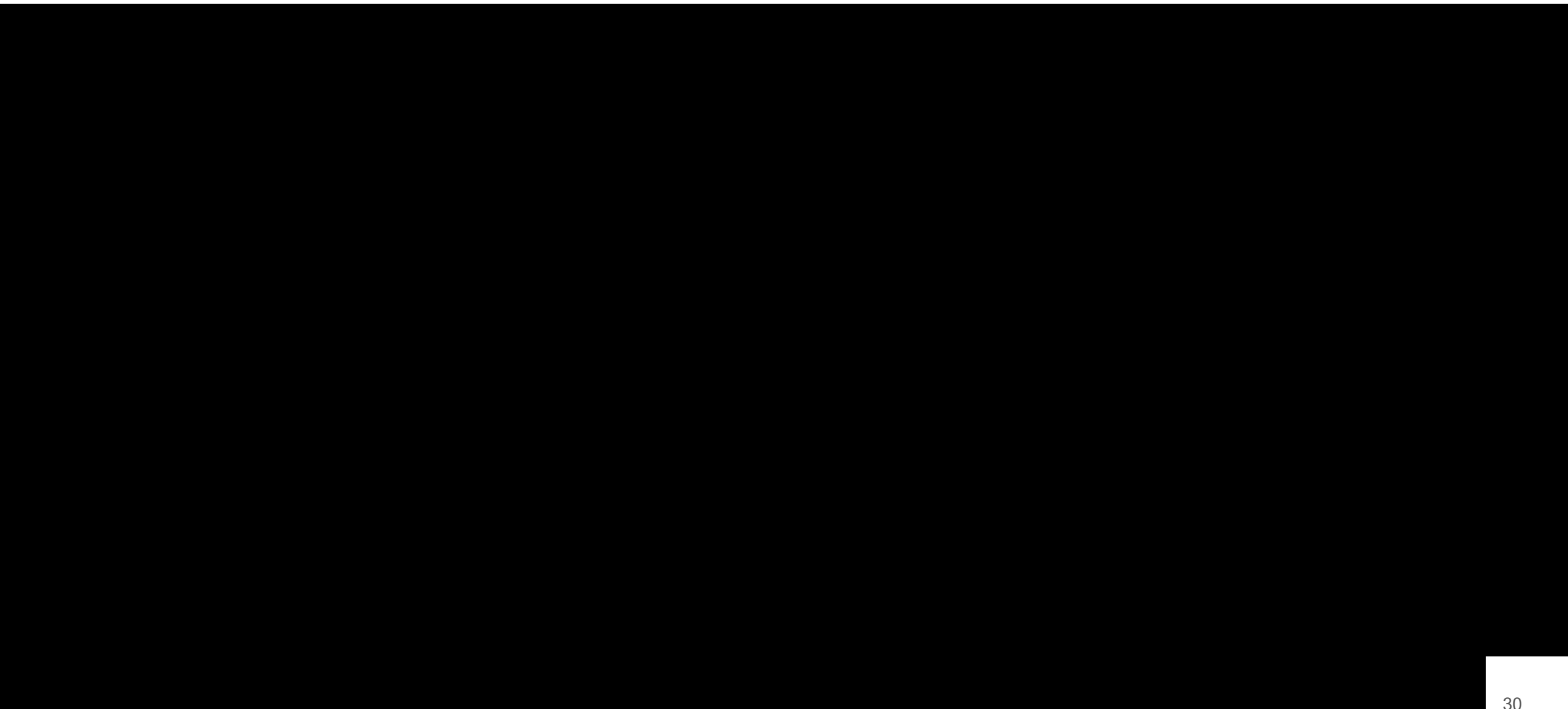
Begin Confidential Information

Brady Rasmussen

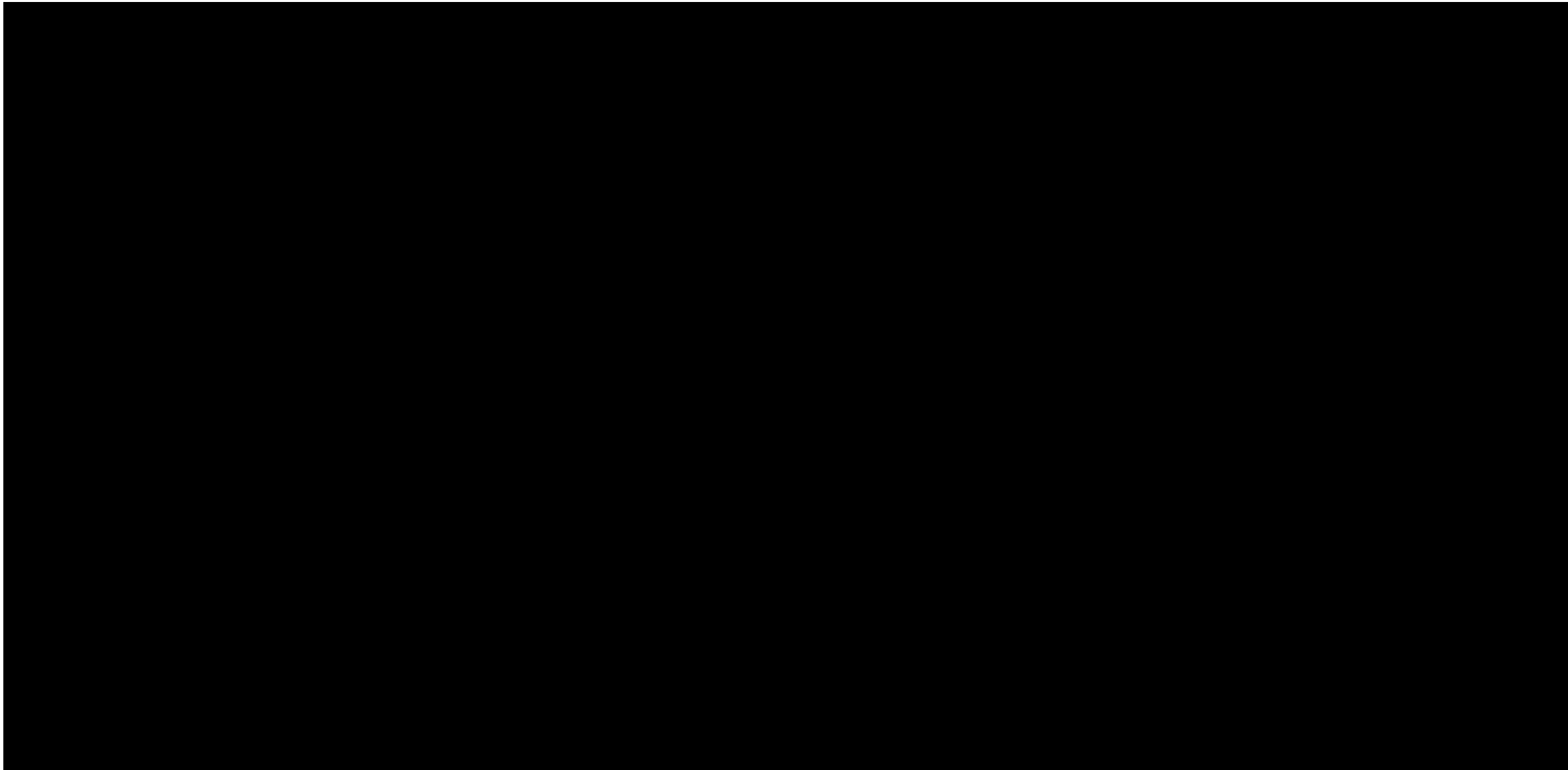
DPU 1.1 Annual Wexpro Inventory



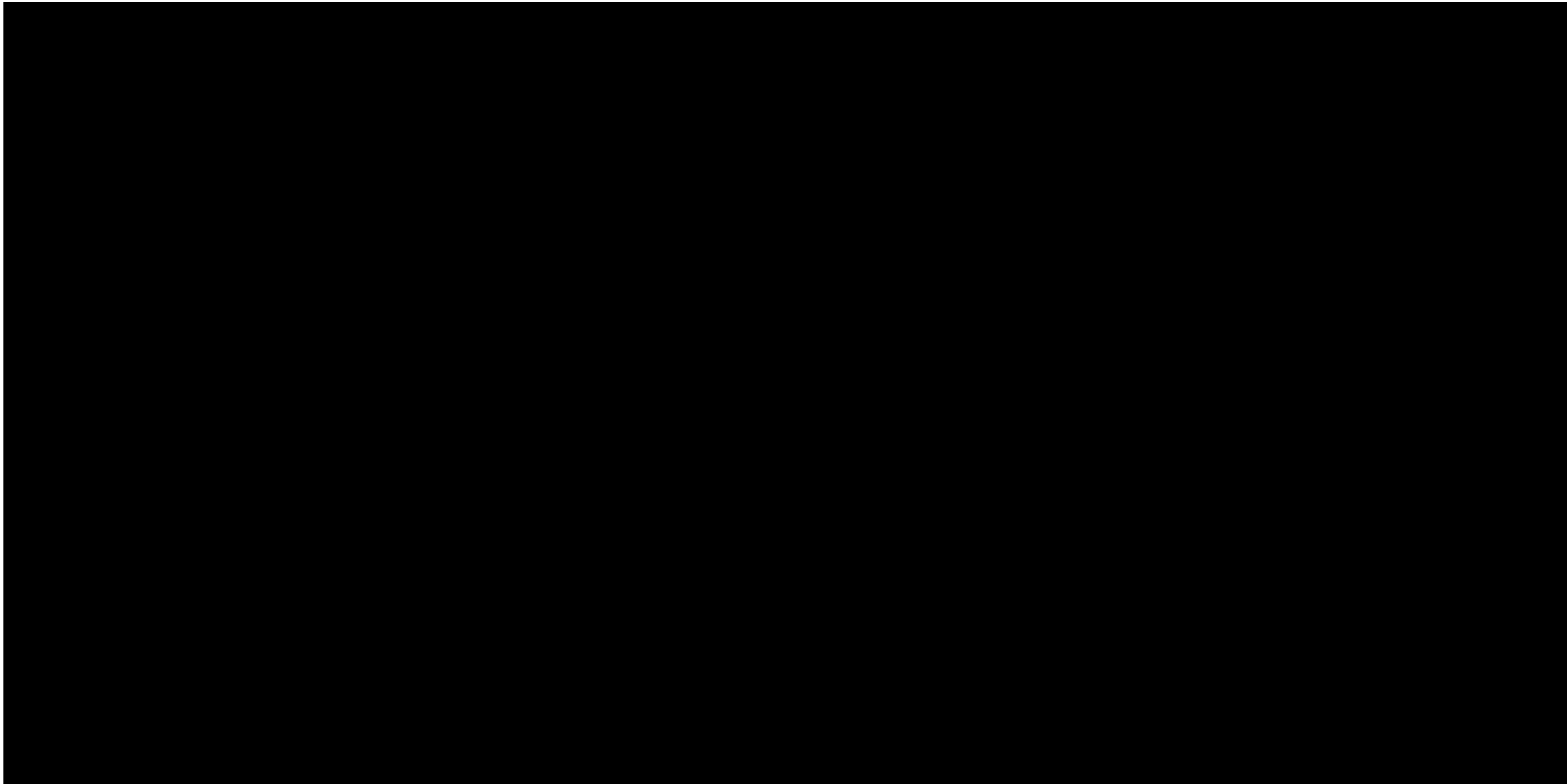
DPU 1.2 and 1.36 Forecasted COS



DPU 1.2 and 1.36 Forecasted COS (continued)

