

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| IN THE MATTER OF THE APPLICATION<br>OF ENBRIDGE GAS UTAH FOR<br>APPROVAL OF WEXPRO HORIZONTAL<br>DRILLING PILOT PROGRAM | Docket No. 26-057-03 |
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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 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 3.01.

12 **Q. Attached to your written testimony are Enbridge Gas Utah (“EGU” or “Company”)  
13 Exhibits 3.01 through 3.03. Were these prepared by you or under your direction?**

14 A. Yes.

15 **Q. Are you familiar with the Verified Application and accompanying exhibits filed in  
16 this Docket?**

17 A. Yes.

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

19 A. The purpose of my testimony is to: 1) provide an overview of Wexpro’s current drilling  
20 program; 2) explain the customer benefits of the Wexpro program and why a horizontal

21 pilot within the Wexpro properties is prudent; and (3) outline Wexpro's proposed five-year  
22 horizontal pilot, including the scope, risk allocation, safeguards, and reporting of the pilot.

23 **II. WEXPRO'S CURRENT DRILLING PROGRAM AND WHY CONTINUED**  
24 **DRILLING BENEFITS CUSTOMERS**

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

26 A. Throughout the year, Wexpro reviews its inventory of potential future wells to determine  
27 an efficient mix of low-cost wells, and wells that it is obligated to drill by law or agreement.

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

29 A. Each year Wexpro designs its drilling program to benefit customers by delivering forecast  
30 volumes at a cost-of-service that meets or beats the 5-year forward natural gas price curve.  
31 In addition, given the historic volatility of natural gas prices, Wexpro production benefits  
32 customers by providing a portion of the natural gas they need at stable and predictable cost-  
33 of-service prices that are not subject to the same volatility as market prices. The pilot  
34 program proposed in this Application will help determine the extent to which Wexpro can  
35 reach additional reserves within the existing Wexpro properties under a horizontal drilling  
36 program.

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

38 A. Yes. Starting and stopping a drilling program by erratically adding and removing drilling  
39 and completions personnel can be very costly and inefficient. Also, in times of industry  
40 growth, Wexpro struggles to find and retain qualified personnel, which it has experienced  
41 many times over the decades. Adding wells to the portfolio allows Wexpro to retain  
42 qualified personnel to work on Wexpro development, keep costs lower, and avoid the  
43 "boom and bust" approach that is often associated with the natural gas drilling industry.

44 **Q. Given that gas prices are relatively low and the Company could buy relatively**  
45 **inexpensive spot gas instead of drilling for more supply, why does it make sense to**  
46 **begin horizontal drilling within the Wexpro properties?**

47 A. As noted above, natural gas prices are unpredictable and subject to periods of extreme  
48 volatility. While the Company can and does secure some of its needed supply from the  
49 spot market, relying too heavily on the spot market would increase the Company's market  
50 risk exposure, which could be very costly for customers in times of significant demand or  
51 when prices become unfavorable. This is particularly true for winter weather events where  
52 demand is high and supply is limited.

53 **Q. Why shouldn't EGU simply consider purchasing a new hedge from the market?**

54 A. Wexpro production has the benefit of serving as a longer-term financial hedge against  
55 volatile gas prices than what is available with fixed-price contracts in the market. On  
56 average, Wexpro wells have a productive well life of 30 years. Under the Wexpro  
57 structure, customers own the gas produced by those wells at the cost of service for the life  
58 of the wells. Such a long-term gas supply at steady prices is only available to owners of  
59 the resource. As such, the Company could not replicate all of the specific hedging benefits  
60 provided by the Wexpro program through hedging contracts available in the market.

61 **III. HORIZONTAL DRILLING PROGRAM**

62 **Q. What is the difference in a horizontal program compared to the vertical drilling**  
63 **Wexpro has done historically?**

64 A. Horizontal drilling starts with drilling a vertical well, but once the well is in the source  
65 rock, the drilling proceeds horizontally to expose more of the source rock. Horizontal  
66 drilling offers higher production rates but is more complex and expensive than the vertical  
67 wells that Wexpro has traditionally drilled.

