



Questar Exploration and Production Company

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Denver Division

April 15, 2004

Ms. Prill Mecham
USDI Bureau of Land Management
Pinedale Field Office
P. O. Box 768
Pinedale, WY 82941

Re: Questar Proposal for Winter Drilling
The Mesa Area/Pinedale Anticline
Sublette County, WY



Dear Prill:

This letter represents Questar Exploration and Production Company's and Wexpro Company's (jointly referred to as "Questar") request for a decision from the Bureau of Land Management (BLM) allowing for limited access to drill on its Pinedale Anticline leases in Township 32-33 North, Range 109 West during winter months pursuant to the provisions of the July 2000 Record of Decision and EIS for the Pinedale Oil and Gas Exploration and Development Project (ROD) as described below.

Questar has operated on the Pinedale Anticline for over 40 years. In the four years since implementation of the Pinedale Anticline ROD, it is increasingly apparent that the Anticline holds significant energy reserves. As Questar has drilled and developed its acreage on the Anticline, it has become convinced that full field development of this valuable resource requires careful planning with an eye towards both technical logistics and protection of other resource values.

With that in mind, Questar has invested considerable time evaluating new technologies and opportunities in areas such as drilling, completions, production, location construction, wildlife, habitat management, and community socio-economics. Questar believes the following proposal will allow full development of this important energy resource, and at the same time provide substantial benefits over the existing safeguards put in place by the ROD for the protection of other resources.

With the opportunity for limited year-round drilling on its operated acreage for the duration of the development phase, Questar can offer the BLM, the Wyoming Game & Fish Department (WGFD) and the local communities the following benefits associated with more extensive pad drilling and the construction of liquids pipelines to transport water and condensate off the Mesa:

1. Minimized ultimate surface disturbance
2. Minimized amount of traffic associated with oil and gas activities, both in town and on the Mesa
3. Minimized amount of production equipment
4. Minimized air emissions
5. Minimized disruptive impact on local communities created by the influx of workers in the spring and an abrupt exodus of business in the winter
6. Minimized habitat loss through consolidation of well pads, roads and pipelines
7. Questar's commitment to enhancement of wildlife habitat through on-site or off-site mitigation
8. An opportunity to continue, and perhaps broaden, an existing study of any effects of development and winter activity on the Sublette Mule Deer herd

Following is a summary Questar's proposal for winter activity and a detailed discussion of each component and the benefits it feels are obtainable.

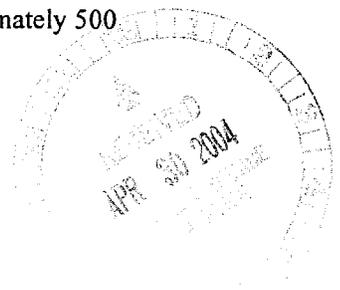
- **THREE WINTER DRILLING PADS ON QUESTAR-OPERATED ACREAGE FOR DURATION OF QUESTAR DEVELOPMENT (ESTIMATED TO BE 10 YEARS)**
- **WINTER PAD LOCATIONS TO BE SELECTED IN CONSULTATION WITH BLM AND WGFD**
- **TWO DRILLING RIGS ON EACH WINTER DRILLING PAD**
- **CONTINUATION OF THE SUBLETTE MULE DEER STUDY PHASE II**
- **CONSTRUCTION OF PIPELINES TO MOVE CONDENSATE AND WATER FROM THE MESA**
- **HABITAT MITIGATION AND/OR IMPROVEMENT ON THE MESA**

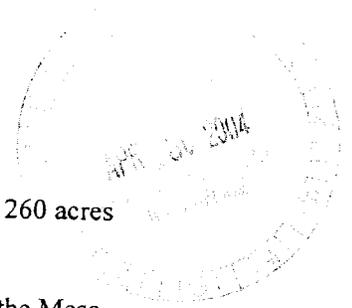
DISCUSSION

Multiple-Well Pads

Questar has designed a well pad configuration that will allow for the drilling of as many as 16 wells. By putting multiple wells on one pad and drilling all wells consecutively, Questar can reduce the surface impact by nearly 67% over the current development scenario of well pads limited to only 1-3 wells. This pad concept is made possible through drilling directionally to bottomhole locations that reach as far as 2100' from the surface location. The advantages are:

