

AGREEMENT

THIS AGREEMENT is made and entered into this 14th day of October, 1981, by and between MOUNTAIN FUEL SUPPLY COMPANY, a Utah corporation; WEXPRO COMPANY, a Utah corporation; the Utah Department of Business Regulation, Division of Public Utilities; the Utah Committee of Consumer Services; and the Staff of the Wyoming Public Service Commission.

RECITALS

A. The parties have been engaged in extensive litigation as described in the Stipulations to which this Agreement is attached.

B. The Division of Public Utilities of the Utah Department of Business Regulation, the Utah Committee of Consumer Services, the Staff of the Public Service Commission of Wyoming, Mountain Fuel Supply Company and Wexpro Company have reached accord on an appropriate settlement and resolution of the issues contested in that litigation.

C. This accord is reflected in contemporaneous Stipulations filed with the Utah Public Service Commission on October 14, 1981, (Utah Stipulation), and with the Wyoming Public Service Commission on October 15, 1981, (Wyoming Stipulation), to each of which this Agreement has been attached and made a part.

D. The cases before both the Utah Public Service Commission and the Wyoming Public Service Commission affected by this Agreement are set forth in the Stipulations.

E. The parties to this Agreement desire to set forth the several and interdependent rights, obligations, responsibilities and mutual promises as contemplated by the Stipulations.

NOW, THEREFORE, in consideration of the mutual promises, covenants and obligations set forth below, the parties agree as follows:

I. DEFINITIONS

For purposes of this Agreement, and the Stipulations to which it is attached, the following definitions will apply to the indicated terms wherever they appear.

CORPORATIONS, AGENCIES AND DOCUMENTS

I-1. **The Company.** Mountain Fuel Supply Company, an investor-owned Utah corporation, including where appropriate its operating divisions, the Distribution Division and the Transmission Division, but not referring to wholly-owned subsidiaries of Mountain Fuel Supply Company as of August 1, 1981.

I-2. **Wexpro.** Wexpro Company, a Utah corporation incorporated in November 1976 and a

wholly owned subsidiary of the Company. The term will refer to Wexpro Company, its successors and assigns.

I-3. **Celsius.** Celsius Energy Company, a Nevada corporation and a wholly owned subsidiary of Mountain Fuel Resources, Inc., itself a wholly owned subsidiary of Mountain Fuel Supply Company.

I-4. **The Division.** The Division of Public Utilities of the Utah Department of Business Regulation. The term will also refer to any governmental successor as provided by statute or rule.

I-5. **The Committee.** The Utah Committee of Consumer Services. The term will also refer to any governmental successor as provided by statute or rule.

I-6. **Staff of the Wyoming PSC.** The regulatory staff of the Public Service Commission of Wyoming. The term will also refer to any governmental successor as provided by statute.

I-7. **Agreement of Purchase and Sale.** The amended agreement between Mountain Fuel Supply Company and Wexpro Company, dated April 24, 1978, by which certain non-utility properties, described in such document, were transferred from Mountain Fuel Supply Company to Wexpro.

PRODUCTS

I-8. **Natural Gas.** A gaseous substance whose major constituent is methane.

I-9. **Natural Gas Liquids.** All liquids extracted from a natural gas stream except liquids (including condensate) recovered by surface separators.

I-10. **Oil.** The generic term used to describe all products including minerals and hydrocarbons other than natural gas or natural gas liquids.

I-11. **Hydrocarbons.** A generic term used to refer to natural gas, natural gas liquids and oil collectively.

HYDROCARBON-PRODUCING PROPERTIES AND RELATED TERMS

I-12. **Account 101/105 Leaseholds.** All leasehold, operating rights, working interests, mineral and other interests in production which were held on July 31, 1981, by the Company and which were accounted for on that date in the Company's Accounts 101 or 105.

I-13. **Transferred Leaseholds.** All leasehold, operating rights, working interests, mineral and other interests in production which were held by Wexpro on July 31, 1981, and which had previously been accounted for in the Company's 101 or 105 Accounts immediately prior to transfer, but excluding leasehold or production rights acquired by farmout from the Company.

I-14. **Well.** The well bore and all underground and surface materials and facilities installed in connection with drilling into the earth's surface for the production or injection of hydrocarbons and other substances. The term "well" includes all appurtenant facilities.

I-15. **Appurtenant Facilities.** Those facilities, downstream from the wellhead, to and including the delivery point, that are necessary to make the products acceptable for delivery including, but not limited to, compression, transportation, gathering, separation, treating and certain processing facilities.

I-16. **Delivery Point.** That point, under standard industry practice, at which a purchaser of oil or natural gas liquids or natural gas takes delivery from the producer. This will generally be (i) at the inlet side of the dehydration unit for gas deliveries, and (ii) at the outlet side of tankage or other storage facilities for oil or natural gas liquid deliveries.

I-17. **Completed Well.** (a) A well ready for and capable of producing hydrocarbons in commercial quantities regardless of whether the necessary equipment and machinery is installed to permit continuous production and marketing of hydrocarbons or (b) a dry hole.

I-18. **Development Well.** A well drilled under the terms of this Agreement for carrying out development oil or development gas drilling, as those terms are defined in sections I-27 and I-28.

I-19. **Dry Hole.** A development well that (i) upon completion is clearly uneconomical to produce and is plugged and abandoned while the drilling rig is in place, or (ii) is otherwise not determined to be a commercial well under the procedures set forth in section I-20. If a commercial well is completed in a productive reservoir above the total depth drilled, that portion of the well below the lowest productive reservoir to total well depth will be considered a dry hole.

I-20. **Commercial Well.** A development well that, upon completion, (i) clearly produces sufficient quantities to pay, at market prices for the products, all costs of drilling, development and operation of the well, or (ii) requires further determination for classification as a commercial well or dry hole.

A well will be classified as a commercial well in the latter case under the following procedure:

(a) It will be produced for 30 days after stimulation (or such lesser time as state regulatory authority requires).

(b) Using the then-available test data for the last 10 days of the test period and economic analysis methods normally used in the industry, Wexpro will make an economic evaluation of the potential value of hydrocarbon production from the well. If the economic evaluation shows that production from the well, when valued at market prices, will pay the expenses of operating the well, including royalties and taxes, plus 50% of the drilling costs to completion to the wellhead, the well will be deemed a commercial well.

