

**SAN JUAN TRANSPORTATION SYSTEM AND SAN JUAN (BLANCO) 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	51%	51%	51%	51%	51%	51%	51%
Plant	49%	49%	49%	49%	49%	49%	49%
	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 San Juan (Blanco) Gas Processing Plant.

SAN JUAN TRANSPORTATION SYSTEM UNBUNDLING COST ALLOCATION							
YEAR	2008*	2009	2010	2011	2012	2013	2014*
Allowed Costs	45%	45%	45%	45%	45%	45%	45%
Disallowed Costs	55%	55%	55%	55%	55%	55%	55%
	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%

SAN JUAN (BLANCO) PLANT UNBUNDLING COST ALLOCATION							
YEAR	2008*	2009	2010	2011	2012	2013	2014*
Allowed Costs	40%	40%	40%	40%	40%	40%	40%
Disallowed Costs	60%	60%	60%	60%	60%	60%	60%
	100%	100%	100%	100%	100%	100%	100%

Fuel Allowed	27%	27%	27%	27%	27%	27%	27%
Fuel Disallowed	73%	73%	73%	73%	73%	73%	73%
	100%	100%	100%	100%	100%	100%	100%

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

**SAN JUAN TRANSPORTATION SYSTEM AND SAN JUAN (BLANCO) PLANT
SIMPLIFIED EXAMPLE FOR 2014 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:	1,000	MMBtu
Bundled Rate:	\$0.45 Per MMBtu	Residue Volume:	700	MMBtu
Residue Gas Price:	\$4.00 Per MMBtu	Plant Shrink Volume:	200	MMBtu
NGL Weighted Ave 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 Plant 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	E	F
700	25	73% Non-Allowed		18	718
	25	27% Allowed		7	
		100%		25	

Residue Value (PC 03)

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
718	\$4.00	\$2,872.00

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

Field Fuel Value (PC 15)

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

ALLOWANCE REPORTING

Transportation Allowance

MMBtu	Bundled Rate/Price	System to Plant Allocation	System Allocated Rate/Price (B * C)	Allocated 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
925	\$0.45	51%	\$0.23	(\$212.75)	45%	(\$96.39)		
**Field Fuel Value	75		\$4.00	(\$300.00)	0%	\$0.00		
				(\$512.75)		(\$96.39)	12.5%	(\$12.05)
								(\$12.05)

*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 plant inlet volume.

**Fuel is not allowed on the San Juan Transportation System as it is used by equipment to place 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.

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)	Transportation Allowance Allocated Among Products (C * F)
A	B	C	D	E	F	G
03	718	72%				(\$8.68)
07	200	20%				(\$2.41)
15	75	8%				(\$0.96)
	993	100%	(\$96.39)	12.5%	(\$12.05)	(\$12.05)

Processing Allowance PC 07

MMBtu	Bundled Rate	System to Plant Allocation	Plant Allocated Rate (B * C)	Allocated Processing Cost (A * D)	Allowed Processing Cost Allocation	Allowed Processing Cost (E * F)	Royalty Rate	Processing Allowance (G * H)	
A	B	C	D	E	F	G	H	I	
*Processing Rate Cost	925	\$0.45	49%	\$0.22	(\$203.50)	40%	(\$80.79)	12.5%	(\$10.10)
							<u>(\$80.79)</u>		<u>(\$10.10)</u>

* 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.

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		718	\$2,872.00	\$359.00	(\$8.68)		\$350.32
07 Natural Gas Liquids	2,000		\$2,000.00	\$250.00	(\$2.41)	(\$10.10)	\$237.49
15 Field Fuel		75	\$300.00	\$37.50	(\$0.96)		\$36.54
						Royalty Due ONRR	<u>\$624.35</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/royassign.pdf>