

**REPORT AND ORDER
OF
UTAH PUBLIC SERVICE COMMISSION**

DATED DECEMBER 31, 1981

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

IN THE MATTER OF THE PETITION OF)
THE DIVISION OF PUBLIC UTILITIES)
TO CONSIDER THE PROPOSED TRANSFER)
OF CERTAIN WELLS, LEASES, LANDS AND)
RELATED FACILITIES AND INTERESTS)
OF MOUNTAIN FUEL SUPPLY COMPANY)
TO WEXPRO COMPANY ON REMAND FROM)
THE UTAH SUPREME COURT.)

CASE NO. 76-057-14

IN THE MATTER OF THE APPLICATION)
OF MOUNTAIN FUEL SUPPLY COMPANY)
FOR A GENERAL INCREASE IN RATES)
AND CHARGES INCIDENT TO NATURAL)
GAS SERVICE RENDERED WITHIN THE)
STATE OF UTAH.)

CASE NO. 77-057-03
(Count II)

IN THE MATTER OF THE APPLICATION)
OF MOUNTAIN FUEL SUPPLY COMPANY)
FOR A GENERAL INCREASE IN RATES)
AND CHARGES INCIDENT TO NATURAL)
GAS SERVICE RENDERED WITHIN THE)
STATE OF UTAH.)

CASE NO. 79-057-03

REPORT AND
ORDER ON
STIPULATION
AND
AGREEMENT

IN THE MATTER OF THE APPLICATION)
OF MOUNTAIN FUEL SUPPLY COMPANY)
FOR A GENERAL INCREASE IN RATES)
AND CHARGES INCIDENT TO NATURAL)
GAS SERVICE RENDERED WITHIN THE)
STATE OF UTAH.)

CASE NO. 80-057-01

IN THE MATTER OF THE APPLICATION)
OF MOUNTAIN FUEL SUPPLY COMPANY)
FOR A GENERAL INCREASE IN RATES)
AND CHARGES INCIDENT TO NATURAL)
GAS SERVICE RENDERED WITHIN THE)
STATE OF UTAH.)

CASE NO. 81-057-01

IN THE MATTER OF THE INVESTIGA-)
TION OF THE TRANSFER OF CERTAIN)
WELLS, LANDS, LEASES AND RELATED)
BUILDINGS AND INTERESTS OF)
MOUNTAIN FUEL SUPPLY COMPANY)
AND/OR WEXPRO COMPANY TO CELSIUS)
ENERGY COMPANY OR ANY OTHER)
ENTITY OR PERSON.)

CASE NO. 81-057-04

Submitted: November 25, 1981

Issued: December 31, 1981

Appearances:

For:

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Utah Coalition of
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Kennecott
Corporation

By the Commission:

The above cases are now before the Commission as the result of a motion of the Utah Department of Business Regulation, Division of Public Utilities (Division), the Utah Committee of Consumer Services (Committee), Mountain Fuel Supply Company (MFS when referring to Mountain Fuel Supply Company including its affiliates and the Company when referring only to the Distribution and Transmission Divisions of MFS), and Wexpro Company (Wexpro) for this Commission to adopt and approve a Stipulation and Agreement (Settlement) entered into by the moving parties to resolve all issues outstanding in these cases with the exception of rate design and residential conservation service issues in Case No. 81-057-01. Wherever utilized in this Report and Order the words "subsidiary" or "affiliate" of MFS shall be understood to refer to any corporation or other business entity which is owned or controlled either directly or indirectly by MFS.

The Commission's Report and Order on Rehearing dated April 11, 1978 in Case No. 76-057-14 was reversed and remanded by the Utah Supreme Court in Committee of Consumer Services v. Public Service Commission of Utah, 595 P.2d 871 (Utah 1979) (Wexpro Case). The Settlement resolves all issues on remand in that case. During the pendency of Case No. 76-057-14, the Commission entered orders granting general rate increases in Case Nos. 77-057-03 (Count II), 79-057-03, 80-057-01 and 81-057-01. Each of those orders was conditioned in some way on further proceedings in Case No. 76-057-14. The conditions in those orders are resolved by the Settlement. The issues in Case No. 81-057-04 relate to issues in Case No. 76-057-14 and are also resolved by the Settlement.

The Staff of the Public Service Commission of Wyoming is also a party to the Settlement. On October 28, 1981, the Wyoming Commission, after hearing, entered an order approving the Settlement concluding that it is in the public interest. P.S.C.W. Docket No. 9192 Sub 68.

The Commission has held several public hearings in Case No. 76-057-14 during 1980 and 1981 since reversal and remand of its Report and Order on Rehearing. At the time scheduled and noticed for evidentiary hearings in the remand portion of the case to commence, the moving parties advised the Commission that they had almost reached agreement on a settlement of the above cases and related cases, and requested that the hearings be continued to allow them to complete negotiations. On August 31, 1981, the parties presented to the Commission a summary of the Settlement and requested a continuance to draft definitive documents setting forth the detailed terms of the Settlement. The Commission set the matter for hearing on October 14, 1981 for the purpose of reviewing the Settlement and receiving testimony and public statements with respect to it. The Utah Coalition of Senior Citizens (Coalition) and Utah Utility

Shareholders Association (Shareholders) also entered their appearances but took no position on the Settlement at the August 31, 1981 hearing.

Hearings were held on October 14, 15, 16, 19 and 20, 1981, during which the Commission received evidence, argument and public statements with regard to the Settlement. The Settlement was received in evidence as Exhibit S-1. The Division and Committee called four witnesses: Herman G. Roseman, an economist with National Economic Research Associates; Howard Ritzma, a geologist and Assistant Director and Chief of the Petroleum Section of the Utah Geological and Mineral Survey; Merrill R. Norman, a certified public accountant with the firm of Fox & Company; and Lyle Hale, an independent consulting geologist. MFS called four witnesses: John Crawford, its Executive Vice President and Chief Financial Officer; R. D. Cash, its President and Chief Operating Officer; James A. Harmon, an investment banker with Wertheim & Co. and a member of the Board of Directors of MFS; and Richard Walker, a certified public accountant with the firm of Arthur Andersen & Company. Wexpro called Ralph M. Kirsch, its President and Chief Executive Officer. The Shareholders called John O'Leary, an independent energy consultant formerly serving in a variety of federal and state government positions relative to energy matters. Each of these witnesses recommended that the Commission approve the Settlement as being in the public interest. The Coalition called no witnesses but indicated that it might wish to call witnesses after a recess in hearings.

The Commission also received the statement of Phillip Morace, a spokesman for Stand United for Rate Fairness (SURF), a utility consumer group which expressed reservations regarding the Settlement.

At the conclusion of the evidence and argument on October 20, 1981, the hearings were continued to November 23, 1981 to allow further opportunity for the public to examine the Settlement and prepare statements and for the Coalition to prepare any evidence it wished to offer. Notice of the

hearing and the opportunity to review the Settlement and present statements or evidence concerning it was timely published in a newspaper of statewide distribution and general circulation for two consecutive days. In addition, the news media have given extensive coverage to the hearings in these cases on the Settlement and particularly publicized the opportunity for public comment on November 23, 1981.

At the hearing on November 23, 24 and 25, 1981, the Coalition called Richard D. Rosenberg, a staff counsel to the Public Utilities Commission of California who appeared in his individual capacity for the Coalition and not as a representative of the California Commission or its staff. Mr. Rosenberg testified regarding the Gas Exploration and Development Adjustment (GEDA) exploration program of Pacific Gas & Electric Company, as established by the California Public Utilities Commission. He took no position on the merits of the Settlement, but rather expressed the view that in his opinion an alternative that the Commission might consider could be based on California's GEDA program. He testified that this program has been successful in California as indicated by the California PUC Order which is an exhibit in this case. He further testified as to the availability of experts who could put a dollar value on gas and oil properties both explored and unexplored. Sworn statements were made by Robert B. Hansen, Justin Stewart, Representative Blaze Wharton, Chester Bellows, and Karen Feldman. Unsworn statements were presented by Representative Jeff Fox, Stanley Wangsgaard, Norma Nation and by W. H. Jensen, General Manager of the Utah Copper Division of Kennecott Minerals Company, a division of Kennecott Corporation, through counsel F. Robert Reeder. The testimony and statements of public witnesses expressed some concerns about various provisions of the Settlement, the public's awareness of the Settlement and general concerns about utility rates. Several of the public witnesses were of

the opinion that the Commission should determine the fair market value of the unexplored Account 105 properties transferred under the Settlement. Kennecott supported the Settlement. James L. Barker, Assistant Attorney General of the State of Utah and former counsel for the Committee in Case No. 76-057-14, was called as a rebuttal witness by the Division. He testified that the Settlement was in the public interest in his opinion.

On November 24, 1981, the Commission heard the motion of the Coalition to order an appraisal of the Account 105 properties to be transferred to Celsius Energy Company (Celsius) under the Settlement. Following argument of all parties, the Commission denied the motion.

On November 25, 1981, all parties presented closing arguments to the Commission. In addition to oral arguments, the parties to this proceeding have filed extensive memoranda on the issues presented. The Coalition opposes the Settlement; all other parties support it.

Before reciting the evidence, testimony, statements and arguments of counsel on which the Commission relied to make its Findings, Conclusions and Order, the Commission believes it is appropriate to discuss its philosophy and understanding of regulation as it relates to these issues, however, we are not intending that the Findings, Conclusions or Order herein will be based on this discussion.

First, the Commission considers the use of negotiated settlements to be helpful in arriving at a solution to the cases it hears. The practice was recognized and sanctioned by the legislature (see Utah Code Annotated § 54-7-10[1], [1981 Supp]), and has often been used by the Commission in the past. In a recent Mountain Bell general rate case (Case No. 80-049-01), the Commission expressed the following:

The Commission encourages parties to negotiate their differences and enter into stipulations, particularly in cases of the complexity presented

here; such efforts may expedite the regulatory process, and aid the Commission in effecting determinations which are equitable. Nevertheless, no party can or ought to be compelled to participate in such negotiations, nor is a non-stipulating party barred or estopped from urging that a stipulation be rejected or its terms modified. Parties who choose to negotiate a stipulated settlement of a case cannot, by their own agreement, divest the Commission of its statutory authority. While parties to a case may agree that a particular result is desirable, any proposed stipulation must be found by the Commission to achieve a result which is just, reasonable, and in the public interest. Should the Commission reject a proposed stipulation, in whole or in part, the parties are at liberty to withdraw the stipulation or accede to the Commission's modifications.

Second, the Commission recognizes the advantages and disadvantages which may follow utility investment in non-utility ventures. Some of the problems which concern us are noted in the 1972 Report of the Ad Hoc Committee on Non-Utility Investments - Diversification by Utility Companies, of the National Association of Regulatory Utility Commissioners:

The crucial question is whether diversification by public utilities poses a threat to the basic investment-revenue cycle. For now, only the most obvious aspects need be noted. If utility resources are devoted to non-utility operations, no major problem is presented if either: (1) The non-utility enterprise is as profitable as the utility enterprise; or (2) the non-utility enterprise is of insignificant scale in comparison with the utility enterprise. In either event, utility revenues will support new utility investments which will generate new utility revenues to support new utility investments, in a continuing cycle. The utility's investors may gain some extra profits in the first instance, and may sustain some losses in the second instance, but the interest of the public is not adversely affected in serious degree in either case. On the other hand, if the non-utility investment is both substantial and unprofitable, there is risk of disruption of the investment-revenue cycle. An enterprise with a substantial and unprofitable non-utility operation has only two options: (1) it can increase revenues of the utility business sufficient to cover the losses on the non-utility business and thereby maintain the flow of needed capital; or (2) it can

refuse to support the unprofitable non-utility operation by such a subsidy from the utility operation which would mean that the enterprise as a whole would be unprofitable and unable to attract capital on reasonable (or perhaps any) terms.

The end result is precisely the same as in those situations in which utility investments were diverted to promoters' pockets or utility revenues were diverted to affiliated interests.