(c) If the well does not meet the test set forth in paragraph (b), Wexpro will notify the Company, the Division and the Staff of the Wyoming PSC of its intent to classify the well as a dry hole and will supply to each the economic evaluation and the factual basis for the conclusion. Information that is available at such time will be supplied and will include, if available, drilling costs to date, cost for completion, test data, projected life of the well, the decline curve based on field history, and such other data as would be relevant by industry standards.

(d) If the Company, notwithstanding Wexpro's intent to classify the well as a dry hole, desires to have the well produced and treated as a commercial well under this Agreement, it will so notify Wexpro, the Division and the Staff of the Wyoming PSC within 10 days of receipt of Wexpro's notice in paragraph (c). In such an event, Wexpro will produce the well and, in the absence of Division disapproval under paragraph (f) of this section, it will be deemed a commercial well for the purposes of this Agreement.

(e) If no notice from the Company is served on Wexpro pursuant to paragraph (d), the well will be classified as a dry hole and treated in accordance with the terms of this Agreement.

(f) If the Company elects to have a well produced under paragraph (d), the Division in consultation with the Staff of the Wyoming PSC and such experts as it deems prudent may notify the Company within 30 days of its receipt of the notice provided in paragraph (c) that it rejects the Company's election. Such a rejection will be final and not subject to rescission, modification or arbitration, except as otherwise determined by Commission order upon petition by the Company. If the Division rejects the Company's election under this paragraph and the Company does not seek Commission action, the well will be treated as a dry hole under this Agreement. If the Division does not, within the 30 days, reject the Company's determination that the well be produced and classified as a commercial well, such classification will be final and not subject to arbitration.

(g) Disputes concerning the accuracy, completeness and analysis of the data furnished, or the classification made by Wexpro, under paragraphs (b) and (c) may be the subject of the arbitration procedure set forth in section 9 of the Utah Stipulation to which this Agreement is attached. In no event, however, will wells be subject to reclassification as a result of production and other physical and economic data that become known or available after the analysis performed in paragraph (b) of this section.

I-21. Prior Wexpro Well. A well completed on or before July 31, 1981, on an Account 101/105 leasehold or a transferred leasehold and capitalized in the accounts of Wexpro on that date. All prior Wexpro wells are identified and listed on Schedule 2(b).

I-22. Prior Company Well. A well completed on or before July 31, 1981, and capitalized in the Company's utility accounts on that date. All prior Company wells are identified and listed on Schedule 3(b).

I-22A. Prior Well. A dry hole, as determined at the time of drilling (and not under the provisions of section 1-19), drilled by Wexpro or the Company on any 101/105 leasehold or transferred leasehold prior to August 1, 1981; or any prior Wexpro or prior Company well.

I-23. **Pool.** An underground accumulation of hydrocarbons in a single, separate natural reservoir characterized by a single pressure system. Each zone of a geologic formation which is completely separated from any other zone in the formation is a separate pool.

I-24. **Productive Oil Reservoir.** A portion of a pool underlying an Account 101/105 leasehold or a transferred leasehold into which a prior Wexpro well was completed on or before July 31, 1981. All productive oil reservoirs are identified on Schedule 2(a).

I-25. **Productive Gas Reservoir.** A portion of a pool underlying an Account 101/105 leasehold or a transferred leasehold into which a prior Company well was completed on or before July 31, 1981. All productive gas reservoirs are identified on Schedule 3(a).

HYDROCARBON OPERATIONS AND TRANSACTIONS

I-26. **Development Drilling Area.**

(a) For each prior Wexpro or prior Company well in a pool, a circle of radius 1980 feet centered at the well, and all additional surface area covered by:

(i) The single-well spacing unit for that well, as determined by the state agency with jurisdiction, and the eight authorized spacing units immediately north, east, west, south, northwest, northeast, southeast and southwest thereof, if state spacing applies to the well; or

(ii) The U.S. Geological Survey-approved participating area determined for royalty purposes for that pool, if the well is in a federal unit; or

(iii) If neither paragraph (i) nor (ii) are applicable, a square of sixteen 40-acre legal subdivisions for prior Company wells or four 40-acre legal subdivisions for prior Wexpro wells (or equivalent lots for irregular sections) situated so that the distance from the center of such square to the well is minimal. If this provision yields two or more squares, the square whose center is closest to the surface projection of the bottom-hole location will be used.

(b) For each prior well that is not a prior Wexpro well or a prior Company well and is within any development drilling area described in paragraph (a) of this section, a circle of radius 1980 feet centered at such well.

I-27. **Development Oil Drilling.** Any drilling completed (or recompleted in a prior well) after July 31, 1981; drilled within any development drilling area; and:

(a) Targeted and completed in a productive oil reservoir, or

(b) Drilled within 1980 feet of any prior well, completed in any pool above the lowest point to which such well had been drilled, and completed as a commercial well that produces primarily oil during the first 30 days of production.

I-28. **Development Gas Drilling.** Any drilling completed (or recompleted in a prior well) after July 31, 1981; drilled within any development drilling area; and:

(a) Targeted and completed in a productive gas reservoir, or

(b) Drilled within 1980 feet of any prior well, completed in any pool above the lowest point to which such well had been drilled, and completed as a commercial well that produces primarily gas during the first 30 days of production.

I-29. **Exploratory Drilling.** Any drilling after July 31, 1981, for the purpose of locating or producing hydrocarbons that is not development oil or gas drilling. Formations underlying Account 101/105 leaseholds or transferred leaseholds into which exploratory drilling is conducted will be referred to as "exploratory properties."

I-30. **Enhanced Recovery Facilities.** Such facilities as are necessary in connection with "secondary" and "tertiary" petroleum hydrocarbon recovery techniques. These techniques involve man-induced pressure changes or improved sweep efficiency using injected fluids within a productive oil or gas reservoir, often through injection of foreign materials or injection of natural gas for the purpose of increasing the yield from the reservoir. Such techniques do not refer to stimulation procedures used prior to completion to make a well commercial even if essentially similar procedures used on an already commercial well would be classified as "enhanced recovery procedures."

I-31. **Farmout.** The common petroleum industry transaction by which an oil and gas lease owner contracts to assign a lease or some portion of it to another who undertakes drilling obligations. The assignor usually retains an interest such as an overriding royalty, production payment or working interest.

