Gas Transportation Allowance Report
Form ONRR-4295

<table>
<thead>
<tr>
<th>Lease Number</th>
<th>Agreement Number</th>
<th>Product Code</th>
<th>Non-Arm's-Length Indicator</th>
<th>Royalty Quantity</th>
<th>Allowance Rate Per Unit</th>
<th>Royalty Allowance Amount</th>
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**Actual Data**

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Page Total

Report Total (Last Page Only)

If more lines are needed, attach additional pages of form ONRR-4295

I have read and examined the statements in this report and, to the best of my knowledge, they are accurate and complete.

Name (First, Middle Initial, Last) (typed or printed):

Date:

Authorized Signature:

Date:

Name of Preparer:

Telephone Number:

This information should be considered (Please check one):

- Proprietary
- Nonproprietary

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Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to ensure that Indian mineral lessors receive the maximum revenues from mineral resources on their land consistent with the Secretary’s trust responsibility. ONRR uses the information to aid in its compliance efforts. Responses are required to obtain a benefit (30 CFR 1206.172). Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public. Annual public reporting burden of this form is estimated to average 10 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Officer of Natural Resources Revenue, Attention: Rules &Regs Team, P.O. Box 25165, MS 5070A, Denver, CO 80225-0165.
You will find an electronic copy of form ONRR-4110 on the Office of Natural Resources Revenue (ONRR) website at https://www.onrr.gov/ReportPay/royalty-reporting.htm#forms, to print, complete and submit to ONRR as follows:

Office of Natural Resources Revenue  
Document Processing  
Denver Federal Center, Building 85  
6th Ave. and Kipling St.  
P.O. Box 25165  
Denver, Colorado 80225-0165

This form is used to determine and report the costs of transporting non-arm’s length or no contract gas and gas plant products under 30 CFR 1206.178 (b). Allowable transportation costs are: Operating and maintenance expenses, overhead, and either depreciation and a return on undepreciated capital investment or a cost equal to the initial capital investment in the transportation system multiplied by Standard and Poor’s BBB rating. Allowable costs divided by lease production is the transportation allowance rate.

In accordance with 30 CFR 1206.177, a payor may deduct from royalty payments the reasonable, actual costs incurred by the lessee to transport unprocessed gas, residue gas, or gas plant products to a point off the lease. You may not deduct any allowance for gathering costs.

Requirements: For transportation costs incurred under arm’s-length conditions, you are required to submit to ONRR a copy of your arm’s length transportation contract(s) and all subsequent amendments to the contract(s) within 2 months of the date ONRR receives your report which claims the allowance on the form ONRR-2014. For transportation costs incurred under other than arm’s-length conditions you must submit this form ONRR-4295 within 3 months after the end of the 12-month period to which the allowance applies, unless ONRR approves a longer period.

Definitions: For purposes of this report:

Sale: means the disposition of gas or gas plant products under arm’s-length contract, non-arm’s-length contract, or no contract situation.

Transportation facility: means a physical system associated with the transportation of gas or gas plant products from the lease to a point of disposition remote from the lease.

Transportation segment: is any mode of transportation from one point to another for which the payor can associate unique, identifiable costs. A transportation segment may be part of the total transportation facility or may constitute the entire facility. Examples of a transportation segment would be an origin-to-destination pipeline owned by the lessee to transport the gas and/or gas plant products to a point on a third-party pipeline through which the gas and/or gas plant products are transported under an arm’s-length contract to the sales point.
Gas Transportation Allowance Report
Form ONRR-4295
General Instructions

Forms:

Form ONRR-4295, is used to report the actual allowance amounts claimed during the reporting period.

From ONRR-4295 Schedule 1, is used to accumulate segment costs and to compute the allowance rate for a transportation facility. A separate Schedule 1 must be completed for each Lease Number/Agreement Number (if applicable), combination.

Form ONRR-4295 Schedule 1A, summarizes operating, maintenance, and overhead costs for a transportation segment.