- Reduction in the number of total well pads needed to fully develop Questar's acreage to approximately 61 well pads (9 more than Questar's current 52 pads) and only 9% of the total pads authorized by the Pinedale Anticline Project Area ROD.
 - This also means a more than 50% reduction in the anticipated number of well pads on Questar's acreage compared to drilling only on a seasonal basis.
- Reduction in the amount of long-term production equipment needed on locations created through the ability to use common production equipment.
- Reduction in roads and gathering lines needed to fully develop Questar's acreage to less than 35 miles or 12% of the total authorized by the ROD.
 - The 35 miles of roads includes approximately 10 miles of major arterial roadway also used by other operators to access their operations.
- Reduction in total disturbed acreage.
 - A single well pad disturbs about 4.3 acres per well while 16 wells located on a 15-acre pad disturbs less than one acre per well. This means that the total initial surface disturbance in crucial winter range will be limited to approximately 500





acres during the drilling phase, which will be further reduced to about 260 acres after reclamation of areas not needed for production operations

- Flexibility in well pad location.
 - This proposal will allow Questar to limit its presence in areas such as the Mesa breaks, sensitive viewshed, livestock trailing areas, Native American concern areas, prime sage grouse habitat, etc.
- Reduction in the volume of field operator traffic achieved with fewer locations to visit. This also alleviates dust and road wear.

Two Rigs on each Pad

Putting two rigs on each pad allows Questar to concentrate activity in one area. This should be a benefit to wildlife. This is a major component of reducing the overall surface impact and the ultimate duration of development. The advantages of two rigs on each pad are:

- Dramatic reduction in fragmentation of wildlife habitat through fewer pads and roads.
- Field development can occur sooner and at a less intensive activity level. Noise, lighting and traffic are restricted to fewer pads.
- Reduction in heavy truck traffic across the Mesa by concentrating drilling activity.
- Benefits in both safety and efficiency are achieved by focusing twice the manpower and expertise in one location.
- Avoids having 15 rig crews drive individually to 14-15 separate locations during seasonal drilling by busing rig crews to fewer locations.
- Maintain better control over trash and debris.

Continuous Year-Round Drilling

The ability to continue drilling year-round provides many technical, economical, community and ecological benefits. Questar has demonstrated during the past two winters that, if allowed to continuously drill in one location for long periods of time, it can drill multiple wells as little as 16.5' apart on the surface. This offers the following advantages:

- Wells closely spaced on the surface allow well pads to be smaller.
 - Without year-round drilling, Questar is forced to drill only 2 wells before it must move the rig off location in order to complete the wells. With year-round drilling, Questar can drill 4-5 wells and then move just 200' on the same pad and drill another 4-5 wells.
- Questar can fund development of specialized rigs and equipment that are more efficient and can further reduce environmental impacts.
 - Rigs can be designed to move more easily which will minimize the amount of equipment that must be brought in to move the rig. Rigs and equipment can be designed that operate efficiently in more compact areas. Questar cannot assume

- the risk of funding this new technology only to lose the rigs and equipment to other operators at the end of seasonal work.
- o Develop customized rigs to be quieter with better light control.
- In the event 20-acre well density proves justified, development of both 40-acre and 20-acre locations can occur at the same time and from the same pads.
 - o Planning for this now and being able to proceed with development systematically will avoid subsurface wellbore crossing and depletion issues created by slow and random field development associated with seasonal drilling.
- Reduction in total drilling days through quicker rig moves and improved efficiencies developed through continuous drilling and greater opportunity for crew training.
- Shortens time needed to fully develop the resource by nearly a decade.
- Preservation of a stable and experienced work force, rather than the transient work force necessitated by seasonal work.
- Encourages a stable citizen population and lessens the boom-bust effect on local economies.