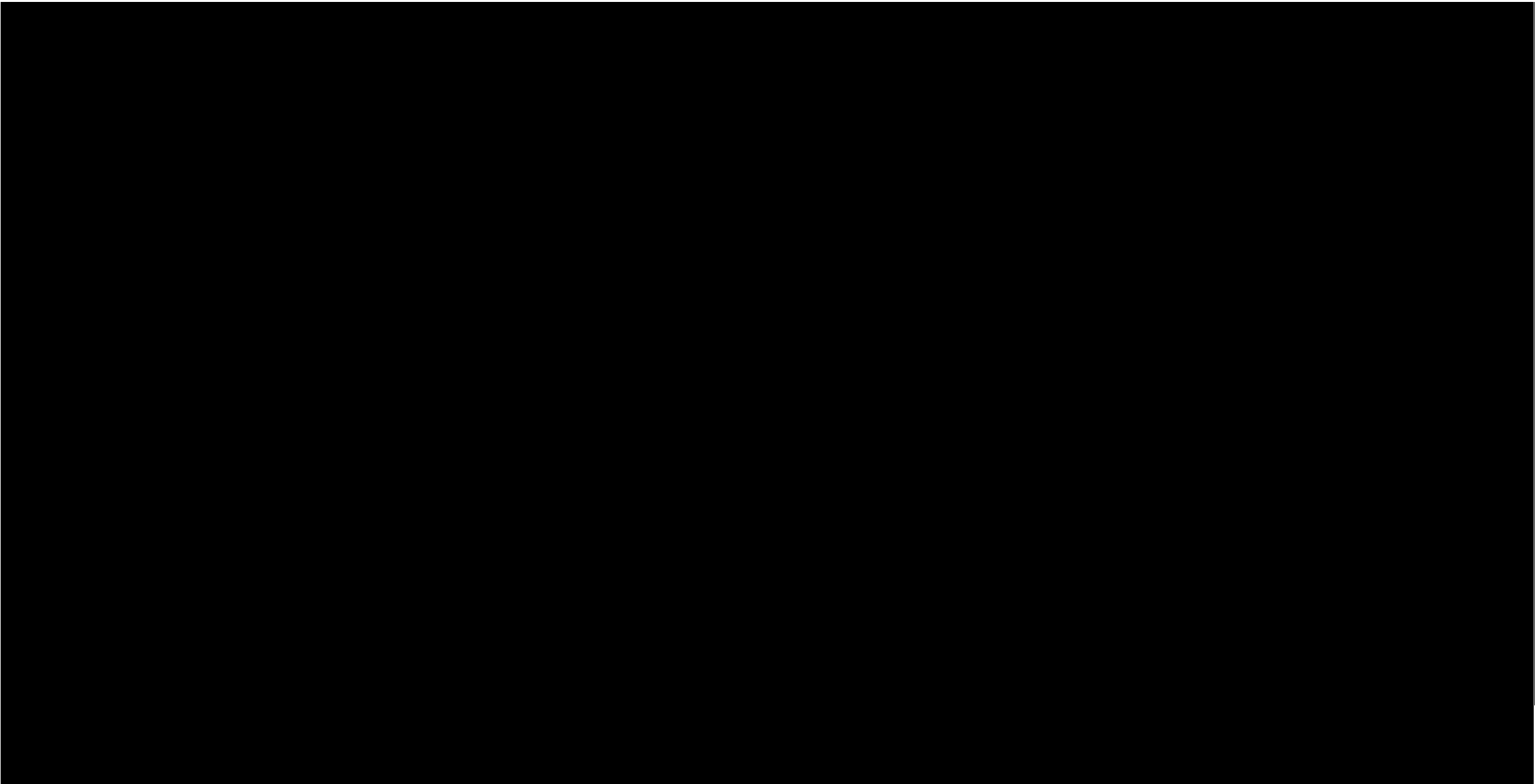


DPU 1.3 Comparison of Inventory Projections



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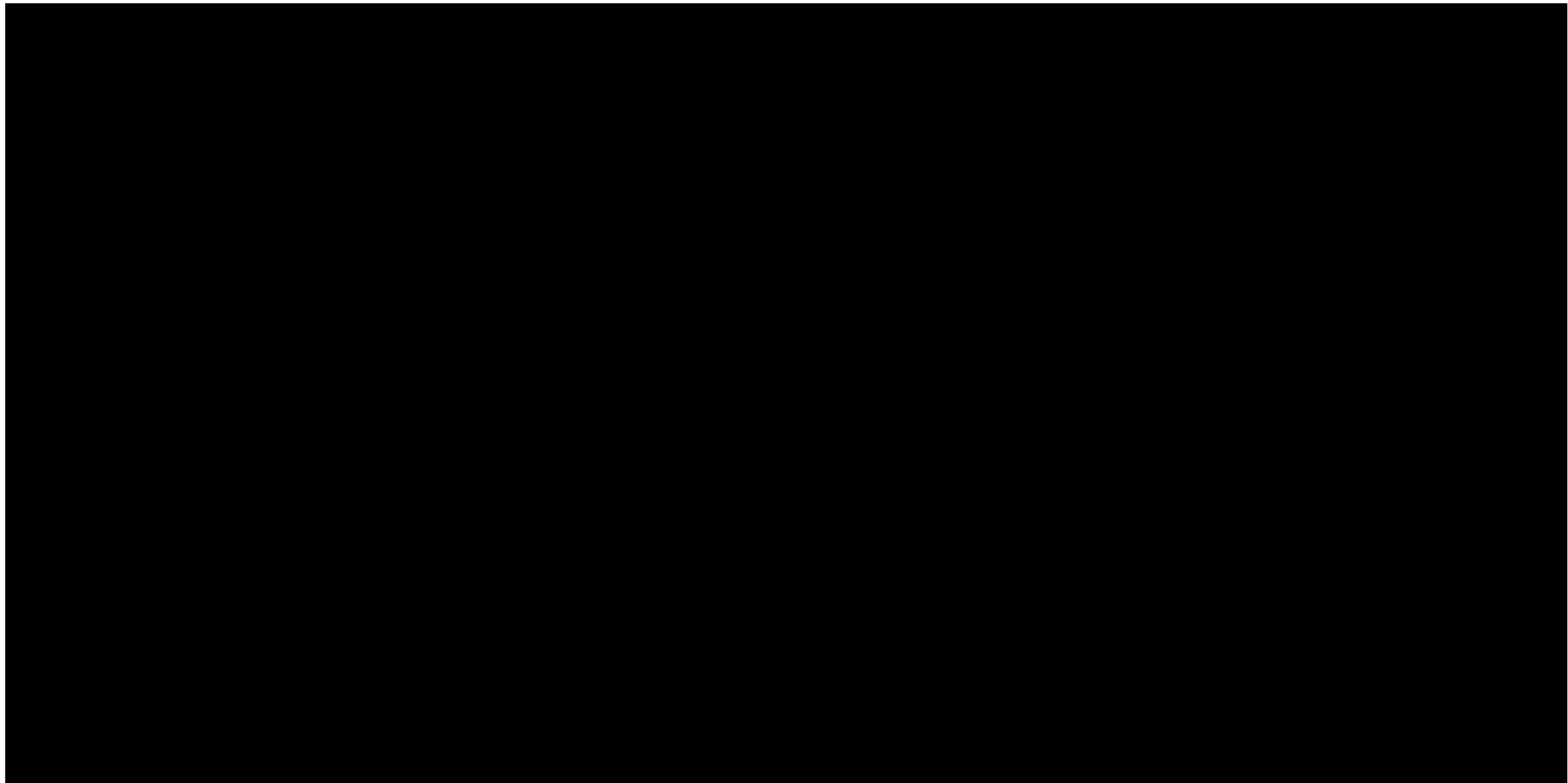
DPU 1.5 Annual Revenue from Wexpro II properties



DPU 1.6 Annual Liquid Revenues

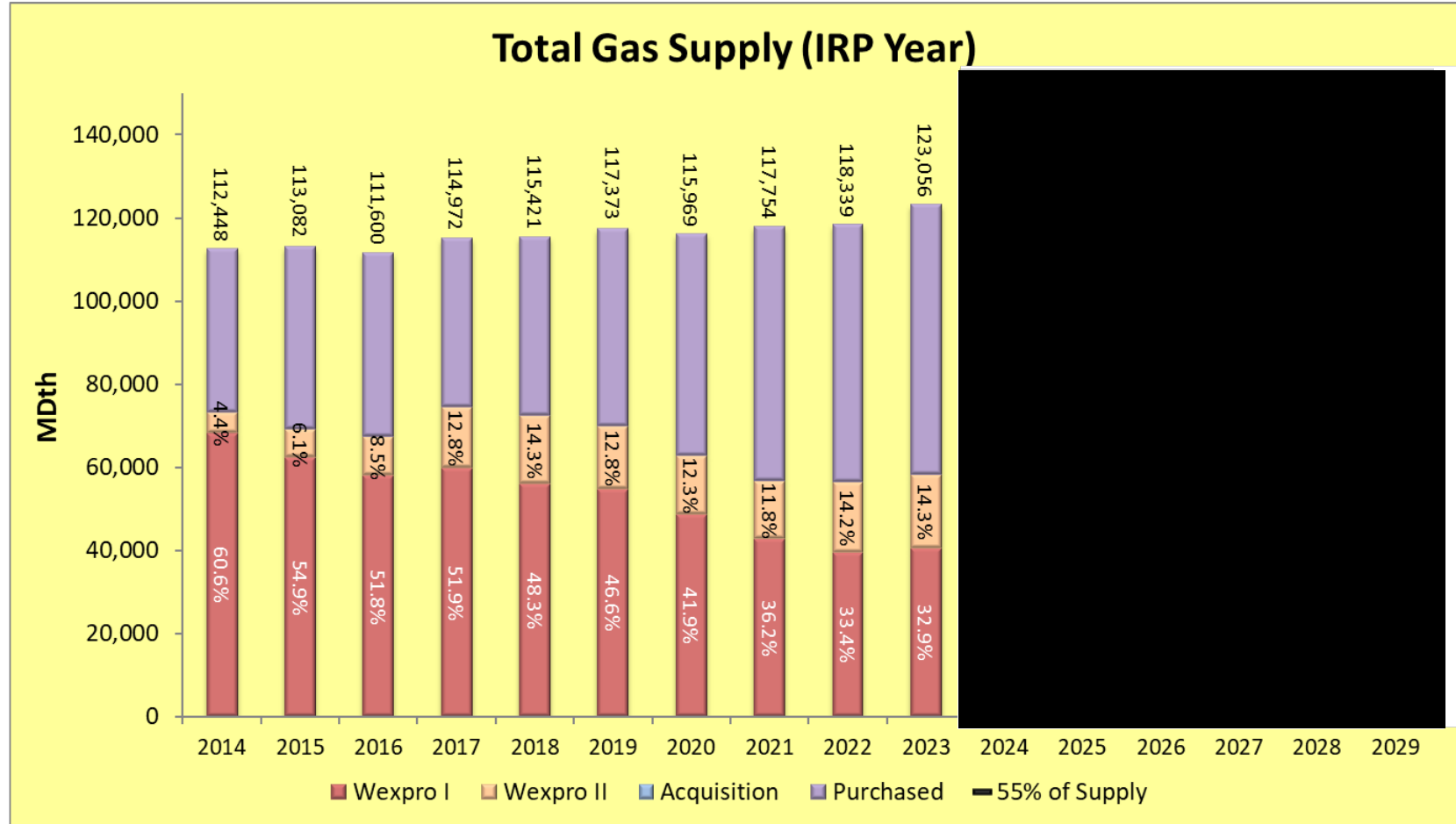


DPU 1.7 Headcount Details



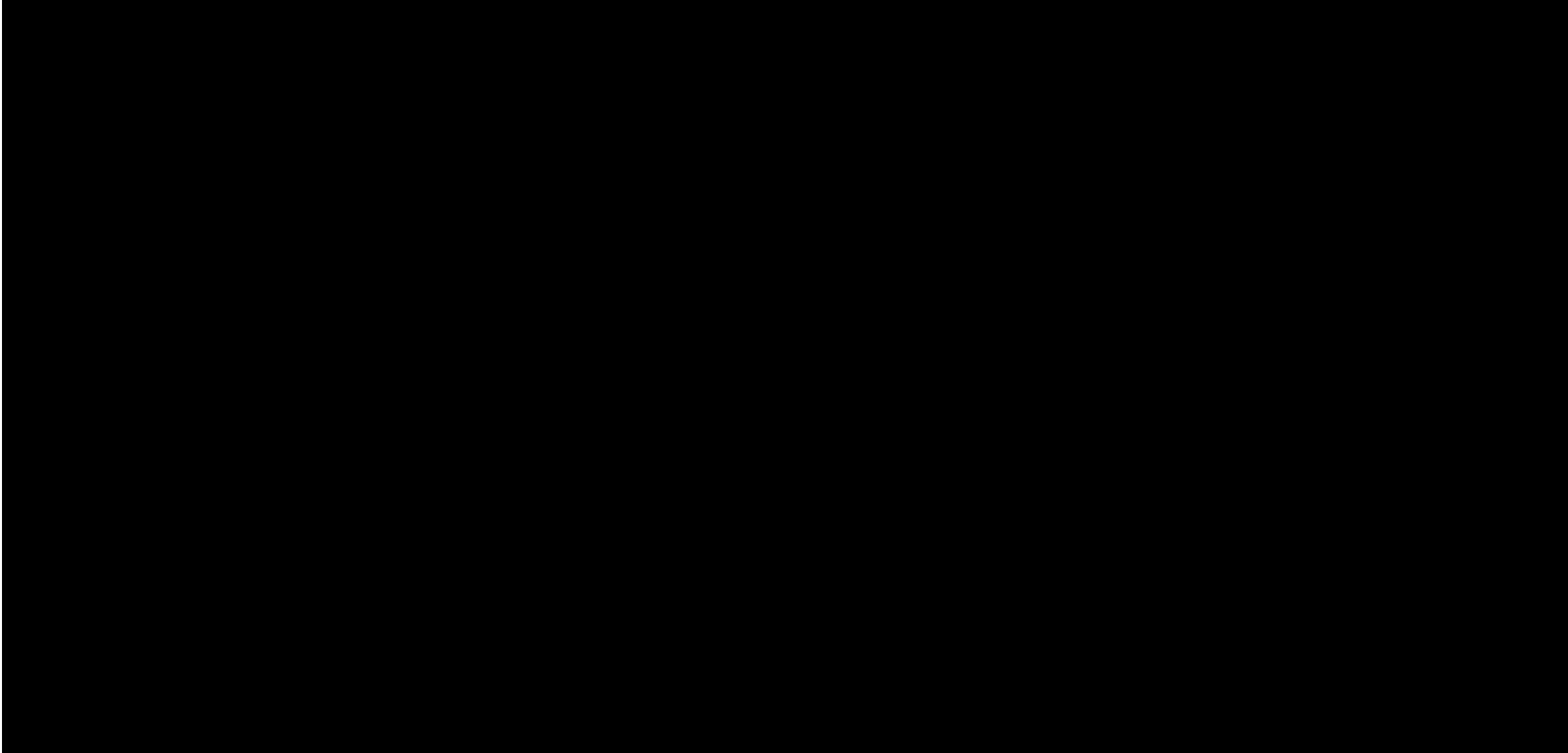
DPU 1.25 Future Production

- The increase in production in 2025 shown in Exhibit M is the result of Wexpro's ongoing drilling program where wells drilled are owned by either Wexpro I, Wexpro II, or both companies combined.