Form ONRR-4295 Supplemental Schedule 1A, is used to detail operating, maintenance, and overhead costs that could not be shown on Schedule 1A because of its limited space.

Form ONRR-4295 Schedule 1B, summarizes depreciation and undepreciated capital investment costs for a non-arm’s-length or no contract transportation segment.

Form ONRR-4295 Schedule 1C, is used to determine an allowance for non-arm’s-length or no contract transportation of natural gas liquids (NGLs) or sulfur from a lease to a gas processing facility.
1. Enter the payor name and address used to report royalties and transportation deductions on Report of Sales and Royalty Remittance (form ONRR-2014).

2. Enter the same payor codes as used on form ONRR-2014.

3. Enter the report type indicator as follows:
   •“1” If this is an initial report for the lease and/or agreement number (only column 12 will be completed.)
   •“2” If this is a follow up form to report the reporting period actual data and current period estimated data (both columns 11 and 12 must be completed); or
   •“3” If this is a corrected report to correct previously reported data. A corrected report requires a two-line entry. The first line reverses the original entry using a minus sign (-) in columns 11a, 11b, 11c, 12a, 12b, and 12c, as applicable, and the second line shows the correct entry.

4. Reserved for payor comment.

5. Enter as the reporting period the period covered by the actual cost data for the transportation allowance being reported in column 11.

6. Line count; that is the number of leases being reported.

7. Enter the same Lease Number as used on form ONRR-2014.

8. Enter the same Agreement Number (if applicable) as reported on form ONRR-2014.

9. Enter the same product code as used on form ONRR-2014.

10. Enter a non-arm’s-length indicator as “NARM”.

11. Column 11 is used to report actual transportation allowance for the reporting period. Enter in column:
   •11a The actual royalty quantity transported during the reporting period.
   •11b The lesser of the transportation allowance rate from Schedule 1, line 15, or 50 percent of the unit value of the gas or gas plant products.
   •11c The royalty allowance amount determined by multiplying column 11a by column 11b. (Royalty quantity is the total of the monthly royalty quantities actually transported during the reporting period.).

12. Enter page totals on line 12.

13. If more than one form ONRR-4295 is submitted, add the amount on line 12 for each page and enter the total only once on line 13 of the last page of the Oil Transportation Allowance Report.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.
# Oil Transportation Facility Summary Sheet

**Form ONRR-4295, Schedule 1**

<table>
<thead>
<tr>
<th>Payor Name and Code</th>
<th>Lease Number</th>
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<tbody>
<tr>
<td>Address</td>
<td>Agreement Number</td>
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<td>City</td>
<td>Product Code</td>
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<td>Facility Name/ID Number</td>
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<th>Period (mm/dd/ccyy)</th>
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**CHOOSE EITHER METHOD A OR METHOD B**

<table>
<thead>
<tr>
<th>Mode of Transportation</th>
<th>Operating Costs</th>
<th>Rate of Return</th>
<th>Depreciation</th>
<th>Undepreciated Capital Investment at Beginning of Year</th>
<th>Return on Investment</th>
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</thead>
<tbody>
<tr>
<td>Method A</td>
<td></td>
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<td>(d) x (f)</td>
<td>(d) x (f)</td>
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<tr>
<td>Method B</td>
<td></td>
<td></td>
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<td>Initial Capital Investment</td>
<td>Initial Capital Investment</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment Name or Number From To</th>
<th>Depreciation and Undepreciated Capital Investment in Transportation System</th>
<th>Initial Capital Investment in Transportation System</th>
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</thead>
<tbody>
<tr>
<td>(a)</td>
<td>(b) (c) (d)</td>
<td>(e) (f) (g)</td>
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</table>

**Part A Total Quantity Gas Rate / MCF**

**Part A Total Costs**

Allowance rate for Method A = (lines 8c + 8e + 8g) / Volume of Production transported from lease.

