

**WILLIAMS SAN JUAN CONVENTIONAL TRANSPORTATION SYSTEM - IGNACIO PLANT
COST ALLOCATION**

SYSTEM-TO-PLANT ALLOCATION				
YEAR	2003	2004	2005	2006
System	61.57%	60.36%	66.27%	66.90%
Plant	38.43%	39.64%	33.73%	33.10%
	100.00%	100.00%	100.00%	100.00%

The following percentages apply after allocating the fee between system and plant.

SAN JUAN CONVENTIONAL CONVENTIONAL TRANSPORTATION SYSTEM COST ALLOCATION				
YEAR	2003	2004	2005	2006
Allowed Costs	59.62%	59.77%	60.15%	61.03%
Disallowed Costs	40.38%	40.23%	39.85%	38.97%
	100.00%	100.00%	100.00%	100.00%
Fuel Allowed	4.00%	4.00%	4.00%	4.00%
Fuel Disallowed	96.00%	96.00%	96.00%	96.00%
	100.00%	100.00%	100.00%	100.00%

IGNACIO PLANT COST ALLOCATION				
YEAR	2003	2004	2005	2006
Allowed Costs	17.98%	17.73%	17.83%	17.61%
Disallowed Costs	82.02%	82.27%	82.17%	82.39%
	100.00%	100.00%	100.00%	100.00%
Fuel Allowed	17.98%	17.73%	17.83%	17.61%
Fuel Disallowed	82.02%	82.27%	82.17%	82.39%
	100.00%	100.00%	100.00%	100.00%

Sample Case - 2006		<i>The data in the highlighted fields may be changed to reflect reporter's actual contract data</i>	
Bundled Fee :	\$210.00	Processing Fuel:	40 MMBtu
Wellhead Volume:	1000 Mcf	Residue Price:	\$4.00 MMBtu
Btu Content	1050	Residue Volume:	770 MMBtu
Transportation Fuel:	40 MMBtu	Plant Shrink Volume:	200 MMBtu

Step 1	Identify total cost of Bundled Fee.		
	Total Cost of Fee	=	\$210.00

Step 2	Use the plant-to-system allocation percentages, if available, to determine the correct allocation of transportation and processing.			
		Total Cost of Fee	System %	
Transportation portion of fee	=	\$210.00	* 66.90%	= \$140.49
Processing portion of fee	=	\$210.00	* 33.10%	= \$69.51

Step 3	Determine the allowable portion of the total fee by multiplying the transportation and processing portions by the allowed percentage (Annual Factor).				
Allowed Transportation portion of fee	=	\$140.49	*	61.03%	= \$85.74
Allowed Processing portion of fee	=	\$69.51	*	17.61%	= \$12.24

Step 4	Fuel - Determine the allowable portion of fuel costs by multiplying each fuel volume by the residue price and then by the allowed percentage.				
		Fuel	(MMBtu)	Residue Price	
Transportation	=	40	*	\$4.00	= \$160.00
Processing	=	40	*	\$4.00	= \$160.00
				Allowed %	
Allowed Transportation fuel cost	=	\$160.00	*	4.00%	= \$6.40
Allowed Processing fuel cost	=	\$160.00	*	17.61%	= \$28.18

Step 5	Calculate Total Allowed Transportation and Processing Costs				
Total Allowed Transportation Costs	=	\$85.74	+	\$6.40	= \$92.14
Total Allowed Processing Costs	=	\$12.24	+	\$28.18	= \$40.42

Step 6	Calculate the Residue and NGL Transportation Allocation Percentage				
		Residue Volume			
Residue Transportation Percentage	=	770	/	(770+200)	= 79.38%
NGL Transportation Percentage	=	200	/	(770+200)	= 20.62%

Step 7	Calculate the Allowed Residue and NGL Transportation Costs				
Residue Transportation Costs	=	\$92.14	*	79.38%	= \$73.14
NGL Transportation Costs	=	\$92.14	*	20.62%	= \$19.00

Step 8	Calculate Final Transportation & Processing Allowances				
				Royalty Rate	
Residue Transportation Allowance	=	\$73.14	*	12.50%	= \$9.14
NGL Transportation Allowance	=	\$19.00	*	12.50%	= \$2.37
Processing Allowance	=	\$40.42	*	12.50%	= \$5.05