It should be noted that even if non-utility operations are profitable, there may be political difficulties in retaining an effective investment-revenue cycle. Confronted with an enterprise with good overall profitability (resulting from its non-utility ventures), the public may be unusually resistant to permitting rate increases, even if they clearly are warranted by the investment and revenue requirements of the utility operation. An analogy is the apparent expectation of consumers of some AT&T operating subsidiaries that the parent, through its nationwide operations, should support losing operations of the subsidiaries.

The Commission believes the utility business of MFS to be the cornerstone of its operations and that other activities must enhance and not jeopardize that cornerstone. It is for these reasons that the Commission is vitally interested in company restructuring which is in effect diversification or functional separation, and we believe Utah statutes authorize Commission review of such proposals, and the setting aside or modification of same if, after a hearing, the scheme itself, or its logical or intended consequences, are found to be detrimental to the utility cornerstone or injurious to the public interest.

Third, the Commission believes the no-profits-to-affiliates rule discussed in the Utah Supreme Court's decision and the potential for a conflict of interest or sweetheart relationship within the structure of MFS and its subsidiaries require continued and ongoing scrutiny by the Commission of MFS and all of its subsidiaries whether or not they are subject to a regulated rate of return. The Commission further notes that the Supreme Court has appeared to elevate management responsibility to utility customers to a form of "trust" relationship which also requires such ongoing scrutiny.

Fourth, while the Commission accepts the concept that MFS should be allowed to earn an unregulated rate of return on some of its non-utility investments, we believe that such proposals should be presented in advance so that the Commission might be advised of and analyze such investments and/or reorganization as to any potential risk to the public utility or its customers. The Commission notes that the decision to create Celsius has not been brought before it and the Commission trusts MFS will do so. The Commission does not find it necessary to require a formal hearing on this matter before accepting the Stipulation.

Fifth, the Commission believes that exploration for and development of energy resources are an appropriate activity for MFS, both as part of its regulated activities and those which are not subject to a regulated rate of return. The Commission recognizes the past success of MFS's exploration and development program and believes that MFS should continue in the future such programs both for the benefit of its utility operations and those which are not subject to a regulated rate of return. The Commission notes that while exploration and development of gas has historically been a utility activity conducted by MFS pursuant to Commission orders as a joint regulated/non-regulated venture, the decision by MFS to abandon exploration as a utility undertaking has been implemented unilaterally and without Commission sanction. The Commission at this time and for the purpose of this settlement finds it unnecessary to determine if MFS's utility activities, which are subject to a regulated rate of return, should include an exploration and development program.

Sixth, the Commission is extremely concerned that the Utah customers of MFS are not well-served by the Federal Energy Regulatory Commission (FERC) taking jurisdiction over any of MFS's operations and by MFS's attempt to supplant State regulation with Federal regulation and pricing policies which could make natural gas significantly more costly to Utah customers. The thrust of the FERC applications has been to avoid Utah policies favoring cost-of-service gas pricing (rather than sharply rising "market" pricing favored by the Federal Congress as an incentive for producers to search for new gas supplies) on old as well as new gas. The applications have evoked a classic, and ironic, confrontation between company interests seeking higher profits through an expansion of federal regulation, and regulators seeking to preserve State prerogatives to regulate utility affairs in the interest of keeping costs to customers as low as practicable while allowing a reasonable rate of return to investors. While the Commission will not condition this order on the withdrawal by MFS and its subsidiaries of pending FERC applications the Commission feels a more appropriate procedure and a showing of good faith by MFS and its subsidiaries would be to voluntarily continue said applications until the Commission has been fully apprised of the effect of such applications.

Seventh, consistent with the Commission's concern that Utah customers of MFS are better served and protected by State regulation, it is noted that the recent case, Mid Louisiana Gas Co. v. Federal Energy Regulatory Commission, Consolidated Gas Supply Corporation v. Federal Energy Regulatory Commission, (5th Cir, Dec. 23, 1981 Slip Opinion at 13818 to 13826) casts further doubt on cost of service gas and State regulatory jurisdiction. The Commission feels the Settlement would contractually bind the parties and therefore avoid the adverse effects to Utah customers it foresees if Mid-Louisiana is finally construed adversely to State regulatory interests. We also note that the facts

involved in the present case are far different than those in Mid-Louisiana. The Natural Gas Policy Act of 1978 was established to provide incentives for investment and in the present case the Utah Supreme Court has found that ratepaying customers have made the investment. This concept that gain follows risk, even under Mid-Louisiana reasoning, may well result in profits to MFS which then would flow to the benefit of customers.

Having expressed its general regulatory philosophy as it relates to the matters before it, the Commission will outline evidence, testimony, statements and argument of counsel upon which the Findings, Conclusions and Order are made.

(1) Notwithstanding any language which might be construed to the contrary in either the agreement or stipulation all parties have agreed on the record that acceptance of the settlement by the Commission in no way limits or affects the Commission's jurisdiction or regulatory authority and further is not to be construed as limiting the Commission in its future regulation of MFS.

(2) MFS, since its organization in 1935, and some of its predecessors, for many years prior to that date, have explored for hydrocarbons in the Rocky Mountain Region. MFS, Wexpro and the Shareholders contend that this Commission has historically considered part of the exploration program to be subject to utility regulation and part of the program to be nonutility and that while this treatment of the program has resulted in benefits to Company customers, it has also caused conflict over the years regarding whether the benefits received were sufficient. The Division, the Committee and Consumer groups have contended that in addition to cost of service gas the profits from oil discoveries, which have not been subject to a regulated rate of return by this Commission, should be utilized to reduce gas prices. This position was in part prompted by the

inclusion in rates of exploration as an expense item and that the exploration and development of hydrocarbons were all financed largely from retail gas sales in Utah. On the other hand, MFS, Wexpro and the Shareholders have maintained the view that recovery of exploration expenses in rates did not constitute a ratepayer investment and that customers had no interest in exploration properties profits.

(3) Wexpro was created in late 1976 as a subsidiary of MFS. The oil properties then in the nonutility account were transferred to Wexpro under the Agreement of Purchase and Sale; the Joint Exploration Agreement (JEA) was established to govern drilling activities on properties of joint interest between the Company and Wexpro.

(4) Case No. 76-057-14 (Wexpro case) was commenced in December of 1976 when the Division requested that the Commission investigate the Agreement of Purchase and Sale and the JEA. The Commission entered an order on July 20, 1977, holding that it had no jurisdiction over the transfer. Thereafter, the Commission granted a rehearing to consider certain modifications to the Agreement of Purchase and Sale and JEA. The rehearing was held over a period of several weeks. On April 11, 1978, the Commission entered its Report and Order on Rehearing approving the Agreement of Purchase and Sale and JEA if certain amendments were made. The amendments were agreed to by the Company and Wexpro.

(5) The Division and Committee sought review of this order before the Utah Supreme Court. On May 10, 1979, the court rendered its decision reversing the order and remanding the case to the Commission for further hearings. Committee of Consumer Services, supra, 595 P.2d 871. MFS and Wexpro petitioned for rehearing which was denied and petitioned by writ of certiorari to the United States Supreme Court which was also denied.

(6) MFS's exploration program prior to the creation of Wexpro since January 1, 1977, has been successful. MFS and Wexpro currently own a number of properties as a result of that program. Proper exploitation of these properties for the benefit of all parties requires their exploration. At least \$40,000,000 should be spent during the next five years in development drilling to productive gas reservoirs; larger sums are needed for exploratory drilling on the properties to avoid lease expirations and develop their potential. The testimony of management and members of the Board of Directors is that MFS investors will not support a regulated exploration program on these properties; these witnesses also believe that a regulated exploration program has the potential to cause problems with partners in the field and with scientific and technical employees who are essential to an exploration program and are in high demand in the Rocky Mountain Region. Witness Rosenberg testified that a regulated exploration program has been approved in California and has resulted in extensive drilling in the Rocky Mountain Area with major oil companies.

(7) Witnesses for the Division and Committee on the one hand and MFS and Wexpro on the other testified that they have vigorously pursued claims with respect to the proper treatment of the properties. Litigation has already cost the parties substantial amounts in direct costs and has involved proceedings in multiple agencies and courts. If the litigation which to date has cost a total of approximately \$4,000,000 is not resolved by Settlement, it is possible that it will proceed for several years in several forums with costs to the parties of additional millions of dollars.

(8) The Wyoming Public Service Commission and its staff began proceedings dealing with the same issues as the Wexpro case which have now been concluded by approval of the Settlement by the Wyoming Commission.

(9) During the litigation related to these cases which has arisen following the Utah Supreme Court opinion in Committee of Consumer Services, supra, there has been uncertainty associated with the eventual allocation of costs and benefits of exploration which MFS argues has made it imprudent for exploration to proceed on other than a minimal basis. Witnesses for all parties to the Settlement and the Shareholders expressed concern, that if litigation proceeds, opportunities may be lost to the detriment of all interested parties. MFS witnesses testified that raising the substantial capital needed to explore and develop the properties, because of the current status and uncertainty of the exploration program, if possible, would be difficult and could only be done at a high cost. These witnesses also testified that current uncertainties are impairing the ability of MFS to employ and retain the scientific and technical personnel essential to a successful exploration program. Whatever benefits from the properties are eventually determined to be properly utilized to reduce rates to MFS customers may not be available for several years if litigation continues.

(10) Recognizing the problems associated with litigation, the parties, with the encouragement of the Commission, examined the possibility of settling their disputes. Settlement conferences began in depth in March of 1981. Mr. Roseman, a participant in the Settlement negotiations, and other witnesses testified that the parties vigorously pursued their positions, that negotiations were extremely tough, reaching impasse on several occasions, and that the parties interests were negotiated at arm's-length. The parties retained and utilized well-qualified and eminent experts in connection with decisions made and positions taken in negotiations.

(11) The Settlement contemplates that wholly owned affiliates of MFS will do the exploration of the properties covered by this settlement in the future and will operate production activities on said producing properties although provision is made in the agreement for farmouts.

(12) Expert witnesses and counsel for parties to the settlement all urged that the Settlement's approach to the problem of exploring and developing the properties is an acceptable and reasonable. Mr. Roseman, for the Division and Committee favoring the Settlement, testified, that the cost-of-service gas and oil income from gas properties and transferred properties and royalty income and first call on gas with respect to unexplored properties are fair and compensate the Company (for the appropriate benefit of its customers) for its interest in the properties while at the same time leaving MFS with incentives to explore them. Mr. Roseman testified that he had some doubts about the sufficiency of the incentives. However, Mr. Cash, Mr. Kirsch and Mr. O'Leary were of the opinion that the incentives were sufficient. Messrs. Roseman, Crawford, Harmon and Cash were of the view that MFS investors would support the exploration program proposed by the Settlement; Messrs. Cash and Kirsch testified that exploration department employees would be more willing to stay with Wexpro under the Settlement than without it.

(13) All Division and Committee witnesses, including independent geologists Ritzma and Hale, independent economist Roseman and certified public accountant Norman, testified that the consideration involved in the transfer of properties from MFS to subsidiaries was in their opinion fair to MFS and its customers. No dollar value appraisal was completed on the transferred properties. MFS customers will receive substantial benefits from cost-of-service gas, from future sharing of oil income and from royalties. In addition to these benefits, customers

will have rates reduced by a one-time \$21 million reduction, over a one year period, a \$250,000 annual payment from Wexpro to the Company for twelve years and the elimination of the approximately \$3.1 million annual exploration expense from rates which will occur in approximately one year.

(14) MFS and Wexpro witnesses Crawford, Harmon, Cash and Kirsch testified that the Settlement is fair and reasonable to MFS's shareholders. MFS's consolidated after-tax earnings may suffer an estimated reduction of approximately \$15.5 million in 1981 as a result of the Settlement. If 1982 oil production and income are similar to 1981, after-tax earnings in that year may be down by some \$7 to \$8 million as a result of the Settlement plus the effect of any royalty payments. No witness for the companies attempted to quantify the loss of income associated with the royalty payments and no witness from the Division or Committee attempted to quantify past benefits to MFS or its shareholders of the regulatory treatment afforded MFS prior to the Wexpro decision.

(15) Mr. O'Leary, for the Shareholders, thought the Settlement was costly to present shareholders in terms of the interests they claimed but favored its approval because continued litigation could damage shareholder interests to an even greater extent.