68 **Q. Why does Wexpro need to have a pilot program to drill horizontal wells?**

69 A. There are two main reasons. First, Wexpro does not have the geologic data it needs to  
70 develop a horizontal drilling program. Second, since horizontal drilling is more complex  
71 and expensive than vertical drilling, Wexpro needs the pilot program to gather data to  
72 determine if it should continue drilling horizontal wells in the future. I explain both of  
73 these constraints further in my testimony. The proposed pilot program will provide  
74 Wexpro with the data it needs to develop an ongoing horizontal drilling program that will  
75 benefit Enbridge customers.

76 **Q. What prevents Wexpro from currently developing an estimate of the cost of service  
77 and a plan for a horizontal drilling program within the Wexpro properties?**

78 A. While Wexpro can estimate the cost of service for all the potential horizontal targets, the  
79 uncertainty in such an estimate would vary substantially depending on the field and  
80 formation. For some potential horizontal wells, Wexpro has vertical production tests,  
81 advanced geological logs, and core analyses. This provides a robust data set that reduces  
82 uncertainty. However, there are also potential horizontal wells that do not have such robust  
83 data. Further, the risk to Wexpro for proceeding without the pilot program is too high  
84 given the constraints of the Wexpro II Agreement.

85 **Q. How would Wexpro get the data it needs to develop a long-term horizontal drilling  
86 program?**

87 A. Wexpro's recommended approach would be to begin the pilot program with the projects  
88 that have the lowest degree of geological and reservoir uncertainty while gathering and  
89 analyzing the necessary data for projects that have a higher degree of uncertainty. With a  
90 robust data set, Wexpro could then build complex models to give the best estimate for wells  
91 and their engineering design, projected production, and cost of service.

92 Wexpro is currently engaged in the initial work for the [REDACTED] while gathering  
93 necessary data for other fields and formations within the Wexpro properties.

94 **Q. Please explain why horizontal drilling doesn't fit in the Wexpro I and Wexpro II**  
95 **agreements.**

96 A. Wexpro's goal is to explore for properties where drilling could benefit Enbridge customers.  
97 Historically, that has involved Wexpro operating under the Wexpro I and Wexpro II  
98 Agreements, and the associated guideline letters, which were developed based on a vertical  
99 drilling program within the properties. Those agreements and guidelines, as currently  
100 written, do not address how the program should be modified for a horizontal drilling  
101 program where Wexpro has much less information about the drilling costs, the anticipated  
102 production, and the incidence of dry holes. Further, the Wexpro agreements do not allow  
103 for adequate compensation for the risks Wexpro would be undertaking in its exploratory  
104 and development work that would be necessary to establish a horizontal well drilling  
105 program. The proposed pilot program would modify the drilling terms in a manner that  
106 would allow Wexpro to do initial exploration and development while allocating the costs  
107 and risks in a manner that would allow Wexpro to undertake that work. As more  
108 information is gathered through the pilot program, the Company and Wexpro could then  
109 be in a position to propose terms for a horizontal drilling program.

110 **Q. What information does Wexpro think it will be able to obtain through the horizontal**  
111 **drilling pilot program that will help it develop a more definitive horizontal drilling**  
112 **program throughout the Wexpro properties?**

113 A. While engineering and geological analysis reduces uncertainty, actual well results are  
114 necessary to achieve a higher degree of certainty. With a pilot well, Wexpro can more  
115 reliably estimate reservoir pressure, the flow capacity of the reservoir, actual costs of  
116 drilling and completions, and obtain optimal engineering designs for future wells. With

117 pilot wells in the prospective resources, Wexpro can more reliably estimate the cost of  
118 service of that inventory and assess the risk to Wexpro in pursuing larger-scale horizontal  
119 development throughout the Wexpro properties.

120 **Q. Where would Wexpro drill its first horizontal well?**

121 A. Wexpro intends to drill the first horizontal well under this pilot program in the [REDACTED]  
122 because Wexpro has significant experience in that field and a robust data set regarding  
123 potential horizontal well performance.