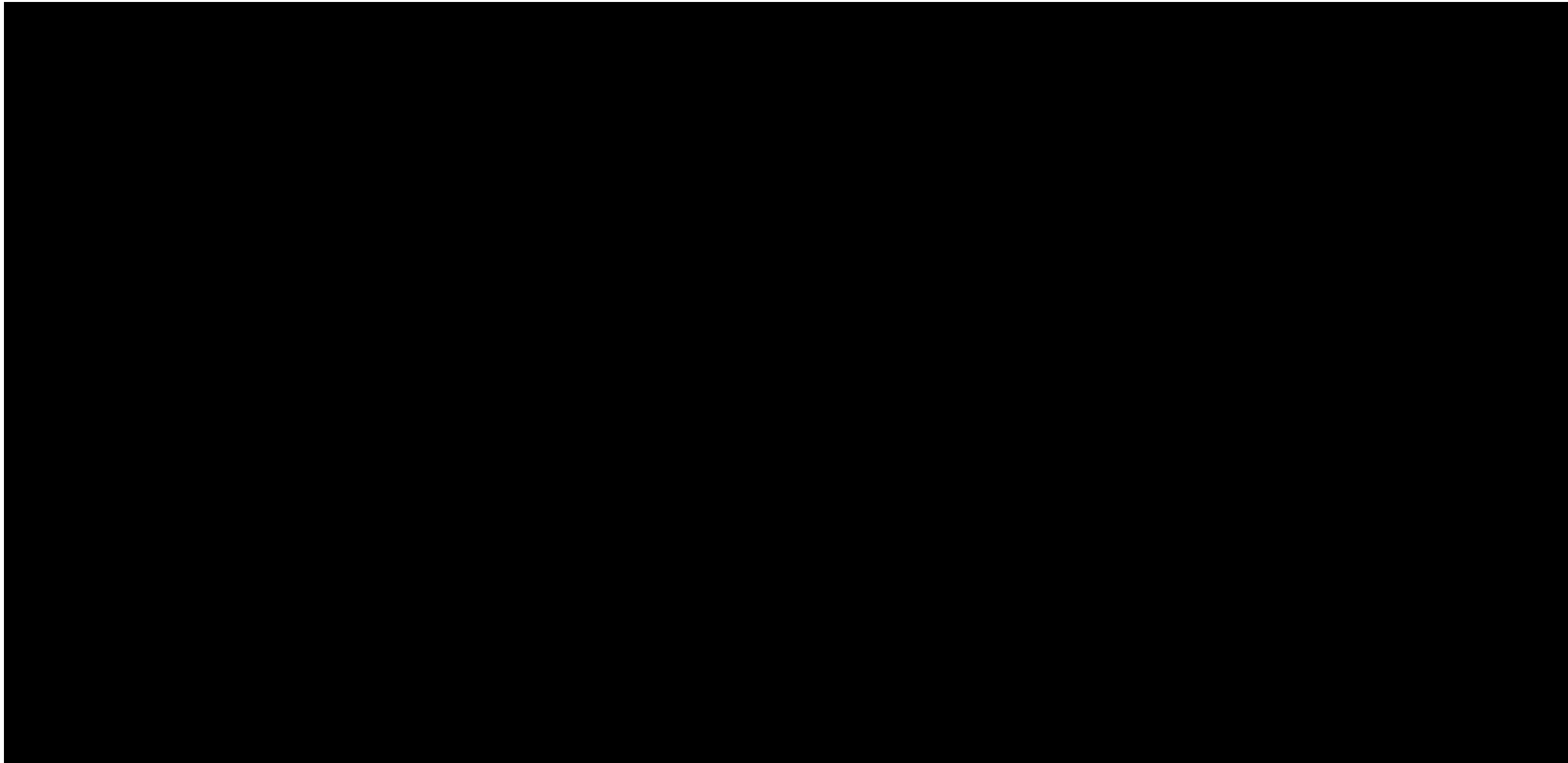
Dee Heugly

DPU 1.11 Similar Drilling Agreements

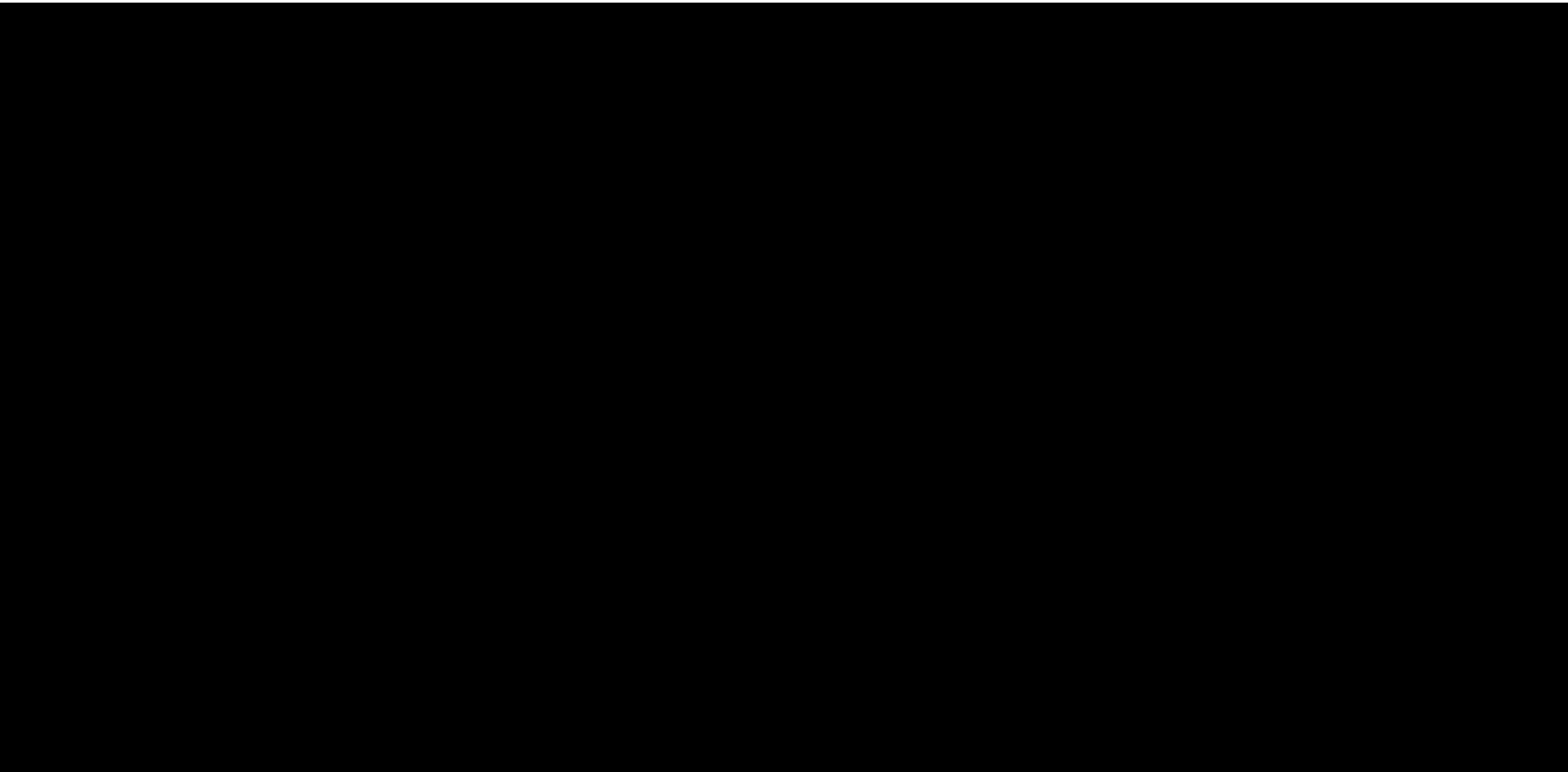


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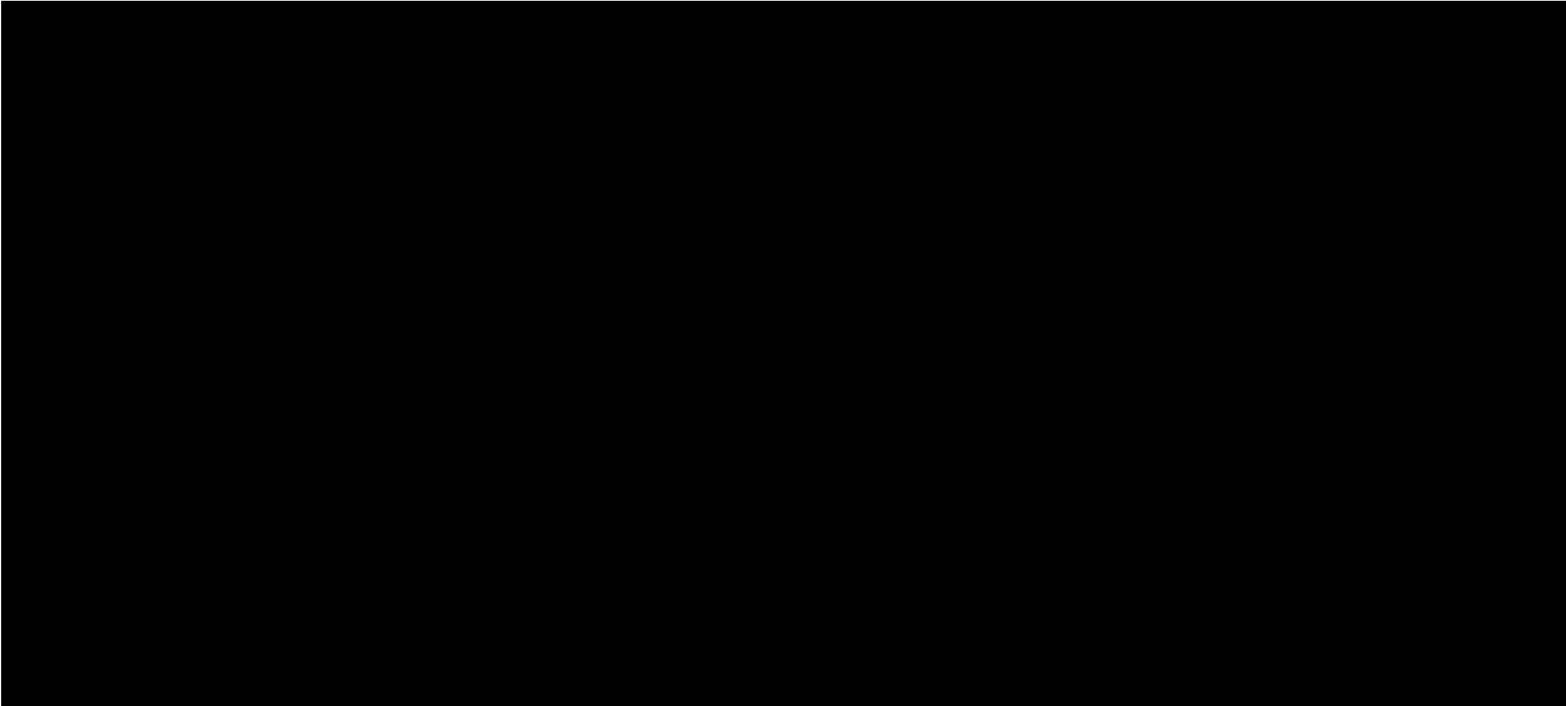
DPU 1.19 Gathering at Cascade Creek