**Part A Total Quantity Gas Rate / MCF**

**Method A**

<table>
<thead>
<tr>
<th>Allowance rate for Method A = (lines 8c + 8e + 8g) / Volume of Production transported from lease.</th>
<th>Part A Total Costs</th>
<th>Part A Total Quantity</th>
</tr>
</thead>
</table>

**Method B**

<table>
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<tr>
<th>Allowance rate for Method B = (lines 8c + 8i) / Volume of Production transported from lease.</th>
<th>Part B Total Costs</th>
<th>Part B Total Quantity</th>
<th>Product Rate</th>
</tr>
</thead>
</table>

**Part B Total Costs**

Allowance rate for Method A = (lines 15c + 15e + 15g) / Quantity of Production transported from the lease.

**Part B Total Quantity Gas Rate / MCF**

**Total Unit Allowance Rate** = the sum of lines 9h and 15h. The allowance cannot exceed 50 percent of the value of the product without prior ONRR approval.

**THIS INFORMATION SHOULD BE CONSIDERED (please check one)**

- **PROPRIETARY**
- **NONPROPRIETARY**
Gas Transportation Facility Summary Sheet  
Form ONRR-4295, Schedule 1 Instructions

A separate form ONRR-4295, Schedule 1 must be used to determine the transportation allowance amount for each Lease Number and Agreement Number (if applicable), combination. No allowance may be claimed if the facility is entirely on the lease.

Part A is used to accumulate segment costs and to compute an allowance for transporting gas or gas plant products from the lease to a processing facility off the lease. The payor, using Part A, will compute a gas transportation rate (line 9h). If entrained liquids or sulfur are present in the gas stream, the payor must complete Schedule 1C to compute a transportation rate for NGLs and sulfur (in the gaseous form). The payor may then complete Part A, Schedule 1, by completing lines 10(g) and 10(h), Schedule 1, for the sulfur and NGL rates, respectively. The gas, sulfur, and NGL Rate (lines 9h, 10g, and 10h) will be used in completing Part B, Schedule 1, for each product.

Part B is used to accumulate segment costs and compute an allowance for transporting gas or gas products from a processing facility to the remote sales point. When gas is transported to a processing facility, processed, and gas or gas products are transported from the facility to a remote sales point, both Parts A and B must be used in computing the allowance.

1) Enter the same payor name, payor code, and address as used on Page 1 of form ONRR-4295.

2) Enter the same Lease Number and Agreement Number (if applicable), combination as used on form ONRR-2014. Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility. Enter the Product Code (see Reporter Handbook) of the product for which an allowance is being claimed. (Note: For a transportation facility consisting of only one segment, the segment name or number will be the same as the facility name or number.)

3) Enter the reporting period. The period must be the same period shown in item 5 on form ONRR-4295, Oil Transportation Allowance Report.

The following instructions are applicable to Part A (lines 3-7) and Part B (lines 11-13):

a) Describe each segment of the transportation facility; for example, form Lease No. XX-YYYYY-Z to St. John processing facility.

b) Identify the mode of transportation under which costs are incurred; for example, pipeline, truck, rail, tanker, barge, etc.

c) Using Schedule 1A, determine the operations, maintenance, and overhead expenditures and enter in column (c). A separate Schedule 1A must be completed for each individual segment.

d) The rate of return shall be the industrial rate associated with Standard and Poor’s BBB rating. Enter the monthly average rate as published in Standard and Poor’s Bond Guide for the first month of the reporting period.

CHOOSE EITHER METHOD A (depreciation and undepreciated capital investment in the transportation system) OR METHOD B (initial investment in the transportation system)

METHOD A:

e) Enter depreciation costs for the reporting period. Schedule 1B must be used to determine depreciation costs.
Gas Transportation Facility Summary Sheet Form
ONRR-4295, Schedule 1 Instructions (cont’d)

f) Enter the beginning-of-year undepreciated capital investment. Schedule 1B must be used to determine beginning-of-year undepreciated capital investment. A separate Schedule 1B must be completed for each individual segment.

g) Calculate the return on undepreciated capital investment by multiplying column (d) by column (f).