124 **Q. Does Wexpro need to drill and complete a well before it knows it has drilled a dry  
125 hole?**

126 A. No. As a well is drilled, Wexpro can tell early in the process if it will be a dry hole. If no  
127 gas shows<sup>1</sup> are present during the drilling phase, it indicates the well would not produce  
128 any natural gas even if taken through the completion process.<sup>2</sup> If this happens, the drilling  
129 activity would stop work, and no completions would be performed. This means Wexpro  
130 would spend [REDACTED], instead of [REDACTED] for a fully drilled and completed  
131 horizontal well.

132 **Q. What is the impact to customers if a horizontal well in the proposed pilot program is  
133 a dry hole?**

134 A. Confidential EGU Exhibit 3.02 page 1, lines 1-14 shows the impact of adding [REDACTED]  
135 of dry hole costs to customer rates. Lines 1-4 show the current forecast of Wexpro  
136 production through 2029. Lines 5-8 show the costs of drilling a dry hole in the first year.

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<sup>1</sup> During a well's drilling phase, mud is cycled into the well bore to lubricate the drill bit, among other functions. When the mud returns to surface, it will contain measurable amounts of hydrocarbon gases if they are present.

<sup>2</sup> The completion process takes place after the well bore is drilled. It typically involves perforating the steel pipe located in the well bore with small explosive charges and then stimulating the rock by pumping significant volumes of water through the perforations and into the rock formation. This improves the flow of the hydrocarbons.

137 Line 9 shows Wexpro's total investment base including the costs of the dry hole. Line 10  
138 shows the cost of the Operator Service fee that is charged to Enbridge Gas. Line 11 shows  
139 the volume of gas that Wexpro will provide to Enbridge Gas. Line 12 calculates the  
140 Wexpro cost-of-service per dekatherm. Finally, line 13 shows that, in the event of a  
141 horizontal dry hole, Enbridge Gas customers would see an increase of less than [REDACTED] per  
142 dekatherm.

143 **Q. Could customers save money if the horizontal wells are successful?**

144 A. Yes. Confidential EGU Exhibit 3.2 page 1 also shows the upside of drilling a productive  
145 well in the [REDACTED]. Lines 15-28 are similar to the dry hole scenario above but with  
146 drastically different results. Line 22 shows that horizontal wells in the pilot program could  
147 produce cost-of-service gas at [REDACTED] per dekatherm. This is significantly lower  
148 than the current forecast prices shown on line 18. Line 28 shows that drilling horizontally  
149 in the [REDACTED] could reduce the overall cost-of-service by about [REDACTED] per dekatherm  
150 on average over the next four years.

151 **Q. Would the customer benefits from these wells extend beyond the proposed Pilot  
152 Program?**

153 A. Yes. All production from horizontal wells drilled under the proposed pilot program would  
154 be produced for the benefit of customers for the life of the wells.

155 **Q. Is the Company only planning to drill in the [REDACTED] during the pilot program?**

156 A. No. The [REDACTED] is where the Company feels most confident in the data it has available,  
157 so the first well will be drilled there. The Company also plans to drill horizontal wells in  
158 the [REDACTED] shown in EGU Confidential Exhibit 3.3.

159

**IV. HORIZONTAL PILOT PROGRAM**

160 **Q. Please generally describe how the proposed horizontal pilot would operate.**

161 A. A more complete description of the proposed terms of the pilot program is contained within  
162 the Direct Testimony of Austin Summers, which has also been submitted in support of the  
163 Application. From Wexpro's perspective, the pilot program would implement some initial  
164 horizontal drilling in areas of the existing Wexpro properties that Wexpro could use to  
165 evaluate and develop hydrocarbon resources throughout the Wexpro property footprint.  
166 Because Wexpro needs information from a number of pilot wells to assess the economic  
167 value of a given formation, the program would last five years and would involve up to \$150  
168 million of capital investment in horizontal development. This would allow Wexpro to drill  
169 between [REDACTED] wells during the pilot. To manage the drilling risks, Wexpro would  
170 only drill [REDACTED] during the first year, the results of which could be assessed. The pilot  
171 program would then expand in subsequent years based on the results from wells as drilling  
172 activities are pursued. If the results from early wells show promise, Wexpro would then  
173 deploy the remaining capital investment throughout the remaining years of the program.  
174 Because Wexpro would provide quarterly drilling and production reports, Wexpro, the  
175 Company, the Commission, and others could assess the progress and determine whether  
176 further drilling should be pursued or stopped.

