WILLIAMS TORRE ALTA TRANSPORTATION SYSTEM - KUTZ PLANT
COST ALLOCATION

SYSTEM-TO-PLANT ALLOCATION				
YEAR	**2003**	**2004**	**2005**	**2006**
System	75.17%	74.59%	73.79%	77.64%
Plant	24.83%	25.41%	26.21%	22.36%
	100.00%	100.00%	100.00%	100.00%

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

TORRE ALTA TRANSPORTATION SYSTEM COST ALLOCATION				
YEAR	**2003**	**2004**	**2005**	**2006**
Allowed Costs	62.65%	65.37%	67.25%	70.71%
Disallowed Costs	37.35%	34.63%	32.75%	29.29%
	100.00%	100.00%	100.00%	100.00%
Fuel Allowed	6.77%	6.77%	6.77%	6.77%
Fuel Disallowed	93.23%	93.23%	93.23%	93.23%
	100.00%	100.00%	100.00%	100.00%

KUTZ PLANT COST ALLOCATION				
YEAR	**2003**	**2004**	**2005**	**2006**
Allowed Costs	72.20%	72.09%	71.98%	72.09%
Disallowed Costs	27.80%	27.91%	28.02%	27.91%
	100.00%	100.00%	100.00%	100.00%
Fuel Allowed	72.20%	72.09%	71.98%	72.09%
Fuel Disallowed	27.80%	27.91%	28.02%	27.91%
	100.00%	100.00%	100.00%	100.00%

Sample Case - 2006			*The data in the highlighted fields may be changed to reflect reporter's actual contract data*		
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	*	77.64%	=	$163.04
	Processing portion of fee	=	$210.00	*	22.36%	=	$46.96

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	=	$163.04		*	70.71%	=	$115.29
	Allowed Processing portion of fee	=	$46.96		*	72.09%	=	$33.85

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		*	6.77%	=	$10.83
	Allowed Processing fuel cost	=	$160.00		*	72.09%	=	$115.34

Step 5	Calculate Total Allowed Transportation and Processing Costs							
	Total Allowed Transportation Costs	=	$115.29		+	$10.83	=	$126.12
	Total Allowed Processing Costs	=	$33.85		+	$115.34	=	$149.20

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	=	$126.12		*	79.38%	=	$100.11
	NGL Transportation Costs	=	$126.12		*	20.62%	=	$26.00

Step 8	Calculate Final Transportation & Processing Allowances							
						Royalty Rate		
	Residue Transportation Allowance	=	$100.11		*	12.50%	=	$12.51
	NGL Transportation Allowance	=	$26.00		*	12.50%	=	$3.25
	Processing Allowance	=	$149.20		*	12.50%	=	$18.65