Flareless Completions

Last summer, Questar began testing flareless technology and by the middle of the season was completing all wells without flaring. Although the specialized equipment and the additional manpower needed to manage these completions is costly, Questar feels it has developed a procedure that is safe, efficient and can be cost-effective through properly scheduled completion work. The ability to use this technology decreases dramatically and can disappear if Questar is forced to complete as many as 30 wells in the last 30 days of every summer season under the current seasonal model.

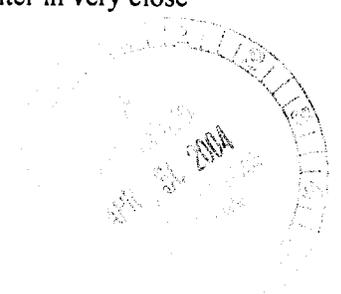
Questar will continue to seek lighting methods and orientation to maintain safe drilling and completion operations while reducing the visibility to the community. With expanded winter drilling and paced completions throughout the year, the following benefits are realized:

- Development of specialized equipment allowing gas to be sent directly to market
- Elimination of flaring with its associated noise, visual and air quality impacts

Sublette County Mule Deer Study Phase II

The Sublette County Mule Deer Study Phase I was completed in March 2001. The goal of Phase I was to gather information needed by agencies to improve management of the Sublette deer herd, including the identification of important seasonal ranges, determination of migration routes and estimation of survival rates (Sawyer and Lindzey 2001). This data provided baseline information on the mule deer population. Data collected during this phase showed that deer did not avoid winter drilling activity on state lands (less than 3 miles south of the current Phase II study area).

Phase II of the Mule Deer Study is in its second year. Data collected during the first year of Phase II likewise appears to indicate that deer do not avoid areas greater than .25 mile from drilling activity. In fact, GPS locations from one of the collared deer shows that particular deer spent the winter in very close



proximity to our 2003-2004 winter drilling rig. The Phase II study design, monitoring, data collection and reporting are being done by Hall Sawyer, Dale Strickland and Lyman McDonald of Western EcoSystem Technology, Inc. (WEST, Inc.). Their report is provided annually to the Bureau of Land Management, the WGFD and the University of Wyoming Cooperative Fish and Wildlife Research Unit for use in managing the Sublette deer herd.

WGFD has suggested that Questar's proposal can provide an excellent opportunity to enhance the study by expanding the scope and length to at least ten years. Such a study would provide high-quality data from pre-development, development and post-development phases. Questar supports WGFD investigation of an expanded study to gain additional data, allowing scientists and wildlife managers to draw meaningful conclusions as to the impacts of winter drilling activity on deer.

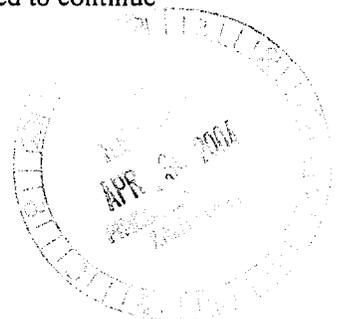
Opportunities for development of habitat management and enhancement plans

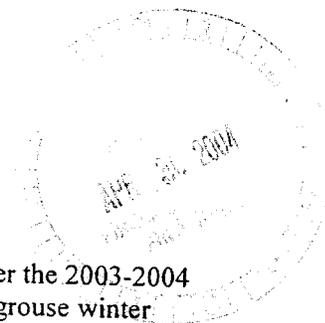
In conjunction with its development, Questar will work with habitat management specialists to implement a sagebrush growth management plan that will provide good, quality sagebrush for the deer and other wildlife in order to mitigate Questar's 500-acre (before reclamation) footprint. The management plan will be implemented either on Questar's area of activity or on adjacent Questar acreage on the Mesa with no planned development activity. Questar has reached verbal agreement in principle with the BLM and WGFD to fund range improvements, water developments, and/or other mitigation. BLM and WGFD will decide the specific details regarding the type and extent of mitigation.

In addition, after all wells on a pad have been drilled and are producing, Questar will reclaim unneeded portions of the pad using techniques and methods directed by BLM and WGFD habitat management specialists. This will further decrease our footprint to approximately 260 total acres.

