

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION
OF ENBRIDGE GAS FOR APPROVAL OF
THE PICEANCE DEVELOPMENT PHASE
II AS A WEXPRO II PROPERTY

Docket No. 25-057-10

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 Wexpro
8 compliance associated with oil and gas operations and compliance with the Wexpro I and
9 Wexpro II 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 Phase II provided as Enbridge Gas Confidential Exhibit K; 2) explain how Wexpro
18 determines its annual drilling program; 3) explain the 5-Year Forward Curve and how
19 Wexpro has been able to continue to drill at or below that curve; 4) explain what Wexpro
20 is doing and will continue to do to help reduce the overall price of cost-of-service gas; and

21 5) identify the guideline letters that will apply to the Piceance Development Phase II
22 (“Piceance Development Phase II” or “Phase II Development”) if it is included as a Wexpro
23 II property.

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

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

27 **II. PICEANCE DEVELOPMENT**

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

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

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

42 [REDACTED] is recognized in the oil and gas industry
43 as a “reward for searching for, identifying, and leasing the prospect as wells as the efforts
44 it exerts in supervising the actual drilling and completion [of the wells].” *See* definition of

“third-for-a-quarter deal” in Williams & Meyers, “Manual of Oil and Gas Terms,” 10th Ed. (1997). From the non-operator’s perspective, paying the operator a promote to participate in a development program provides the non-operator an opportunity to bolster reserves without having to expend resources to generate to the prospect. Non-operators paying a promote may also benefit from the efficiencies gained through the operator’s existing oil and gas production infrastructure.

[REDACTED]

[REDACTED]

[REDACTED] The Company and Wexpro already presented the Piceance Development Phase I of the Agreement to the Commission, which was approved by the Commission. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Drilling and completion of the Phase II wells is anticipated to begin later in 2025 and to conclude in 2026.

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

A. [REDACTED]

[REDACTED] and has an excellent reputation for conducting operations efficiently and responsibly. [REDACTED] has a favorable acreage position which includes extensive undeveloped areas known to be highly prospective for the development of natural gas, and [REDACTED] has an ongoing drilling program to develop these resources. Importantly, natural gas produced from [REDACTED] area of operations can be readily transported through existing pipelines and contracts for delivery to Enbridge Gas. WDC and [REDACTED] negotiated the Agreement during 2024 and executed the Agreement on December 23, 2024. A copy of the Agreement is attached to the Application as Enbridge Gas Confidential Exhibit K.

71 **Q. Why would this property be valuable for Enbridge Gas's customers?**

72 A. The Piceance Development Phase II offers many low-risk and low-finding-cost drilling
73 opportunities whose production can be readily transported to Enbridge Gas. Wexpro
74 believes that these properties have great value to Enbridge Gas¹ customers and hopes that
75 the Commission and the Wyoming Public Service Commission ("Wyoming Commission")
76 (together with the Commission, "Commissions") will approve their inclusion as Wexpro
77 II properties. WDC was willing to participate in the Piceance Development Phase II at its
78 own risk, regardless of whether these properties are ultimately included as Wexpro II
79 properties. Wexpro believes the Piceance Development Phase II would be equally
80 beneficial to shareholders if developed outside the Wexpro II Agreement. However,
81 Wexpro and the Company believe the Piceance Development Phase II would be very
82 beneficial for the Company's customers and help the Company maintain a stable and
83 consistent volume of cost-of-service gas.

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

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

¹ I collectively 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.

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

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

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

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

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

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

101 A. Wexpro will only contract for a drilling rig once Wexpro has developed a drilling program,
102 the Hydrocarbon Monitor² has reviewed the program, and the wells can provide cost-of-
103 service production that is, on average, at or below the 5-Year Forward Curve. Contracting
104 for drilling and completion services typically occurs six months before drilling
105 commences.

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

108 A. Yes, for a number of reasons. First, the stipulation approved in the Canyon Creek dockets³
109 resulted in lowering the return Wexpro earns from newly-drilled wells. Second, the market

² 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.

³ Utah Docket No. 15-057-10; Wyoming Docket No. 30010-145-GA-15.

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

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

A. Attached as Enbridge Gas Exhibit 3.2 is a chart representing the typical cumulative production of a well. As the chart shows, approximately 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, causing the per-unit cost to go up. A drilling program helps to keep costs per-dekatherm lower. In addition, given the volatility of natural gas prices during the past few years, an ongoing drilling program as proposed in this Application will help to keep gas prices stable and low for Enbridge Gas customers.

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 allows Wexpro to retain qualified personnel to work on Wexpro developments, keeps costs lower, and avoids the “boom and bust” approach that is often associated with this industry. The key is being able to add wells at or below the current 5-Year Forward Curve.

Q. If the Commissions approve the Piceance Development Phase II to be included as Wexpro II properties, do you expect that it will reduce the overall cost of service?

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

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

IV. MANAGEMENT OF PICEANCE DEVELOPMENT PRODUCTION

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

A. Wexpro and Enbridge Gas will continue to coordinate to manage cost-of-service production to ensure that customers have a long-term reliable supply of low-cost gas. Wexpro understands the dynamics surrounding Enbridge Gas's current gas supply, is familiar with [REDACTED], and has a familiarity with the production and delivery facilities in the area where the Piceance Development Phase II is located. Because of this, Wexpro will be able to manage the development in an efficient manner as it has done with other development properties.

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

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

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

158 A. Yes. The Piceance Development Phase II property is subject to the guideline letters that
159 can be found on Enbridge Gas's website.⁴

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

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

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

168 A. Yes.

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

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 11th day of June, 2025.

Notary Public