ACCOUNTING AND RATEMAKING

I-32. **Depreciation.** A means by which the capital investment in an asset is recovered over the useful life of the asset. Depreciation is generally an expense deduction for federal and state income taxes purposes and is also an element of cost-of-service ratemaking for utilities. As used in this Agreement, depreciation will refer to the standard methods being used by the Company and Wexpro on July 31, 1981, and which are recognized and approved by the accounting profession and agencies having jurisdiction over such procedures. Any change to different depreciation methods for use herein (other than for tax purposes) must be approved in writing by the Division.

I-33. **Amortization.** A means by which intangible capital investments or other sums are recovered over the life of a related tangible asset or otherwise eliminated over a period of time. Standard accounting methods will be used to implement amortization as necessary. For purposes of this Agreement, exploration and development costs associated with dry holes will not be amortized.

I-34. **Royalty.** Generally, a percentage of the gross revenues generated from production from

a lease. The royalty owner or recipient remains legally responsible for his pro-rata share of handling and transportation costs (if taken in kind) and production-related taxes, including but not limited to severance, ad valorem, and windfall-profits taxes. For those leases from which production is owned only in part by the Company or Wexpro as of July 31, 1981, a royalty provided for in this Agreement will apply only to production attributable to the Company's or Wexpro's respective net interest, as the case may be.

I-35. Overriding Royalty. A royalty interest in oil and gas and other minerals produced at the wellhead in addition to the usual landowner's royalty reserved to the lessor.

I-36. Taxes. All exactions resulting from levies by government, including but not limited to taxes on income, property, production, operations, occupation, franchise, license, privilege, excise and payroll.

I-37. AFUDC. Allowance for funds used during construction. AFUDC is an amount equal to the base rate of return (r), as defined in section I-44, applied to funds used for construction purposes. No AFUDC charges will be included upon expenditures for construction projects that have been abandoned. When only a part of plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service will be treated as investment in Wexpro and AFUDC thereon as a charge to construction will cease. AFUDC on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as otherwise limited in this provision.

I-38. Marginal Composite Income Tax Rate. The tax rate

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

where:

(a) t_f is the federal income tax rate for U.S. corporations that would apply to Wexpro's highest level of taxable income if Wexpro were to file a separate tax return, without regard to the actual tax rate (on July 31, 1981, this rate was 46%); and

(b) t_s is the weighted state tax rate calculated according to the formula given on Exhibit D. t_s will be fixed for each calendar year on the basis of data for the immediately previous calendar year. The rate fixed for the remainder of 1981 is 1.533%, as shown in the sample calculation on Exhibit D.

I-39. Account 101. Account 101 of the Uniform System of Accounts, used to record the original investment in gas plant owned and used by a utility entity in its natural gas operations.

I-40. Account 105. Account 105 of the Uniform System of Accounts, used to record the original investment in property owned and held for future use in natural gas service.

I-41. **Investment of Wexpro.** The investment base, designated portions of which will serve as the base to which various rates of return, as specified in this Agreement, will be applied. The investment of Wexpro on July 31, 1981, is agreed to be \$37,612,818. All subsequent increments to the investment of Wexpro will include future capital, net of depreciation, invested by Wexpro to produce hydrocarbons from productive oil and gas reservoirs and will be as otherwise provided in this Agreement. This will include all depreciated investment in plant and AFUDC in development well drilling and enhanced recovery facilities. New increments of deferred taxes or other tax "timing" reserves related to investments made after July 31, 1981, will be subtracted from those investments prior to inclusion in the investment of Wexpro. New increments of the investment of Wexpro after July 31, 1981, will not include any capitalized dry-hole costs.

I-42. **Return.** As used in this Agreement, the net from proceeds after they have been reduced by all applicable expenses (but not long-or short-term debt and preferred stock expense), depreciation, amortization and taxes.

I-43. **Rate of Return.** As a percentage, the return divided by the applicable investment.

I-44. **Base Rate of Return (r).** A percentage to be (i) applied to specified investment bases or (ii) used as a basis for determining other rates of return as required in this Agreement. The base rate of return (r) is determined by the following method:

(a) For the period August 1, 1981, through July 31, 1982, r will be fixed at 16.00%.

(b) For each subsequent 12-month period following July 31, 1982, r will be determined as of July 31 each year according to the following formula:

$$r = 16.00 + (i - 14.35),$$

where i is the following index:

The arithmetic average of the rate of return on common equity as authorized by the indicated regulatory agency for the 20 utility and natural gas companies listed on Schedule 1, such rates of return to be those in effect by valid order of the respective agencies on May 31 of the calendar year in which the average is being determined.

To the extent that the companies listed in Schedule I cease to exist under the corporate names indicated, there will be replacement by the successor or assignee company if that successor or assignee continues to provide the same utility service to the majority of customers served by the previous company in the relevant jurisdiction. Successor state regulatory agencies for those stat-regulated utilities listed in Schedule 1 will not affect the computation under this provision. If, however, any stat-regulated utility becomes federally regulated or unregulated, the parties will choose a replacement stat-regulated utility.

I-45. **Market Price.** The wellhead price per unit for hydro carbons produced, as determined

by the following provisions:

(a) The price upon which third-party royalty payments are to be made for production from the well, as such royalty price is established from time to time.

(b) If a price is not determinable under paragraph (a) at the time of delivery, the average of the three highest prices (if available) paid by a purchaser to a seller (neither of which is an affiliate of the Company) for a product of comparable quality in the same county of delivery or the same producing field, whichever is larger.

(c) If a price is not determinable under paragraphs (a) or (b) at the time of delivery, the highest price paid for the product of comparable quality in the nearest producing area.

I-46. **Cost-of-Service.** Economic value determined by the aggregation of the actual costs incurred in producing or providing a product. The cost-of-service formulation to be applied under the terms of this Agreement is set forth in Exhibit A.

I-47. **Product Allocation.** The method to be used for purposes of allocating costs, expenses, depreciation and investments, so that products jointly produced from common facilities can be accounted for separately, each carrying an appropriate allocation of the costs associated with that production. Allocations will be made on the following basis:

(a) Until July 1, 1985, or six months following the effective date of federal deregulation of natural gas ceiling prices under the Natural Gas Policy Act of 1978 or any successor or replacement federal legislation that would decontrol natural gas ceiling prices for gas developed after the date of this Agreement, whichever date occurs first, 12 Mcf of natural gas will be equivalent to one barrel of oil.

(b) After the earlier of the two dates in paragraph (a), a new equivalent ratio between natural gas and oil will be established on the basis of market price of decontrolled natural gas and oil.

