

Federal Gas Arm's-Length Percentage-of-Proceeds Reporting for Production prior to January 1, 2017

Example: Valuation of Gas Sold under a POP Contract

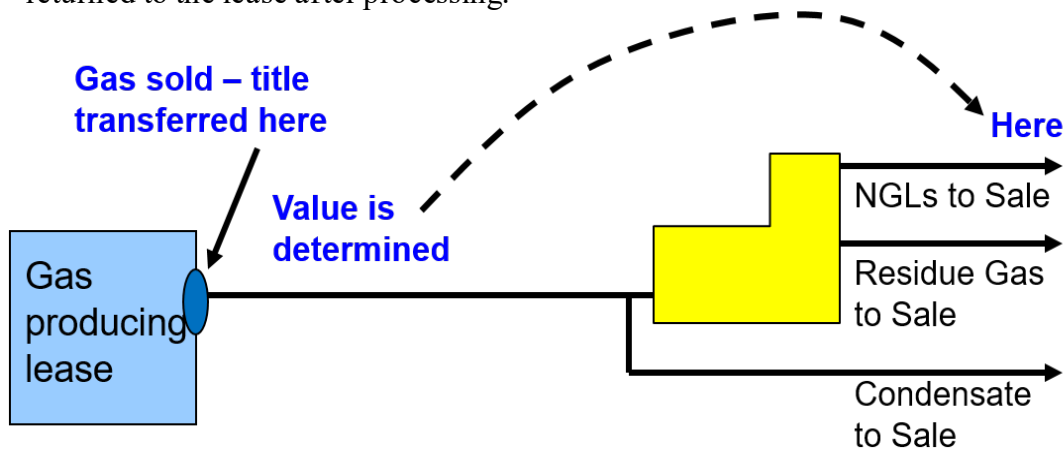
For production **prior to January 1, 2017**, when you sell federal gas production under an arm's-length contract which provides for payment to you based on a percentage that the purchaser received for the processed products recovered from your gas, ONRR's regulations **as of 2015** at 30 CFR §1206.152 direct you to value the production as unprocessed gas (Product Code 04). You should use sales type code APOP to indicate that you sold your gas under a percentage-of-proceeds contract (POP contract).



The following is based on a sample plant statement. Plant statements may vary. Be sure to read carefully and contact royaltyvaluation@onrr.gov if you need further assistance!

This example applies when you have a POP contract meeting **all of** the following circumstances:

- ✓ You are valuing gas produced from a **federal** oil and gas lease **prior to January 1, 2017**.
- ✓ You are valuing your federal gas production for royalty purposes based on the gross proceeds accruing to you under an **arm's-length contract** under 30 CFR §1206.152 (2015).
- ✓ Your contract provides for payment based on a percentage of the value of residue gas, NGLs, or other gas plant products (e.g. sulfur, carbon dioxide, etc.) that the purchaser received for the products recovered from your gas.
- ✓ Title to all products transfers to the purchaser prior to the inlet of the plant.
- ✓ You do not regain title to any of the gas plant products and none of your production is returned to the lease after processing.



If you have any questions regarding whether this example applies to your situation, please contact royaltyvaluation@onrr.gov.

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Valuing gas sold under POP contracts for royalty purposes requires three parts:

1. Determine your gross proceeds, which includes any marketable condition costs that need to be added back to your total monies and other consideration.
2. Determine the value of 100% of the residue gas.
3. Compare the value of the gross proceeds to the value of 100% of the residue gas and pay on the higher of the two.

This example addresses reporting and calculations for the following items. The **BLUE** letters refer to fields on the sample statement.

Items:	Location in Statement:
NGL Net Value	“Value” of NGLs in the statement’s “Component Settlement” section (N)
NGL Retainage Percent	100 minus “Contract %” (P) in the statement’s “Component Settlement” section
Pipeline Fuel	“Contractual Field Deducts Mcf” (C) and “Contractual Field Deducts MMBtu” (D) in the statement’s “Wellhead Information” section
Plant Fuel	“Contractual Allocated Fuel” in the statement’s “Residue Settlement” section (F)
Residue Gas Net Value	“Residue Value” in the statement’s “Residue Settlement” section (K)
Residue Gas Retainage Percent	100 minus “Contract %” (I) in the statement’s “Residue Settlement” section
100% Residue Gas	“Net Residue MMBtu” in the statement’s “Residue Settlement” section (H)

Assumptions for this example:

1. This gas is sold before processing (i.e. title to all components of the gas passes to the purchaser prior to the plant inlet, and no products are returned at the outlet). The gas is sold under a POP contract.