The Pinedale Anticline ROD identifies sage grouse protections which in the spring overlap the mule deer crucial winter range protections. Current ROD protections include sage grouse lek and nesting field evaluations in potential habitat to determine whether birds are nesting. During the course of its development, Questar's proposed operations may sometimes occur in areas which are potential sage grouse lek and nesting habitat. For the startup of operations on any pad, Questar will continue to work within the existing sage grouse protections. If Questar's year-round drilling operations are underway in those areas, field surveys will continue to be conducted in the spring in accordance with the requirements of the ROD. Questar believes that data gathered concerning any lek and nesting activity that occurs while drilling operations are ongoing will benefit the current University of Wyoming research on sage grouse.

In the event new nesting is found in the vicinity of our ongoing drilling operations, Questar proposes that drilling and completion activities continue with periodic field evaluations to monitor the effect on nesting, but without BLM imposition of restrictions, interruptions, or delays on drilling. Questar will observe the "no traffic" restriction between the hours of midnight and 9:00 a.m. during strutting and nesting in the vicinity of Questar's activity. Should no nesting be found, operations would be allowed to continue uninterrupted.





In addition, some areas of the Mesa are sage grouse winter concentration habitat. Under the 2003-2004 winter drilling exception, Questar has arranged for periodic surveys to determine sage grouse winter concentration in the area of our drilling. Those surveys can be continued each winter in areas of activity that BLM determines is sage grouse winter concentration habitat. The data collected will be available and helpful in the University of Wyoming's research as an indication of whether ongoing activity affects sage grouse willingness to occupy an area.

Questar believes its proposal provides a greater benefit to the sage grouse population than the ROD protection of a delay in activity. The proposal offers a minimized amount of habitat disturbance and fragmentation compared to what would occur under the ROD, which envisioned 4 to 16 well pads per square mile.

Construction of pipelines to move condensate and water from the Mesa

In conjunction with approval of this proposal, Questar proposes to construct condensate and water pipelines that will move these products off the Mesa. Benefits of such a project are:

- Elimination of the use of production tanks, tank heaters and flare stacks
- Elimination of more than 25,500 semi-truck trips per year at peak condensate and water production
- Profoundly beneficial effect on field roads, county roads and wildlife
- Lowers the NOx emissions from production equipment by more than 40% per well

Socio-Economic benefits to local communities

In addition to the above, there are several socio-economic benefits that are achieved with year-round drilling. These benefits become possible with systematic, concentrated and continuous activity. They are:

- Increase in sales tax revenue
- Promotes more stable business economy in local communities
- Promotes a greater sense of security for the communities
- Encourages workers and their families to move into and become part of the local communities, which has cultural advantages and creates opportunities for volunteer support
- Stabilizes the schools student population throughout the year
- Minimizes or reduces development-related, seasonal traffic

CONCLUSION

The cost to Questar of providing these benefits over the development period of our acreage will amount to as much as \$210,000,000. This cost will be only partly offset by Questar's ability to get the product to market sooner. Additional savings can also be realized through less location construction, less production

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equipment, shorter rig moves, purchasing equipment and supplies in bulk, etc. These cost offsets are not available if drilling remains seasonal.

Questar believes this proposal makes possible the most efficient development of this important energy resource, while providing substantial benefits which exceed the existing safeguards put in place by the ROD for the protection of other resource values.

This proposal is designed specifically for Questar's project on the Pinedale Anticline. The design and associated benefits cannot necessarily be projected to any other Questar projects, to any other operators, or to any other area.

Questar appreciates the opportunity to present this proposal to you. If you have any questions or would like additional information, please do not hesitate to contact me at 303-672-6922.

Sincerely,

Ronald E. Hogan by JPM atney
Ronald E. Hogan
General Manager
Pinedale Division

cc: The Honorable Governor Dave Freudenthal
Mr. Chris Boswell
Mr. Shawn Taylor
Mr. Don Simpson
Mr. Alan Rabinoff
Mr. Alan Kesterke
Mr. Terry Cleveland
Mr. Vern Stelter
Mr. Bernie Holz
Mr. Scott Smith
Mr. Roger Bankert
Mr. Bill Lanning
Ms. Carol Kruse

