

**SAN JUAN TRANSPORTATION SYSTEM AND CHACO PLANT
UNBUNDLING COST ALLOCATION**

Use the Transportation System-to-Plant Allocation below if you are charged a combined fee for gathering and processing.

TRANSPORTATION SYSTEM-TO-PLANT ALLOCATION							
YEAR	2008	2009	2010	2011	2012	2013	2014*
Transportation System	65%	65%	65%	65%	65%	65%	65%
Plant	35%	35%	35%	35%	35%	35%	35%
	100%	100%	100%	100%	100%	100%	100%

Enterprise bills separately for some field services such as electrical compression, global compression, lateral compression, water removal & handling, dehydration, and fuel. These charges are 100% disallowed. Use the UCAs below for all gas transported through the San Juan Transportation System that is shipped to the Chaco Gas Processing Plant.

SAN JUAN TRANSPORTATION SYSTEM UNBUNDLING COST ALLOCATION							
YEAR	2008	2009	2010	2011	2012	2013	2014*
Allowed Costs	60%	60%	60%	60%	60%	60%	60%
Disallowed Costs	40%	40%	40%	40%	40%	40%	40%
	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%

Use the appropriate UCA below based on which residue gas pipeline you elect for your production (El Paso Natural Gas Pipeline or Transwestern Pipeline).

CHACO PLANT - GAS DELIVERED TO EL PASO NATURAL GAS (EPNG) UNBUNDLING COST ALLOCATION							
YEAR	2008	2009	2010	2011	2012	2013*	2014*
Allowed Costs	29%	29%	29%	28%	28%	28%	28%
Disallowed Costs	71%	71%	71%	72%	72%	72%	72%
	100%	100%	100%	100%	100%	100%	100%
Fuel Allowed	18%	18%	18%	17%	18%	18%	18%
Fuel Disallowed	82%	82%	82%	83%	82%	82%	82%
	100%	100%	100%	100%	100%	100%	100%

CHACO PLANT - GAS DELIVERED TO TRANSWESTERN (TW) UNBUNDLING COST ALLOCATION							
YEAR	2008	2009	2010	2011	2012	2013*	2014*
Allowed Costs	25%	25%	25%	25%	25%	25%	25%
Disallowed Costs	75%	75%	75%	75%	75%	75%	75%
	100%	100%	100%	100%	100%	100%	100%
Fuel Allowed	15%	15%	15%	15%	15%	15%	15%
Fuel Disallowed	85%	85%	85%	85%	85%	85%	85%
	100%	100%	100%	100%	100%	100%	100%

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

**CHACO PLANT AND SAN JUAN TRANSPORTATION SYSTEM
SIMPLIFIED EXAMPLE FOR 2012 UCA**

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

Royalty Rate:	12.5%	Wellhead Volume:	1,050	MMBtu
Bundled Rate:	\$0.50 Per MMBtu	Residue Volume:	1,000	MMBtu
Residue Gas Price:	\$4.00 Per MMBtu	Plant Shrink Volume:	10	MMBtu
NGL Price:	\$1.60 Per MMBtu	Field Fuel:	25	MMBtu
NGL Volume:	2,000 Per Gallon	Plant Fuel:	15	MMBtu
	Gross Gallons		1,050	Ties to Wellhead MMBtu
			1,025	Calculated Inlet MMBtu

Example is for gas delivered to Transwestern Pipeline.

VOLUME AND VALUE REPORTING

<u>Residue Volume (PC 03)</u>	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	E	F
	1,000	15	85% Non-Allowed		13	1,013
		15	15% Allowed		2	
			100.00%		15	

Residue Value (PC 03)

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
1,013	\$4.00	\$4,052.00

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

NGL Value (PC 07)

Gallons	NGL Price	Sales Value (A * B)
A	B	C
2,000	\$1.60	\$3,200.00

Field Fuel Value (PC 15)

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
25	\$4.00	\$100.00

ALLOWANCE REPORTING

<u>Transportation Allowance</u>	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	1,025	\$0.50	65%	(\$0.3255)	(\$333.64)	60%	(\$199.22)		
**Field Fuel Value	25	\$4.00			(\$100.00)	0.00%	\$0.00		
					<u>(\$433.64)</u>		<u>(\$199.22)</u>	12.5%	<u>(\$24.90)</u>
									<u>(\$24.90)</u>

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

**Fuel is not allowed on the San Juan Transportation System as it is used by equipment to place the gas into marketable condition. Additionally, Enterprise invoices separately for certain costs that are related to field dehydration, global, lateral, and electrical compression. These costs are disallowed because they are necessary to place the gas into marketable condition.

* Transportation cost may include: Gathering, Quality Spec Handling, Manual, and other fees.

ALLOWANCE REPORTING

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)	Allowance Allocated Among Products (C * F)
A	B	C	D	E	F	G
03	1,013	96.66%				(\$24.07)
07	10	0.95%				(\$0.24)
15	25	2.39%				(\$0.60)
	1,048	100.00%	(\$199.22)	12.5%	(\$24.90)	(\$24.90)

Processing Allowance PC 07

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
1,025	\$0.50	35%	(\$0.1745)	(\$178.91)	25%	(\$45.31)	12.5%	(\$5.66)

*Processing Rate Cost

* 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.

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

* Processing cost may include: Plant Product Extraction, Liquid Extraction, Retention Fees, and other fees.

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		1,013	\$4,052.00	\$506.50	(\$24.07)		\$482.43
07 Natural Gas Liquids	2,000		\$3,200.00	\$400.00	(\$0.24)	(\$5.66)	\$394.10
15 Field Fuel		25	\$100.00	\$12.50	(\$0.60)		\$11.91
							\$888.44

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/royassign.pdf>