



Wexpro Company
180 East 100 South
P.O. Box 45601
Salt Lake City, UT 84145-0601
Tel 801 324 2600
Fax 801 324 2637

RECEIVED

June 26, 2002

JUL 10 2002
Public Service Commission
Wyoming

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

Re: Guideline Letter relating to ownership in the Mesaverde Formation within Jackknife Springs Unit

Dear Mr. Hanson:

Increased interest in coal bed methane (CBM) and increased CBM drilling activity has started to impact Wexpro with the proposed drilling of CBM wells in the area of Jackknife Springs, South Brady Shallow and Brady Units. A new federal unit, Copper Ridge CBM Unit, will be formed that will include the area of these prior units as well as additional acreage. The Copper Ridge Unit will be a CBM Unit for the Mesaverde Formation which encompasses a "productive gas reservoir" identified in the Wexpro Agreement and Stipulation, consequently this has brought to our attention a situation that needs to be addressed.

The Jackknife Springs Unit is a federal unit with a participating area for the entire Mesaverde Formation. There has never been a horizontal segregation of this formation in said participating area and unit. The Mesaverde Formation consists of a series of sands, siltstones, shales and intermingled coals. These coals in the Mesaverde Formation are the target of the proposed CBM program. In some instances the gas produced from sands in the Mesaverde Formation is probably sourced from the associated coals.

At the time of the Wexpro Agreement the "productive gas reservoir" for Jackknife Springs Unit was defined as the interval from 5,300' to 7,146' in the Jackknife Springs Unit #2 well. This defined interval is only a part of the lower portion of the Mesaverde Formation even though the participating area is for the entire Mesaverde Formation. This situation is similar to that found in the Island Unit where only a portion of the Wasatch Formation was defined as the productive gas reservoir compared to the federal unit participating area which included the entire Wasatch Formation and was addressed by a guideline letter in June 1998. A similar situation occurred at the Mesa/Pinedale area regarding the Lance Formation and was addressed with a guideline letter in May of 2000. It is felt that the situation regarding the Mesaverde Formation in the Jackknife Springs Unit is similar and needs a similar guideline letter.

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It is proposed that the entire Mesaverde Formation, as specified in the Jackknife Springs Unit Agreement, be designated as the "productive gas reservoir" for Jackknife Springs Unit rather than the limited interval noted in Schedule 3(a) of the Wexpro Agreement. This understanding will be the basis for the fixed percentage of ownership Wexpro will hold within the Jackknife Springs Unit portion of the new Copper Ridge CBM Unit.


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

Respectfully yours,



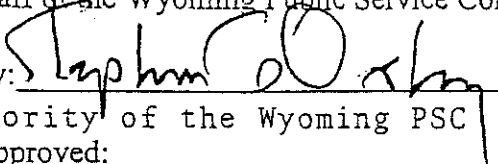
Gary L. Nordloh
President and CEO, Wexpro Company

Approved:
Utah Division of Public Utilities

By: 

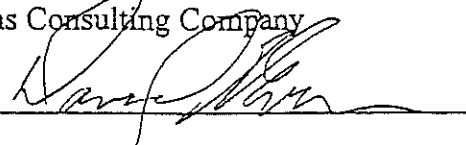
Date: 8 July 2002

Approved:
Staff of the Wyoming Public Service Commission

By: 
by authority of the Wyoming PSC

Date: July 19 2002

Approved:
David E. Evans
Evans Consulting Company

By: 

Date: June 26, 2002