DPU 1.22 Well Locations

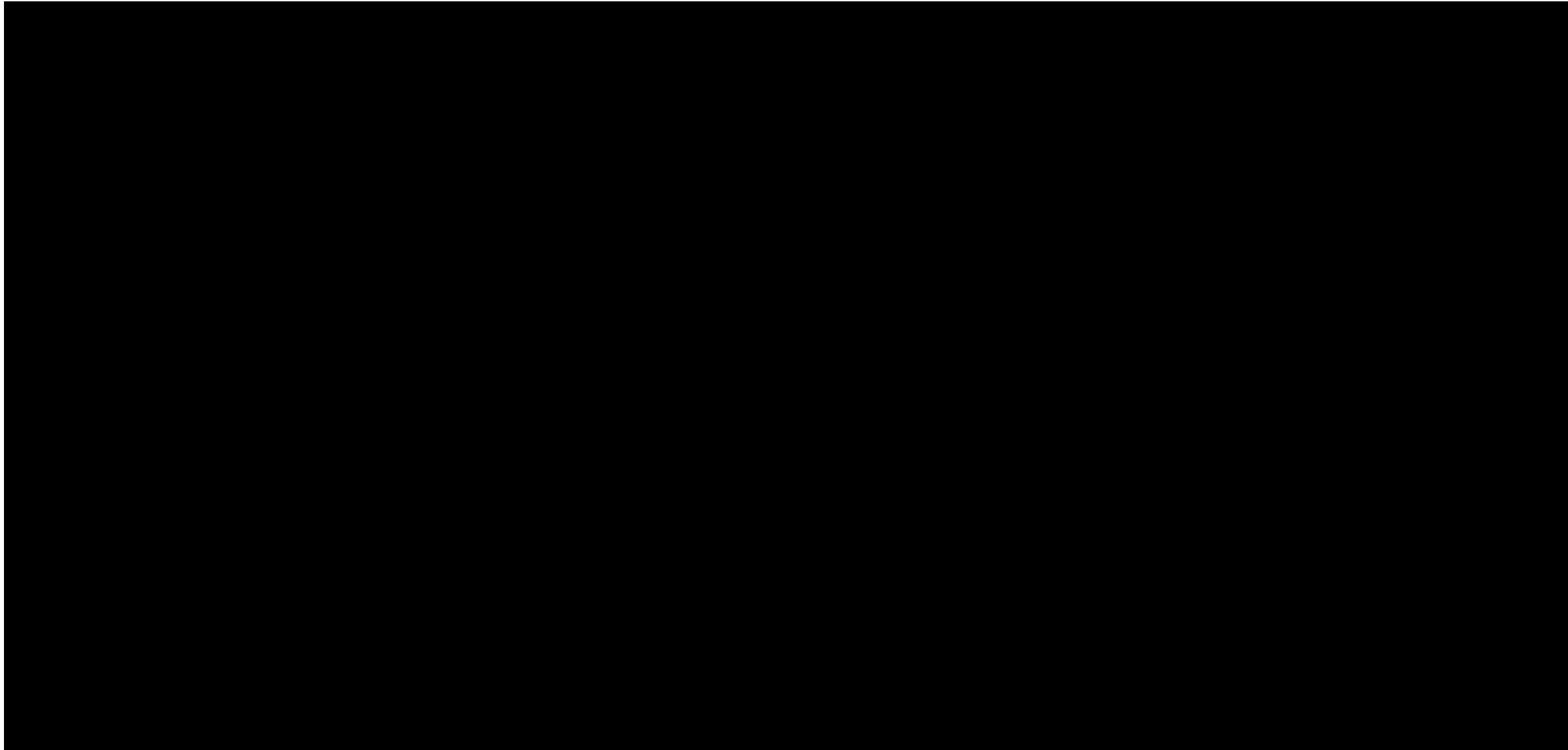


DPU 1.23 (7) Confidential Exhibit K



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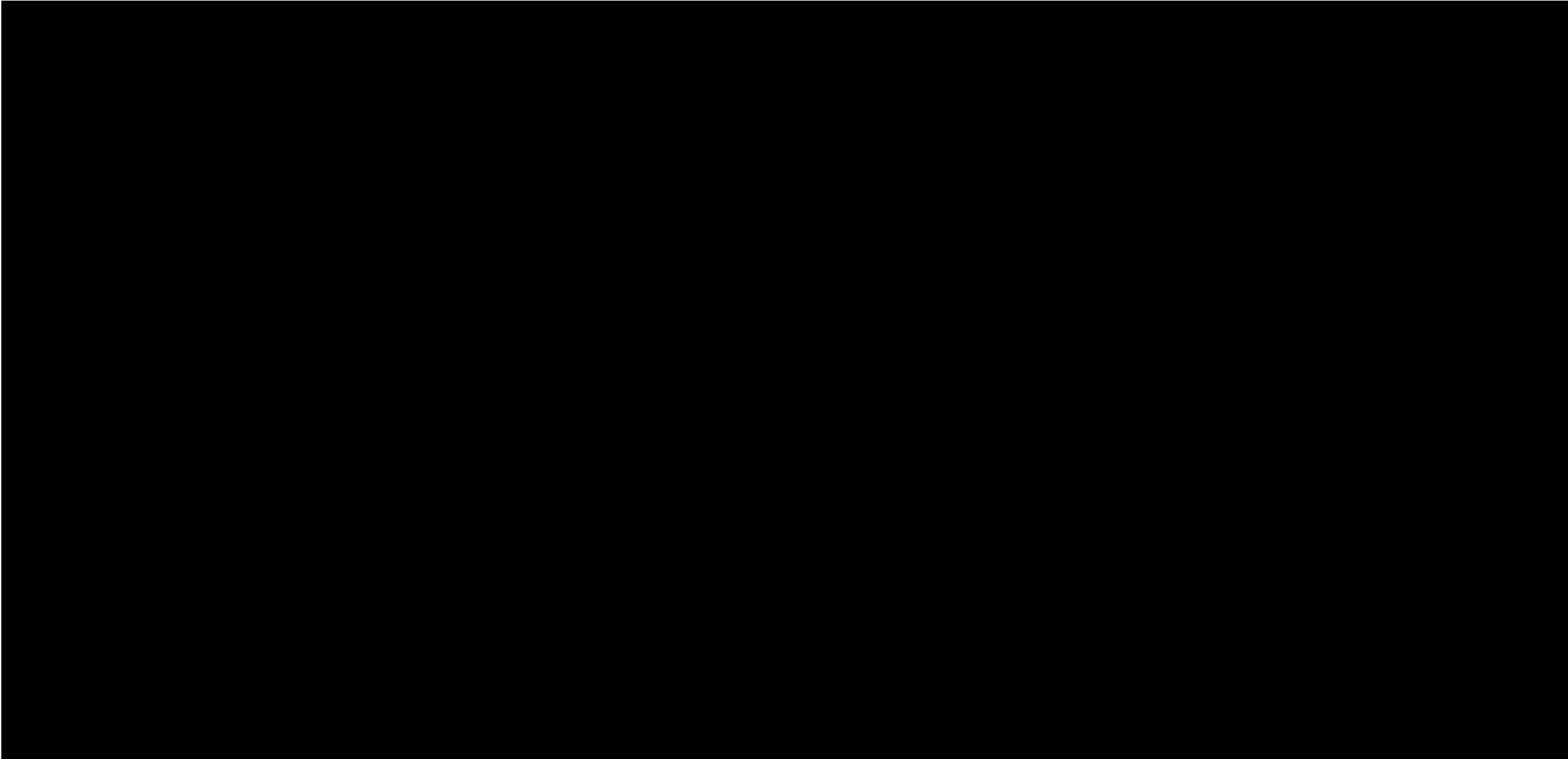
DPU 1.14 Confidentiality Clarification



Nick Tingey

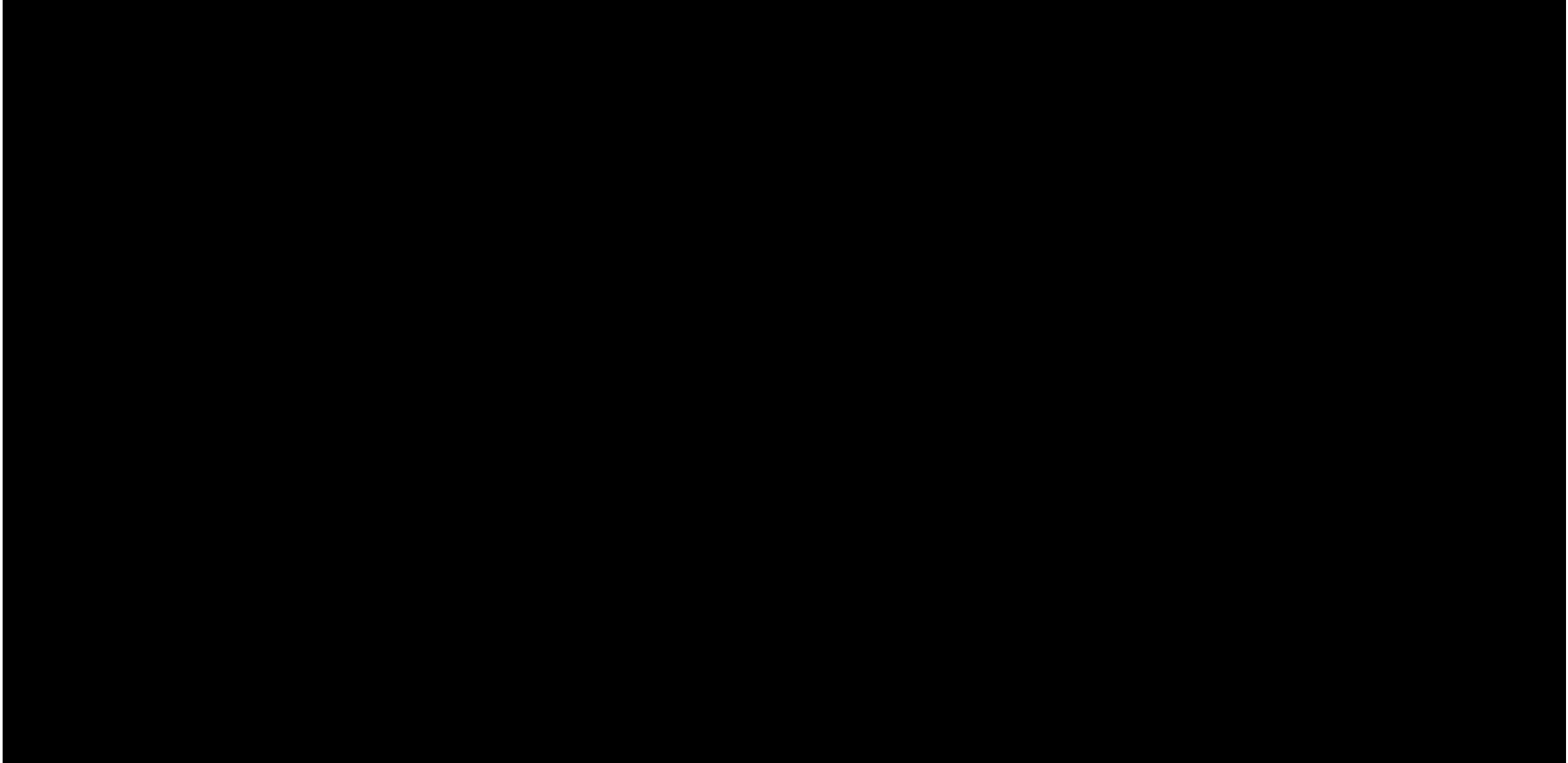
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DPU 1.15 Current and Future Wells



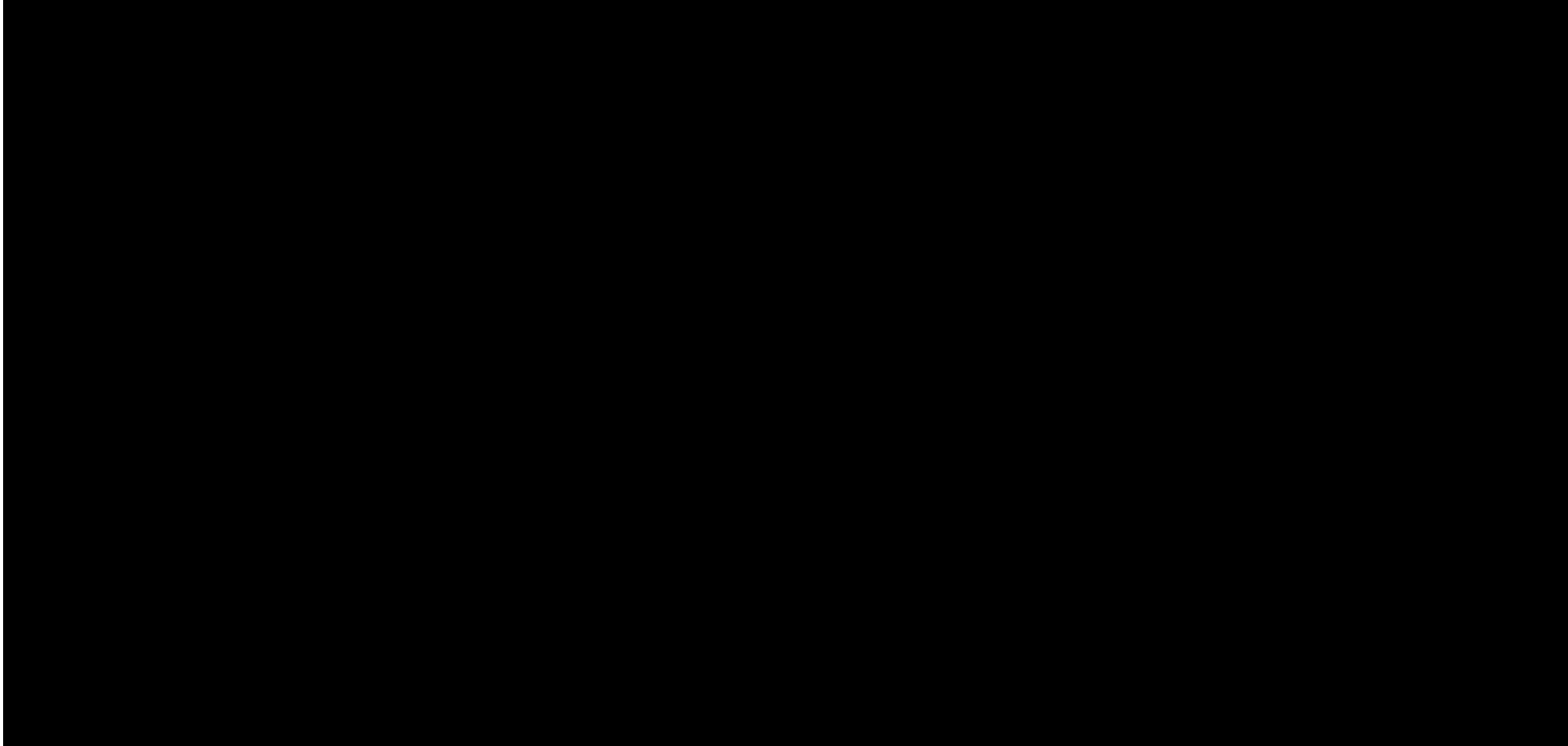
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DPU 1.16 Wells of Drilling Partner

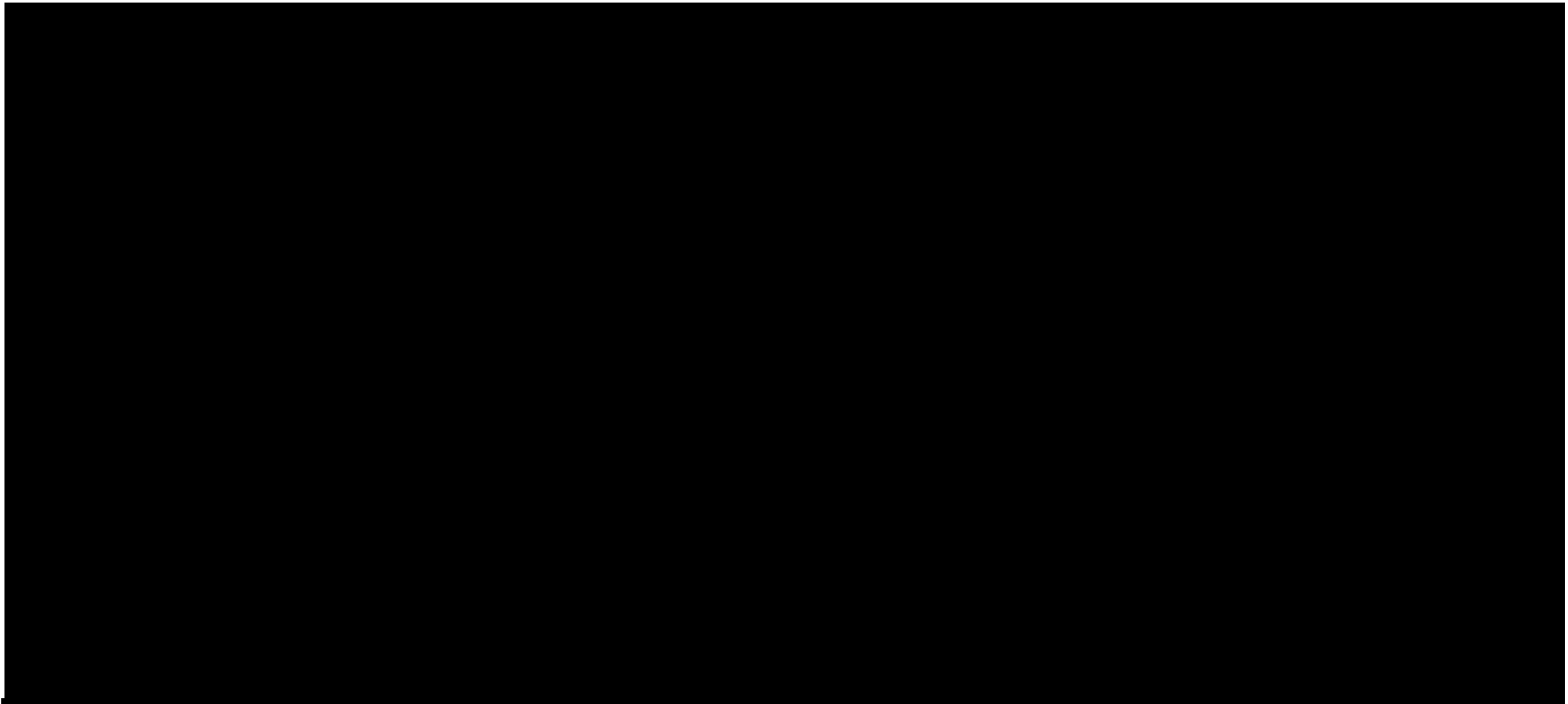


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DPU 1.17 Reconciliation of Wells