II. PRODUCTIVE OIL RESERVOIRS

II-1. **List of Prior Wexpro Wells and Productive Oil Reservoirs.** Schedule 2(a) sets forth a complete list of productive oil reservoirs. Schedule 2(b) sets forth a complete list of prior Wexpro wells. Schedules 2(a) and 2(b) reflect the explicit agreement by Wexpro that the well known as Spearhead Ranch Unit Well No. 15 will be classified as a prior Wexpro well, the associated reservoir as a productive oil reservoir, and will be subject to the conditions and provisions of this Article II.

II-2. **Title and Operation.** Any right, title and interest to the properties described on Schedules 2(a) and 2(b) and the corresponding leases, operating rights, wells and appurtenant facilities held by Wexpro will be and remain the sole and exclusive property of Wexpro and will be held and operated by Wexpro in accordance with the terms and conditions of this Article II. Oil,

natural gas, and natural gas liquids from productive oil reservoirs will be developed and produced by Wexpro in a prudent manner in accordance with accepted industry standards.

II-3. Ownership of Oil, Natural Gas Liquids and Natural Gas. All oil, natural gas liquids and natural gas produced from productive oil reservoirs will be the property of and be sold or otherwise disposed of by Wexpro.

II-4. Oil and Natural Gas Liquids Proceeds. The total proceeds from the sale of oil and natural gas liquids from productive oil reservoirs, less royalties, will be subject to the following provisions:

(a) Proceeds will first be used to pay the costs and expenses of holding and operating the prior Wexpro wells and productive oil reservoirs. Such costs and expenses will include an allocation to Wexpro of expenses, depreciation, taxes, royalties and other reasonable business expenses of production. The procedures set forth in sections 1-4 of Exhibit A will serve as guidelines for this determination. In no event will deductible expenses include any exploration and development expenses associated with dry holes.

(b) As an example of the allocation to be performed under paragraph (a), where Wexpro employees are engaged in the operation and maintenance of producing oil wells and productive oil reservoirs and contemporaneously engaged in other activities of Wexpro, Wexpro will maintain accurate and complete time and other records for properly allocating the time and expenses of employees among such operations. Costs that can be directly assigned, such as investments in fractionating towers which benefit only natural gas liquids products, will be directly accounted for as a cost of producing that product.

(c) The investment of Wexpro and Wexpro's operating expense for the particular prior Wexpro wells will be allocated to the hydrocarbons produced in accordance with the product allocation method defined in section I-47.

(d) It is agreed that the investment of Wexpro in prior Wexpro wells and productive oil reservoirs will be depreciated by the unit-of-production method. For purposes of calculating the return provided by paragraph (e) of this section, this investment will be determined on a monthly basis, after additions and depreciation as provided herein.

(e) From the proceeds of the sale of oil and natural gas liquids (after deduction of expenses and all royalties as provided in this Article), Wexpro will deduct an amount sufficient to provide a return on that portion of the investment of Wexpro allocated to oil and natural gas liquids production. Such return will be calculated for each monthly income statement and will be the product of one-twelfth of that portion of the investment of Wexpro allocated to oil and natural gas liquids production at the end of that month multiplied by the base rate of return (r).

(f) Any remaining Wexpro oil and natural gas liquids net revenues will be allocated as follows:

(i) 54% of such remainder will be allocated to the Company and placed by the Company in an account used solely for the purposes of reducing natural gas rates, or disposed of otherwise by Commission order.

(ii) The remaining 46% will be retained by Wexpro as its separate property and will not be considered utility income or used to reduce natural gas rates.

(iii) To account appropriately for the income tax impact on the 54% allocation set forth in subparagraph (i) above, the sum paid to the Company by Wexpro will be the 54% described in subparagraph (i) divided by a tax-adjustment factor: 1.0 minus the marginal composite income tax rate, as defined in section I-38. (See Exhibit B.)

(iv) Wexpro's income statement for purposes of this Agreement will not include the resultant tax-adjusted sum paid to the Company as an expense under this paragraph, although it may so appear for income tax purposes or other purposes not covered by this Agreement.

(g) The royalty, expense and return treatment and the 54%-46% allocation described in this section will be referred to in this Agreement as the "54-46 formula." The accounting procedure set forth in this Article is illustrated by the sample calculations shown on Exhibit B.

II-5. Pricing of Gas from Oil Wells.

(a) Except for field and repressurization use, any and all natural gas produced by Wexpro from prior Wexpro wells or productive oil reservoirs will be priced at cost-of-service (see Exhibit A) and sold by Wexpro to the Company, subject to such federal laws and regulations as may be applicable to such a sale. In the event that the average monthly cost-of-service for all natural gas sold under this paragraph is in excess of average monthly market price for that natural gas, the difference between the average cost of service and the average market price will be treated as an expense of Wexpro for the purposes of the "54-46 formula," and such difference will not be included in the cost-service calculation.

(b) The Company may, at its discretion, enter into suitable transportation arrangements with third parties or any Company affiliate for transporting gas produced under this Article to its system.

II-6. Enhanced Recovery Procedures. It may be necessary or desirable to implement enhanced recovery procedures in certain prior Wexpro wells and productive oil reservoirs in order to maximize the recovery of oil. The investment in such procedures may be substantial and the results of these operations may not always be successful. If the revenues from the additional oil recovered as a result of such procedures do not cover the expenses, royalties and return as they are related to the enhanced recovery procedures, the initiation of such procedures would result in more of the total Wexpro oil production revenues being allocated to a return on this new capital, with less available for the "54-46 formula." To assure that investment for enhanced recovery procedures will be prudently made, the following terms will apply:

(a) Unless required by state or federal regulatory authority or by third-party co-participants, Wexpro will not install additional enhanced recovery facilities in the Brady-Weber, Brady-Nugget or Dry Piney-Nugget productive oil reservoirs before August 1, 1986. It is acknowledged that Wexpro has co-participants in these and other producing oil wells and productive oil reservoirs. If such co-participants desire to install additional enhanced recovery facilities, Wexpro may be required to participate in order to avoid breach of contractual obligations or other financial risks. If Wexpro is required to install additional enhanced recovery facilities in any of the three productive oil reservoirs named in this paragraph prior to August 1, 1986, the investment and rate of return applicable to such facilities will be the base rate of return (r).