(16) Although the Settlement expressly provides that its terms are an integrated whole and that the benefits flowing to customers is to be viewed in total and not in separable units, the witnesses of parties favoring the Settlement testified that primary individual elements also represent fair market value. For example, the 7% overriding royalty associated with exploratory properties was deemed by Messrs. Roseman, Ritzma and Hale for the Division and Committee, to be fair market value for those assets. The Commission accepts this expert testimony. Witnesses testified that because of the speculative nature of evaluating unexplored properties, they are typically traded

in the industry on the basis of retained interests such as royalty interests. These properties already have on average 16% in royalties; hence, 7% is a figure that could well have been reached in a typical industry transaction. The Company's right to receive gas at cost of service and 54% of net profits from liquids produced on the productive oil properties transferred to Wexpro was deemed by all expert witnesses who addressed the issue to be fair market consideration for those properties.

(17) Witnesses testified one valuable effect of the Settlement is that it resolves many of the issues in the pending litigation in a manner that MFS believes will allow the exploration program to proceed. All witnesses who addressed the issue agreed that without the Settlement all parties have difficulty achieving their objectives.

(18) Some witnesses testified that the Settlement provides a better solution to the treatment of the joint interest properties than did the JEA. All witnesses for the Division, Committee, MFS, Wexpro and the Shareholders urged the Commission to approve the Settlement because it was, in their opinions, in the public interest.

FINDINGS OF FACT

Having reviewed the record and having considered the Settlement, the evidence, and having been fully advised, the Commission finds that:

1. MFS is a corporation organized and existing under the laws of the State of Utah, with its principal place of business located at 180 East First South Street, Salt Lake City, Utah. MFS is a "gas corporation" and a "public utility" as those terms are defined in Utah Code Annotated § 54-2-1 (1974).

2. MFS produces and purchases natural gas from fields and pipelines in Wyoming, Utah and Colorado, and transports this gas through two major pipeline systems to markets in southwestern Wyoming and northern and central Utah.

3. MFS provides natural gas service to customers in a Utah service area which includes the Wasatch Front, portions of Carbon and Emery Counties, portions of the Uintah Basin and other areas contiguous to its system. The customers served by the Company in its Utah and Wyoming service area number approximately 400,000.

4. As will be outlined in the following findings, the Commission accepts the Stipulation and Agreement as means of dealing with the "Wexpro" case and related matters. The Commission does not and could not waive any of its jurisdiction, or regulatory power and authority, in so accepting.

5. As stated in finding (1) above, Mountain Fuel Supply Company is a regulated public utility and it cannot escape this by organizing itself into different corporate entities, parent and subsidiary in nature. By approving this Settlement and by past actions this Commission acknowledges and supports the proposition that MFS may have activities which are not limited to a "regulated" rate of return. We do not, however, give up our necessary access to information from the parent or its subsidiaries, or our lawful regulatory control over MFS or any of its parts in accepting this Settlement.

6. The Commission is not entirely persuaded that under attractive circumstances investors will not support a regulated exploration and development program, that such a program will cause problems with partners in the field or with the ability of MFS to keep employees. However, the Commission finds that it is unnecessary to make a final determination on this matter for the purpose of this proceeding.

7. It appears from the statement of counsel and testimony of witnesses that the parties to the Settlement vigorously pursued their positions; negotiations were extremely tough, and at arms length.

8. The Settlements approach to the problem of exploring and developing the properties involved in the Settlement is an acceptable and reasonable basis for exploring and developing said properties and is in the public interest.

9. Resolution of the many issues involved in this proceeding and the related pending litigation is in the public interest.

10. The Settlement will allow the properties to be explored and developed to the benefit of all parties. The interests of MFS and its customers in benefits from the properties are protected and realized in the Settlement. The transfer of properties is for fair market value as that value is typically determined in the industry. Adequate benefits from the Settlement redound to the benefit of customers of MFS.

11. The Settlement approach to properties and the consideration received for the benefit of customers is just and reasonable and represents fair market value. The interests of MFS customers, of citizens of the State of Utah and of MFS shareholders will be served by approval of the Settlement.

12. The Settlement is fair and reasonable and the stipulated facts in the Stipulation are hereby adopted and approved. The Commission takes note of the explanation of counsel as to the parties understanding and intent in regard to the Stipulation and agreement as found in the record in this case in so approving.

13. Wexpro litigation costs to the State of Utah for outside attorneys, consultants and witness fees exceeds \$775,000, and it is in the public interest that the State be reimbursed for some portion from the Settlement. The Commission finds that \$400,000 from the \$21,000,000 provided for in the agreement should be paid to the Commission's Executive Secretary to establish a fund upon which claims for reimbursement can be made by public entities

who have been parties to this proceeding for reimbursement for outside attorney, consultant and witness fees. The Commission will determine the amounts to be distributed

CONCLUSIONS OF LAW

Having made the foregoing findings of fact, the Commission concludes that:

1. These cases are properly before the Commission on motion of the Division, Committee, MFS and Wexpro for an order approving the Settlement. Additionally, the Wexpro case (Case No. 76-057-14) is properly before the Commission on remand from the Utah Supreme Court in Committee of Consumer Services v. Public Service Commission of Utah, 595 P.2d 871 (Utah 1979).

2. All hearings in these cases were held pursuant to timely and proper public notice. All parties and the public were given full opportunity to present evidence and argument with respect to the Settlement.

3. This Commission has jurisdiction to resolve cases before it on the basis of a negotiated settlement which has been entered into by MFS, Wexpro, the Division and the Committee in the case. In reviewing the Settlement, the Commission need not decide the issues disputed between the parties, and although the Commission has considered certain alternatives, it need not consider every conceivable alternative to the Settlement. It is the Commission's duty to determine whether the Settlement reasonably resolves matters about which there is a valid dispute in a lawful manner that comports with the public interest. In addition to the public interest standard, inasmuch as some aspects of these cases have previously been before the Utah Supreme

Court, the Commission must determine whether the Settlement resolves those aspects in a manner consistent with or permitted by the opinion of the court. The Settlement resolves those aspects in a manner consistent with or permitted by the opinion of the court. The Settlement resolves the disputes between the parties and the issues of the remanded case in a reasonable and lawful manner that is consistent with the public interest and with the opinion of the Utah Supreme Court in Committee of Consumer Services, supra.

4. Resolution of the contested issues and litigation involved in the Settlement is in the public interest.

5. This Commission has jurisdiction to review the transfer of properties between MFS and its affiliates which is contemplated by the Settlement to determine whether the customers have an interest in the properties and, if so, whether the transfer is in the public interest whether it is for market value and whether appropriate benefits from the transfer are in the public interest. The Commission concludes that the transfer is for market value, that is in the the public interest and that appropriate benefits redound to the benefit of the customers and MFS.

6. The Commission's findings and conclusions with regard to the transfer of properties and the allocation of benefits contemplated by the Settlement, including the findings and conclusions that the transfer of properties and the allocation of benefits are reasonable and for market value and are in the public interest, are intended by the Commission to be final and not subject to future change (except through an appropriate and timely petition for rehearing or judicial review). The Commission so concludes because to insure the proper development of said properties the parties must be able to rely on the finality of the findings and conclusions in regard to the transfer of

properties and apportionment of benefits. The Commission also entitled to rely on the finality of its order.

7. The Settlement presents a reasonable, viable and lawful resolution of the unresolved issues in all of these cases, except rate design and residential conservation service issues in Case No. 81-057-01, and should be adopted and approved.

8. The Settlement is an agreement between the parties and approval thereof by the Commission does not modify or in any way limit the jurisdiction of the Commission to require information from the parties and to investigate transactions under the Settlement in which the parties are involved.

9. By adopting and approving the Stipulation, the Commission does not relinquish or limit any jurisdiction or statutory authority it possesses.

10. Under the circumstances involved in this proceeding, it is in the public interest to reimburse public entities for a portion of their expenses associated with this and related proceedings.

ORDER

Having made the foregoing findings of fact and conclusions of law, the Commission hereby orders that:

1. The motion of the Division, Committee, MFS and Wexpro to adopt and approve the Stipulation and Agreement dated October 14, 1981 and to be effective August 1, 1981, is granted and the Stipulation and Agreement are hereby adopted and approved.

2. Consistent with the Stipulation, MFS shall as soon as is practicable and in no event later than 30 days following the date of this Order submit new schedules of rates and charges which are reflected in the Stipulation and Agreement. These rate reductions shall be effective from and after the date the new tariffs are approved by the

Commission. These rate reductions and payment of the \$400,000 as provided in Order paragraph 5 below will be subject to recovery by MFS in the event this Order is revised or vacated by the Utah Supreme Court.

3. Within 30 days after the reserve for exploration expense account (Account 186-1) deficit balance is eliminated, MFS shall submit new rate schedules which reflect the elimination of the utility exploration expense (approximately \$3.1 million annually system-wide) from the rates then in effect. The rate reduction shall be effective from and after the date the new rate schedules are approved by the Commission. The rate reduction will be subject to recovery by MFS in the event this Order is reversed or vacated by the Utah Supreme Court.

4. This Order shall be the final order of this Commission in Case Nos. 76-057-14 and 81-057-04. This order is also intended to and does resolve any and all contingencies in final orders previously entered by this Commission in Case Nos. 77-057-03, 79-057-03, 80-057-01 and 81-057-01 with the exception of rate design and residential conservation service issues in the latter case. The stipulation of the parties in Case No. 81-057-04 shall be terminated effective August 1, 1981.

5. As soon as is practicable and in no event later than 30 days following the date of this order, MFS shall transmit \$400,000, which amount may be reduced from Utah's portion of the \$21,000,000 reduction in rates, to the Commission Executive Secretary to be handled consistent with the findings herein.

DATED at Salt Lake City, Utah this 31st day of
December, 1981.

/s/ Milly O. Bernard, Chairman

(SEAL)

/s/ David R. Irvine, Commissioner

/s/ Brent H. Cameron, Commissioner

Attest:

/s/ Jean Mowrey, Secretary

EXHIBIT A

**Cost of Service
Formulation for Gas
from Oil Reservoirs**

EXHIBIT A
COST OF SERVICE FORMULATION
FOR GAS FROM OIL RESERVOIRS

The monthly cost of service charge directly attributable to the sale to Mountain Fuel Supply Company of natural gas provided by Wexpro Company from certain properties as set forth in the Agreement will include the following costs. (Section references are to the relevant portions of the Agreement to which this exhibit is attached.)

1. Operating Expenses. Reasonable and necessary operating expenses incurred by Wexpro and allocated to the production, gathering, treatment and disposition of natural gas. Such expenses will include operating and maintenance expenses, administrative and general expenses, royalties (including compensatory royalties) and fees based on the monthly level of production, and other common business expenses.

2. Depreciation. The allocated monthly depreciation expense as computed by the unit-of-production method where applicable or one-twelfth of any annual depreciation expense computed using applicable depreciation methods other than the unit-of-production method as allowed by and computed under the terms of the Agreement.

3. Amortization and Depletion. The allocated monthly accrual recorded for the billing month as amortization and depletion of producing lands and land rights, amortization of intangible gas plant and other amortized expenses.

4. Taxes.

(a) Taxes Other than Income Taxes. Accruals recorded for the billing month with respect to taxes other than federal and state income taxes allocated to natural gas operations, adjustments of such accruals for tax expenses previously billed, and such taxes paid but not previously billed, including any state and local income taxes.

(b) Federal and State Income Taxes. Federal and state income taxes for the billing month attributable to the investment of

Wexpro allocated to natural gas production facilities, computed by multiplying the return by the marginal composite income tax rate (section I-38) divided by 1.0 minus the marginal composite income tax rate.

5. Return. Return is computed using the base rate of return (section I-44) as adjusted from time to time under the procedure specified in the Agreement. For natural gas that is produced from enhanced recovery facilities to which a 2% adjustment is applicable (paragraph II-6(b)), the 2% risk premium applies to those facilities only. For natural gas that is produced from development gas wells to which a 5% risk adjustment is applicable (paragraph II-8(b)), the 5% risk premium applies to those facilities only.