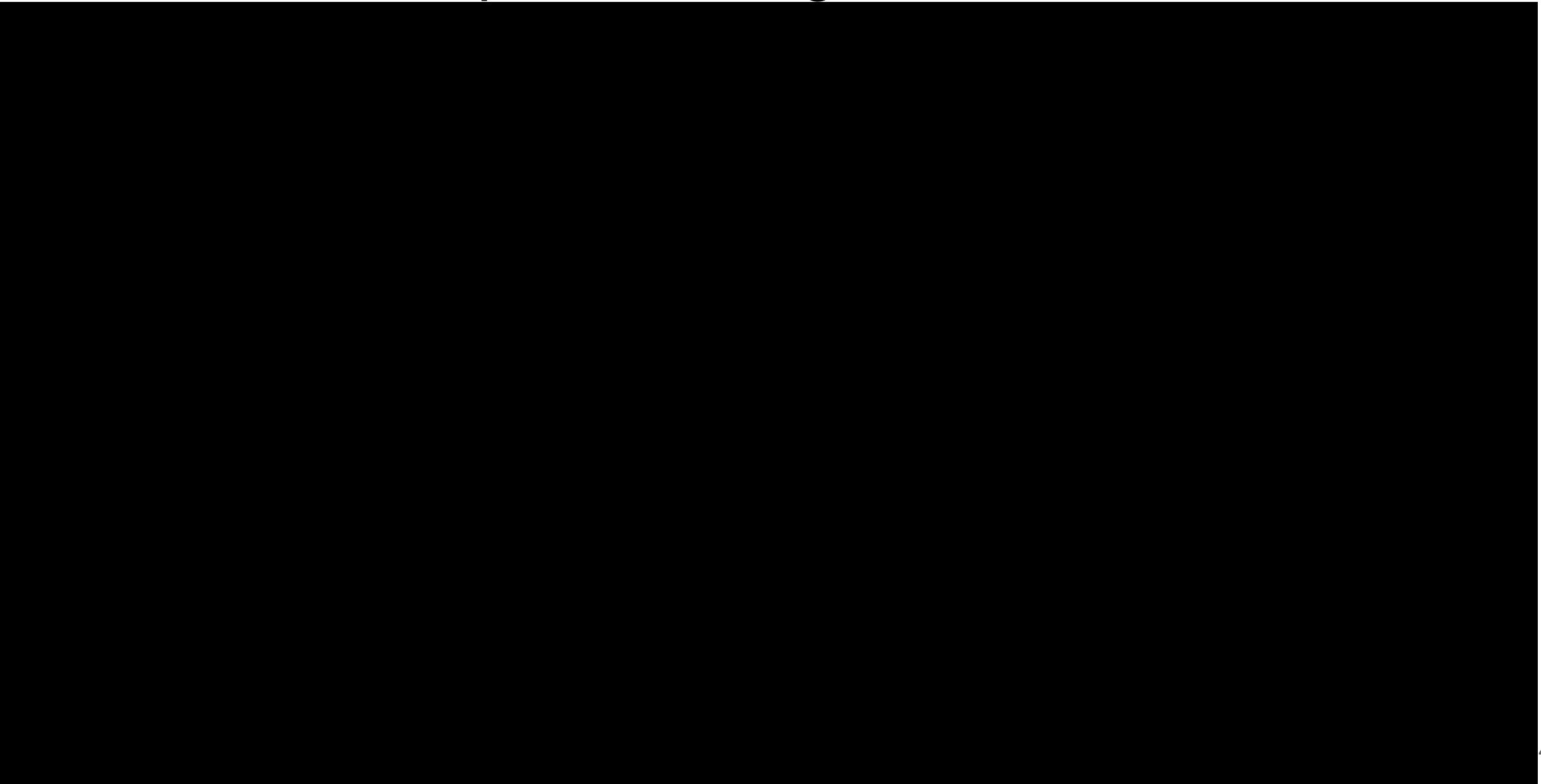


DPU 1.30 Drilling Partner



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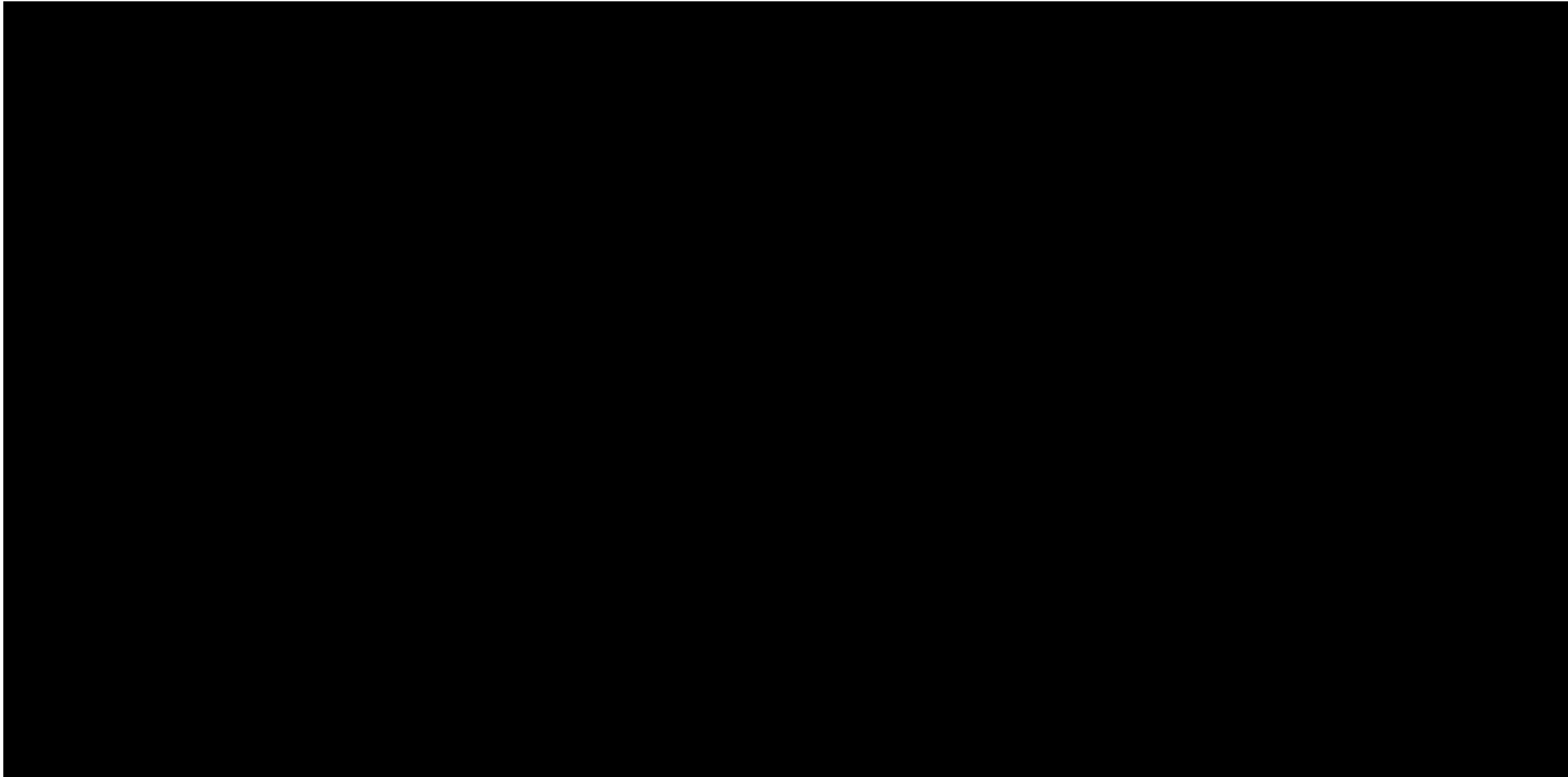
DPU 1.31 Transportation Logistics



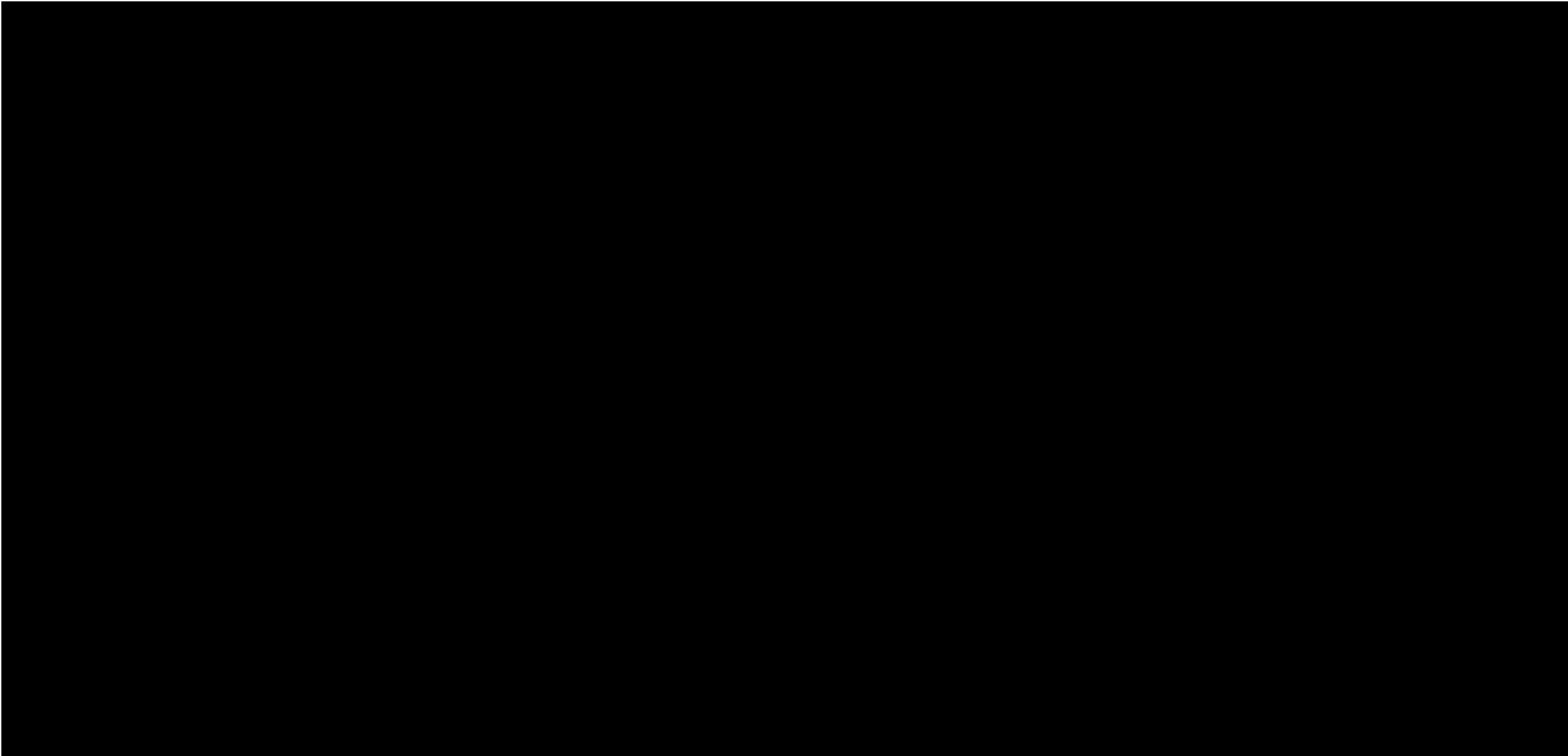
Mike Thatcher

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DPU 1.20 Revenue Interest vs Working Interest