(b) The capital investment required for enhanced recovery facilities will be made entirely by Wexpro. In lieu of the base rate of return (r), such enhanced recovery investment will be assigned a rate of return as follows:

(i) If, at the time an authority for expenditure (AFE) for an enhanced recovery project is executed, the total of the amounts described in subparagraphs II-4(f)(i) and (ii) for the prior 12 months have been less than 3.00% of the average investment of Wexpro allocated to oil production for such a 12-month period, the rate of return to apply only to that enhanced recovery investment will be the base rate of return plus a 2.00% risk premium ($r + 2.00$).

(ii) In all other cases, the base rate of return (r) will apply.

(c) The aggregate enhanced recovery facilities investment will look to all natural gas liquids and oil production for recovery of investment, expenses and return. Each amount invested will be deemed made on the first day of the month closest to the date when it was made and will be depreciated on the basis of individual enhanced recovery projects.

II-7. Uneconomical Production. When any productive oil reservoir is depleted to a point where, in the prudent judgment of Wexpro, it is no longer economically feasible to produce such a reservoir, production from that reservoir may be terminated, and the investment of Wexpro will be adjusted by the net difference between salvage value and abandonment or dismantling costs.

II-8. Development Oil Drilling. It is acknowledged that some additional development drilling into productive oil reservoirs may be required, but the extent of such development oil drilling required to effectively and efficiently produce the hydrocarbons from prior Wexpro wells and productive oil reservoirs is unknown. Any such development oil drilling will be subject to the following provisions:

(a) If a development well is required in the judgment of Wexpro to produce hydrocarbons more efficiently, Wexpro will drill such a well and assume the total risk of unsuccessful drilling, including dry-hole costs.

(b) If a commercial well results, the investment in such a development oil well will be included in the investment of Wexpro on the first day of the month nearest the date the well is

qualified as a commercial well. In lieu of the base rate of return r , the rate of return on commercial development oil wells will be equal to the base rate of return plus a risk premium of 5.00% ($r + 5.00$).

(c) For each development oil well spudded, Wexpro will keep detailed accounts of the funds used during drilling of such a well in accordance with the treatment of AFUDC set forth in section 1-37. Where a well is deemed to be a commercial well, the accumulated AFUDC for that well will be added to the investment of Wexpro along with the capital invested in the well.

(d) If production from any well drilled under the terms of this Article occurs and the well is determined to be a dry hole (as defined in section I.19), paragraph (b) of this section will not apply. Wexpro may, at its discretion, plug and abandon the well, or produce the well, and the well and all production from the well will be the sole property of Wexpro to dispose of at its discretion and to retain any proceeds.

(e) Wexpro will use prudent judgment in determining the desirability and necessity of development drilling under this Article as well as the timing and methods to be used in any such drilling.

(f) If any liquids extraction plant, sweetening plant or similar natural gas processing facility is required to be built, in the prudent judgment of Wexpro, to process natural gas deliverable to the Company under this Article, Wexpro will notify the Company, and the Company may, at its election, make the investment required and capitalize it in the Company's utility rate base. The method of division of product developed through the use of such facilities and the method of allocation of related costs and expenses will not be affected by this capitalization by the Company.

II-9. Gas for Repressurization. Gas being produced from a productive oil reservoir may be used to repressure the pool without compensation or obligation to the Company so long as no natural gas is consumed except for field or lease use. When such repressurization ceases and such natural gas is finally produced, it will be delivered to the Company at cost-of-service.

II-10. Delivery. The delivery of natural gas produced under the provisions of this Article II will be at the delivery point (defined in section I.16), and all costs of receiving the natural gas and all the necessary investment at and downstream from such a point will be the responsibility of the Company.

III. PRODUCTIVE GAS RESERVOIRS

III-1. List of Prior Company Wells and Productive Gas Reservoirs. Schedule 3(a) sets forth a complete list of productive gas reservoirs. Schedule 3(b) sets forth a complete list of prior Company wells.

III-2. Transfer of Leaseholds and Operating Rights.

(a) The Company will transfer to Wexpro all 101/105 Account leaseholds and

operating rights held by the Company and accounted for in its 101 Account on July 31, 1981, such transfer to be subject to a retention by the Company of the ownership of oil, natural gas liquids, natural gas and other minerals produced from productive gas reservoirs underlying such leaseholds.

(b) Wexpro will own all operating rights and will be the operator of all facilities related to such leaseholds. Wexpro will fund and drill or cause to be funded and drilled all necessary and appropriate development wells on these properties and provide the necessary facilities which in its opinion will be reasonably and prudently necessary to efficiently produce the hydrocarbons in the productive gas reservoirs.

III-3. Ownership of Gas Wells and Hydrocarbons. The prior Company wells and the hydrocarbons produced from productive gas reservoirs after July 31, 1981, will remain the property of the Company. The investment in such wells, installed as of July 31, 1981, will be accounted for in the Company's utility accounts. Proceeds from the sale of oil and natural gas from prior Company wells will be accounted for as utility revenues, except to the extent modified for "new oil" as provided in this Article.

III-4. Post-July 1981 Facilities. Any investment made in the productive gas reservoirs after July 31, 1981, and in commercial development gas wells (including appurtenant facilities) will not be capitalized into the Company's utility accounts, but will be capitalized by Wexpro, and Wexpro will be compensated for these investments by the Company as provided in section III-5. Necessary facilities installed downstream from the delivery point will be capitalized in the Company's utility accounts.

III-5. Operator Service Fee.

(a) Although Wexpro will have no ownership in the natural gas, natural gas liquids or oil produced from productive gas reservoirs, as operator it will bill the Company for the services it performs and for the use of the facilities it has installed to produce the Company's natural gas, natural gas liquids and oil.

(b) Billing for services will be on a monthly cost-of-service basis and will follow, to the extent applicable and practicable, the methods and practices employed by the Utah and Wyoming Public Service Commissions in determining the Company's cost of service prior to the effective date of this Agreement. Exhibit E sets forth the general guidelines for the cost-of-service charge to be made under this section.

(c) The monthly billing for services will specifically include a return on investment for post-July 1981 facilities (described in section III-4) at the base rate of return (r); except that investment in commercial development wells will be entitled to an additional 8.00% ($r + 8.00$).

III-6. Depreciation. For purposes of this Agreement, Wexpro's post-July 1981 investment in commercial development wells and appurtenant facilities will be depreciated monthly by the unit-of-production method except as otherwise provided in section I-32.