The investment used as a base to which a rate of return is applied will be computed in total for each category of investment subject to (i) no risk premium, (ii) the 2% risk premium, and (iii) the 5% risk premium, and will be one-twelfth of the sum of:

(a) The allocated, actual original investment including AFUDC in wells, well facilities and plant facilities utilized or held for future use in connection with the production, gathering, treatment and disposition of natural gas and oil, less accumulated reserves for depreciation and amortization of such plant facilities; plus

(b) A general plant allowance calculated by multiplying the amount in paragraph (a) above by 6.3%; plus

(c) A cash working capital allowance for each category of investment (no risk premium, 2% risk premium, and 5% risk premium) equal to $45/365$ of the allocated operating expenses, identified in section 1. above, less royalties and annualized by multiplying the monthly amounts by 12; plus

(d) A credit for the balance of accumulated deferred income taxes and other tax-timing reserves accrued solely as a result of facilities installed after July 31, 1981, for each category of investment (no risk premium, 2% risk premium, 5% risk premium).

6. Costs, expenses and investments will be allocated only when direct assignment cannot be made to specific products. When any cost, expense or investment is related to the production of joint products and direct assignment cannot be made, the product allocation procedure (section I-47) will be used.

7. Page 4 of this exhibit is an example of the calculations to be used for natural gas that is subject to this cost-of-service determination. The individual numbers are illustrative only and do not represent any actual circumstances.

EXHIBIT A
SAMPLE COST-OF-SERVICE CALCULATION
GAS SOLD BY WEPERO TO THE COMPANY
FROM PRODUCTIVE OIL RESERVOIRS

	Total (1)	Post- July 31, 1981 Facilities (2)	Post July 31, 1981 Enhanced Recovery Facilities Subject to Base Rate of Return (3)	(4 + 2.00%) of Return (4)	Post- July 31, 1981 Declining Block Facilities (5)
1. Investment					
2. Net Front Investment in Productive Oil Reservoirs	\$57,000	\$48,300	\$5,660	\$1,190	\$2,450
3. Gas Production Investment:					
4. Directly Assignable to Gas Production	1,010	890	100	70	40
5. Allocated Based on Product Allocation (\$ 147)	6,200	5,000	460	170	570
6. Net Investment in Gas Production Facilities	\$ 7,210	\$ 5,890	\$ 560	\$ 240	\$ 610
7. Add:					
8. General Plant @ 8.3%	454	365	35	15	38
9. Cash Working Capital - 45/85 x (O&M + A&G) x 12	132	117	8	0	4
10. Deferal Income Tax Accrual	(54)	—	(29)	(3)	—
11. Total Investment Base for Return Calculation:	\$ 7,742	\$ 6,263	\$ 563	\$ 219	\$ 627
12. Cost of Service:					
13. Total Expenses for Month	\$ 2,500	\$ 2,173	\$ 207	\$ 46	\$ 74
14. Directly Assignable Expenses - OI & Gas	701	618	57	10	16
15. Deprecy Assignable Expenses - Gas	1	—	1	—	—
16. Operating & Maintenance Expenses	1	—	1	—	—
17. Administrative & General Expenses	94	83	6	2	3
18. Royalties	1	—	—	—	—
19. Other Taxes	1	—	—	—	—
20. Depreciation	1	—	—	—	—
21. Total: Gas Direct Expenses	97	84	7	2	1
22. Allocable Expenses - OI & Gas:					
23. Operating & Maintenance Expenses	\$ 1,799	\$ 1,555	\$ 150	\$ 36	\$ 58
24. Administrative & General Expenses	70	64	3	1	2
25. Royalties	18	15	1	—	—
26. Other Taxes	79	69	7	2	1
27. Depreciation	30	25	2	—	—
28. Total: Gas Allocable Expenses	\$ 260	\$ 219	\$ 20	\$ 6	\$ 15
29. Return Computation:					
30. Applicable Percent Return		16.00%	16.00%	18.00%	21.00%
31. Return on Investment (line 11 x line 31)/12	\$ 107	\$ 94	\$ 8	\$ 4	\$ 11
32. Federal Income Taxes (line 32 x .46) / (1 - .54)	91	72	7	3	9
33. Total Monthly Cost of Service (lines 21 + 29 + 32 + 33)	\$ 555	\$ 459	\$ 42	\$ 15	\$ 39

All figures are hypothetical and only for the purpose of demonstrating the method of calculating the cost of service price for gas sold by Wepero to the Company.

EXHIBIT B

**Sample Calculation of
Productive Oil Reservoir
Accounting**

**EXHIBIT B
SAMPLE CALCULATION
PRODUCTIVE OIL RESERVOIR ACCOUNTING¹**

	Total	Post-July 31, 1981 Enhanced Recovery Facilities Subject to				Allocated to Cost- of-Services Natural Gas
		Post- July 31, 1981 Facilities	Base Rate of Return (%)	(r + z/100%)	Post- July 31, 1981 Development Drilling Facilities	
1 Net Plant Investment in Productive Oil Reservoirs	\$57,000	\$48,300	\$5,000	\$11,900	\$2,400	1,000
2 Allocation of Investment		12,000	1,500	50	240	1,000
3 Directly Assignable to Products		30,500	3,000	900	1,900	6,200
4 Allocated Based on Product Allocation		\$42,500	\$4,500	\$ 950	\$1,840	\$7,210
5 Total Revenues for Month from Sale of Oil	\$ 4,520	\$ 3,700	\$ 540	\$ 95	\$ 185	
6 Allocation of Expenses for Month	\$ 2,500	\$ 2,173	\$ 207	\$ 46	\$ 74	
7 Directly Assignable to Products		534	50	8	12	97
8 Allocated Based on Product Allocation		1,336	130	30	43	260
9 Allocated Expenses		\$ 1,870	\$ 180	\$ 38	\$ 55	\$ 357
10 Operating Income for Month		\$ 1,830	\$ 360	\$ 57	\$ 130	
11 Federal and State Income Taxes at 46.8289%		855	199	27	61	
12 Net Income from Oil after Taxes	\$ 1,264	\$ 974	\$ 191	\$ 30	\$ 69	
13 Rate of Return for Investment Recovery		16.00%	16.00%	18.00%	21.00%	
14 Return Allocated to Oil Investment (line 4 x line 13)/12	\$ 673	\$ 567	\$ 60	\$ 14	\$ 32	
15 Amount to be Divided Between Company and Weiprop	\$ 591	\$ 407	\$ 131	\$ 16	\$ 37	
16 Company Portion at 54%	\$ 319	\$ 200	\$ 71	\$ 9	\$ 20	
17 Payment to Company (line 16)/(1-46.828%)	\$ 600	\$ 413	\$ 133	\$ 16	\$ 37	
18 Restatement of Weiprop's Monthly Oil Net Income	\$ 4,520					
19 Revenue for Month - Oil						
20 Expenses for Month - Total	\$2,143					
21 Amount to Company	600					
22 Total Restated Expenses for Month	(2,743)					
23 Restated Operating Income	\$ 1,777					
24 Income Taxes at 46.828%	(832)					
25 Restated Weiprop Net Income After Taxes	\$ 945					

¹ All figures are hypothetical and used only for demonstrating the method of calculating payment to the Company for oil production from the productive oil reservoirs, as provided in Article II of the Agreement.
² See Exhibit D.

**Sample Overriding
Royalty Calculation**

EXHIBIT C

EXHIBIT C

OVERRIDING ROYALTY CALCULATION

	LEASE A		LEASE B		LEASE C		LEASE D	
	Before Back-In	After Back-In						
Net Interest:								
Before Payment	6.25%	40.00%	3.125%	20.00%	6.25%	40.00%	3.125%	20.00%
After Payment	\$100.00	\$102.18	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Less: Gross Revenues	\$4.25	\$4.18	\$3.125	\$20.00	\$6.25	\$40.00	\$3.125	\$20.00
Weyers' Gross Revenues	\$100.00	\$97.82	\$96.875	\$80.00	\$93.75	\$60.00	\$96.875	\$80.00
Partner's Gross Subject to ORR	\$0	\$4.00	\$0	\$20.00	\$0	\$40.00	\$0	\$20.00
Weyers' Gross Subject to ORR	\$0	\$100.00	\$0	\$90.00	\$0	\$100.00	\$0	\$90.00
Total Gross Subject to ORR	\$0	\$104.00	\$0	\$110.00	\$0	\$140.00	\$0	\$110.00
Royalty Rate on Gross	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Overriding Royalty on Gross	\$7.00	\$7.28	\$7.00	\$7.70	\$7.00	\$9.80	\$7.00	\$7.70
Payment - ORR Not Preserved ¹								
Net Interest:								
Before Payment	6.25%	50.00%	3.125%	20.00%	6.25%	40.00%	3.125%	20.00%
After Payment	\$100.00	\$101.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Less: Gross Revenues	\$6.25	\$6.00	\$3.125	\$25.00	\$6.25	\$40.00	\$3.125	\$25.00
Weyers' Gross Revenues	\$100.00	\$95.00	\$96.875	\$75.00	\$93.75	\$60.00	\$96.875	\$75.00
Royalty Rate on Weyers' Gross	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
ORR on Weyers' Gross	\$0.625	\$3.00	\$0.3125	\$2.50	\$0.625	\$2.50	\$0.3125	\$2.50

¹ The entries represent typical transactions only and are strictly hypothetical.
² Overriding Royalty - 7% ORR, section IV 4 of the Agreement; 24% section V 3.
³ 7% ORR replaced by 10% ORR on gross receipts only; see paragraph IV 4(b).

**Marginal Composite Tax
Rate Calculation**

EXHIBIT D

EXHIBIT D
MARGINAL COMPOSITE TAX
RATE CALCULATION

For determining the marginal composite tax rate defined in section I-38, the composite state tax rate t_s is determined as follows:

$$t_s = \sum r_i \times \frac{\text{Inv}_i + \text{Rcpt}_i + W_i}{3}$$

where

- Inv_i is the percentage of Wexpro's total-company investment in state i ,
- Rcpt_i is the percentage of Wexpro's total-company gross receipts from state i ,
- W_i is the percentage of Wexpro's total-company wages paid to employees residing in state i ,
- r_i is the marginal state tax rate applicable in state i .

The summation ranges over all states in which Wexpro has investment or employees or makes sales. (Note that $\sum \text{Inv}_i = 1.0$, $\sum \text{Rcpt}_i = 1.0$, and $\sum W_i = 1.0$.)

COMPOSITE STATE TAX RATE CALCULATION - 1981¹

i State	Inv _i	Rcpt _i	W _i	r _i	r _i x $\frac{Inv_i + Rcpt_i + W_i}{3}$
1 Utah	.07735	.02799	.58211	.0400	.00917
2 Wyoming	.77443	.88316	.29687	.0	.0
3 Colorado	.07192	.01613	.06149	.0500	.00249
4 Idaho	.00922	.0	.0	.0650	.00020
5 Montana	.00846	.00131	.0	.0675	.00022
6 New Mexico	.00638	.00144	.05953	.0500	.00112
7 Nevada	.01806	.02862	.0	.0	.0
8 N. Dakota	.03337	.04135	.0	.0850	.00212
9 S. Dakota	.00018	.0	.0	.0	.0
10 Oregon	.00053	.0	.0	.0750	.00001
11 Nebraska	.00010	.0	.0	.04125	.0
Totals	1.00000	1.00000	1.00000		.01533

$$t_s = .01533$$

$$t = t_f (1 - t_s) + t_s$$

$$t = .46 (.98467) + .01533$$

$$t = .46828$$

¹ All data is for calendar year 1980.

EXHIBIT E

Operator Service Fee

EXHIBIT E
OPERATOR SERVICE FEE

The monthly operator service fee to be charged to Mountain Fuel Supply Company by Wexpro for the production of hydrocarbons from certain properties as set forth in Article III of the Agreement will include the costs detailed below. Any reference to investment and facilities in this determination will be only to "post-July 1981 facilities" as described in section III-4 of the Agreement. No leasehold carrying costs or exploration and development expenses related to dry holes will be included as costs or expenses in this determination. (The Company's investment in properties described in Article III made prior to July 31, 1981, and other Company investment made after July 31, 1981, pursuant to Article III will be accorded rate-base treatment as a part of the Company's natural gas rate determinations by the Utah and Wyoming Public Service Commissions.