METHOD B:

h) Enter the initial investment in the capital investment.

i) Calculate the return on the initial capital investment by multiplying column (d) by column (h).

8) If using Method A: total columns (c), (e), and (g) and enter the respective totals on lines 8c, 8e, and 8g.
If using Method B: total columns (c) and (i) and enter the respective totals on lines 8c and 8i.

9) For Part A:
If using Method A, sum lines 8c, 8e, and 8g and enter the respective totals on line 9–Total Costs.
If using Method B, sum lines 8c and 8i and enter the respective totals on line 9–Total Costs.

Enter total quantity of production transported from the lease, as measured at the approved royalty measurement point, to the facility on line 9–Total Quantity. Compute the allowance rate, to six decimals, by dividing line 9–Total cost, by line 9–Total Quantity, and enter the result on line 9h.

When determining an allowance for sulfur or NGLs, Schedule 1C must be completed.

a) If the allowance is for transporting sulfur, enter the sulfur allowance rate from Schedule 1C, line 13f, on Schedule 1, line 10f.

b) If the allowance is for transporting NGL’s, enter the NGL allowance rate from Schedule 1C, line 12f, on Schedule 1, line 10h.

15) For Part B:
If using Method A: total columns (c), (e), and (g) and enter the respective totals on lines 15c, 15e, and 15g.
If using Method B: total columns (c) and (i) and enter the respective totals on lines 15c and 15i.

16) If using Method A, sum lines 15c, 15e, and 15g and enter the respective totals on line 16–Total Cost. If using Method B, sum lines 15c and 15i and enter the respective totals on line 16–Total Cost.

Enter the total product sales quantity transported from the lease, or processing facility on line 16–Total Quantity (Note: Total quantity is the sum of the sales quantities reported on form ONRR-2014 for the reporting period). Compute the allowance rate, to six decimals, by dividing line 16–Total Cost, by line 16–Total Quantity, and enter the result on line 16h–Product Rate.

17) The total unit allowance rate is equal to the sum of line 9h plus line 16h if the product is gas; line 10f plus line 16h if the product is sulfur, or line 10h plus line 16h if the product is NGLs. Enter the result on line 17. The allowance rate cannot exceed 50 percent of the value of the product without prior ONRR approval.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.
### Non-Arm's Length Transportation System/Segment Operations, Maintenance, and Overhead Expenditures Form ONRR-4295, Schedule 1A

**A. Lessee's Operating Costs for System/Segment**
- Operations Supervision and Engineering: $__________________________  
- Operations Labor: $__________________________  
- Utilities: $__________________________  
- Materials: $__________________________  
- Ad Valorem Property Taxes: $__________________________  
- Rent: $__________________________  
- Supplies: $__________________________  
- Other (specify). Attach Supplemental Schedule 1A as necessary: $__________________________  
- Total Operating Costs -- Subtotal: $__________________________  

**B. Lessee's Maintenance Costs**
- Maintenance Supervision: $__________________________  
- Maintenance Labor: $__________________________  
- Materials: $__________________________  
- Other (specify). Attach Supplemental Schedule 1A as necessary: $__________________________  
- Total Maintenance Costs -- Subtotal: $__________________________  

**C. Lessee's Overhead Allocation (specify)**
- $__________________________  
- Other (specify) use Supplemental Schedule 1A: $__________________________  
- Total Overhead Allocation: $__________________________  

**D. Total Operating and Maintenance Costs**
- $__________________________ (Line 10 + line 16 + line 20)  

**E. Allocated to Segment**
- Lease Volume: _________________  
- Total throughput: _________________  
- %: ______________________  

**F. Segment Allocated Operating, Maintenance, and Overhead Costs**
- $__________________________ (Line 21 x line 22) Enter in column d, Schedule 1  

---

**NOTICE:**
This information should be considered proprietary.

*Form ONRR-4295, Schedule 1A* (Rev. 2/2019)
Schedule 1A is used to record reasonable actual operating, maintenance, and overhead costs for a transportation segment for the prior reporting period. A separate Schedule 1A must be completed for each segment in the transportation facility. The costs for all transportation facility segments are accumulated on Schedule 1 to determine the total operating costs for the facility. A list of allowable and nonallowable costs is provided herein and should be used as a guide in determining operating, maintenance, and overhead costs.