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2. An allowed transportation Unbundling Cost Allocation (UCA) of 20%, which means that 20% of the transportation costs can be taken as part of a transportation allowance.
3. The processor retains 15% of the residue gas and NGLs, 40% of which is allocable to processing and 60% of which is allocable to transportation.
4. An allowed processing UCA of 40%, which means that 40% of the processing costs are allowable, including plant fuel.
5. No condensate is recovered along the pipeline or in the gas plant. You should check your statement or transportation invoice for condensate. If you have questions on how to value or report condensate, please contact royaltyvaluation@onrr.gov.
6. In this example, transportation and fractionation (T&F) fees are 100% allowed costs and are acceptable adjustments to the NGL component prices. The prices shown on the example statement already include this adjustment.
7. The royalty rate is 12.5%.



In this example, the UCAs are assumed. Please visit onrr.gov/unbundling for more information on UCAs.



A Quick Note on Rounding

ONRR's policy on rounding is that lessees should not round numbers in royalty calculations until the lessee reports the final number to ONRR. The lessee should then round the final number to two decimal places. For the sake of displaying these calculations and so that lessees can follow the examples more easily, each number is rounded in these examples and may differ from your calculations. When the lessee is performing its royalty calculations, the lessee should not round until the final number, as explained above.

This example explains how to calculate your gross proceeds when you sell your federal gas production under a POP contract. This example then illustrates how to compare your gross proceeds to 100% of the residue value, apply the royalty rate, and complete the Form ONRR-2014. This example only covers valuation-related fields in the order they appear on the Form ONRR-2014.

Form ONRR-2014 Royalty Report								
Product Code	Sales Volume	Sales MMBtu	Sales Value	Sales Type Code	RVPA	Trans Allow	Proc Allow	RVLA

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Net Value Received

The first step in calculating value for royalty purposes under a federal arm's-length POP contract is establishing the total net value of the gas. In this example, the lessee receives a percentage of the purchaser's proceeds for NGLs and residue gas.

Step 1:

Determine the sales volume and heat content:

- POP contracts are valued and reported as unprocessed gas
- Identify the royalty-bearing gas volume and heat content. On this statement, it is the gross wellhead Mcf (volume) **(A)** and gross wellhead MMBtu (heat content) **(B)**.
- These are the Sales Volume (2,458.00 Mcf) and Sales MMBtu (3,013.00 MMBtu)

Step 2:

Calculate the total value received for the NGLs and residue gas:

- Add the NGL value (\$4,998.51) **(N)** to the residue gas value (\$5,129.31) **(K)**
- The total value received for all products is \$10,127.82

Net Value Received (Step 2):

$$\text{Net value} = \text{NGL value} + \text{residue value}$$

$$\text{Net value} = \$4,998.51 + \$5,129.31$$

$$\text{Net value} = \$10,127.82$$

Disallowed Costs

After determining the net value received for the plant products, you need to identify the disallowed costs in the plant statement.

Step 3:

Calculate the total disallowed pipeline fuel value:

Step 3a:

Determine the initial disallowed pipeline fuel value:

- Locate the total pipeline fuel reported on the plant statement “Contractual Field Deducts” (162.20 MMBtu **(D)**) and use the quantity as a positive value.
- Generally, the arm's-length residue gas price (\$3.13905/MMBtu) **(J)** under the POP contract is a reasonable value for the pipeline fuel under 30 CFR § 1206.153(c)(2)(2015).
- Multiply the full 162.20 MMBtu by the residue gas price (\$3.13905/MMBtu) and by the disallowed rate (80%)
 - In this example, because the transportation UCA is 20%, 80% of the pipeline fuel is disallowed (1 minus the 20% UCA)



In this example, UCAs always represent the allowed percentage.

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- The initial disallowed pipeline fuel value is \$407.32.