1. Operating Expenses. Reasonable and necessary operating expenses incurred by Wexpro and allocated to the production, gathering, treatment and disposition of hydrocarbons. Such expenses will include operating and maintenance expenses, administrative and general expenses, royalties (including compensatory royalties) and fees based on the monthly level of production, and other common business expenses.

2. Depreciation. The allocated monthly depreciation expense as computed by the unit-of-production method where applicable or one-twelfth of any annual depreciation expense computed using applicable depreciation methods other than the unit-of-production method as allowed by and computed under the terms of the Agreement.

3. Amortization and Depletion. The allocated monthly accrual recorded for the billing month as amortization and depletion of producing lands and land rights, amortization of intangible gas plant and other amortized expenses.

4. Taxes.

(a) Taxes Other than Income Taxes. Accruals recorded for the billing month with respect to taxes other than federal and state income taxes allocated to natural gas operations, adjustments

of such accruals for tax expenses previously billed, and such taxes paid but not previously billed, including any state and local income taxes.

(b) **Federal and State Income Taxes.** Federal and state income taxes for the billing month attributable to applicable investment in hydrocarbon production facilities, computed by multiplying the return by the marginal composite income tax rate (section I-38) divided by 1.0 minus the marginal composite income tax rate.

5. **Return.** Except for Wexpro's investment in commercial development wells, return on post-July 31, 1981, facilities (section III-4) is computed using the base rate of return (r) (section I-44), as adjusted from time to time under the procedure specified in the Agreement. For investment in commercial development wells, the return is computed on the basis of the base rate of return plus a risk premium of 8.00% ($r + 8.00$).

The investment used as a base to which a rate of return is applied will be computed in total for each category of investment subject to (i) no risk premium, and (ii) the 8% risk premium, and will be one-twelfth of the sum of:

(a) The actual-original investment including AFUDC in wells, well facilities and plant facilities utilized or held for future use in connection with the production, gathering, treatment and disposition of natural gas, natural gas liquids and oil, less accumulated reserves for depreciation and amortization of such plant facilities; plus

(b) A general plant allowance of 6.3% times the sum of the amount in paragraph (a) and the depreciated investment in wells, well and plant facilities related to production of hydrocarbons under Article III of the Agreement as reflected in the Company's Utah and Wyoming Public Service Commission utility rate base (It is understood that the Company will correspondingly reduce its Utah and Wyoming Public Service Commission utility rate base by those investments in general plant that have heretofore been used in carrying out activities in connection with such properties); plus

(c) A cash working capital allowance for each category of investment (no risk premium, and 8% risk premium) equal to 45/365 of the allocated operating expenses, identified in section 1 above, less royalties and annualized by multiplying the monthly amounts by 12; plus

(d) A credit for the balance of accumulated deferred income taxes and other tax-timing reserves accrued solely as a result of facilities installed after July 31, 1981, for each category of investment (no risk premium, 8% risk premium).

6. Costs, expenses and investments will be allocated where appropriate, but only when direct assignment cannot be made.

SCHEDULE 1

**Base Rate of Return
Index Companies**

SCHEDULE 1
"Weypro Case" Agreement
BASE RATE OF RETURN INDEX COMPANIES

<u>Company Name</u>	<u>Activity¹</u>	<u>Regulatory Agency</u>	<u>Authorized Base of Return on Consumer Equity on May 31, 1981</u>
1. Idaho Power Company	Electric Services	Idaho Public Service Commission	14.50%
2. Intermountain Gas Co.	Gas Distribution	Idaho Public Service Commission	14.50%
3. Montana Power Company	Electric Services	Montana Public Service Commission	13.45%
4. Montana-Dakota Utilities Co.	Gas Distribution	Montana Public Service Commission	13.50%
5. Pacific Power & Light	Electric Services	Wyoming Public Service Commission	14.6%
6. Northern Utilities, Inc.	Gas Distribution	Wyoming Public Service Commission	13.50%
7. Nevada Power Company	Electric Services	Nevada Public Service Commission	15.00%
8. Southwestern Gas Corp.	Gas Distribution	Nevada Public Service Commission	15.20%
9. Utah Power & Light Co.	Electric Services	Utah Public Service Commission	16.80%
10. Mountain States Tel. & Tel. Co.	Tele communications	Utah Public Service Commission	14.50%
11. Public Service Co. of Colorado	Gas Distribution	Colorado Public Service Commission	13.45%
12. Mountain States Tel. & Tel.	Tele communications	Colorado Public Service Commission	11.90%
13. Arizona Public Service Co.	Electric Services	Arizona Corporation Commission	15.00%
14. Southwestern Gas Corp.	Gas Distribution	Arizona Corporation Commission	16.00%
15. Public Service Co. of New Mexico	Electric Services	New Mexico Public Service Commission	15.50%
16. Southern Union Gas Co.	Gas Distribution	New Mexico Public Service Commission	13.25%
17. Colorado Interstate Corp.	Gas Transmission	Federal Energy Regulatory Commission	13.75%
18. Northwest Pipeline Corp.	Gas Transmission	Federal Energy Regulatory Commission	13.00%
19. Kansas-Nebraska Natural Gas Co.	Gas Transmission	Federal Energy Regulatory Commission	13.00%
20. Transwestern Pipeline Co.	Gas Transmission	Federal Energy Regulatory Commission	12.00%

¹ For purposes of calculating the base rate of return, the allowed return only on the indicated operations of each company is to be used.

**Productive Oil
Reservoirs**

SCHEDULE 2(a)

**SCHEDULE 2(a)
"Wexpro Case" Agreement
PRODUCTIVE OIL RESERVOIRS**

Field Name	State	Formation	Marker Well ¹	Marker Well Location ²	Productive Oil Reservoir ³	
					Interval Top	Interval Base
Ace Unit	Colorado	Wasatch	Ace Unit #8	SWSE Sec 28, T12N, R97W	2,703	3,105
East Hiawatha	Colorado-Wyoming	Wasatch	Newberger #6	NWSE Sec 13, T12N, R100W	1,920	2,426
Jacks Draw Unit	Colorado	Wasatch	Jacks Draw Unit #11	SWSW Sec 2, T11N, R97W	3,074	3,130
McClellan	Colorado	Desert Creek	McClellan Basin #2	SWNE Sec 15, T37N, R19W	5,910	5,958
Powder Wash	Colorado	Wasatch	H. W. Stewart #4	SWNE Sec 32, T12N, R97W	2,740	5,120
Trap Springs	Nevada	Fort Union	Trap Springs #1R	NWSE Sec 27, T9N, R56E	5,120	5,270
Bug	Utah	Pritchard Station	Bug Well #4	NESW Sec 16, T39N, R26E	3,755	4,170
Castle Peak	Utah	Lwr Desert Cr.	Castle Peak Unit #5	NWSW Sec 24, T9S, R15W	6,283	6,320
Day Wolf Mountain	Utah	Honaker Trail	Broadhead #1	CNE Sec 21, T2S, R6W	4,570	4,672
Patterson Canyon	Utah	Green River	Patterson Unit #1	NENW Sec 5, T38S, R25E	2,898	5,158
Patterson Unit	Utah	Lower Ismay	Patterson Unit #1	NENW Sec 5, T38S, R25E	11,106	13,806
Rich Creek Unit	Wyoming	Wasatch/Almy Mesaverde	Birch Creek Unit #1	NENW Sec 14, T27N, R113W	5,492	5,653
					Surface	2,417
					2,417	2,970

¹The marker well is a representative well in the field (usually the deepest well). A dated mechanical log from such well was used to determine the top and base of the productive interval. Marker wells are not necessarily prior Company wells or prior Wexpro wells, as defined in the Agreement; they may be third-party wells.

²Marker well location may not be within a development drilling area, as defined in the Agreement; its selection is related to the productive formation and the reliability and quality of the data to indicate stratigraphic equivalency elsewhere in the formation.

³Top and base (feet below the surface) in the marker well: Extent of productive oil reservoir elsewhere is the stratigraphic equivalent of this interval; the areal extent of the productive oil reservoir is defined in the Agreement.

Field Name	State	Formation	Marker Well	Marker Well Location	Productive Oil Reservoir	
					Interval Top	Interval Base
Brady Unit (North)	Wyoming	Entrada	Brady Unit Well #14	SWSE Sec 4, T17N, R100W	11,607	11,756
		Nugget			11,756	12,275
		Weber			13,660	14,535
Brady Unit (South)	Wyoming	Weber	Brady Unit #1	NENW Sec 11, T16N, R101W	13,595	14,400
		Nugget			11,660	12,202
		Phosphoria			13,365	13,595
Bruff Unit	Wyoming	Morgan	Bruff Unit #1	SWSW Sec 22, T19N, R112W	17,290	17,350
Dry Piney Unit	Wyoming	Nugget	Dry Piney Unit #18	NWSW Sec 10, T27N, R114W	10,915	11,517
Feather-Highland-Scott	Wyoming	Upper Parkman	Hannifin Federal #1	NESE Sec 18, T35N, R71W	8,560	8,700
Powell (Spearhead Ranch Part)	Wyoming	3rd Bench-1st Frontier	Spearhead Ranch Unit #18	SWNE Sec 22, T39N, R74W	12,402	12,435
Powell (Spearhead Ranch Part)	Wyoming	1st Bench-1st Frontier	U.S.A. Dilts #31-1	NESW Sec 31, T40N, R73W	11,610	11,630
		3rd Frontier			12,165	12,205
		3rd Frontier			12,700	12,725
Ross (Fox)	Wyoming	3rd Frontier	Moore Federal #1-1	SWNE Sec 1, T40N, R75W	12,730	12,782
South Spearhead (Fox)	Wyoming	1st Bench-1st Frontier	South Spearhead Fed #1-24	CSE Sec 24, T37N, R75W		
Spearhead Ranch Unit (Part)	Wyoming	1st Bench-1st Frontier	Spearhead Ranch Unit #1A	SENW Sec 13, T39N, R75W	12,585	12,595
Trabing (Bonniecreek)	Wyoming	Frontier	Federal #1-10	NWSE Sec 10, T46N, R80W	12,624	12,664
Yellow Creek	Wyoming	Twin Creek	Yellow Creek #1-36	SWNE Sec 36, T15N, R121W	5,928	6,738

Prior Wexpro Wells

SCHEDULE 20

SECRET

**Productive Gas
Reservoirs**

SCHEDULE 3(a)
"Wexpro Case" Agreement
PRODUCTIVE GAS RESERVOIRS

Field Name	State	Formation	Marker Well ¹	Marker Well Location ²	Productive Gas Reservoir ³	
					Interval Top	Interval Base
Ace Unit	Colorado	FL Union	Ace Unit #2	SWSW Sec 3, T11N, R97W	5,180	7,342
Big Horse Draw (Cathedral)	Colorado	Mancos "B"	Big Horse Draw #26-2	SESW Sec 26, T2S, R101W	2,097	2,450
Bull Basin-Plateau-Highmore	Colorado	Corcoran	#1-35	NWNW Sec 35, T10S, R96W	3,708	3,897
Cross Canyon	Colorado	Ismay	Cross Canyon Unit #1	SWNE Sec 7, T38N, R19W	5,860	5,920
Dragon Trail Unit	Colorado	Mancos "B"	Dragon Trail Unit #46	NWSW Sec 21, T2S, R102W	2,600	2,985
East Hiawatha	Colorado	Wasatch Fort Union Lance/Lewis	Newberger #6	NWSE Sec 13, T12N, R100W	Surface	1,920
Egnar Unit	Colorado	Mississippian	Egnar Unit #1	SENE Sec 30, T44N, R19W	2,426	4,730
Hiawatha Deep Unit	Colorado	Entrada & Nuggett	Hiawatha Deep Unit #1	NENW Sec 22, T12N, R100W	4,730	4,810
Horseshoe Canyon Unit	Colorado	Dakota Cedar Mountain Corcoran-Cozette	Horseshoe Cyn Unit #131	SENE Sec 31, T9S, R97W	9,100	9,375
Jacks Draw Unit	Colorado	FL Union	Jacks Draw Unit #15	NENE Sec 21, T12N, R97W	14,337	15,020
Lower Horse Draw Unit (Lower Horse Draw Area)	Colorado	Mancos "B"	MF #10-1	NWSW Sec 10, T2S, R103W	6,774	6,956
Powder Wash Unit	Colorado	Wasatch-Fort Union	Carl Allen #11	SESW Sec 33, T12N, R97W	2,295	2,580
Rabbit Mountain	Colorado	Mancos "B"	MFS Federal #8-1	NWNE Sec 8, T2S, R103W	5,118	6,440
Sugar Loaf-Talamantes	Colorado	Mesaverde (Almond) Lower Ft Union/Lance	Gov't #1	SENE Sec 15, T11N, R101W	2,828	3,160
					Surface	8,410
					3,985	4,265
					5,458	5,655
					4,950	5,340

¹ The marker well is a representative well in the field (usually the deepest well). A dated mechanical log from such well was used to determine the top and base of the productive interval. Marker wells are not necessarily prior Company wells or prior Wexpro wells, as defined in the Agreement; they may be third-party wells.