III-7. Delivery. The delivery of natural gas and natural gas liquids produced under the provisions of this Article III will be at the delivery point (defined in section I-16), and all costs of receiving, processing and gathering the natural gas and natural gas liquids and all the necessary investment at and downstream from such a point will be the responsibility of the Company.

III-8. Development Gas Drilling.

(a) Wexpro will exercise prudent judgment, as if it were the owner of the productive gas reservoirs, in determining the desirability and necessity of development gas drilling under this Article, as well as the timing and methods to be used in any such drilling.

(b) It is acknowledged that development drilling for natural gas often involves deep, time-consuming drilling that may not result in a commercial well. If any development gas well in a productive gas reservoir becomes a commercial well, the investment in the well (and in the appurtenant facilities up to the delivery point) will be capitalized in the post-July 1981 investment of Wexpro in the same manner and under the same conditions as for a development oil well drilled on the productive oil reservoirs outlined in Article II, including but not limited to the use by Wexpro of AFUDC at the base rate of return (r).

(c) Wexpro will spend or invest at least \$40,000,000 (undepreciated original cost) for development drilling in productive gas reservoirs under the provisions of this Article III between August 1, 1981, and July 31, 1986.

(d) If production from any well drilled under the terms of this Article occurs and the well is determined to be a dry hole (as defined in section I-19), Wexpro may, at its discretion, plug and abandon the well or produce the well, and the well and all production from the well will be the sole property of Wexpro to dispose of at its discretion and to retain the proceeds.

(e) If any liquids extraction plant, sweetening plant or similar natural gas processing facility is required to be built, in the prudent judgment of Wexpro, to process natural gas deliverable to the Company under this Article, Wexpro will notify the Company, and the Company may, at its election, make the investment required and capitalize the same in the Company's utility rate base. The method of division of product developed through the use of such facilities and the method of allocation of related costs and expenses will not be affected by this capitalization by the Company.

III-9. "New Oil" from Productive Gas Reservoirs.

(a) Oil from commercial wells completed after July 31, 1981, in productive gas reservoirs will be sold by Wexpro on behalf of the Company, and the resulting revenues will be apportioned between the Company and Wexpro as provided by the "54-46 formula."

(b) Oil produced under this section will bear a share of the productive gas reservoir's expenses and investment, determined by the product allocation method defined in section I-47.

(c) Any allocated oil investment related to post-July 1981 development gas wells

(under paragraph III-4 will carry with it the entitlement to apply a 5.00% risk premium in the "54-46 formula" as specified for development oil drilling in Article II.

(d) Any facilities that may be installed to separate or treat oil and natural gas liquids downstream from the delivery point will be installed by the Company and will be included in the Company's utility accounts.

III-10. Termination of Production. Should any production from productive gas reservoirs that is achieved by use of facilities installed by Wexpro after July 31, 1981, be terminated, such post-July 31, 1981 investment of Wexpro in productive gas reservoirs will be adjusted by the net difference between salvage value and abandonment or dismantling costs related to such facilities.

III-11. Off-System Natural Gas Production. If natural gas is developed from productive gas reservoirs at any time that cannot be economically delivered into the Company's distribution system or which is on July 31, 1981, being sold to third parties under long term contract, such Company-owned natural gas will be sold for the Company by Wexpro as the operator, and the revenues less expenses will be accounted for by the Company solely to reduce natural gas rates or as otherwise directed by Commission order.

III-12. Celsius Energy Company. For pub of this Article III, references to Wexpro will be construed as referring either to Wexpro or Celsius, as designated by the Company.

IV. EXPLORATORY PROPERTIES

IV-1. Account 101/105 Leaseholds. Set forth in Schedule 4(a) is the identification of all Account 101/105 leaseholds held in the Company's Account 101 on July 31, 1981., and transferred to Wexpro under Article III. Set forth in Schedule 4(b) is the identification of all Account 101/105 leaseholds held in the Company's Account 105 on July 31, 1981.

IV-2. Transfer of Account 105 Leaseholds. All leaseholds and operating rights held by the Company in Account 105 on July 31, 1981, will be transferred to Wexpro, effective August 1, 1981, subject to the conditions set forth elsewhere in this Article IV. All exploratory properties, as defined in section 1-29, that are associated with the 101/105 leaseholds held in the Company Account 101 on July 31, 1981, are to be transferred to Wexpro under Article III, but will be subject to the terms of this Article IV.

IV-3. Account 105 Productive Gas Reservoirs. Any productive gas reservoir underlying Account 105 leaseholds transferred under this Article and listed on Schedule 3(a) is subject to a retention by the Company of the ownership of oil, natural gas liquids, natural gas and other minerals produced from such reservoirs.

IV-4. 7% Overriding Royalty on Exploratory Properties. There is hereby retained by the Company a 7% of 8/8ths overriding royalty on all natural gas, natural gas liquids and oil produced from the exploratory properties, as defined in section I-29, subject to the following provisions:

(a) In the event that on July 31, 1981, (i) the operating and working interest of the Company in the properties to be transferred and assigned is less than the full operating and working interest in the lease, or (ii) the lease covers less than the full oil and natural gas mineral estate under the lands covered by the lease, then the overriding royalty interest of the Company will be proportionately reduced, and therefore the 7% will apply only to the interest of the Company or Wexpro on July 31, 1981.

(b) In the event Wexpro should farm out any of the exploratory properties, it will endeavor to ensure that the overriding royalty interest provided for in this section will not be diminished. In the event that Wexpro, in its sole discretion, determines that it is unable or unwilling to farm out an exploratory property on terms and conditions that would preserve such overriding royalty interest, then Wexpro may make such other farmout arrangements as it desires; provided, however, that the Company will receive, in lieu of the 7% overriding royalty interest provided above, a 10% overriding royalty interest solely on the share of the interest in hydrocarbon production actually received by Wexpro under such farmout arrangement.

(c) The overriding royalty applies to all oil, natural gas liquids and natural gas extracted under the terms and conditions of Wexpro's leasehold or other interests in exploratory properties. The calculation of the royalty is exemplified on Exhibit C.

(d) With respect to any specific lease to which this Article is applicable, the overriding royalty will continue until expiration or surrender of the lease. However, if Wexpro reacquires the lease within six months after expiration or surrender, the overriding royalty and first right of purchase provided in section IV-6 will be in full force on the reacquired lease. If Wexpro reacquires the lease after six months but before four years after expiration or surrender, the overriding royalty will be paid to the Company only after payout of any bonus payments or other out-pocket costs by Wexpro to reacquire the lease; the same first right to purchase attaches during this period. If Wexpro reacquires the lease four years or more after expiration or surrender, the Company will have no right, title or interest in the lease.