177 **Q. Would Wexpro earn a higher return on its investment during the pilot program?**

178 A. No. Even though a higher return would ordinarily be justified for this kind of exploratory  
179 drilling, under the pilot, Wexpro's return would be capped at the approved utility rate of  
180 return on the program investment. The investment under the pilot program would also not  
181 be subject to a commercial well test for reasons I discuss below.

182 **Q. Do customers receive any additional benefits during the pilot program?**

183 A. Yes. Customers would receive the benefit of any natural gas production under the pilot, as  
184 well as 100% of the revenue from the sale of oil and natural gas liquids generated by the  
185 pilot wells.

186 **Q. Would Wexpro provide the gas to Enbridge customers at its cost-of-service?**

187 A. Yes. The gas from the pilot program would be provided at Wexpro's cost of service, which  
188 would be calculated as set forth in the Wexpro II Agreement.

189 **Q. You mention above that Wexpro would earn the approved utility rate of return as  
190 opposed to a higher return that would more typically be seen in exploratory drilling  
191 such as this. Please explain what you mean.**

192 A. Across the E&P industry, it is well understood that upstream development has inherent  
193 risks due to the uncertainty of well results and natural gas market prices. To encourage  
194 development in the face of that risk, E&P companies typically employ a portfolio strategy  
195 where they spread their risk in a variety of projects that pass certain subsurface evaluation  
196 hurdles. Some of the projects in the portfolio may not be successful, while others are  
197 successful. After the concept phase, companies will then pilot development on a small  
198 scale and assess the results. If the results yield sufficient returns, activities will move  
199 forward to the development phase where they will scale up and optimize. By contrast, if  
200 the results are not encouraging, E&P companies will not move the project to the  
201 development phase. Because all of the capital spent on exploration and pilot wells will not  
202 generally yield a sufficient return, companies will focus on development phase projects  
203 that yield returns sufficient to offset their development costs and their cost of capital. The  
204 minimum return of a development project is called a hurdle. These hurdles vary by

205 company and project but a 15% return hurdle is commonly referenced.<sup>3</sup> This higher return  
206 hurdle accounts for risk, which is why development wells under the Wexpro I agreement  
207 had a higher return that was similar to what an E&P company would require for  
208 development. The Canyon Creek Settlement Stipulation modified that structure going  
209 forward, as well as the related incentives, by focusing development on only low-risk, low-  
210 uncertainty projects, thus justifying a lower return for Wexpro.

211 **Q. Can you explain in more detail the risks Wexpro would have in the early drilling**  
212 **stages of the pilot program?**

213 A. The pilot program is being proposed to manage capital risk and incentivize development  
214 in formations with significant resources and potential customer benefit. All upstream  
215 development carries uncertainty. While front-end engineering and geoscience workflows  
216 aim to reduce uncertainty and provide reasonable estimates, there is substantial uncertainty  
217 until wells are drilled. This uncertainty is highest in the beginning of a development  
218 program and reduces with successive well count. Due to the uncertainty and the reality of  
219 unsuccessful projects, companies rely on high returns in their successful projects to provide  
220 a sufficient return on their portfolio. Because of the Wexpro agreement utility return on  
221 successful wells, Wexpro is not incentivized to execute on projects with substantial  
222 uncertainty even if the production could be significant. A pilot program would incentivize  
223 Wexpro to quantify the horizontal portfolio, reduce the associated uncertainty, and choose  
224 the successful paths of development that will provide mutual benefit to Wexpro and  
225 customers while managing the risk during the short-term of the pilot program.