² Marker well location may not be within a development drilling area, as defined in the Agreement; its selection is related to the productive formation and the reliability and quality of the data to indicate stratigraphic equivalency elsewhere in the formation.

³ Top and base (feet below the surface) in the marker well; Extent of productive gas reservoir elsewhere is the stratigraphic equivalent of this interval; the areal extent of the productive gas reservoir is defined in the Agreement.

SCHEDULE 3(a)

Field Name	State	Formation	Marker Well	Marker Well Location	Productive Gas Reservoir	
					Interval Top	Interval Base
West Douglas Creek	Colorado	Mancos "B"	Gov't #30-6	SENE Sec 30, T2S, R102W	2,703	3,090
West Hiawatha	Colorado	Lance/Lewis Ft. Union Wasatch	W. B. Lashar #5	SWSW Sec 25, T12N, R101W	4,448	4,670
Ledger (Whiskey Trail)	Montana	Bow Island	Nierenberg #26-3 For	NENW Sec 26, T30N, R1W	2,230	4,448
Milk River	Montana	Eagle White Specks	Oil Resources #19-4	SWNW Sec 19, T35N, R13E	Surface	2,230
Sunburst	Montana	Third Bow Island	Kiehbauch #2	NWSE Sec 33, T36N, R4W	1,046	1,890
Jiggs Unit	Nevada	Elko	Jiggs #10-1	SESE Sec 10, T29N, R56E	1,069	1,356
Bisti-Escrito-Verde-Basin Dakota	New Mexico	Basin Dakota Picture Cliff	Mountain Federal #1	NWSW Sec 18, T24N, R9W	2,160	2,180
Fruitland	New Mexico	Dakota Mendoc	Stevens #1	NWNE Sec 29, T30N, R14W	1,760	1,796
Tracy Dome (Carlsbad)	New Mexico	Morrow Wolf Camp	Rifle Federal #2	NENW Sec 28, T21S, R26E	9,050	9,450
Clay Basin Unit	Utah	Frontier	Clay Basin Unit #18	NWNW Sec 23, T3N, R24E	1,765	1,990
Island Unit	Utah	Wasatch	Island Unit #9	CSW Sec 11, T10S, R19E	6,405	6,450
Piute Knoll	Utah	Upper Ismay	Piute Knoll #1	NESW Sec 26, T33S, R25E	5,680	5,913
Ute Trail Unit	Utah	Mesaverde Wasatch	Ute Trail Unit #1	NENE Sec 8, T10S, R22E	3,198	3,310
Birch Creek Unit	Wyoming	1st Frontier 2nd Frontier Bear River	Birch Creek Unit #1	NENW Sec 14, T27N, R113W	10,854	11,220
Black Butte Creek	Wyoming	Dakota	Black Butte Creek Unit #44-25	SESE Sec 25, T19N, R103W	8,995	9,155
Brady Unit (South)	Wyoming	Dakota Frontier	Brady Unit Well #1	NENW Sec 11, T16N, R101W	5,640	5,850
Bruff Unit-Moica Arch	Wyoming	Dakota 2nd Frontier	Bruff Unit #1	SWSW Sec 22, T19N, R112W	4,880	6,800
Butcher Knife Spring Unit	Wyoming	Morgan Dakota	Butcher Knife Spring Unit #1	SWNE Sec 29, T15N, R112W	5,730	5,795
					6,720	8,110
					5,050	5,270
					6,267	6,325
					6,685	6,880
					7,490	7,700
					3,890	3,910
					10,870	11,038
					10,290	10,400
					11,900	12,190
					11,278	11,500
					17,903	18,410
					12,822	13,290

SCHEDULE 3(a)

Field Name	State	Formation	Marker Well	Marker Well Location	Productive Gas Reservoir	
					Interval Top	Interval Base
Canyon Creek Area	Wyoming	Fort Union	Canyon Cr. Federal #219	NENE Sec 19, T13N, R100W	3,900	4,050
Canyon Creek Dome Unit	Wyoming	Lwr Mesaverde	Canyon Creek Unit #17	NESW Sec 3, T12N, R101W	5,380	6,798
Church Buttes Unit	Wyoming	Morgan Dakota Frontier	Church Buttes Unit #19	SENE Sec 8, T16N, R112W	4,600	4,750
Creston Area (Standard Draw)	Wyoming	Almond	MFS Federal #22-1	NWSW Sec 22, T18N, R93W	17,740	18,302
Dry Piney Unit	Wyoming	Bear River 1st Frontier 2nd Frontier	Dry Piney Unit #18	NWSW Sec 10, T27N, R114W	12,620	12,847
Emigrant Springs	Wyoming	2nd Frontier	Harrington Federal #1	SWNE Sec 5, T22N, R111W	12,157	12,288
Farson Cut Off (Gravel Area)	Wyoming	Frontier	Farson Cut Off #1	SWNE Sec 18, T23N, R111W	8,690	8,790
Five Mile Gulch Unit	Wyoming	Mesaverde	Five Mile Gulch #3	CSW Sec 35, T21N, R93W	8,177	8,611
Fogarty Creek	Wyoming	Bear River 2nd Frontier	Fogarty Creek Fed. #132	SWSE Sec 32, T28N, R114W	6,477	6,695
Granger	Wyoming	2nd Frontier	Granger #1	CNW Sec 8, T19N, R111W	7,095	7,390
Jackknife Spring Unit	Wyoming	Lower Mesaverde-Blair	Jackknife Spring Unit #2	NENW Sec 2, T16N, R101W	10,860	11,015
Johnson Ridge	Wyoming	Fort Union (Transition Zone)	Johnson Ridge #2	NWSE Sec 17, T30N, R113W	10,360	10,595
Kinney Unit (Pioneer)	Wyoming	Nugget Dakota Frontier	Kinney Unit #1	NWNW Sec 18 T13N, R99W	10,408	11,015
Leucite Hills Unit	Wyoming	Almond Wasatch	Leucite Hills Unit #1	NWSE Sec 29, T22N, R103W	8,390	8,500
The Mesa Unit (Pinedale)	Wyoming	Dakota Morrison Frontier	The Mesa Unit #2	SENE Sec 16, T32N, R101W	7,370	7,668
Middle Baxter Basin	Wyoming	Fort Union/Lance	Hetzler #2	SESE Sec 6 T18N, R103W	12,024	12,229
North Baxter Basin	Wyoming	Dakota Frontier	Union Pacific #3	SENE Sec 11, T19N, R104W	5,300	7,146
		Morrison Frontier			3,450	3,735
		Nugget Dakota			14,670	14,940
		Frontier			13,880	14,082
		Almond			13,400	13,540
		Wasatch			4,810	4,860
					2,380	2,780
					7,010	7,320
					6,230	6,350
					9,045	11,688
					2,483	2,715
					1,925	2,213
					3,082	3,587
					2,354	2,444
					3,998	4,222
					2,958	3,082

SCHEDULE 3(a)

Field Name	State	Formation	Marker Well	Marker Well Location	Productive Gas Reservoir	
					Interval Top	Interval Base
Shute Creek Unit	Wyoming	2nd Frontier	Shute Creek Unit #8	NESW Sec 7, T22N, R112W	10,710	10,917
South Baxter Basin Unit	Wyoming	Dakota Frontier	South Baxter Unit #15	SESE Sec 16, T16N, R104W	2,497	2,756
Spearhead Ranch (Fox)	Wyoming	Injan Karz 1st Bench 1st Frontier	Spearhead Ranch #3	SENE Sec 14, T39N, R75W	2,000	2,146
Tierney	Wyoming	Allen Ridge (Mesaverde)	Tierney Unit #2	NWNE Sec 15, T19N, R94W	14,025	14,120
Trail Unit	Wyoming	Almond	Trail Unit #2	NWSW Sec 10, T13N, R100W	12,750	12,795
		Erickson-Trait Zone			9,455	9,990
		Erickson-Canyon Creek Zone			6,550	7,125
		Almond			5,600	5,940
		Almond			4,935	4,980
					5,260	5,300
Wamsutter	Wyoming	Lewis	West Wamsutter #136	NWSE Sec 36, T21N, R96W	8,295	8,334
Whiskey Buttes Unit	Wyoming	2nd Frontier	Whiskey Buttes Unit #1	NWSW Sec 24, T22N, R111W	10,920	11,151
Wild Cow (Deep Creek) (Cherokee Creek)	Wyoming	Deep Creek	Ashland Federal #1322	SWSW Sec 22, T16N, R91W	2,556	2,775

SCHEDULE 3(b)

Prior Company Wells

SCHEDULE 3(b)
"Wexpro Case" Agreement
PRIOR COMPANY WELLS

FIELD NAME	PRIOR COMPANY WELL	FIELD NAME	PRIOR COMPANY WELL
Ace Unit [Colorado]	Ace Unit #1 Ace Unit #2 Ace Unit #3 Ace Unit #7	Dragon Trail Unit [Colorado]	Dragon Trail #11 Dragon Trail #12 Dragon Trail #13 Dragon Trail #14 Dragon Trail #15 Dragon Trail #16 Dragon Trail #17 Dragon Trail #18 Dragon Trail #19 Dragon Trail #20 Dragon Trail #21 Dragon Trail #22 Dragon Trail #23 Dragon Trail #24 Dragon Trail #25 Dragon Trail #26 Dragon Trail #27 Dragon Trail #28 Dragon Trail #29 Dragon Trail #30 Dragon Trail #31 Dragon Trail #32 Dragon Trail #33 Dragon Trail #34
Big Horse Draw (Cathedral-Brushy Point) [Colorado]	Big Horse Draw #1 Big Horse Draw #28-1 Big Horse Draw #35-1 Big Horse Draw #2-1 Big Horse Draw #3-1 Big Horse Draw #5-34 Big Horse Draw #33-2 Big Horse Draw #26-2 Big Horse Draw #23-2 Big Horse Draw Cathedral N362101S Big Horse Draw #28-3 Big Horse Draw #29-1 Big Horse Draw #28-2 Big Horse Draw #26-1 Mikulich-Mtn. Fuel #26-1 Big Horse Draw Cathedral J362101S	East Hiawatha [Colorado & Wyoming]	W. W. Wilson A #1 W. W. Wilson A #2 W. W. Wilson C #3 W. W. Wilson B #4 Hiawatha Unit #3 Hiawatha Unit #4 Hiawatha Unit #5 Hiawatha Unit #6 M. W. Newberger A #1 M. W. Newberger D #2 M. W. Newberger A #3 M. W. Newberger B #4 M. W. Newberger C #5 M. W. Newberger A #6 Amelia Horrocks #2 East Hiawatha Well 1-17 Florence Wilson A #2 Florence Wilson B #3 Florence Wilson B #6 Florence Wilson A #9 Florence Wilson B #10 Florence Wilson B #16 Florence Wilson A #22 Florence Wilson B #23 Florence Wilson B #24 Florence Wilson B #25 Hiawatha Unit #1 Hiawatha Unit #2 State Land Tract 37 #2 State Land Tract 37 #4 State Land Tract 37 #5 K. S. Whitford #1
Bull Basin - Plateau - Highmore [Colorado]	Bull Basin 1-3S	Egnar Unit [Colorado]	Egnar Unit #1
Cross Canyon [Colorado]	Cross Canyon Unit #1	Hiawatha Deep Unit [Colorado]	Hiawatha Deep Unit #1
Dragon Trail Unit [Colorado]	Dragon Trail Unit #47 Dragon Trail Unit #49 Dragon Trail Unit #50 Dragon Trail Unit #51 Dragon Trail Unit #52 Dragon Trail Unit #53 Dragon Trail Unit #54 Dragon Trail Unit #55 Dragon Trail Unit #57 Dragon Trail Unit #35 Dragon Trail Unit #36 Dragon Trail Unit #37 Dragon Trail Unit #38 Dragon Trail Unit #39 Dragon Trail Unit #40 Dragon Trail Unit #41 Dragon Trail Unit #42 Dragon Trail Unit #43 Dragon Trail Unit #44 Dragon Trail Unit #45 Dragon Trail Unit #46 Dragon Trail #1 Dragon Trail #2 Dragon Trail #3 Dragon Trail #4 Dragon Trail #5 Dragon Trail #6 Dragon Trail #7 Dragon Trail #8 Dragon Trail #9 Dragon Trail #10		