(e) If any interest in the exploratory properties is sold by Wexpro after July 31, 1981, such a sale will be subject to the overriding royalty provided for in this section, and Wexpro will use its best efforts to retain for the Company the first right of purchase provided for in section IV-6. The proceeds of any such sale will belong to Wexpro.

IV-5. Carrying Costs and Expenses of Exploratory Properties. Wexpro will have the sole responsibility for leasehold carrying costs and other expenses associated with unsuccessful exploratory drilling.

IV-6. The Company's First Right to Purchase.

(a) The Company or an affiliate of the Company designated to purchase such gas for resale to the Company will have a 30-day first right to purchase Wexpro's share of the natural gas produced from any exploratory property at market prices, whether or not the natural gas is deliverable to the Company's system. Wexpro will use its best efforts and due regard for its

responsibilities under this Agreement to preserve and maximize the supplies of such natural gas.

(b) Whenever Wexpro has natural gas available for sale that is subject to this first right to purchase, it will notify in writing the Company, or an affiliate of the Company designated to purchase such gas for resale to the Company, as the case may be. The one receiving notice will have 30 days from the date of service or personal delivery of such notice to elect, in writing, to purchase the natural gas described in such notice. Any failure to notify Wexpro of such an election within 30 days will be deemed an election not to purchase. Any election not to purchase, whether actual or constructive, will authorize Wexpro to dispose of only that natural gas subject to that notice in any manner deemed advisable by Wexpro and pay the Company only the applicable overriding royalty on that natural gas.

(c) In the event Wexpro's share of any natural gas produced under this Article is sold directly to the Company and any state governmental authority with ratemaking jurisdiction over the Company's resale transactions precludes it from recovering in its rates and charges any portion of the price to be paid to Wexpro under this section, the price will be reduced to equal the amount the Company has been allowed to recover. Under such a reduction, Wexpro may, at its sole discretion, elect to be released of its obligation to sell further gas which is subject to the price reduction effective upon written notice to the Company.

IV-7. Exploratory Property Farmout. In the event Wexpro should farm out any of the exploratory properties, Wexpro will use its best efforts to obtain a 30-day first right to purchase all natural gas produced by the farmee from such a property and will assign to the Company or affiliate designated by the Company for the benefit of the Company any such right to first purchase so obtained.

IV-8. Celsius Energy Company. For purposes of this Article IV, references to Wexpro will be construed as referring either to Wexpro or Celsius, as designated by the Company.

V. CERTAIN POST-1976 WEXPRO PROPERTIES

V-1. List of Properties. Schedule 5 sets forth certain properties acquired separately by Wexpro from sources other than the Company after December 31, 1976, which are subject to the provisions of this Article V. This includes approximately 128,000 acres acquired by Wexpro from third parties since the date of its organization in January 1977 until May 10, 1979. (Excluded from the provisions of this Article V are certain properties acquired by Wexpro prior to May 10, 1979, encompassing approximately 26,000 acres in Idaho, 3,000 additional acres earned by Wexpro under farmouts, and properties acquired prior to that date in Washington, Oregon, Nebraska, North Dakota and South Dakota.) Included on Schedule 5 are certain Wexpro leaseholds in the Bug Area in San Juan County, Utah, acquired after May 10, 1979.

V-2. Post-May 10, 1979, Wexpro Properties. All acreage and leasehold interests acquired after May 10, 1979, by Wexpro, except those certain properties listed in Schedule 5 will not be subject to any overriding royalty in favor of the Company, and the Company will have no right, title or interest therein, or in the oil, natural gas or natural gas liquids produced.

V-3. 2-1/2% Overriding Royalty in the Company. Wexpro hereby grants to the Company an overriding royalty of 2-1/2% of 8/8ths on all production from any property listed on Schedule 5, subject to the following provisions:

(a) In the event that on July 31, 1981, (i) the operating and working interest of Wexpro in the properties to be transferred and assigned is less than the full operating and working interest in the lease, or (ii) the lease covers less than the full oil and natural gas mineral estate under the lands covered by the lease, then the overriding royalty interest of the Company will be proportionately reduced and the 2 1/2% will therefore apply only to the interest of Wexpro on July 31, 1981.

(b) The overriding royalty applies to all oil, natural gas liquids, natural gas and other minerals extracted under the terms and conditions of Wexpro's leasehold or other interests in properties listed on Schedule 5.

(c) If any interest in the exploratory properties is sold by Wexpro after July 31, 1981, such a sale will be subject to the overriding royalty provided for in this section, and Wexpro will use its best efforts to retain for the Company a 30-day first right of purchase, such right to be the same as that provided for in section IV-6. The proceeds of any such sale will belong to Wexpro.

V-4. First Right of Purchase of Gas. In identical terms and intent as in Article IV, the Company will have a first right to purchase all natural gas produced from properties described on Schedule 5 on the same 30-day notice terms as in Article IV, which terms are hereby incorporated by this reference to the extent not contradictory. This provision does not apply to gas under contract or otherwise committed or dedicated on the effective date of this Agreement.

VI. PRE-1977 NON-UTILITY PROPERTIES

Properties that were acquired by the Company and recorded -directly in its non-utility accounts prior to January 1, 1977, are and will remain the separate property of Wexpro, and the Company will have no right, title or interest to them. These properties are set forth and described in Schedule 6.

VII. RELATIONSHIP TO PURCHASE AND SALE AGREEMENT

VII-1. Agreement of Purchase and Sale Superseded. The terms and conditions of the Agreement of Purchase and Sale of April 24, 1978, that confer current or future obligations and rights on Wexpro and the Company are superseded by this Agreement, and the Agreement of Purchase and Sale is terminated, effective on the effective date of this Agreement.

VII-2. Prior Transfer of Properties. Certain of the properties described in this Agreement were the subject of the conveyance from Mountain Fuel Supply Company to Wexpro under the Agreement of Purchase and Sale and have been held, operated and owned by Wexpro since the effective date of that Agreement. Except as provided in this Agreement to the contrary, such

properties will be and remain the sole and exclusive property of Wexpro.