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<sup>3</sup> For example, the 2025 investor presentation by BP says, “The average IRR that we expect from the next wave of major projects over 20%, well above our 15% hurdle rate.” See page 12 at [Growing upstream capital markets update](#). A 2024 article by Wood Mackenzie says, “The class of 2024 projects require an average of US\$47/bbl to generate a 15% IRR.” See [As project economics rebound, upstream FIDs to increase in 2024, with focus on deepwater resources | Wood Mackenzie](#)

226 **Q. As proposed, how would the allocation of risk be handled under the horizontal pilot**  
227 **program and why?**

228 A. As proposed, Wexpro would receive only the utility rate of return under the pilot program.  
229 Wexpro would not receive any share of liquids produced from horizontal wells, as 100%  
230 of those would go to customers, and Wexpro would also not receive any sharing of cost  
231 savings from gas produced from the horizontal wells during the pilot program. In these  
232 respects, Wexpro will be receiving less of a benefit than it would receive under the Wexpro  
233 II Agreement or than would otherwise be expected from this kind of drilling plan. In return,  
234 customers would bear the capital risk of the pilot in the form of funding the capital  
235 investments and bearing the cost of dry holes, to the extent such wells were to occur.

236 **Q. How is this different from the terms in the Wexpro II Agreement?**

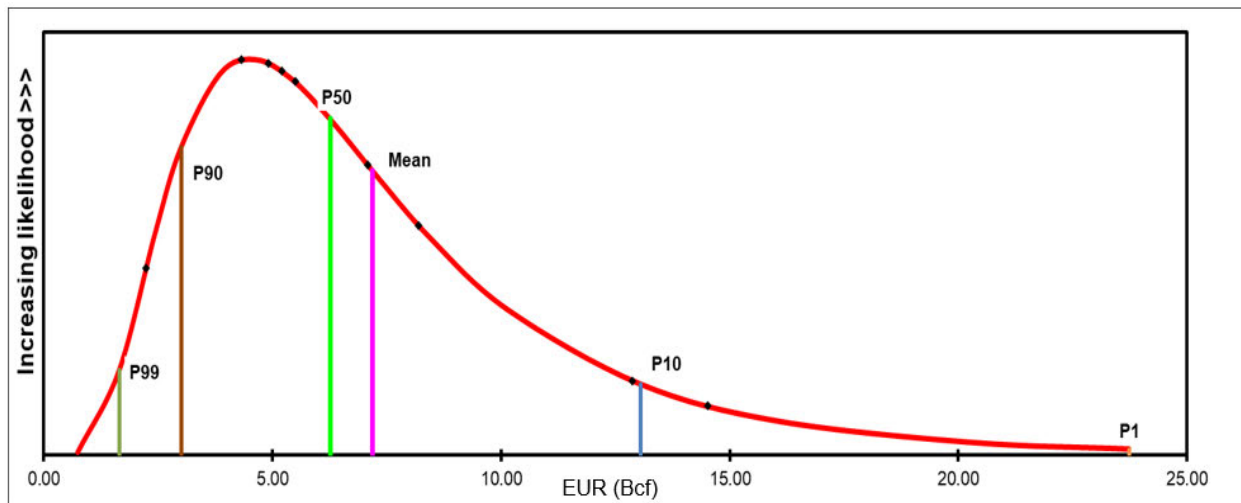
237 A. Under the terms of the Wexpro II Agreement, Wexpro shares the dry hole risk with  
238 customers, it shares the oil revenue, and its return is reduced to the utility return. From a  
239 risk standpoint, that arrangement is acceptable for vertical development due to the amount  
240 of prior development in the existing Wexpro formations. The amount of production data,  
241 subsurface logs, and core analysis existing in legacy formations allows Wexpro to mitigate  
242 the capital risk associated with new drilling.

243 **Q. Is there also uncertainty, and therefore risk, associated with how much gas could be**  
244 **produced by a horizontal well?**

245 A. Yes. The distribution of well results also contributes to the capital risk. Under the Wexpro  
246 II program, Wexpro has information that allows it to understand and account for the  
247 distribution of well results. It does not have that kind of information yet for a horizontal  
248 drilling program.

249 **Q. How does the E&P industry review the risk and reward of potential wells?**

250 A. As the industry has moved from conventional formations to unconventional (tight or shale)  
251 formations, the individual well results have become more uncertain. The result is measured  
252 in EUR (estimated ultimate recovery), which is the total amount of hydrocarbons produced  
253 by a well over its life. While those individual well results are uncertain, a collection of  
254 wells, also referred to as a “program”, follows a lognormal statistical distribution. These  
255 distributions are used to describe program results and quantify uncertainty. The concept  
256 of a lognormal distribution is best understood by referencing Figure 1.



