



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

October 2, 2007

Mr. Marlin Barrow
Utah Division of Public Utilities
Heber M. Wells Building
160 East 300 South
P.O. Box 45802
Salt Lake City, Utah 84145

Re: Guideline Letter for Wexpro Monitor Fee Amount

Dear Mr. Barrow:

Pursuant to Paragraph 8.2 of the Wexpro Stipulation, over the past 25 years the Utah Division of Public Utilities ("Division") and the Staff of the Wyoming Public Service Commission ("Staff") have retained an independent certified public accountant firm and an independent hydrocarbon industry consulting firm to assist the Division and the Staff with monitoring Wexpro's performance under the Wexpro Agreement. The parties to the Wexpro Agreement have benefited from the consulting work of the professional monitors who bring special expertise and independent advice on highly technical oil and gas operations and accounting matters affecting the Wexpro Agreement.

Paragraph 8.2 of the Stipulation further provides for compensation under the Agreement to the professional monitors for their actual and reasonable fees and expenses "not to exceed \$60,000 annually." A major portion of the \$60,000 is considered a normal business expense of Wexpro for purposes of the "54-46 formula" (Stipulation ¶8.2 and Agreement ¶II-4(g)). Consequently, over the years 46% of a major portion of the professional monitoring fees have been allocated to and borne by Wexpro through this sharing formula.

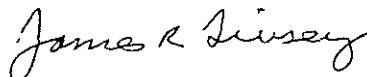
Paragraph 8.2 also contemplates that the Division and Staff will bear monitor fees for additional monitoring work which exceeds the \$60,000 set aside for routine monitoring. In the past the \$60,000 amount has been more than adequate to cover the usual and customary audit and reporting work of the monitors. However, over the past 26 years the monitor fees have continued to increase due to normal inflationary pressures to the point where the monitors cannot perform basic annual audit and reporting work for less than \$60,000. The \$60,000 amount set aside under the Agreement was not intended to impair the Division and Staff's ability to retain professional monitors qualified to audit and report on oil and gas operations nor shift the financial burden of such professionally monitoring to the budgets of the Division or Staff.

It is anticipated that the Wexpro Properties will have many years of future development and operation. As inflationary pressures continue to cause monitor fees to escalate, limiting monitor compensation under the Agreement to \$60,000 will jeopardize the Division and Staff's ability to retain qualified professional monitors and thereby impair an important feature of the Stipulation and Agreement. This guideline letter has been adopted because the Wexpro Stipulation and Agreement fails to address the impact of inflation on monitor fees that exceed \$60,000 to perform routine monitoring. This guideline letter recognizes the continuing need to retain and support the monitoring function and for Wexpro to contribute to such routine professional monitoring consistent with the 54-46 formula. Accordingly, the Division has requested and Wexpro agrees to contribute its own funds, and not as an expense under the Agreement, directly to the Division representing 46% of any amounts in excess of \$60,000 paid to the monitors for routine work to monitor the performance of the Wexpro Agreement. The Division and the Staff will bear 54% of such amounts in excess of \$60,000.

This guideline letter does not amend or modify the Wexpro Stipulation or Agreement and will be binding upon the parties who sign this letter unless and until it is revoked. Please indicate your approval of the proposed guideline in the signature lines following.

Respectfully yours,


WEXPRO COMPANY



James R. Livsey
Vice President

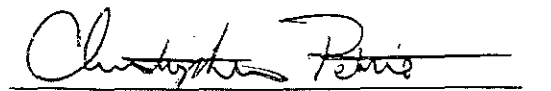
Approved:

Utah Division of Public Utilities


By: Constance white
Title: Director

Approved:

Staff of the Wyoming Public Service Commission


By: Christopher Petrie
Title: Secretary & Chief Counsel