

**Venice Gas Plant
UNBUNDLING COST ALLOCATIONS**

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 Charges. All Delta Gathering Station (DGS) fees are 100% disallowed

**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:	12.5000%	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:	900,000 Net Gallons		300,000 Ties to Wellhead MMBtu
			300,000 Inlet MMBtu

VOLUME AND VALUE REPORTING

<u>Residue Volume (PC 03)</u>	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%		2,000	

<u>Residue Value (PC 03)</u>	MMBtu	Residue	Sales Value
	A	B	C (A * B)
	199,300	\$2.50	\$498,250.00

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.

<u>NGL Value (PC 07)</u>	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 Unbundling Cost Allocation	Allowed Processing Cost (E * F)	Royalty Rate	Total Processing Allowance (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%	(\$240,000.00)	12.5000%	(\$30,000.00)

* Review your contract to determine if processing cost is based on inlet volume, wellhead volume, or NGL gallons and revise calculation accordingly. For this example, the processing cost is based on NGL Gallons.

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		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 at:

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

Document Date:

7/21/2016