

**VENICE GAS PLANT
UNBUNDLING COST ALLOCATION**

**Venice Gas Gas Plant Cost Allocation
Gas delivered to the Sea Robin Pipeline**

| YEAR | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------|------|------|------|------|------|------|------|------|
| Allowed Costs* | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% |
| Disallowed Costs | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Fuel Allowed* | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| Fuel Disallowed | 65% | 65% | 65% | 65% | 65% | 65% | 65% | 65% |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

*UCAs are only to be applicable to Venice Gas Plant Processing Charger. All Delta Gathering Station (DGS) fees are 100% disallowed.
ONRR calculated these UCAs using the most current information available (see "Disclaimer for ONRR Unbundling Website")

**Venice Gas Plant
SIMPLIFIED EXAMPLE FOR 2016 UCA**

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

| | | | |
|-----------------------------|-------------------------|-------------------------|--------------------------------|
| Royalty Rate: | 12.5% values | Wellhead Volume: | 300,000 MMBtu |
| NGL Retainage Fee: | 20% NGL Gallons | Residue Volume: | 198,000 MMBtu |
| Residue Gas Price: | \$2.50 Per MMBtu | Plant Shrink Volume: | 100,000 MMBtu |
| Weighted Average NGL Price: | \$1.60 Per Gallon | Field Fuel: | - MMBtu |
| NGL Volume: | 1,000,000 Gross Gallons | Plant Fuel: | 2,000 MMBtu |
| Net Volume: | 800,000 Net Gallons | | 300,000 Ties to Wellhead MMBtu |
| | | | 300,000 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 |
| 198,000 | 2,000 | 65% Non-Allowed | | 1,300 | 199,300 |
| | 2,000 | 35% Allowed | | 700 | |
| | | 100.00% | | 2,000 | |

Residue Value (PC 03)

| MMBtu | Residue Gas Price | Sales Value (A * B) |
|---------|-------------------|---------------------|
| A | B | C |
| 199,300 | \$2.50 | \$498,250.00 |

udes the 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 |
| 1,000,000 | \$1.60 | \$1,600,000.00 |

ALLOWANCE REPORTING

Processing Allowance PC 07

| NGL Volume (Gallons) | NGL Price | Sales Value (A * B) | NGL Retainage % | Total Bundled Processing Cost (C * D) | Allowed Unbundled | Total Processing (E * F) | Royalty Rate | Total Processing (G*H) |
|----------------------|-----------|---------------------|-----------------|---------------------------------------|-------------------|--------------------------|--------------|------------------------|
| A | B | C | D | E | F | G | H | I |
| 1,000,000 | \$1.60 | \$1,600,000.00 | 20% | (\$320,000.00) | 75.00% | (\$240,000.00) | 12.50% | (\$30,000.00) |

* 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 NGL Gallons.

ROYALTY REPORTING

| Product Code/ Product | Sales Volume | 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 | | 199,300 | \$498,250.00 | \$62,281.25 | - | | \$62,281.25 |
| 07 Natural Gas Liquids | 1,000,000 | | \$1,600,000.00 | \$200,000.00 | - | (\$30,000.00) | \$170,000.00 |
| | | | | | | Royalty Due ONRR | <u>\$232,281.25</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>