

**IGNACIO PLANT AND SAN JUAN CONVENTIONAL TRANSPORTATION SYSTEM
COST ALLOCATION**

Please see attached example for an explanation of the below percentages

SYSTEM-TO-PLANT ALLOCATION

YEAR	2011	2012	2013	2014	2015	2016	2017
Allowed Costs	79%	79%	79%	79%	79%	79%	79%
Disallowed Costs	21%	21%	21%	21%	21%	21%	21%
	100%	100%	100%	100%	100%	100%	100%

The following percentages apply after allocating the fee between the transportation system and the gas processing plant

**SAN JUAN CONVENTIONAL TRANSPORTATION SYSTEM
COST ALLOCATION**

YEAR	2011	2012	2013	2014	2015	2016	2017
Allowed Costs	62%	62%	62%	62%	62%	62%	62%
Disallowed Costs	38%	38%	38%	38%	38%	38%	38%
	100%	100%	100%	100%	100%	100%	100%
Fuel Allowed	0%	0%	0%	0%	0%	0%	0%
Fuel Disallowed	100%	100%	100%	100%	100%	100%	100%
	100%	100%	100%	100%	100%	100%	100%

IGNACIO PLANT COST ALLOCATION

YEAR	2011	2012	2013	2014	2015	2016	2017
Allowed Costs	38%	38%	38%	48%	48%	48%	48%
Disallowed Costs	62%	62%	62%	52%	52%	52%	52%
	100%	100%	100%	100%	100%	100%	100%
Fuel Allowed	14%	14%	14%	43%	43%	43%	43%
Fuel Disallowed	86%	86%	86%	57%	57%	57%	57%
	100%	100%	100%	100%	100%	100%	100%

ONRR calculated these UCAs using the most current information available (see "Disclaimer for ONRR Unbundling Website")

**Ignacio Plant and San Juan Conventional Transportation System
SIMPLIFIED EXAMPLE FOR 2017 UCA**

This example does not represent all contractual situations or include all transportation and processing fees that may be charged.

Royalty Rate:	12.50%	Wellhead Volume:	1,000 MMBtu
Bundled Rate:	\$0.50 Per MMBtu	Residue Volume:	700 MMBtu
Residue Gas Price:	\$4.00 Per MMBtu	Plant Shrink Volume:	200 MMBtu
NGL Price:	\$1.00 Per Gallon	Field Fuel:	75 MMBtu
NGL Volume:	2,000 Gross Gallons	Plant Fuel:	25 MMBtu
			1,000 Ties to Wellhead MMBtu
			925 Calculated Inlet MMBtu

VOLUME AND VALUE REPORTING

Residue Volume (PC 03)	Residue MMBtu	Total Plant Fuel MMBtu	Unbundling Plant Fuel Allocation	Disallowed/Allowed Plant Fuel MMBtu (B * C)	Total Residue MMBtu (A + E)
	A	B	C	D	F
	700	25	57% Non-Allowed	14	714
		25	43% Allowed	11	
			100.00%	25	

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
714	\$4.00	\$2,856.00

Gallons	NGL Price	Sales Value (A * B)
A	B	C
2,000	\$1.00	\$2,000.00

The calculation excludes the plant fuel allowed royalty free per 30 CFR 1202.151(b). Therefore, you may not take plant fuel as a processing allowance.

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
75	\$4.00	\$300.00

ALLOWANCE REPORTING

Transportation Allowance	MMBtu	Rate/Price	Plant to System Allocation	System Allowance Rate (B*C)	Total Transportation Cost (A*D)	Allowed Unbundling Cost Allocation	Allowed Transportation Cost (E*F)	Royalty Rate	Total Transportation Allowance (G*H)
	A	B	C	D	E	F	G	H	I
*Transportation Rate Cost	925	\$0.50	79%	\$0.40	(\$365.38)	62%	(\$226.54)		
Field Fuel Value	75	\$4.00			(\$300.00)	0%	\$0.00		
					(\$665.38)		(\$226.54)	12.50%	(\$28.32)
									(\$28.32)

* Review your contract to determine if processing cost is based on inlet or wellhead volume and revise calculation accordingly. For this example, the processing cost is based on inlet volume.

Transportation Allocated to each Product based on MMBtu	Product Code	MMBtu	Allocation based on MMBtu (B/B Total)	Allowed Transportation Cost	Royalty Rate	Total Transportation Allowance (D*E)	Transportation Allowance Allocated Among Products (C*F)
	A	B	C	D	E	F	G
	3	714	72%				(\$20.39)
	7	200	20%				(\$5.66)
	15	75	8%				(\$2.27)
		989	100%	(\$226.54)	12.50%	(\$28.32)	(\$28.32)

Processing Allowance (PC07)	MMBtu	Rate	Plant to System Allocation	Plant Allowance Rate (B*C)	Total Processing Cost (A*D)	Allowed Unbundling Cost Allocation	Allowed Processing Cost (E*F)	Royalty Rate	Total Processing Allowance (G*H)
	A	B	C	D	E	F	G	H	I
*Processing Rate Cost	925	\$0.50	21%	(\$0.11)	(\$97.13)	48%	(\$46.62)	12.50%	(\$5.83)

* Review your contract to determine if processing cost is based on inlet or wellhead volume and revise calculation accordingly.
 For this example, the processing cost is based on the inlet volume.

The New Mexico Gas Processing Tax, if charged to producer, is 100% allowed as a processing cost and must be multiplied by the royalty rate in order to include it in the processing allowance.

ROYALTY REPORTING

Product Code/ Product	NGL Sales Volume (Gal)	Gas Sales Volume (MMBtu)	Sales Value	Royalty Value Prior to Allowances (D * 12.5%)	Transportation Allowance	Processing Allowance	Royalty Value Less Allowances (E + F + G)
A	B	C	D	E	F	G	H
03 Residue Gas		714	\$2,856.00	\$357.00	(\$20.39)		\$336.61
07 Natural Gas Liquids	2,000		\$2,000.00	\$250.00	(\$5.66)	(\$5.83)	\$238.51
15 Field Fuel		75	\$300.00	\$37.50	(\$2.27)		\$35.23
						Royalty Due ONRR	<u><u>\$610.35</u></u>

For Percentage-of-Proceeds or Keepwhole agreements, you must apply the UCAs to determine the allowed fuel, transportation, and processing allowances.

Note to Reporters:

If you need assistance with royalty reporting, contact your representative with ONRR Financial Management.

The listing of Financial Management contacts is located at: <http://www.onrr.gov/ReportPay/PDFDocs/rovassign.pdf>