EXHIBIT A

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 WEXPRO TO THE COMPANY FROM PRODUCTIVE OIL RESERVOIRS[1]

				Post-July 31, 1981 Enhanced Recovery Facilities Subject to:		
		Total	Post-July 31, 1981 Facilities	Base Rate of Return (r)	(r + 2.00%)	Post-July 31, 1981 Development Drilling Facilities
		(1)	(2)	(3)	(4)	(5)
1.	**Investment**					
2.	Net Plant Investment in Productive Oil Reservoirs	$57,000	$48,300	$5,060	$1,190	$2,450
3.	**Gas Production Investment:**					
4.	Directly Assignable to Gas Production	1,010	800	100	70	40
5.	Allocation Based on Product Allocation (§ I-47)	6,200	5,000	460	170	570
6.	Net Investment in Gas Production Facilities	$ 7,210	$ 5,800	$ 560	$ 240	$ 610
7.	Add:					
8.	General Plant @ 6.3%	454	366	35	15	38
9.	Cash Working Capital: 45/365 x (O&M + A&G) x 12	132	117	8	3	4
10.	Deferred Income Tax Accrual	(54)	—	(20)	(9)	(25)
11.	Total Investment Base for Return Calculation:	$ 7,742	$ 6,283	$ 583	$ 249	$ 627
12.	**Cost of Service**					
13.	Total Expenses for Month	$ 2,500	$ 2,173	$ 207	$ 46	$ 74
14.	Directly Assignable Expenses - Oil & Gas	701	618	57	10	16
15.	Directly Assignable Expenses - Gas					
16.	Operating & Maintenance Expenses	1	—	1	—	—
17.	Administrative & General Expenses	—	—			—
18.	Royalties	94	83	6	2	3
19.	Other Taxes	1	1	—	—	—
20.	Depreciation	1	—	—	—	1
21.	Total - Gas Direct Expenses	97	84	7	2	4
22.	Allocable Expenses - Oil & Gas	$ 1,799	$ 1,555	$ 150	$ 36	$ 58
23.	Allocable Expenses - Gas					
24.	Operating & Maintenance Expenses	70	64	3	1	2
25.	Administrative & General Expenses	18	15	1	1	1
26.	Royalties	—	—	—	—	—
27.	Other Taxes	79	65	7	2	5
28.	Depreciation	93	75	9	2	7
29.	Total - Gas Allocable Expenses	$ 260	$ 219	$ 20	$ 6	$ 15
30.	**Return Computation**					
31.	Applicable Rate of Return		16.00%	16.00%	18.00%	21.00%
32.	Return on Investment (line 11 x line 31)/12	$ 107	$ 84	$ 8	$ 4	$ 11
33.	Federal Income Taxes (line 32 x .46) / (1 - .54)	91	72	7	3	9
34.	Total Monthly Cost of Service (lines 21 + 29 + 32 + 33)	$ 555	$ 459	$ 42	$ 15	$ 39

[1] All figures are hypothetical and only for the purpose of demonstrating the method of calculating the cost-of-service price for gas sold by Wexpro to the Company.

EXHIBIT B

Sample Calculation of Productive Oil Reservoir Accounting

EXHIBIT B

SAMPLE CALCULATION
PRODUCTIVE OIL RESERVOIR ACCOUNTING[1]

					Post-July 31, 1981 Enhanced Recovery Facilities Subject to:			
			Total	Post-July 31, 1981 Facilities	Base Rate of Return (r)	(r + 2.00%)	Post-July 31, 1981 Development Drilling Facilities	Allocated to Cost-of-Service Natural Gas
1	Net Plant Investment in Productive Oil Reservoirs		$57,000	$48,300	$5,060	$1,190	$2,450	
	Allocation of Investment							
2	Directly Assignable to Products			12,000	1,500	50	240	1,010
3	Allocated Based on Product Allocation			30,500	3,000	900	1,600	6,200
4	Allocated Investment			$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	Total Expenses for Month		$ 2,500	$ 2,173	$ 207	$ 46	$ 74	
	Allocation of Expenses for Month							
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 46.828%[2]			856	169	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 Wexpro		$ 591	$ 407	$ 131	$ 16	$ 37	
16	Company Portion at 54%		319	220	71	9	20	
17	Payment to Company (line 16)/(1-.46828)		$ 600	$ 413	$ 133	$ 16	$ 37	
18	Restatement of Wexpro's Monthly Oil Net Income							
19	Revenue For Month		$ 4,520					
	Expenses for Month - Oil							
20	Previous Expense - 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 Wexpro 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[1]

	LEASE A		LEASE B		LEASE C		LEASE D	
Wexpro Interest in Lease	100.00%		50.00%		100.00%		50.00%	
Lease Gross Revenues	$100.00		$100.00		$100.00		$100.00	
Wexpro Gross Revenues	$100.00		$ 50.00		$100.00		$ 50.00	
Royalty Rate on Wexpro's Gross	7.00%		7.00%		2.50%		2.50%	
ORR on Wexpro's Gross	$ 7.00		$ 3.50		$ 2.50		$ 1.25	
Farmout - ORR[2] Preserved	**Before Back-In**	**After Back-In**	**Before Back-In**	**After Back-In**	**Before Back-In**	**After Back-In**	**Before Back-In**	**After Back-In**
Net Interest:								
Before Farmout	100%		50%		100%		50%	
After Farmout	6.25%	40.00%	3.125%	20.00%	6.25%	40.00%	3.125%	20.00%
Lease Gross Revenues	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00
Wexpro's Gross Revenues	$ 6.25	$ 40.00	$ 3.125	$ 20.00	$ 6.25	$ 40.00	$ 3.125	$ 20.00
Farmee's Gross Subject to ORR	$100.00	$ 60.00	$ 50.00	$ 30.00	$100.00	$ 60.00	$ 50.00	$ 30.00
Wexpro's Gross Subject to ORR	$ -0-	$ 40.00	$ -0-	20.00	$ -0-	$ 40.00	$ -0-	$ 20.00
Total Gross Subject to ORR	$100.00	$100.00	$ 50.00	$ 50.00	$100.00	$100.00	$ 50.00	$ 50.00
Royalty Rate on Gross	7.00%	7.00%	7.00 %	7.00%	2.50%	2.50%	2.50 %	2.50%
Overriding Royalty on Gross	$ 7.00	$ 7.00	$ 3.50	$ 3.50	$ 2.50	$ 2.50	$ 1.25	$ 1.25
Farmout - ORR Not Preserved[3]								
Net Interest:								
Before Farmout	100%		50%		100%		50%	
After Farmout	6.25 %	50.00%	3.125 %	25.00%	Not Applicable		Not Applicable	
Lease Gross Revenues	$100.00	$100.00	$100.00	$100.00				
Wexpro's Gross Revenues	$ 6.25	$ 50.00	$ 3.125	$ 25.00				
Royalty Rate on Wexpro's Gross	10.00%	10.00%	10.00 %	10.00%				
ORR on Wexpro's Gross	$ 0.625	$ 5.00	$ 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; 2½%, 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:

$$t_S = \sum r_i \times \frac{Inv_i + Rcpt_i + W_i}{3}$$

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 $\sum Inv_i = 1.0$, $\sum Rcpt_i = 1.0$, and $\sum W_i = 1.0$.)

COMPOSITE STATE TAX RATE CALCULATION - 1981[1]

i	State	Inv_i	$Rcpt_i$	W_i	r_i	$r_i \times \frac{Inv_i + Rcpt_i + W_i}{3}$
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

XHIBIT 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.