

**ENTERPRISE VAL VERDE PLANT
COST ALLOCATION**

TRANSPORTATION SYSTEM TO PLANT SPLIT					
YEAR	2006	2007	2008	2009	2010
Plant	24.02%	24.03%	24.39%	24.36%	24.55%
Transportation	75.98%	75.97%	75.61%	75.64%	75.45%
	100.00%	100.00%	100.00%	100.00%	100.00%

TRANSPORTATION UCAs FOR GAS DELIVERED TO TRANSWESTERN					
YEAR	2006	2007	2008	2009	2010
Allowed Trans. Costs	58.91%	59.24%	59.72%	59.36%	59.36%
Fuel Allowed	0.00%	0.00%	0.00%	0.00%	0.00%

TRANSPORTATION UCAs FOR GAS DELIVERED TO EL PASO					
YEAR	2006	2007	2008	2009	2010
Allowed Trans. Costs	63.35%	63.64%	63.41%	63.34%	63.34%
Fuel Allowed	4.83%	4.83%	4.46%	3.59%	3.59%

PROCESSING UCAs FOR GAS PROCESSED AT VAL VERDE PLANT					
YEAR	2006	2007	2008	2009	2010
Allowed Processing	0.00%	0.00%	0.00%	0.00%	0.00%

**VAL VERDE TRANSPORTATION SYSTEM AND TREATMENT PLANT
SIMPLIFIED EXAMPLE FOR 2010 UCA**

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

Royalty Rate:	12.50%	Wellhead Volume:	1,037 MMBtu
Bundled Transportation Rate:	\$0.38 Per MMBtu	Residue Volume:	1,000 MMBtu
Bundled Processing Rate:	\$0.12 Per MMBtu	Plant Shrink Volume:	7 MMBtu
Residue Gas Price:	\$4.00 Per MMBtu	Field Fuel:	20 MMBtu
NGL Price:	\$1.10 Per Gallon	Plant Fuel:	10 MMBtu
NGL Volume:	2,000 Gross Gallons		1,037 Ties to Wellhead MMBtu
			1,017 Calculated Inlet MMBtu

If you are charged a bundled rate that includes processing and transportation, you must apply the Transportation System to Plant Split UCA

Example is for gas delivered to El Paso

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
1,000	10	100.00%	Non-Allowed	10	1,010
	10	0.00%	Allowed	0	
		100.00%		10	

Residue Value (PC 03)

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
1,010	\$4.00	\$4,040.00

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	\$1.10	\$2,200.00

Field Fuel Value (PC 15)

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
20	\$4.00	\$80.00

ALLOWANCE REPORTING

Transportation Allowance

MMBtu	Rate/Price	Transportation Cost (A * B)	Allowed Unbundling Cost Allocation	Allowed Transportation Cost (C * D)	Royalty Rate	Total Transportation Allowance (E * F)	
A	B	C	D	E	F	G	
*Transportation Rate Cost	1,017	\$0.38	(\$386.46)	63.34%	(\$244.78)		
Field Fuel Value	20	\$4.00	(\$80.00)	3.59%	(\$2.87)		
		(\$466.46)		(\$247.65)	12.50%	(\$30.96)	
						(\$30.96)	

*Transportation may include: Gathering, Compression, and/or Manual Fees

*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.

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	1,010	97.40%				(\$30.16)
07	7	0.68%				(\$0.21)
15	20	1.93%				(\$0.60)
	1,037	100.00%	(\$247.65)	12.50%	(\$30.96)	<u>(\$30.96)</u>

²Processing Allowance PC 07

MMBtu	Bundled Processing Rate	Total Bundled Processing Cost (A * B)	Allowed Unbundling Cost Allocation	Allowed Processing Cost (C * D)	Royalty Rate	Processing Allowance (E * F)
A	B	C	D	E	F	G
1,017	\$0.12	(\$122.04)	0.00%	\$0.00	12.50%	\$0.00

*Processing Rate Cost

*Processing may include: CO2 Treating, Dehydration, Sales Tap, and/or Excess Residue Returned Fees.

*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.

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		1,010	\$4,040.00	\$505.00	(\$30.16)		\$474.85
07 Natural Gas Liquids	2,000		\$2,200.00	\$275.00	(\$0.21)	\$0.00	\$274.79
15 Field Fuel		20	\$80.00	\$10.00	(\$0.60)		\$9.40
						Royalty Due ONRR	<u>\$759.04</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 at:

<http://www.onrr.gov/ReportPay/PDFDocs/royassign.pdf>