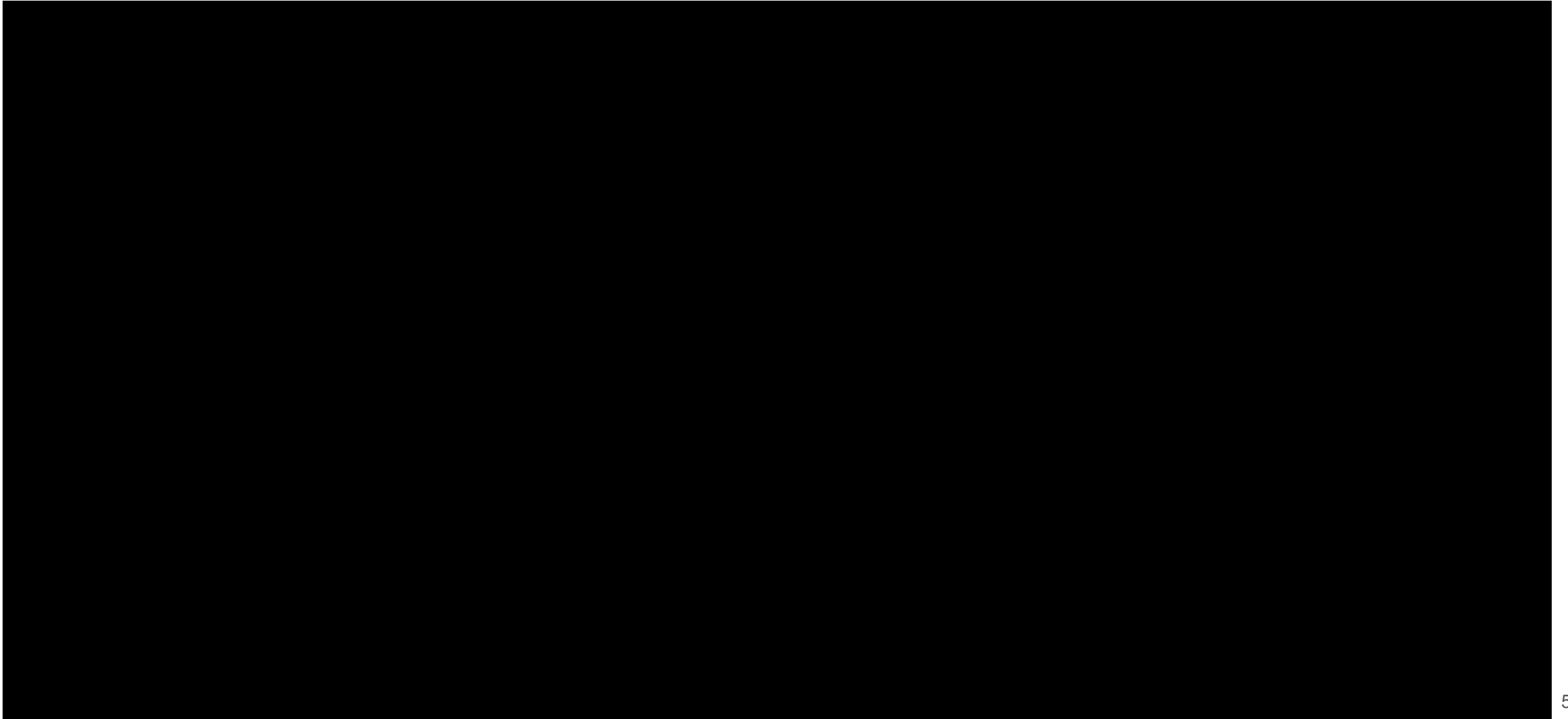


DPU 1.23 (1) Confidential Exhibit K

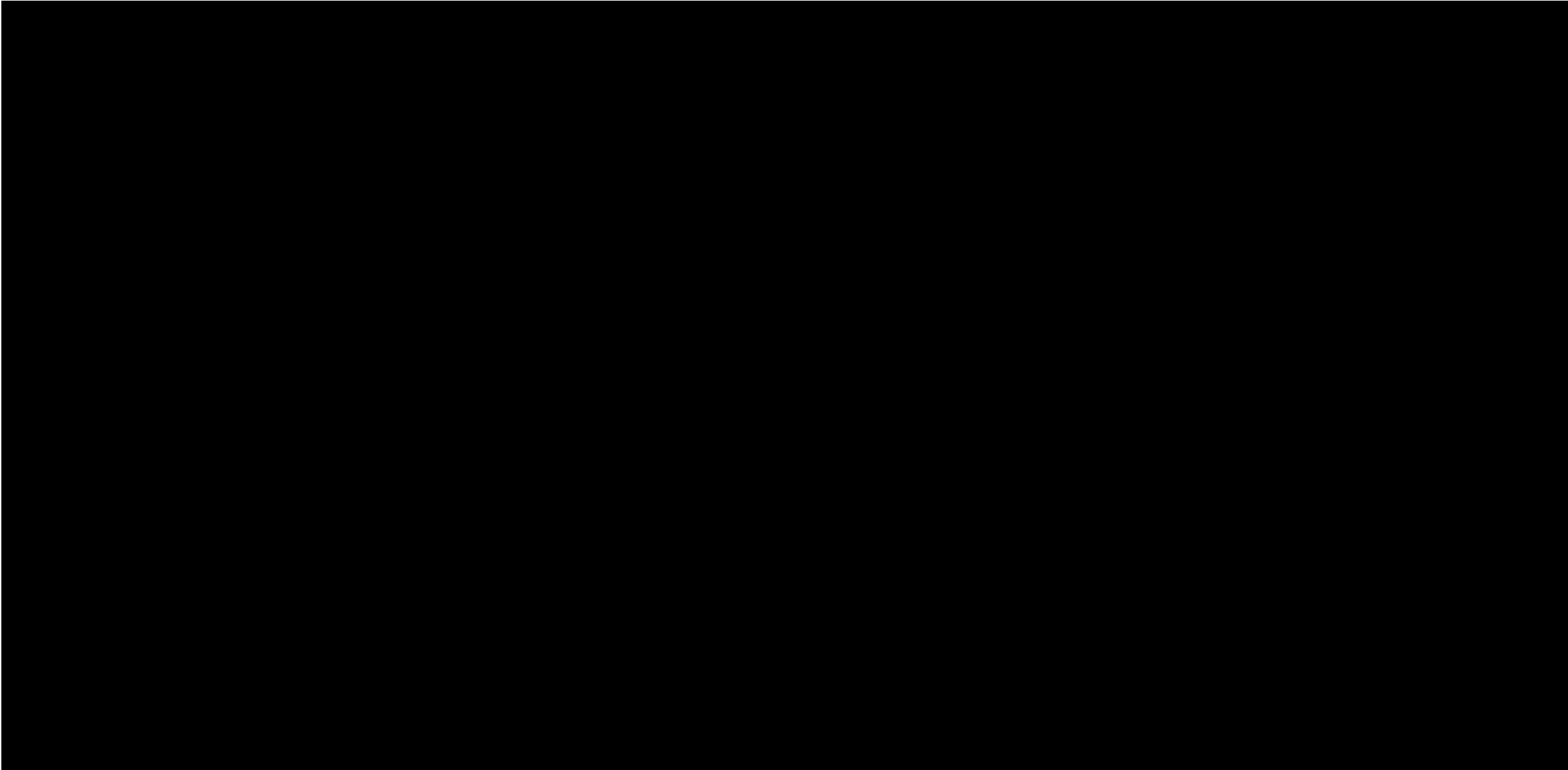


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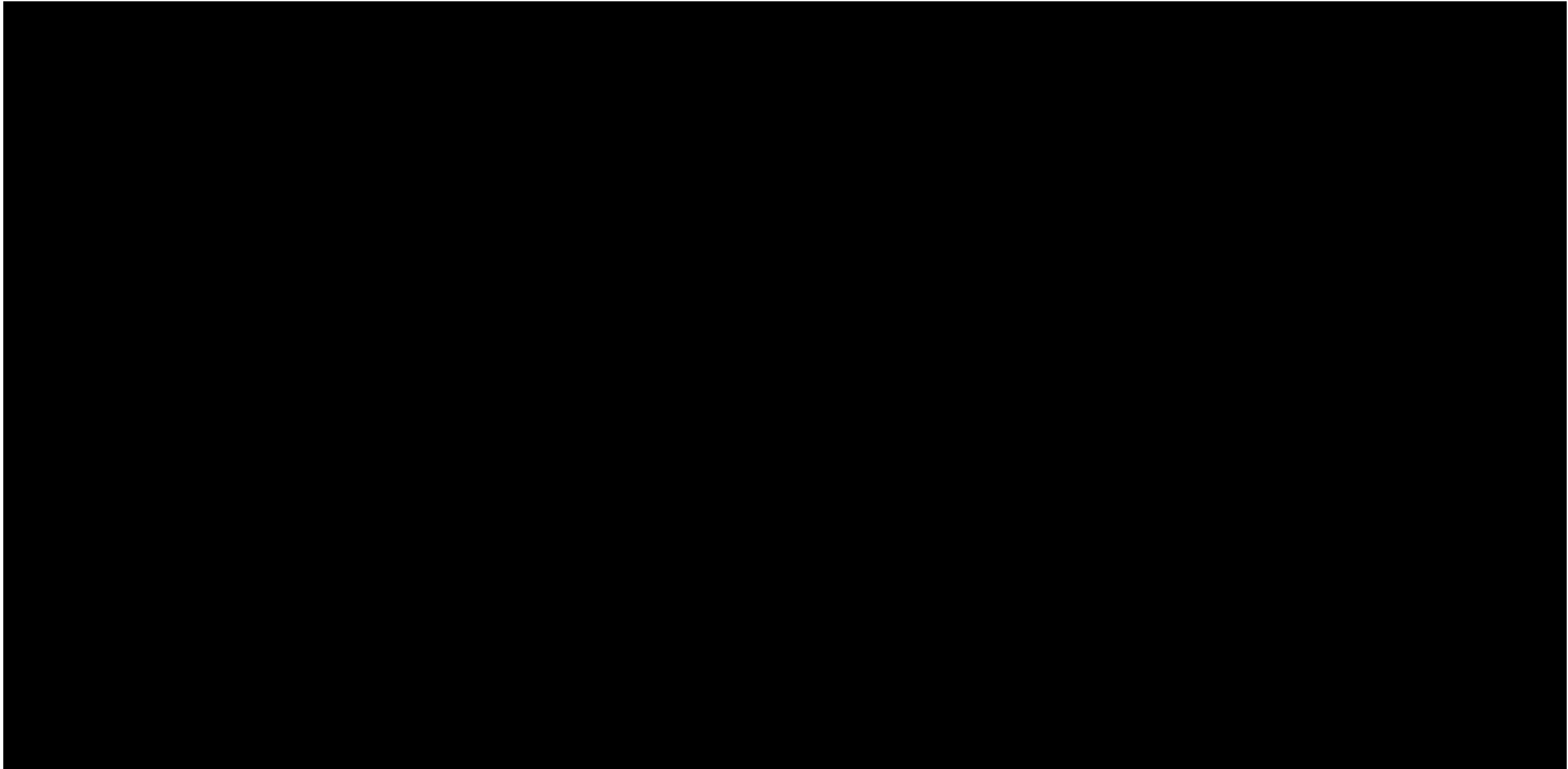


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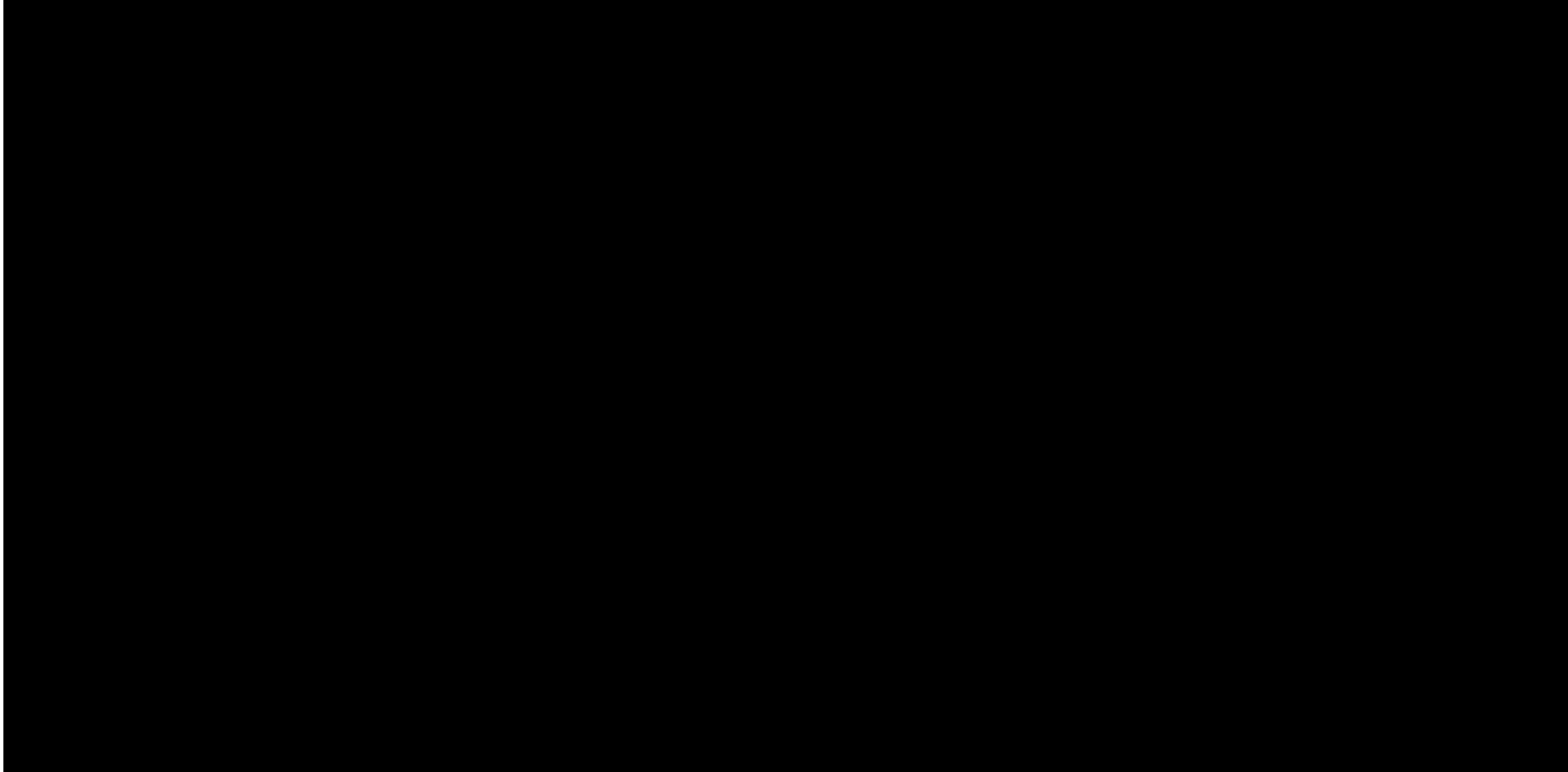