Account 101 Leaseholds

SCHEDULE 4(a)

SCHEDULE 4(a)
"Wexpro Case" Agreement
ACCOUNT 101 LEASEHOLDS

STATE	AREA	MFSCO COMPANY LEASE NO.	STATE	AREA	MFSCO COMPANY LEASE NO.
COLORADO	ACE	89 26C1 89 I 118 144A 144A1 148A 148A1	COLORADO	JACKS DRAW	89A1 123A1 144 148 I 306 313 313A 313B 313C 313D 313E 313F 313G 557
	BIG HORSE DRAW	518A 519 519 X 1969 518 1317 1318 1805 1982		LOWER HORSE DRAW	116 348 899 1315 116 I 347 348 I 750 1316
	BLUE GRAVEL	66 M		MISSOURI CREEK	424
	BRUSHY POINT	689		POWDER WASH	987 26A 26C 29 30A 31A 31B 33A 33B 33B1 66 66 I 67 67 I 996
	BULL BASIN	1069 1137 1333 86 M 1072		RABBIT MOUNTAIN	898
	DILL GULCH	738		ROSS RIDGE	1058A 1
	DRAGON TRAIL	112		SUGAR LOAF	59 65 68A 73A 88
	EAST HIAWATHA	481X 2 M 13 M 14 M 15 M 16 DM 1A 1F 11 25 1		TALAMANTES CREEK	68 68B
	EAST HIAWATHA	25 2 48		WEST DOUGLAS CREEK	112A 112B 114 114 X 11A 116B 116C 28 M
	EGNAR	276		WEST HIAWATHA	4A 4AX
	HIAWATHA DEEP	21M 131M 141M 151M 164M 1AX 1FX 11 X 25X1 25X2 48 X			
	HIGHMORE	1068			
	JACKS DRAW	72 69A 123A 148 26B 30B 72 I 72C			

SCHEDULE 4(a)

STATE	AREA	MFS CO. COMPANY LEASE NO.	STATE	AREA	MFS CO. COMPANY LEASE NO.
UTAH	WHITE RIVER	10979	UTAH	BUTCHER KNIFE SPRING	2849 1
		11264			2867 1
		11368			2869 1
		564 1			2870 1
		79 M			287481
		564 1			2876 1
		11201 A			2878 1
		108 M			2880A1
		1088			2882A1
		1 M			2970 1
		2 M			3210
		1 A			3211 1
		1 A			3216 1
		38			5-
		1068 X			3028
		1145 1			3107
		1145 2			3107A
		1151			3107B
		11765			3107C
		1179			3107D
		272AM			3107E
		284M			3107F
		301M			3107G
		31A M			3107H
		329M			3107I
		329M			3107J
		3588A			3748 X
		3588B			3748X1
		3588C			3749 1
		3590C			3042
		3601A			3061 X
		3601C			3187 X
		3604A			409 X
		3609A			0148AX
		3686 0			3047
		6651			3736
		9982			3748
		103 M			3749
		104 M			3040
		27 1M			3187
		28 1M			3737
		75AM			3681
		97 1M			3035
		98 M			3047 X
		98 1M			3060
		98 1M			3091
		98 1M			2890
		98 1M			774
		98 1M			774.1
		98 1M			775
		98 1M			775.1
		98 1M			776
		98 1M			776.1
		98 1M			777
		98 1M			777.1
		98 1M			778
		98 1M			778.1
		98 1M			779
		98 1M			779.1
		98 1M			780
		98 1M			780.1
		98 1M			781
		98 1M			781.1
		98 1M			782

2

SCHEDULE 4(a)

STATE	AREA	MFS CO. COMPANY LEASE NO.	STATE	AREA	MFS CO. COMPANY LEASE NO.
WYOMING	CANYON CREEK DOME	782 1	WYOMING	FIVE MILE GULCH	2823 1
		783 1			850
		784			850.1
		966			851
		966 1			851.5
		999			2276 1
		999A			2875A
		1003			3087A
		1003 X			3188
		50 M			3081
		408			3899 1
		308			3033
		309			3034
		315			49 M
		316			1091 A
		316			3208
		317			11M
		319			13M
		320			121M
		322			122M
		322			123M
		338			124X
		338			125X
		309 X			126X
		311 X			127X
		312			128X
		313			254X
		313			255X
		316 X			256X
		317 X			482AX
		318			3400
		319 X			294C1
		320 X			294D
		320 X			297B1
		321 X			297D
		322 X			297E1
		322 X			297E2
		329			297E3
		329			297E4
		3399			945 1
		850A			945B1
		887 X			945B2
		850A1			946B
		851A			946B1
		851A1			946B2
		887 1			946C1
		1AM			947A3
		1CM			947B
		12M			947C1
		12XM			947D
		64 M			947E1
		12A			947E2
		12B			947E3
		12C			947E4
		12D			947E5
		22E			947E6
		25E			947E7
		25C			947E8
		482A			947E9
		3913A			947E10
		3373 X			947E11
		3373 X			947E12
		3373			947E13
		3373			947E14
		3373			947E15
		3373			947E16
		3373			947E17
		3373			947E18
		3373			947E19
		3373			947E20
		3373			947E21
		3373			947E22
		3373			947E23
		3373			947E24
		3373			947E25
		3373			947E26
		3373			947E27
		3373			947E28
		3373			947E29
		3373			947E30
		3373			947E31
		3373			947E32
		3373			947E33
		3373			947E34
		3373			947E35
		3373			947E36
		3373			947E37
		3373			947E38
		3373			947E39
		3373			947E40
		3373			947E41
		3373			947E42
		3373			947E43
		3373			947E44
		3373			947E45
		3373			947E46
		3373			947E47
		3373			947E48
		3373			947E49
		3373			947E50
		3373			947E51
		3373			947E52
		3373			947E53
		3373			947E54
		3373			947E55
		3373			947E56
		3373			947E57
		3373			947E58
		3373			947E59
		3373			947E60
		3373			947E61
		3373			947E62
		3373			947E63
		3373			947E64
		3373			947E65
		3373			947E66
		3373			947E67
		3373			947E68
		3373			947E69
		3373			947E70
		3373			947E71
		3373			947E72
		3373			947E73
		3373			947E74
		3373			947E75
		3373			947E76
		3373			947E77
		3373			947E78
		3373			947E79
		3373			947E80
		3373			947E81
		3373			947E82
		3373			947E83
		3373			947E84
		3373			947E85
		3373			947E86
		3373			947E87
		3373			947E88
		3373			947E89
		3373			947E90
		3373			947E91
		3373			947E92
		3373			947E93
		3373			947E94
		3373			947E95
		3373			947E96
		3373			947E97
		3373			947E98
		3373			947E99
		3373			947E100

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SCHEDULE 4(a)

STATE	AREA	MFCO COMPANY LEASE NO.
MONTANA	DUNKIRK NORTH	128M
		129M
		15 M
		15AM
		16 M
		16AM
		16BM
		16CM
		16DM
		16EM
		17 M
		394
		349
		78
		129
		128
		133
275		
245		
505		
14		
2 M		
310		
NEW MEXICO	BARKER CREEK SW	68
		70
		69
		155
		469
		514
		519
		511
		512
		513
518		
223		
261		
340		
149		
265		

SCHEDULE 4(a)

STATE	AREA	MFCO COMPANY LEASE NO.
WYOMING	LEUCITE HILLS	330A
		230A
		2330A
		2621
		65 M
		1887 1
		1888 1
		1889 1
		1891 1
		1894 1
MADDEN	MESA, THE (Pinedale)	232A
		233A
		233B
		262
		797A
		18 M
		66 M
		90 M
		3053
		4461
MIDDLE BAXTER	SOUTH BAXTER	4461A
		4461B
		4461C
		4461D
		4461E
		4461F
		4461G
		4461H
		4461I
		4503
MOXA ARCH (Lincoln)	SOUTH BAXTER	3060
		3788
		4457 X
		4460
		4480
		4497
		48A
		49A
		49B
		1062 X
MOXA ARCH (Uinta)	SOUTH BAXTER	1116
		2663
		2756
		2757
		14 M
		15 M
		15AM
		77 M
		26 M
		447A
NORTH BAXTER	SOUTH BAXTER	945C
		26XM
		447AX
		3186
		3369 1
		3600
		3944
		92B
		92D
		18 M
NORTH LABARGE	SOUTH BAXTER	17 M
		20 M
		21 M
		22 M
		27AM
		16A
		17B
		18A
		18B
		24
38A		
39A		
67A		
37B		
38A		
68B		
71		
72		
92A		
92B X		
92D X		
100A		
100C		
213		
238BX		
334		
336A		
336B		
336D		
1485		
1266		
3140		
4038		
29 M		
29AM		
30 M		
30AM		
119 M		
123 M		
489A		
489B		
57 M		
418		
459		
489A1		
489B		
489 1		
1866		
1404		
3637		
3904		
3904 X		
2569		
475		
4 M		
4AM		
5 M		
5AM		
10 M		
10M		
12 M		
13 M		
13AM		

Account 105 Leaseholds

SCHEDULE 4B

SCHEDULE 4 (b)
"WEXPRO CASE" AGREEMENT
ACCOUNT 105 LEASEHOLDS

STATE	AREA	MFSCO COMPANY LEASE NO.	STATE	AREA	MFSCO COMPANY LEASE NO.
COLORADO	BARREL SPRINGS	1782		BULL BASIN	1166HX
	BEAR SPRING	1700			1166IX
	BELL ROCK	999			1166JX
		1005			1166KX
		1006			1166LX
		1007	COLORADO	BULL BASIN	1333A
		1508			1490X
		1508A			1490AX
		1508B			1490BX
		1508C			1490CX
	BIG HORSE DRAW	1804			1490DX
	BIG SANDY CREEK	1858			1490EX
		1859			1490FX
		1860			1490GX
		1861			1490HX
		1862			1490IX
		1863			1490JX
		1864			1890
		1886			1909
	BOYERO	1759			1031
		1760			1045
		1761			1045A
		1762	COLORADO	BULL CANYON	88M
		1763			922A
		1764			916A
		1765			979C
		1766			910B
		1767		CAMPO	1592
		1768			1592A
		1769			1592B
		1770			1592C
		1771			1592D
		1772			1592E
		1773			1615
		1774			1825
		1775			1826
		1776			1826A
		1777			1827
		1778			1827A
		1779			1827B
	BRIDGE	1696			1828
	BUG	1341			1829
		1816			1914
		1339			1915
	BULL BASIN	1045B			1916
		1047			1917
		1048			1918
		1166 X			1919
		1166AX			1920
		1166BX			1921
		1166CX			1925
		1166DX			1929
		1166EX			1929A
		1166FX			1929B
		1166GX			1929C
					1929D
					1929E

SCHEDULE 4(b)

STATE	AREA	MFS CO COMPANY LEASE NO.	STATE	AREA	MFS CO COMPANY LEASE NO.
COLORADO	CAMPO	1829F	COLORADO	DOE CANYON	1741A
		1930			1741B
		1933			1742 X
		1934			1742A
		1938			1742B
		1946			1742C
		1947			1742D
		1951			1742E
					1742F
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SCHEDULE 4(b)

