

**Non-Arm's-Length Processing
Facilities Depreciation and Capital Expenditure Summary
Form MMS-4109, Schedule 2B**

Instructions

Schedule 2B is used to summarize the lessee's portion of the actual plant depreciation and undepreciated capital investment associated with the processing of the plant product for computing return on investment.

Complete the payor information block (see Schedule 1 instructions).

For each capital expenditure item complete one line as follows:

1. Identify the capital expenditure item.
2. Enter the lessee's portion of the initial capital expenditure amount and the date the expenditure was placed in service.
3. Enter a reasonable salvage value.
4. Enter the depreciable life of the expenditure item and the number of years of depreciation taken to date.
5. Enter the lessee's portion of the beginning-of-year undepreciated capital investment. In computing this amount, salvage must be deducted from the initial capital investment.
6. Enter the amount of depreciation to be taken for the year. In computing depreciation, the payor may elect to use either a straight-line depreciation method or a unit of production method based on the life of equipment or the life of the reserves which the plant services. Once an election is made, the payor may not alternate methods without MMS approval. Equipment shall not be depreciated below a reasonable salvage value).
7. Enter the end-of-year undepreciated capital investment. This is computed by subtracting depreciation from the beginning-of-year undepreciated capital investment. This amount will be used as the next year's beginning-of-year undepreciated capital investment.
8. Total columns 5 and 6 and enter on Schedule 2, columns a and b, line 1a. If the costs are associated with a fractionation facility owned by the lessee, enter the total costs on Schedule 2, columns a and b, line 1b.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.