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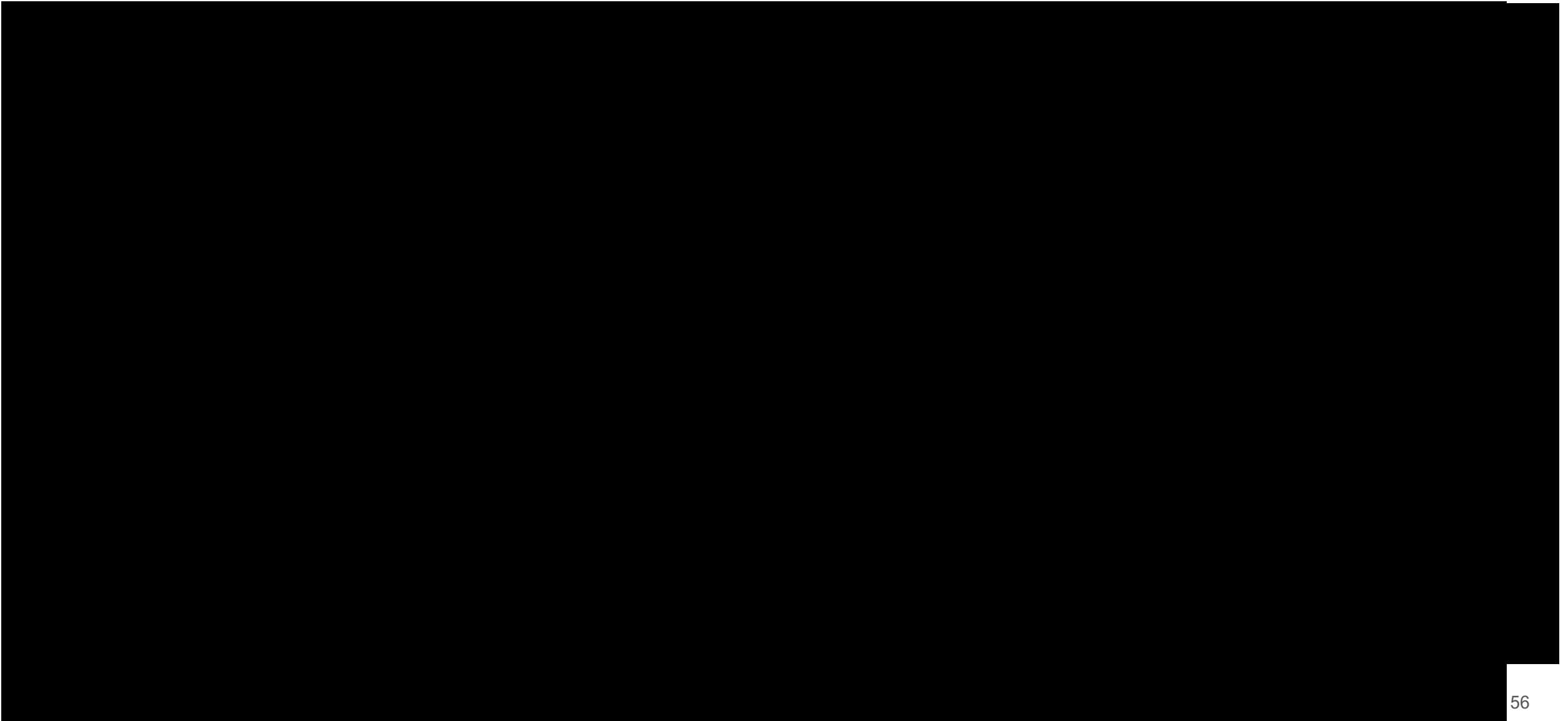
DPU 1.23 (4) Confidential Exhibit K



DPU 1.23 (5) Confidential Exhibit K

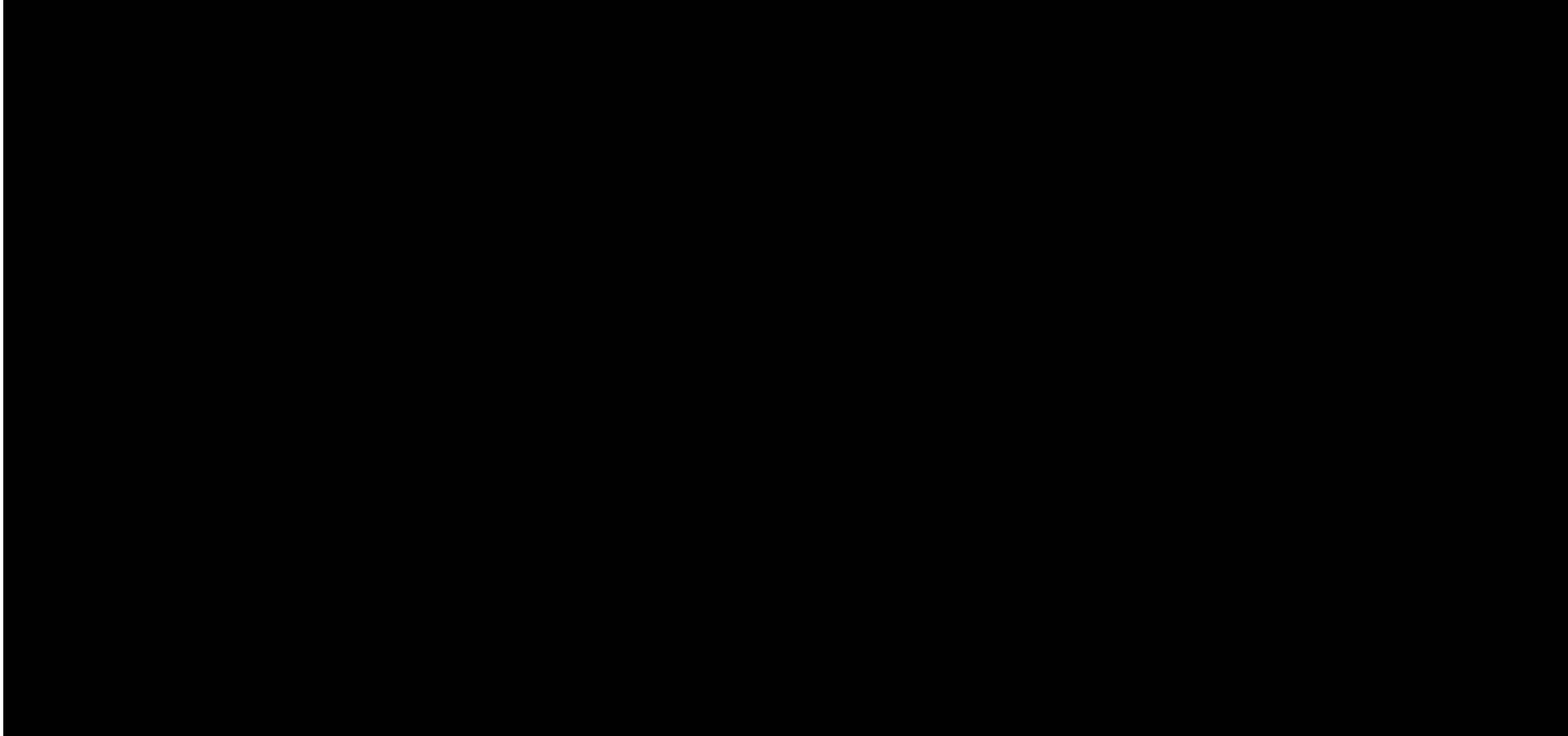


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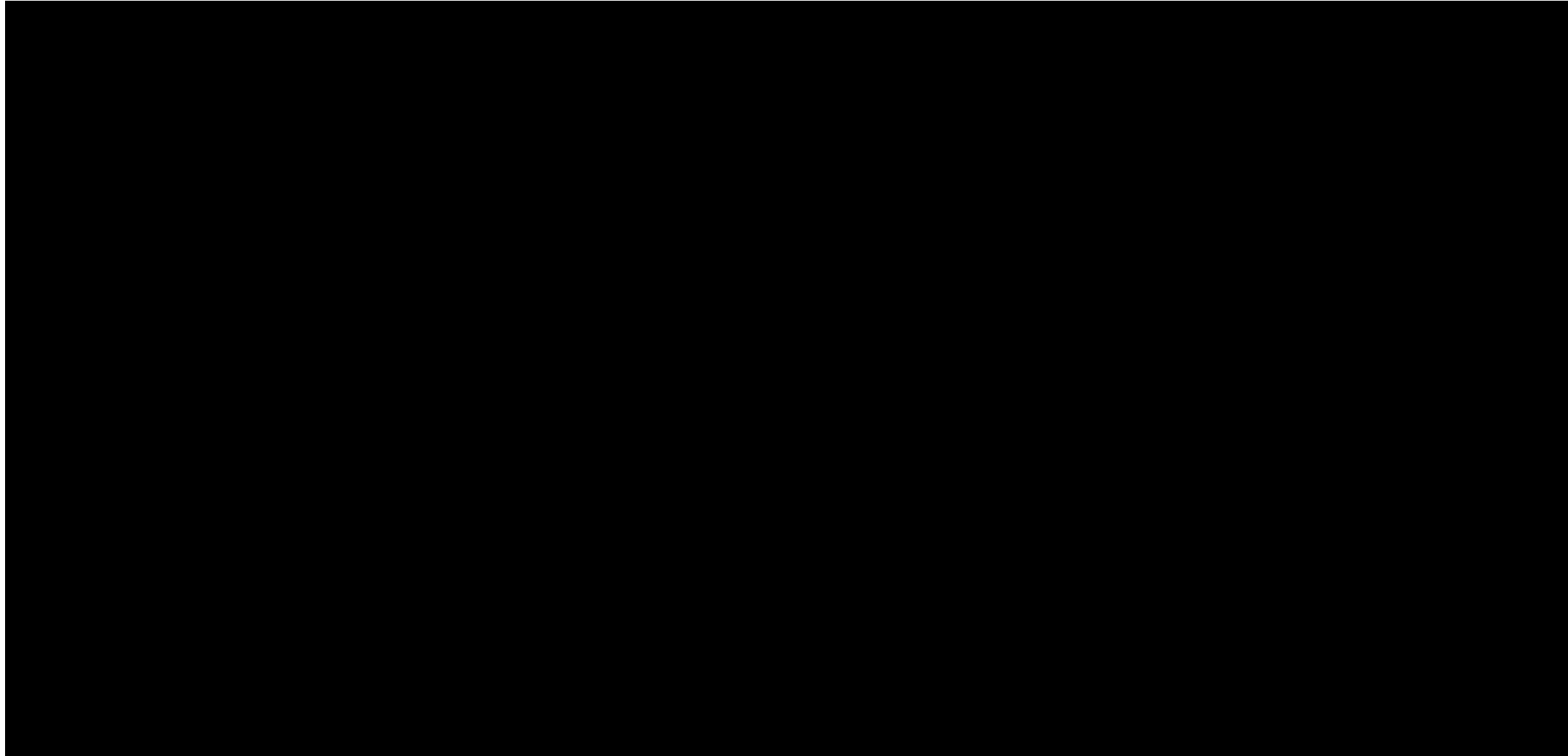


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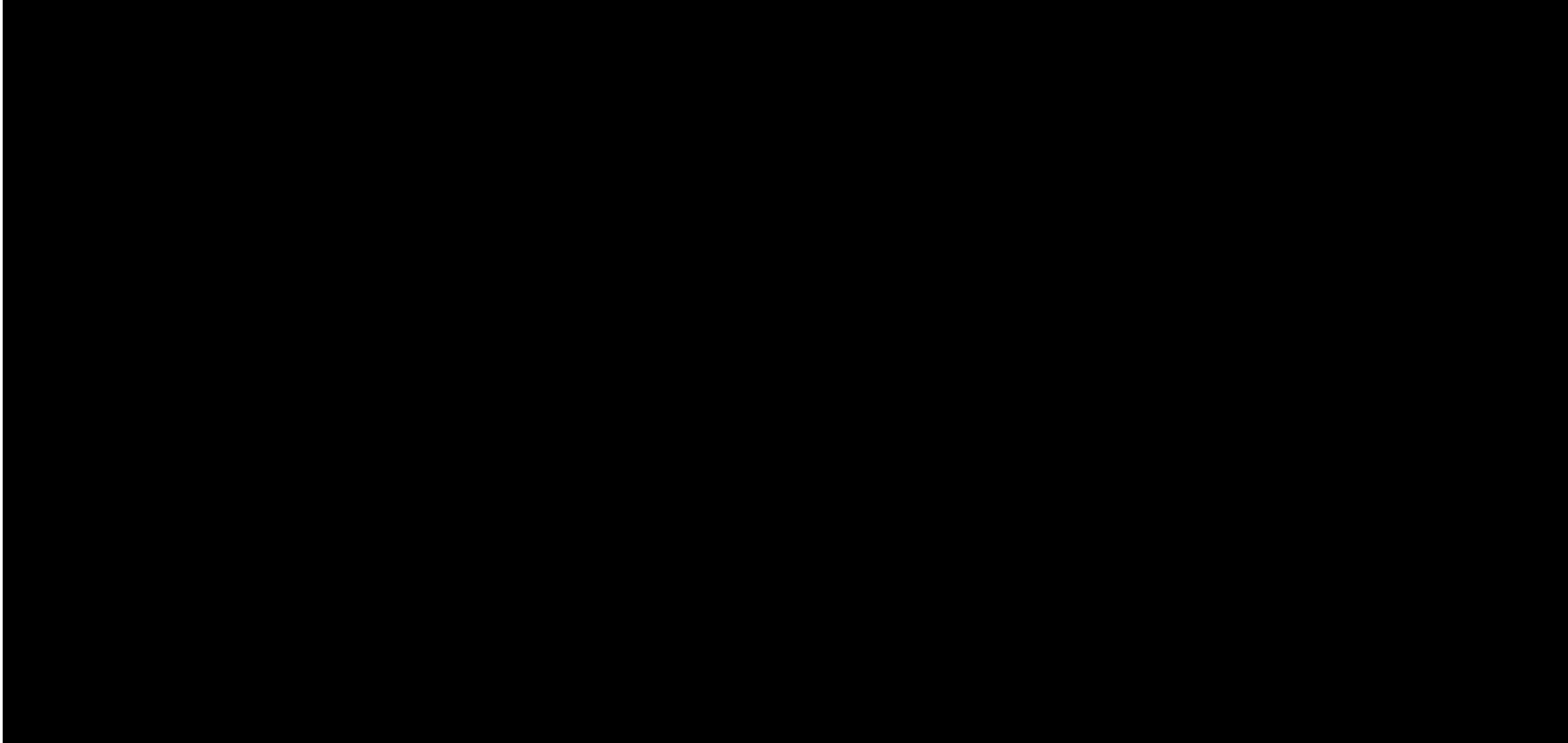
DPU 1.23 (8) Confidential Exhibit K