257

258 *Figure 1 Example of distribution of results from a horizontal Rockies Program*

259 The primary focus points of Figure 1 are the P50, P10, P90, and P10/P90 well ratio. The  
260 P value is representative of the cumulative probability of exceedance. For a P90 well, there  
261 is a 90% chance that a new well will have a larger EUR. For a P10 well, there is only a  
262 10% chance that a new well will have a larger EUR. The ratio of those two probabilities,  
263 the P10/P90 ratio, is a measure of the spread of the results. When this P10/P90 ratio is low,  
264 the uncertainty of individual well results is low. For vertical development, distributions  
265 tend to have low P10/P90 ratios. For horizontal development, those ratios tend to be

266 higher. Despite the P10/P90 ratio being higher, horizontal development projects can be  
267 economic on a program level. The shape of a lognormal distribution has a right skew,  
268 which means that downside is limited but upside is far less limited. In other words, there  
269 may be a relatively small number of very productive wells, but those wells could be far  
270 more productive than the mean. Most of the wells will congregate around a modest result,  
271 but the prolific EUR wells in the right tail of the curve, boost the overall program  
272 production and returns, resulting in lower cost of service for customers.

273 **Q. Would Wexpro drill horizontal wells under the Wexpro II Agreement, assuming the**  
274 **wells would have a higher P10/P90 ratio?**

275 A. No. Under the terms of the Wexpro II Agreement, Wexpro earns the utility rate of return  
276 for wells that pass the commercial well test. Wells that do not pass that test, including the  
277 half-cost provision, are classified as a W50 well or “dry holes”. The costs of these wells  
278 are shared 50/50 with customers, but customer contribution is capped at 9% of the total  
279 annual program capital. However, in horizontal development, the percentage of horizontal  
280 wells that will not pass the commercial test is higher than the percentage of vertical wells  
281 that will not pass, exposing Wexpro to more commercial risk in horizontal development.  
282 The economic incentive of horizontal development, however, lies in the enormous  
283 profitability of the wells in the right tail of the distribution. Under the Wexpro II  
284 Agreement, Wexpro only earns the utility rate of return for wells that meet the commercial  
285 threshold, including the most prolific wells it drills. Therefore, Wexpro does not realize  
286 the economic benefit of the full distribution of results while being fully exposed to a greater  
287 downside in horizontal development. This results in a realized return that could be  
288 significantly lower than the utility rate of return for Wexpro. Such a structure would not  
289 incentivize Wexpro to pursue the horizontal opportunities that are available even though  
290 the production from horizontal wells would typically generate a lower cost of service for  
291 customers than cost of service from vertical wells.

292 While there may be substantial benefit to customers through horizontal development, there  
293 is uncertainty in the results. The purpose of the pilot program is to provide Wexpro with  
294 an incentive to investigate these potential resources for the benefit of customers. At the  
295 conclusion of the program, the results and the cost of service could then be used to  
296 determine a structure for horizontal development that incentivizes Wexpro to pursue  
297 development in a way that appropriately shares the risk and benefits with customers in a  
298 manner consistent with the information gleaned from the pilot program.

299 **Q. How does Wexpro plan to execute the horizontal pilot program?**

300 **A.** If the pilot program is approved, Wexpro plans to execute the pilot program in stepwise  
301 fashion, evaluating each prospective formation by drilling a well and evaluating the results  
302 before further proceeding. If the results of an initial well are promising, Wexpro will  
303 pursue design optimization and the drilling of additional appraisal wells. Wexpro's  
304 subsurface team has evaluated and tiered several promising targets for development. The  
305 program would commence in 2026 with [REDACTED] in the most prospective  
306 target formation. Then in years 2027-2030, Wexpro would drill additional wells as the  
307 results and the technical evaluation dictate. If drilling results justified moving forward,  
308 Wexpro would then use the additional investment amount of the program to drill additional  
309 wells if not objected to by the hydrocarbon monitor<sup>4</sup>. Once Wexpro can derive sufficient  
310 results in a particular field or formation, it would be able to better determine what a  
311 development plan could look like for that area, and Wexpro would discuss that  
312 determination and a proposed plan with the parties. The parties and the Commission could  
313 then determine what future drilling in the Wexpro property areas should look like and how  
314 the program's future investment and allocation of risk should be allocated.