**Complete the payor information block as follows.**

Enter the same payor name and code as used on form ONRR-4295, Gas Transportation Allowance Report.

Enter the same Lease Number and Agreement Number (if applicable), as reported on form ONRR-2014.

Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility.

Enter the transportation segment name or identification number (as designated by the payor) unique to the transportation segment. Note: For a transportation facility consisting of only one segment, the segment name or identification number will be the same as the facility name or identification number.

Enter the reporting period. The period must be the same period shown in item 5 on form ONRR-4295, Gas Transportation Allowance Report.

**Instructions for Computing Operating, Maintenance, and Overhead Costs.**

Identify and list on Part A and Part B all operating and maintenance costs directly attributable to the transportation facility/segment during the reporting period. If additional space is needed to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Line 10 – Enter total operating costs (the sum of lines 1–9).

Line 16 – Enter total maintenance costs (the sum of lines 11–15)

Part C – Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of the transportation facility/segment. If additional space is needed, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Line 20 – Sum lines 17 through 19 to obtain the total overhead expenditure directly allocable to the facility/segment.

Part D – Line 21 – Sum line 10, 16, and 20 to obtain the total operating costs.

Part E – Enter the lease volume transported through this segment and the total throughput of this segment. Divide the lease volume by the total throughput and enter the result in 6 decimal places on line 22.

Part F – Determine the allocated operating, maintenance, and overhead costs for the segment by multiplying line 21 times line 22 and enter the result on line 23. Also, enter the result in column (d) of Part A or B, Schedule 1, as appropriate.

Indicated by checking the appropriate box whether the information should be considered proprietary or nonproprietary.
ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE AND CAPITAL COSTS

Allowable Capital Costs – Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the transportation system. The following capital items are generally considered as allowable: garages and warehouses, rail haulage equipment including rail spurs, trucks, barges, pipeline, and roads.

Nonallowable Capital Costs – Costs incidental to marketing (for example, compressors, gathering, separation, dehydration, storage, and treatment). Also, schools, hospitals, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital costs associated with the preparation of an environmental impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of transportation facility are allowable.

Allowable Operating Costs – Allowable operating and maintenance costs are those nondepreciable costs that are directly attributable to the operation and maintenance of a transportation facility/segment. These expenditures include the following:

1. Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities.
2. Fuel and utility costs directly related to transporting lease products.
3. Chemicals (including rust preventives and thinning agents) and lubricants used for the purpose of enhancing flow, protection, or cleaning.
4. Repairs, labor, materials, and supplies directly related to transportation equipment and facilities.
5. Port and toll fees, insurance, and ad valorem property taxes (Federal and State income taxes are not allowable deductions).
6. Arm’s-length rental, leasing, or contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities.
7. Overhead costs (personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, office supplies, etc.). The total of these costs shall be limited to those reasonable expenditures directly attributable and allocable to the operating and maintenance of the transportation equipment and facilities.

Nonallowable Operating Costs –

1. Costs incidental to marketing; for example, gathering, long term storage (more than 30 days), compression to meet a standard high-pressure pipeline, separation, and dehydration; also, heaters, treaters, meters, water knockouts, ACT meters, meter sleds, and pumps (surface, subsurface, and circulating), and operating costs associated with nonallowable capital expenditures.
2. Theoretical line losses, based on volume or value, are not allowable transportation costs unless these costs are based on a FERC or State approved tariff.
3. Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes.
4. The value of fuel taken from the gas stream and used to run compressors and pumps.
Transportation System/Segment Operations,
Maintenance, and Overhead Expenditures
Form ONRR-4295, Schedule 1A Instructions (cont’d)

5. Costs for services that the lessee is obligated to perform at no cost to the lessor.

Supplemental Schedule 1A is used to identify and document operating, maintenance, and overhead expenditures listed under the “Other” expenditure categories on Schedule 1A.

