

**QUESTAR**

Wexpro Company

180 East 100 South

P.O. Box 45601

Salt Lake City, UT 84145-6001

Tel 801 324 2600

Fax 801 324 2637

**RECEIVED**

AUG 03 2000

WEXPRO COMPANY  
J.R. LIVSEY

May 31, 2000

Darrell S. Hanson  
Utah Division of Public Utilities  
Heber M. Wells  
160 East 300 South  
P.O. Box 45802  
Salt Lake City, UT 84145

Re: Guideline Letter relating to The Mesa Unit (Pinedale) Lance Formation Ownership

Dear Mr. Hanson:

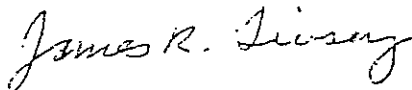
Recent drilling activity and evaluations of gas potential within the Lance Formation in The Mesa Unit (Pinedale) have brought to our attention a situation, which has some similarities to what we found in the Island Unit. In the Wexpro Stipulation and Agreement document Schedule 3a, The Mesa Unit Well #2 is listed as the "marker well" well for The Mesa Unit (Pinedale) in the Wexpro Agreement with the "Productive Gas Reservoir" defined as the interval from 9045'-11688'. This interval includes part of the Lance Formation, but does not include all of the Lance formation. When The Mesa Unit participating areas were formed the entire Lance Formation was listed as the productive formation and in this regard the situation with the Lance Formation at The Mesa Unit (Pinedale) is similar to the Wasatch Formation at Island.

However, there is also a significant difference in the two situations. Unlike the situation at the Island Unit, these additional Lance sands appear to be some of the most productive and economically valuable zones in the newer wells. A well could conceivably be drilled for only the Lance sands outside those defined in the Productive Gas Reservoir and still be economically viable. At the Island Unit, the lower intervals of the Wasatch Formation were difficult economic targets for Questar Exploration and Production (QEP) on a stand alone basis when they agreed to assign them to Wexpro. While QEP is willing to participate in The Mesa Unit wells as to the working interest it is entitled to in the Lance Formation outside the defined Productive Gas Reservoir, QEP is also willing to allow this situation to basically conform to what has been done at Island.

It is therefore proposed, that by means of this guideline letter, Wexpro be allowed, under the terms of the Wexpro Stipulation and Agreement, to claim ownership of the entire Lance formation as presently recognized in the leases within the contracted The Mesa Unit that were subject to the Wexpro Agreement (i.e. QEP will deliver to Wexpro the same net revenue interest that MFS would have delivered to Celsius under the terms of the Wexpro Agreement in the Lance sands outside those defined in the Productive Gas Reservoir). In return, QEP will receive a proportionate 7% overriding royalty interest in those intervals transferred to Wexpro, that are above and below the defined Productive Gas Reservoir. This treatment will only apply specifically to The Mesa Unit (Pinedale) Lance Formation and will not be considered as a precedent by the parties to any other areas not discussed in this guideline letter.

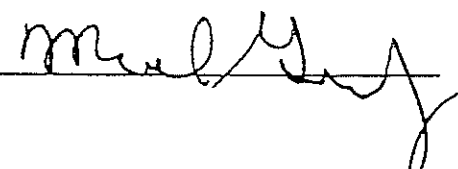
Please indicate your approval of the proposed guideline in the signature boxes below. Of course, should you wish to discuss this, let me know.

Respectfully yours,



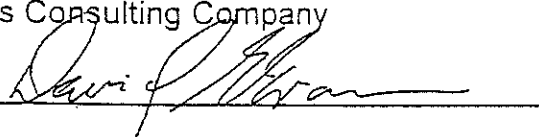
James R. Livsey  
Coordinating General Manager  
Wexpro Company

Approved:  
Utah Division of Public Utilities

By: 

Date: 6/22/00

Approved:  
David E. Evans  
Evans Consulting Company

By: 

Date: June 20, 2000

Approved:  
Wyoming Public Service Commission

By: 

Date: July 27, 2000

Ratification of Wexpro Guideline Letter dated May 31, 2000 regarding the Mesa Unit (Pinedale) Lance formation ownership

Questar Exploration and Production Company (Questar E&P) ratifies the foregoing Guideline Letter and hereby relinquishes to Wexpro all of its right, title and interest to the wells drilled by Wexpro and production from formations pursuant hereto, such wells being classified as Development Gas Wells under the Wexpro Agreement, for the delivery of cost of service gas to Questar Gas Company, reserving unto Questar E&P a proportionate 7% of 8/8ths overriding royalty interest on all oil, gas and other hydrocarbons produced from the relinquished interest (the same overriding royalty Questar Gas would have received had Questar E&P retained the working interest).

Questar Exploration and Production Company

By: \_\_\_\_\_

C. B. Stanley  
President & CEO

200