STATE	AREA	MFSO COMPANY LEASE NO.	STATE	AREA	MFSO COMPANY LEASE NO.
UTAH	FARNHAM DOME	18 M	UTAH	KEEL RANCH	11294
	GOLD BAR	18AM		KLONDIKE	11294A
		11589			1298
		11609			11503
		13214			9127C
		13216			9127D
		13217			9127E
		13219			9127F
					9127G
					5927H
					10734
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SCHEDULE 4(b)

STATE	AREA	MFSO COMPANY LEASE NO.	STATE	AREA	MFSO COMPANY LEASE NO.
UTAH	PARADOX BASIN	11464	UTAH	RACE TRACK CREEK	12993
	PIUTE KNOLL				12994
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SCHEDULE 4(b)

STATE	AREA	MFS CO LEASE NO.	MFS CO LEASE NO.	STATE	AREA	MFS CO LEASE NO.	MFS CO LEASE NO.
UTAH	SAWMILL CREEK	12797	11964	WYOMING	BUTCHER KNIFE SPRING (Ultia)	2849	3921
		12836	11964A			2851	3922 X
		12837	11964B			2852	3923 X
		12852	11965			2858	3923 X
		12916	11964			2868	3924
		12959	11996			2871	3925
		12987	11997			2877	3925 X
		13045	11998			2870	3925 X
		13052	12057			2873 A	3927 X
		13057	12214			2874B	3927 X
		12298	12667			2876	3927 X
		12425	12668			2877 A	3928
		12427	12628			2878	3929
		12428	12629			2879	3930
		12429	13040			2880 A	3930 X
		12430	13043			2882	3931
		12431	10405			2884	3931
	WESTWATER	4177				2912	
	AFTON	4180				2912	
		4182				2948	
		4183				2949	
		4185				2964	
		4186				2970	
		4188				3211	
		4189				3212	
		4195				3216	
		4196 A				3217	
		4196 B				3221 A	
		4196 C				4407	
		4202				4658 A	
		4204				3314	
		4206				3582	
		4208				3682	
		4210				3682 A	
		4211				3682 B	
		4213				3682 C	
		4366				3682 D	
		4377				3682 E	
		3123				3682 F	
		3664				3682 G	
		4514				3682 H	
		3390				3682 I	
		3392				3682 J	
		3453 A				3682 K	
		3453 B				3682 L	
		3305				3817	
		3404				967	
		3679				3123 A	
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SCHEDULE 4(b)

STATE	AREA	MFS CO COMPANY LEASE NO.
WYOMING	WYOMING SOUTHEAST (Laramie)	4280A
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SCHEDULE 4(b)

STATE	AREA	MFSCO COMPANY LEASE NO.	STATE	AREA	MFSCO COMPANY LEASE NO.
NEVADA	ALKALI FLAT	138	NEVADA	JIGGS	168
		139			172
		140			173
		141			180
		143			181
		144			182
		145 X			184
	DIAMOND VALLEY	292			209
	FALLON EAST	125			210
		128			211
		129			238
		136			240
	HUMBOLT EAST	146			142
		147			145
	INDIAN LAKES	132			157
	JIGGS	133			228
		162			231
		163			224
		164			230
		165A			230
		167A			228
		168A			227
		170			268
		171			279
		173			255
		174			51
		175			445
		176			76
		178A			62
		181A			91
		182A			151
		183			183
		184A			266
		185			267
		186			284
		187			304
		188			344
		189			346
		191			379
		192			402
		193			404
		194			405
		195			406
		196			412
		197			415
		198			417
		199			418
		200			419
		201			420
		202			422
		203			423
		204			424
		205			426
		206			428
		207			429
		208			427
		209A			428
		210A			428
		211A			428
		212A			430
		219			431
		234			432
		235			433
		236			433
		237			434
		239			435
		165			165
		166			167

SCHEDULE 4(b)

STATE	AREA	MFSCO COMPANY LEASE NO.	STATE	AREA	MFSCO COMPANY LEASE NO.
NEVADA	WHITE FLATS	226	NEW MEXICO	FRUITLAND	483
		227			494
		228			497
		229			498
		230			516
		231			517
		232			522
		233			39
		234			8 M
		235			365
		236			366
		237			367
		238			368
		239			369
		240			370
		241			5 M
		242			18 M
		243			7 M
		244			17 M
		245			78
		246			99
		247			164
		248			285
		249			291
		250			138
		251			491
		252			24 M
		253			31 M
		254			183
		255			269
		256			469
		257			450
		258			451
		259			452
		260			453
		261			454
		262			455
		263			456
		264			457
		265			490
		266			52
		267			221
		268			476
		269			217
		270			92
		271			507
		272			73
		273			145
		274			332
		275			74
		276			496
		277			53
		278			52
		279			57
		280			58
		281			100
		282			104
		283			105
		284			106
		285			107
		286			118
		287			119
		288			120
		289			121
		290			122
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		292			124
		293			125
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		295			127
		296			128
		297			129
		298			130
		299			131
		300			132
		301			133
		302			134
		303			135
		304			136
		305			137
		306			138
		307			139
		308			140

**Post-1976 Wexpro
Properties in Which the
Company has a Royalty**

SCHEDULE 5
"Wexpro Case" Agreement
POST-1976 WEXPRO PROPERTIES
IN WHICH MOUNTAIN FUEL SUPPLY COMPANY
HAS A ROYALTY INTEREST

Area	State	Mountain Fuel Lease No.	Area	State	Mountain Fuel Lease No.
Basin Creek	Colorado	C-136 C-138	Big Lake	Montana	M-66 M-67 M-68 M-75 M-76 M-77
Buck Peak	Colorado	C-144 C-148 C-148-A C-150 C-151 C-152 C-153 C-153-A C-154-C C-155 C-156-A C-156-B C-156-C C-156-D C-156-E	Coon Creek	Montana	M-4 M-15
Bull Canyon	Colorado	C-146	Disturbed Belt	Montana	M-22 M-29 M-30 M-31 M-11 M-12 M-13 M-14
Campo	Colorado	C-133 C-137	Dunkirk, North	Montana	M-64 M-64-A M-64-B M-63
Castle Creek	Colorado	C-173	Froid, South	Montana	M-62
Derby	Colorado	C-173	Kevin Sunburst, East	Montana	M-69 M-70 M-71 M-72
Eagle Basin	Colorado	C-176	Little Porcupine	Montana	M-26 M-27 M-28 M-28-A M-28-B M-28-C M-28-D M-28-E M-28-F M-28-G M-28-H
Horse Creek	Colorado	C-102 C-106 C-107 C-112 C-113 C-121 C-122 C-124 C-103 C-104 C-105 C-108 C-109 C-110 C-111 C-112-X C-114 C-115 C-116 C-117 C-118 C-119 C-120 C-121-X C-123	O'Fallon Creek, East	Montana	M-21
Niblick	Colorado	C-145	Pennel Creek	Montana	M-5 M-6 M-7 M-10
Spronke	Colorado	C-149 C-149-A	Riley School	Montana	M-8 M-9 M-19 M-20 M-43 M-43-A M-43-B M-44 M-44-A
Yampa	Colorado	C-147 C-155 C-155-A C-174 C-175			

SCHEDULE 5

Area	State	Mountain Fuel Lease No.	Area	State	Mountain Fuel Lease No.		
Riley School	Montana	M-44-B	Duckwater	Nevada	N-146		
		M-44-C			N-147		
		M-44-D			N-151		
		M-44-E	East Fallon	Nevada	N-159		
		M-44-F			N-160		
		M-44-G	Indian Lakes	Nevada	N-163		
		M-44-H			N-130		
		M-454	Jiggs	Nevada	N-149		
		Tonquin Siding	Montana	M-32	Spring Valley	Nevada	N-161
				M-32-A			N-164
				M-32-B			NM-3
				M-32-C			NM-8
M-32-D	Alemita			New Mexico	NM-19		
M-32-E					NM-4		
M-32-F	Bisti			New Mexico	NM-4		
M-33					NM-22		
M-33-A	Chaco Canyon			New Mexico	NM-22		
M-34					NM-9		
M-34-A	Daniel Wash			New Mexico	NM-11		
M-34-B					NM-12		
M-34-C	De-Na-Zin			New Mexico	NM-13		
M-34-D					NM-24		
M-35	Fruitland			New Mexico	NM-5		
M-35-A					NM-7		
M-35-B					NM-14		
M-36					NM-15		
M-37					NM-16		
M-38					NM-17		
M-39					NM-20		
M-39-A					NM-25		
M-39-B					NM-27		
M-39-C					Media	New Mexico	NM-10
M-39-D	NM-21						
M-39-E	Palo Duro			New Mexico	NM-18		
M-39-F					NM-1		
M-39-G	Puerto Chiquito			New Mexico	NM-23		
M-39-H					NM-6		
M-39-I	Alkali Canyon			Utah	U-61		
M-39-J					U-62		
M-39-K	Arts Pasture			Utah	U-60		
M-39-L					U-68		
M-40	Bryce Canyon			Utah	U-68		
M-41					U-65		
M-41-A	Bug (Pre-May 10, 1979)			Utah	U-67		
M-41-B					U-67		
M-41-C	Bug (Post-May 10, 1979)			Utah	U-81		
M-41-D					U-84		
M-41-E					U-84-A		
M-41-F					U-84-B		
M-41-G					U-84-C		
M-42		U-84-D					
M-42-A		U-84-E					
M-42-B		U-84-F					
M-46		U-87					
		U-92					
		U-117					
		U-117-A					

SCHEDULE

Area	State	Mountain Fuel Lease No.
Bug (Post-May 10, 1979)	Utah	U-117-B
		U-117-C
Bug (Farmin)	Utah	U-117-D
		U-117-E
		(No Co. no. yet)
		U-99
		U-185
		U-136
		U-136-A
		U-136-B
		U-136-C
		U-136-D
		U-137
		U-137-A
U-137-B		
U-137-C		
U-138		
Clark Canyon	Utah	U-74
		U-74-A
Hatch	Utah	U-74-B
		U-75
Klondike	Utah	U-33
		U-35
Gold Bar	Utah	U-40
		U-63
Mustang Flat	Utah	U-64
		U-57
Patterson East	Utah	U-54
		U-55
Spring Canyon	Utah	U-59
		U-70
Squaw	Utah	U-78
		U-72
Bear Gulch	Wyoming	U-58
		U-66
East Hiawatha	Wyoming	W-177
		W-260
Hadsall Springs	Wyoming	W-271
		W-242
Hensley Draw	Wyoming	W-200
Pinedale	Wyoming	

SCHEPPERS

**Pre-1977 Non-Utility
Properties**

SCHEDULE 6
"Wexpro Case" Agreement
PRE-1977 NON-UTILITY PROPERTIES

AREA	STATE	WEXPRO LEASE NO.	AREA	STATE	WEXPRO LEASE NO.			
Hilght South Unit	Wyoming	W-49	Walker Creek	Wyoming	W-139-C			
		W-50			W-139-D			
		W-51			W-139-E			
		W-52			W-139-F			
		W-53			W-139-G			
		W-54			W-139-H			
		W-55			W-139-I			
		W-56			W-139-J			
		W-57			W-139-K			
		W-58			W-139-L			
		W-59			W-139-M			
		W-59-A			W-139-N			
		W-59-B			W-139-O			
		W-60			W-139-P			
		W-61			W-139-Q			
		North Walker Creek			Wyoming	W-71	W-140	Walker Creek
W-246	W-140-E							
W-78	W-140-F							
W-79	W-140-G							
W-79-A	W-141							
W-79-B	W-143							
W-80	W-143-A							
Walker Creek	Wyoming	W-109	W-144	Wright Area	Wyoming	W-144-A		
		W-111	W-145			W-50-A		
		W-112	W-146			MI-3		
		W-113	W-147			W-148		
		W-114	W-150			W-154		
		W-115	W-155			W-156		
		W-117	W-156			W-58-X		
		W-118	W-59-X			W-59-A-X		
		W-124	W-59-B-X			W-158		
		W-125	MI-4			W-162		
		W-126	W-162-A			W-164		
		W-129	W-139-A					
		W-130	W-139-B					
		W-133						
		W-134						
		W-135						
W-136								
W-137								
W-139								

Schematic Diagram

Schematic Diagram