Complete the payor identification block (see Schedule 1A instructions).

A separate Supplemental Schedule 1A must be prepared for other operating costs, other maintenance costs, and other overhead costs associated with the transportation facility/segment.

Describe and specify each expenditure item and amount. Receipts and invoices should be retained in the office of the payor subject to audit.

Sum the amounts of each expenditure and list on the total line.

Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, lines 9, 15, or 19 accordingly.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.
Non-Arm’s-Length Transportation System/Segment Operations, Maintenance, and Overhead Expenditures Form ONRR-4295, Supplemental Schedule 1A

Type of Expenditure - Describe

________________________________________________________________________

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Total $ ______________________

THIS INFORMATION SHOULD BE CONSIDERED (Please check one)

☐ PROPRIETARY ☐ NONPROPRIETARY

Form ONRR-4295 Supplemental Schedule 1A (Rev. 2/2019)
Supplemental Schedule 1A is used to identify and document operating, maintenance, and overhead expenditures listed under the “Other” expenditure categories on Schedule 1A.

Complete the payor identification block (see Schedule 1A instructions).

A separate Supplemental Schedule 1A must be prepared for other operating costs, other maintenance costs, and other overhead costs associated with the transportation facility/segment.

Describe and specify each expenditure item and amount. Receipts and invoices should be retained in the office of the payor subject to audit.

Sum the amounts of each expenditure and list the result on the total line.

Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, lines 9, 15, or 19 accordingly.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.
## Non-Arm's Length Transportation System/Segment Depreciation and Capital Expenditure Summary

**Form ONRR-4295, Schedule 1B**

<table>
<thead>
<tr>
<th>Expenditure Item</th>
<th>Initial Capital Investment and Date Placed in Service</th>
<th>Salvage Value</th>
<th>Depreciable Life / Expected Units of Life</th>
<th>Years of Depreciation / Units Taken to Date</th>
<th>Undepreciated Capital Investment at Beginning of Year</th>
<th>Depreciation</th>
<th>Undepreciated Capital Investment at End-of-Year</th>
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</tbody>
</table>

Totals

Allocated to Segment (from line 22, Schedule 1A)

Segment Depreciation and Capital Expenditure (Line 8 x Line 9) Enter in column f and e, Schedule 1

<table>
<thead>
<tr>
<th>Totals</th>
<th>$</th>
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<tbody>
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</table>

THIS INFORMATION SHOULD BE CONSIDERED (Please Check One)

__PROPRIETY__ __NONPROPRIETY__
Transportation System/Segment
Depreciation and Capital Expenditures Summary
Form ONRR-4295, Schedule 1B Instructions

Schedule 1B is used to summarize actual or estimated facility/segment depreciation and undepreciated capital investment for computing return on investment. A separate Schedule 1B must be completed for each segment in the transportation facility. The costs of all transportation facility segments are accumulated on Schedule 1 to determine the total depreciation and undepreciated capital investment for the facility.

Complete the payor identification block (see Schedule 1A instructions).

For each facility/segment capital expenditure item complete one line as follows:

1. Identify the capital expenditure item.
2. Enter the initial capital expenditure amount and the date the expenditure was placed in service.
3. Enter a reasonable salvage value.
4. Enter the depreciable life of the expenditure or the expected units of life.
5. Enter the number of years of depreciation or units of life taken to date.
6. Enter the undepreciated capital investment at beginning-of-year. In computing this value, salvage must be deducted from the initial capital investment.
7. Enter the amount of depreciation to be taken for the year. In computing depreciation, the payor may elect to use either a straight-line depreciation method or a unit of production method based on the life of the equipment or the life of the reserves which the transportation facility/segment services. Once an election is made, the payor may not alternate methods without ONRR approval. Equipment shall not be depreciated below a reasonable salvage value.
8. Enter the undepreciated capital investment at end-of-year. This is computed by subtracting depreciation (column 6) from the beginning-of-year undepreciated capital investment (column 5). This amount will be used as the next year’s beginning-of-year undepreciated capital investment.
9. Total columns 6 and 7 and enter the total on Schedule 1, columns f and e of Parts A and B as appropriate.
10. Enter the “Allocated to Segment” amount from line 22, Schedule 1A, on line 10, columns 6 and 7.
11. Multiply line 9 by line 10 for columns 6 and 7 and enter the result on line 11 and on Schedule 1, columns f and e of Parts A and B as appropriate.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.
Non-Arm's-Length Transportation Gas
Liquids and Sulfur from the Lease to the Gas
Processing Plant Form ONRR-4295, Schedule
1C