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<sup>4</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.

315 **Q. How can Wexpro help ensure that pilot program wells are cost effective?**

316 A. Wexpro will only contract for a drilling rig once Wexpro has developed a drilling program,  
317 the hydrocarbon monitor has reviewed a proposed well within that program, and the  
318 monitor has not disapproved its drilling. Contracting for drilling and completion services  
319 typically occurs six months before drilling commences. To ensure that projects are cost  
320 effective, Wexpro has a bid process that includes collecting and comparing bids from  
321 multiple service vendors and pipe suppliers. Wexpro evaluates cost and quality to ensure  
322 that the selection is the best decision for customers. In addition to this, under the proposed  
323 program, Wexpro would bear the cost of any permits for any wells if those wells are  
324 disapproved by the hydrocarbon monitor.

325 **Q. If the Commission approves the horizontal pilot program, do you expect that it will**  
326 **reduce the overall cost of service?**

327 A. Yes. Based on the estimated gas resources and costs to develop horizontally, the projected  
328 cost of service is expected to be below the current overall cost of service on a total program  
329 basis. This will vary from program to program, but only programs that yield cost of service  
330 lower than the market prices will be pursued into the development phases on a larger scale.

331 **Q. What role will the hydrocarbon monitor play in the proposed pilot program?**

332 A. The hydrocarbon monitor will review any proposed horizontal wells including all geologic  
333 technical work, capital cost estimates, production forecasts, expense projections, and  
334 drilling and completion plans. Following completion of a horizontal well the hydrocarbon  
335 monitor will then review production results and capital and expense reports and compare  
336 them to forecasts. Those results will be used to assess the viability of future well proposals  
337 and will be regularly reported to regulators.

338 **Q. What kind of information will Wexpro provide about the results of the program and**  
339 **how frequently will that information be provided and to whom?**

340 A. Wexpro will report the horizontal well results on a quarterly basis. The results will include  
341 production, capital costs, expenses, and cost of service per dekatherm.

342 **Q. Can Wexpro continue to comply with the 55% supply limitation if the Commission**  
343 **approves the horizontal pilot program?**

344 A. Yes. If Wexpro anticipated that production could exceed the cap, it would notify the  
345 Company and the Company and Wexpro would notify the Commission and parties and  
346 pursue the process previously set out to manage production under 65%.

347 **Q. What is the timeline the Company proposes for obtaining a Commission decision on**  
348 **the proposal and why?**

349 A. The Company is asking that the Commission approve this request by May 1, 2026. This  
350 would give Wexpro ample time to prepare to drill one horizontal well in 2026.

351 **Q. Is the Horizontal drilling program reasonable and in the public interest?**

352 A. Yes. The Proposed pilot aligns with the Commission's longstanding objectives of  
353 stabilizing customer prices, ensuring reliable firm-service winter supply, and prudently  
354 developing cost-effective local resources.

355 **Q. In summary, what are your recommendations regarding the horizontal pilot**  
356 **program?**

357 A. The horizontal pilot program gives customers the opportunity to access large amounts of  
358 gas reserves at what may be very attractive prices. While there is uncertainty involved in  
359 this pilot program, based on the size of the resources and the success of horizontal drilling


360 across the Rockies region and the greater U.S., we believe the risks are easily justified and  
361 can be prudently managed to benefit customers in the long run.

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

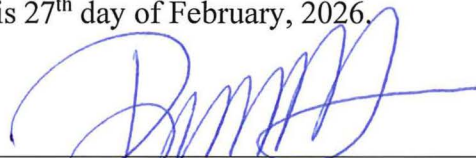
363 A. Yes.

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 27<sup>th</sup> day of February, 2026.

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