VII-3. Prior Consideration. As partial consideration for the conveyance of properties from Mountain Fuel Supply Company to Wexpro Company under the Agreement of Purchase and Sale, Wexpro executed and delivered to the Company all of the then outstanding capital stock of Wexpro. Such delivery of common stock remains effective. No additional deliveries of Wexpro's common stock to the Company or return of its common stock to Wexpro is contemplated by this Agreement.

VIII. MISCELLANEOUS PROVISIONS

VIII-1. Successor and Assigns. This Agreement will be binding upon the parties and their successors and assigns. No assignment of any right or obligation under this Agreement will be valid if it operates to relieve the assignee of the obligations so assigned.

VIII-2. Integrated Provisions. The terms and conditions of this Agreement are to be treated as an integrated whole. To the extent that any singular provision is found to be unenforceable or voidable by a court or agency with proper jurisdiction, it is the intent of the parties that the remaining terms of this Agreement will not remain in force and be enforceable by the parties. Failure of any part of this Agreement will cause failure of the entire Agreement unless otherwise agreed to by the parties.

VIII-3. Limitations. The scope of this Agreement is limited to the matters directly addressed. It is not intended to cover any future activity, function, acquisition, transaction or other business endeavor initiated by, joined by or otherwise entered into by the Company, Wexpro, or any other subsidiary or affiliate of the Company unless specifically set forth in this Agreement.

VIII-4. Filing Reports. Wexpro and the Company will co operate in providing, in a timely manner when requested, information necessary for the preparation and filing of reports required by appropriate governmental bodies. However, nothing in this section will be construed to deprive either party of any right or election to decline to produce confidential materials or to attach conditions to any confidential disclosure.

VIII-5. Remedies. The parties may seek appropriate remedies at law and equity for breaches of the terms of this Agreement; except that, rescission will not be sought under any condition (except mutual assent), and no transfer, conveyance, grant or reservation executed under this Agreement may be rescinded.

VIII-6. Field and Lease Use. Wexpro may consume for field or lease use, without compensation or other obligation to the Company, reasonable quantities of any natural gas produced under Articles II, III, IV and V in connection with the production of hydrocarbons from the properties subject to the provisions of such Articles.

VIII-7. Force Majeure. If Wexpro or the Company is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than the obligation to make money payments, that party will give to the other party prompt written notice of the force majeure

with reasonably full particulars concerning it. Thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, will be suspended during, but no longer than, the continuance of the force majeure. The affected party will use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure will be remedied with all reasonable dispatch will not require the settlement of strikes, lockouts, or other labor difficulty by the party involved contrary to its wishes. Such difficulties will be handled entirely within prudent and reasonable judgment of the party concerned.

The term "force majeure" means an act of God, strike, lockout, or other industrial disturbance, act of public enemy, war, blockade, public riot, lightning, fire, storm, flood, mechanical breakdown, explosion, governmental restraint, or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

VIII-8. Auditing Costs. Any billing to the Company by Wexpro for services under this Agreement or other determination of expenses may include, as a business expense, the allocated costs of auditing of only the properties and transactions covered by this Agreement by independent certified public accountants and other auditors as such audits may be required under the terms of this Agreement or the Wyoming and Utah Stipulations.

VIII-9. Instruments of Conveyance. Each party will execute such instruments and documents as may be deemed necessary or proper for effecting the intent of this Agreement. All such documents will, in all their terms, be in harmony with the provisions and intent of this Agreement.

VIII-10. Farmouts. Nothing in this Agreement will be construed to preclude Wexpro from entering into farmout agreements with third parties with respect to the transferred leaseholds or other properties assigned, conveyed or transferred under this Agreement as provided in this Agreement.

VIII-11. Surface Use. To the extent that Wexpro or the Company owns or controls any rights to the use or enjoyment of the surface of any of the properties that are subject to this Agreement, the party owning or controlling such surface rights will, to the extent that it has the legal right to so do, grant coextensive surface rights to the other party; provided that each party will be fully responsible for its own activities and facilities upon such lands. Whenever such properties are jointly used by the parties, each party will so conduct its activities upon such lands as to interfere as little as practicable with the activities and operations of the other party.

VIII-12. Lease and Other Legal Obligations. Unless otherwise herein provided to the contrary, Wexpro agrees at its sole cost, risk and expense to perform and comply with any and all legally binding lease or other contractual obligations pertaining to the transferred leaseholds and other properties transferred to it under this Agreement and will comply with all laws, rules and regulations relating to the production of oil and natural gas from such properties and facilities. However, Wexpro will be at liberty to determine for itself the nature, extent and applicability of such obligations, whether contractual or otherwise.

VIII-13. **Standard of Operation.** Except as specifically provided herein, in all aspects of exploration for and development of oil and natural gas discoveries and production on transferred leaseholds and Account 101/105 leaseholds transferred under this Agreement, the parties will operate in accordance with prudent, standard and accepted field and reservoir management and engineering practices, and with due regard for the benefits provided the Company's utility operations.

VIII-14. **Exploration Data.** In connection with the properties subject to this Agreement, the Company will transfer to Wexpro all exploration-related geological, geophysical and land data and information that it held on July 31, 1981, and reduce its employment and overhead costs accordingly.

VIII-15. **Functional Accounting.** For purposes of carrying out the terms and conditions of this Agreement, Wexpro will maintain appropriate separate functional accounting of the transactions required under this Agreement.

VIII- 16. **Additional Payment.** As partial consideration for the aggregate rights, benefits and covenants conferred under this Agreement, Wexpro will pay the Company to be credited to its utility accounts the sum of \$250,000 per year for 12 consecutive years.

IX. EFFECTIVE DATE

The effective date of the terms and conditions of this Agreement is August 1, 1981.

X. ATTACHMENTS

X-1. **Exhibits.** Attached to and made a part of this Agreement by reference are the following exhibits:

Exhibit	Title
A	Cost of Service Formulation
B	Sample Calculation of Productive Oil Reservoir Accounting
C	Sample Overriding Royalty Calculation
D	Marginal Composite Tax Rate Calculation
E	Operator Service Fee

X.2. Schedules. Attached to and made a part of this Agreement by reference are the following schedules:

Schedule	Title
1	Base Rate of Return Index Companies
2(a)	Productive Oil Reservoirs
2(b)	Prior Wexpro Wells
3(a)	Productive Gas Reservoirs
3(b)	Prior Company Wells
4(a)	Account 101 Leaseholds
4(b)	Account 105 Leaseholds
5	Post-1976 Wexpro Properties in which the Company has a Royalty
6	Pre-1977 Non-Utility Properties