<table>
<thead>
<tr>
<th>Liquids</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
<th>(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Gallons of Liquids Sold</td>
<td>Volume 1 / Factors Mcf/Gallon (14.73 psia)</td>
<td>Volume of Liquids in Mcf (b)x(c)</td>
<td>Allowance per Mcf (Line 9h Schedule 1)</td>
<td>Product Allowance (d)x(e)</td>
<td></td>
</tr>
<tr>
<td>Ethane</td>
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<tr>
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<tr>
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<td>Totals</td>
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</tbody>
</table>

Allowance Rate/Gallon (line 11f + line 11b)

<table>
<thead>
<tr>
<th>Sulfur</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
<th>(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tons of Sulfur Sold</td>
<td>Plant 2/ Recovery Factor</td>
<td>Tons of Sulfur in Gas Stream (a)+(b)</td>
<td>Volume of H2S in Gas Stream (c) x 26.207682</td>
<td>Allowance per Mcf (line 9h Schedule 1)</td>
<td>Sulfur Allowance (d x e)+a</td>
<td></td>
</tr>
</tbody>
</table>

$2/ To be based on actual plant sulfur recovery experience.
$3/ Based upon PV = ZNRT Mcf at 60°F, 14.73 psia, 94.08467 Wt% S in H2S.

THIS INFORMATION SHOULD BE CONSIDERED (Please check one)  □ PROPRIETARY  □ NONPROPRIETARY

Form ONRR-4295, Schedule 1C (Rev. 2/2019)  Page 1 of 2
Non-Arm’s-Length Transportation
Gas Liquids and Sulfur from the Lease to the Gas Processing Plant
Form ONRR-4295, Schedule 1C

Instructions

Schedule 1C is used to determine an allowance for transporting natural gas liquids (NGLs) or sulfur from a lease to a processing facility.

Complete the payor identification block (see Schedule 1A instructions).

Compute the transportation allowance rate for NGLs as follows:

a. Identify the liquid products produced.

b. Enter the gallons of liquids sold.

c. Enter the volume factor used by the payor, if available. Otherwise, use the NGL volume factor listed (Mcf/Gallon).

d. Compute the volume of liquids in Mcf by multiplying columns b and c.

e. Enter the allowance per Mcf from line 9h, Schedule 1.

f. Compute the product allowance value by multiplying column d by column e.

Sum columns b and f and enter the result on line 11b and 11f, accordingly. Compute the allowance rate, to six decimal places, for NGLs by dividing the total allowance (line 11f) by the total volume of liquids sold (line 11b). Enter the result on line 12 of Schedule 1C and line 10h of Schedule 1.

Compute the transportation allowance rate for sulfur as follows:

a. Enter the volume of sulfur (in long tons) marketed during the reporting period.

b. Enter the sulfur recovery factor for the plant. This shall be based on actual plant sulfur recovery experience.

c. Compute the tons of sulfur in the gas stream by dividing column a by column b.

d. Enter the volume (Mcf) of H₂S in the gas stream. This volume is determined by multiplying column c by the conversion factor 26.207682.

e. Enter the transportation rate for transporting gas from the lease to the plant from line 9h, Schedule 1.

f. Determine the sulfur allowance rate per long ton, to six decimal places, by dividing the product of columns d and e by column a.

Enter the sulfur allowance per long ton on line 10g of Schedule 1.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.