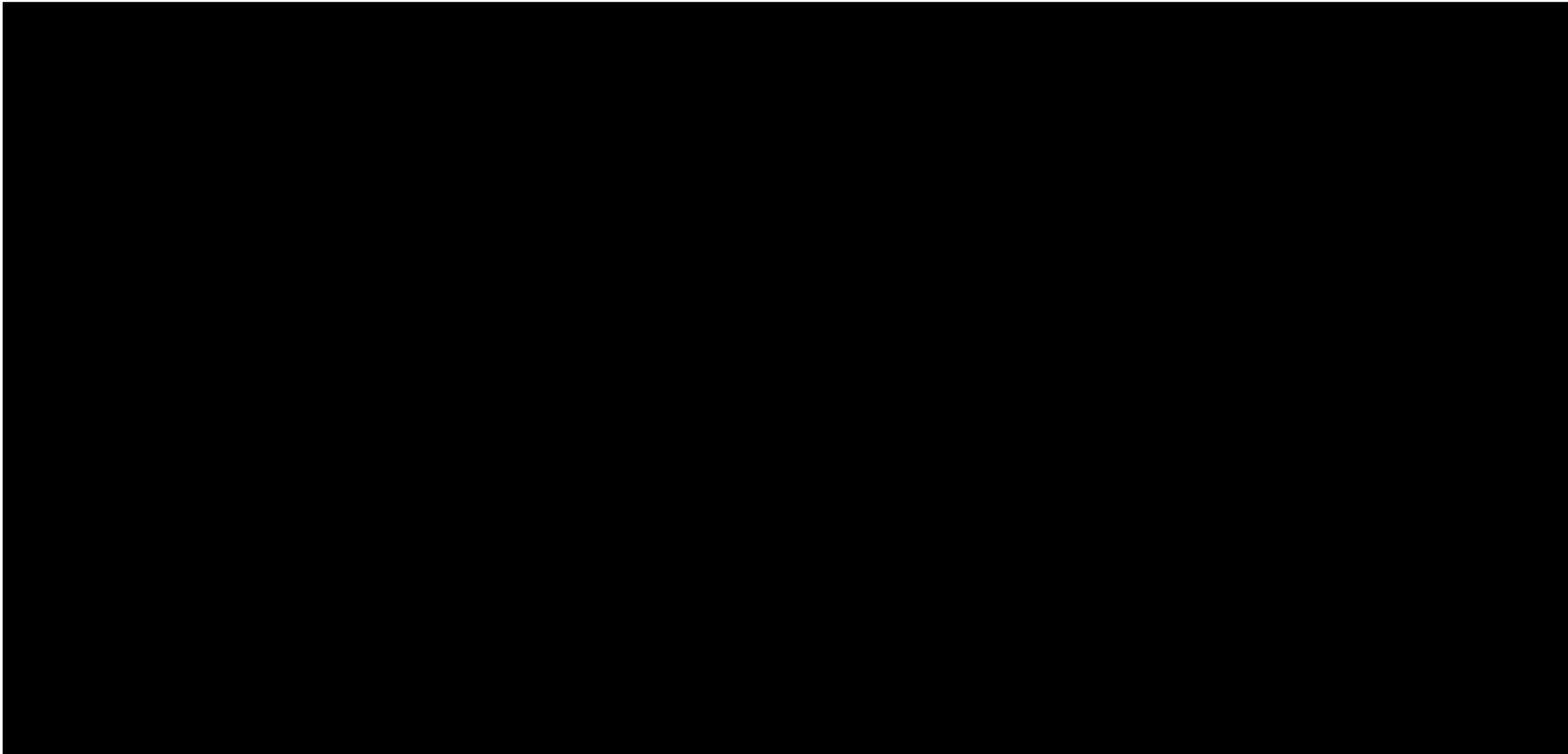
DPU 1.23 (9) Confidential Exhibit K



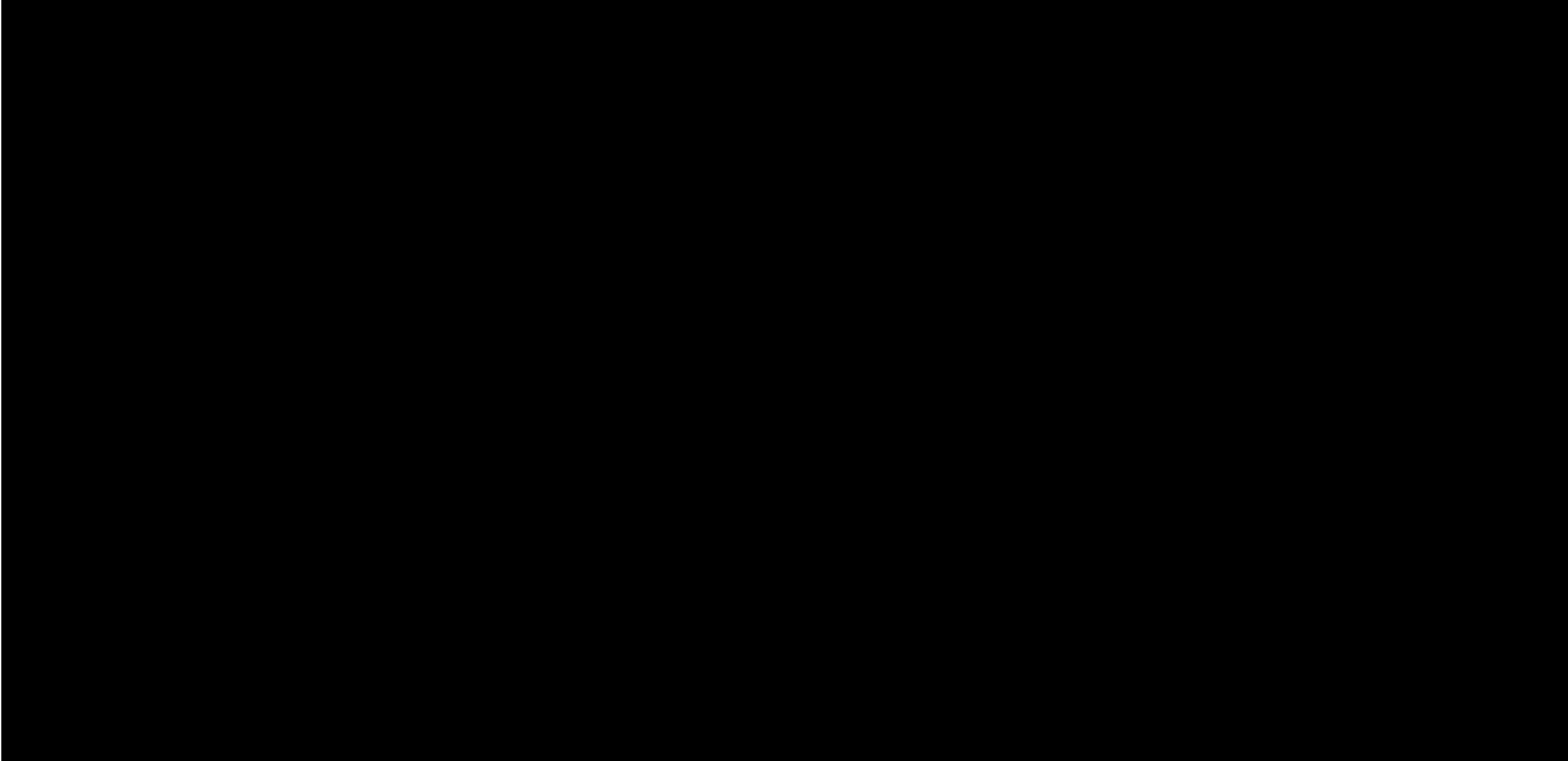
DPU 1.23 (10) Confidential Exhibit K



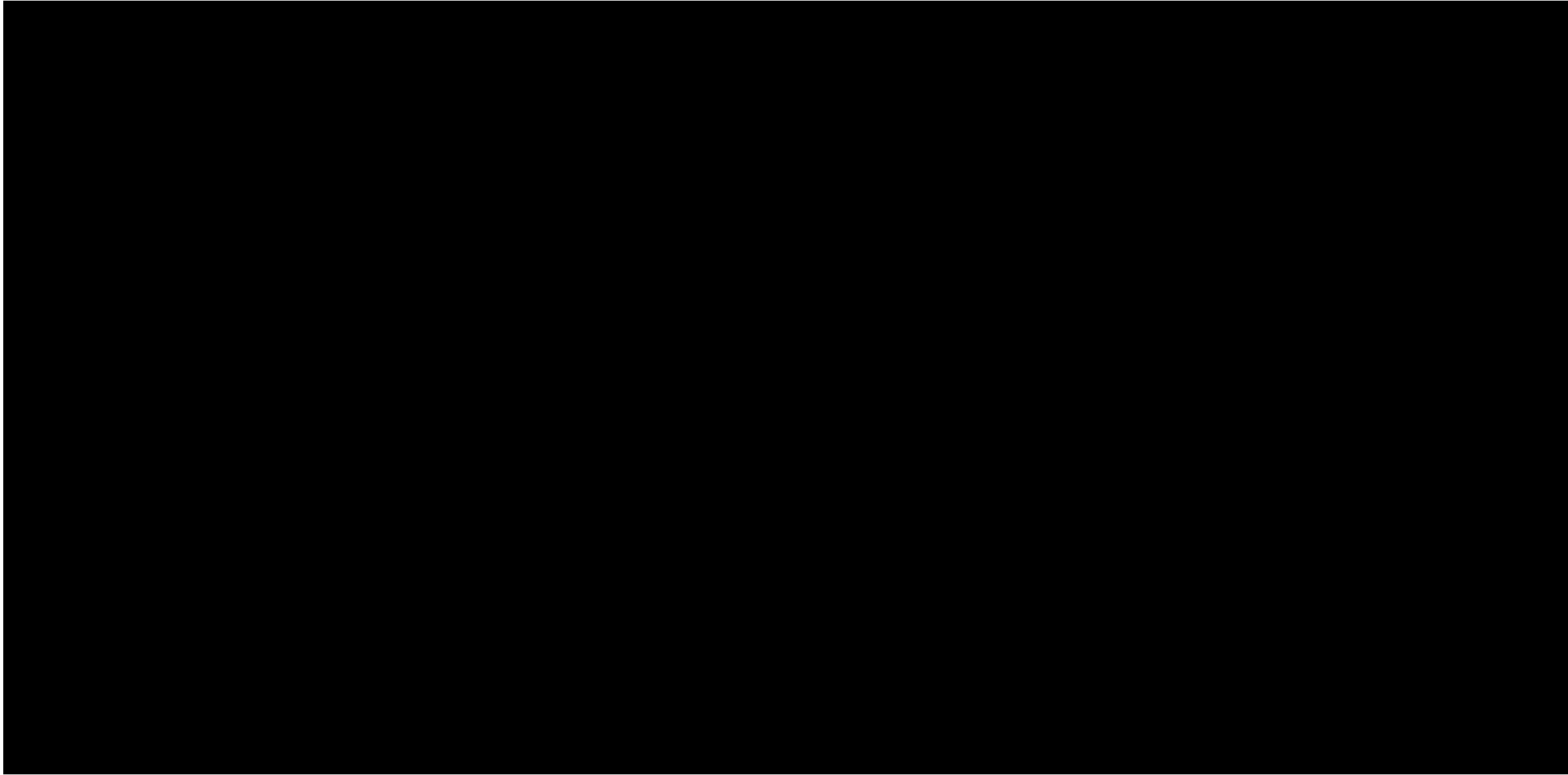
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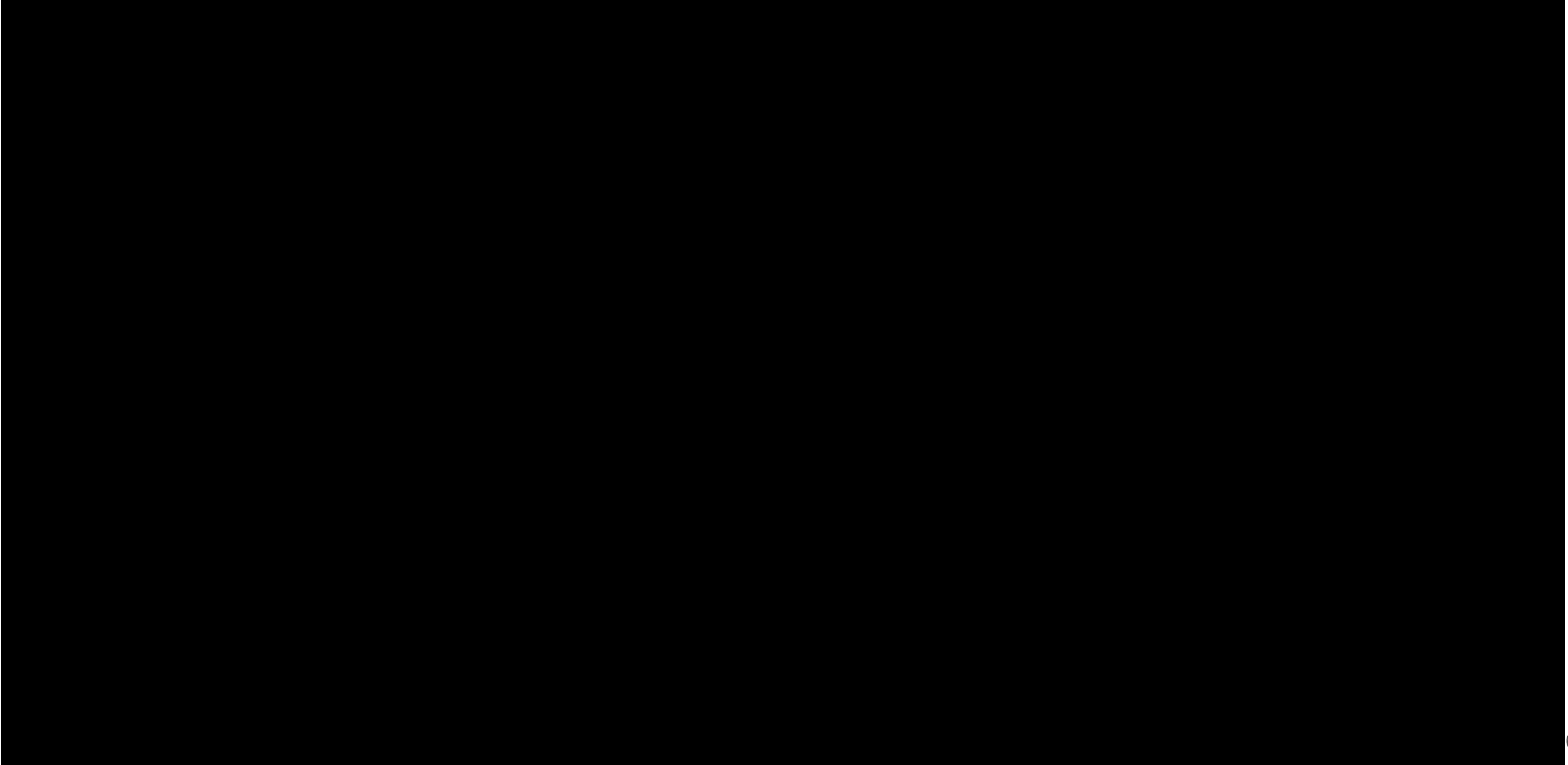
DPU 1.23 (12) Confidential Exhibit K



DPU 1.23 (12) Confidential Exhibit K



DPU 1.28 Promote Rates



Q&A



Tomorrow is on.SM