Initial Disallowed Pipeline Fuel Value (Step 3a):

$$\begin{aligned} \text{Initial disallowed pipeline fuel value} \\ = \text{contractual field deducts} \times \text{residue gas price} \times \% \text{ disallowed} \end{aligned}$$


$$\begin{aligned} \text{Initial disallowed pipeline fuel value} \\ = 162.20 \text{ MMBtu} \times \$3.13905/\text{MMBtu} \times 0.80 \end{aligned}$$

$$\text{Initial disallowed pipeline fuel value} = \$407.32$$

Step 3b:

Calculate the disallowed portion of non-royalty-bearing plant fuel:

- Although 20% of the fuel used along the pipeline is allowed for moving the production to the gas plant, you must account for the portion of the fuel allocable to the movement of non-royalty-bearing products



Under 30 CFR §1202.151(b), the volume of allowable plant fuel transported is not royalty-bearing. Therefore, the portion of the 20% allowable fuel allocable to the allowable plant fuel cannot be claimed as a transportation allowance.
- Multiply the total plant fuel (326.40 MMBtu) **(F)** by the processing UCA (40%)
- The allowed plant fuel is 130.56 MMBtu
- Divide the allowed plant fuel (130.56 MMBtu) by the total gross wellhead heat content (3,013.00 MMBtu) **(B)**
- The disallowed portion of non-royalty-bearing products is 4.33322%.
 - This 4.33322% of the 20% allowed transportation costs (in this case the 20% pipeline fuel value) is disallowed because the volume of allowable plant fuel is not royalty-bearing. Therefore, lessees may not take an allowance for this movement.

Disallowed Portion of Non-Royalty-Bearing Products (NRB) (Step 3b):

$$\text{Disallowed portion of NRB} = \frac{(\text{total plant fuel} \times \text{UCA})}{\text{total gross wellhead MMBtu}}$$

$$\text{Disallowed portion of NRB} = \frac{(326.40 \text{ MMBtu} \times 0.40)}{3,013 \text{ MMBtu}}$$

$$\text{Disallowed portion of NRB} = \frac{130.65 \text{ MMBtu}}{3,013 \text{ MMBtu}}$$

$$\text{Disallowed portion of NRB} = 0.0433322$$

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Step 3c:

Calculate the disallowed transportation of the non-royalty-bearing pipeline fuel:

- Multiply the “Contractual Field Deducts” (D) (162.20 MMBtu) by the residue gas value (\$3.13905/MMBtu) (J) and then by the transportation UCA (20%)
- The allowed pipeline fuel value is \$101.83
- Multiply the disallowed portion of the non-royalty-bearing products from Step 3b (4.33322%) by the allowed pipeline fuel value (\$101.83)
- The disallowed transportation of the non-royalty-bearing pipeline fuel is \$4.41

Disallowed Pipeline Fuel (Step 3c):

$$\text{Allowed pipeline fuel value} = \text{pipeline fuel MMBtu} \times \text{residue gas value} \times \text{UCA}$$

$$\text{Allowed pipeline fuel value} = 162.20 \text{ MMBtu} \times \$3.13905/\text{MMBtu} \times 0.20$$

$$\text{Allowed pipeline fuel value} = \$101.83$$

$$\text{Disallowed transportation of NRB}$$

$$= \text{disallowed portion of NRB} \times \text{allowed pipeline fuel value}$$

$$\text{Disallowed transportation of NRB} = 0.0433322 \times \$101.83$$

$$\text{Disallowed transportation of NRB} = \$4.41$$

Step 3d:

Calculate the total disallowed pipeline fuel:

- Add the disallowed transportation of the non-royalty-bearing pipeline fuel (\$4.41) to the initial pipeline fuel value from Step 3a (\$407.32)
- The total value of the disallowed pipeline fuel is \$411.73

Total Disallowed Pipeline Fuel (Step 3d):

$$\text{Total disallowed pipeline fuel value}$$

$$= \text{Initial disallowed pipeline fuel value (Step 3a)}$$

$$+ \text{Disallowed transportation of NRB (Step 3c)}$$

$$\text{Total disallowed pipeline fuel value} = \$407.32 + \$4.41$$

$$\text{Total disallowed pipeline fuel value} = \$411.73$$

Step 4:

Calculate the disallowed plant fuel value:

- Multiply total plant fuel reported on the plant statement as “Contractual Allocated Fuel” (326.40 MMBtu) (F) by the disallowed rate (60%)
 - In this example, because the processing UCA is 40%, 60% of the plant fuel is disallowed (1 minus the 40% UCA)

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- The disallowed plant fuel is 195.84 MMBtu
- Multiply the disallowed plant fuel (195.84 MMBtu) by the residue price (\$3.13905/MMBtu) **(J)**, which is generally a reasonable value for the plant fuel under 30 CFR §1206.153(c)(2)(2015)
- The disallowed plant fuel value is \$614.75

Disallowed Plant Fuel Value (Step 4):

Disallowed plant fuel value

$$= \text{contractual allocated fuel} \times \% \text{ disallowed} \times \text{residue gas price}$$

$$\text{Disallowed plant fuel value} = 326.40 \text{ MMBtu} \times 0.60 \times \$3.13905 / \text{MMBtu}$$

$$\text{Disallowed plant fuel value} = 195.84 \text{ MMBtu} \times \$3.13905 / \text{MMBtu}$$

$$\text{Disallowed plant fuel value} = \$614.75$$

Step 5:

Calculate the total disallowed NGL retainage value:

Step 5a:

Calculate the NGL retainage value:

- The percent of NGLs retained is 100% minus the contract percentage (85%) **(P)** or 15%
- Locate the NGL value on the plant statement under the component settlement section (\$4,998.51) **(N)** and divide by the settlement NGL gallons (5,868.05 gallons) **(M)**
- The volume-weighted-average price is \$0.85182/gallon
- Multiply the allocated gallons (6,903.59 gal) **(L)** by the retained percentage (15%) and then by the volume-weighted-average price (\$0.85182/gal)
- The value of the retained NGLs is \$882.09

NGL Retainage Value (Step 5a):

NGL retainage value

$$= \text{allocated gallons} \times \% \text{ retained} \times \text{volume-weighted-average price}$$

$$\text{NGL retainage value} = 6,903.59 \text{ gal} \times 0.15 \times \left(\frac{\$4,998.51}{5,868.05 \text{ gallons}} \right)$$

$$\text{NGL retainage value} = 6,903.59 \text{ gal} \times 0.15 \times \$0.85182 / \text{gallon}$$

$$\text{NGL retainage value} = \$882.09$$

Step 5b:

Calculate the initial disallowed NGL retainage value:

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- Divide the value of the retained NGLs into two disallowed costs: that from the portion allocated to transportation and that from the portion allocated to processing
 - Multiply the value retained by the plant (\$882.09) by the percent retained allocated to transportation (60%), then by the disallowed rate of 80% (1 minus the transportation UCA of 20%)
 - The portion of the disallowed costs allocated to transportation is \$423.40
 - Multiply the amount retained by the plant (\$882.09) by the percent retained allocated to processing (40%) then by the disallowed rate of 60% (1 minus the processing UCA of 40%)
 - The portion of the disallowed costs allocated to processing is \$211.70
- Add together the portions of the disallowed NGL retainage value from transportation (\$423.40) and from processing (\$211.70)
- The total initial disallowed NGL retainage value is \$635.10

Initial Disallowed NGL Retainage Value (Step 5b):

$$\begin{aligned}
 & \text{Initial disallowed NGL retainage value} \\
 &= (\text{NGL retainage value} \times \% \text{ allocable to transportation} \\
 & \times \text{transportation \% disallowed}) \\
 &+ (\text{NGL retainage value} \times \% \text{ allocable to processing} \\
 & \times \text{processing \% disallowed})
 \end{aligned}$$

$$\begin{aligned}
 & \text{Initial disallowed NGL retainage value} \\
 &= (\$882.09 \times 0.60 \times 0.80) + (\$882.09 \times 0.40 \times 0.60)
 \end{aligned}$$

$$\text{Initial disallowed NGL retainage value} = \$423.40 + \$211.70$$

$$\text{Initial disallowed NGL retainage value} = \$635.10$$

Step 5c:

Calculate the disallowed transportation of non-royalty-bearing products:



Under 30 CFR §1202.151(b), the volume of allowable plant fuel transported is not royalty-bearing. Therefore, the portion of the 20% allowable fuel allocable to the allowable plant fuel cannot be claimed as a transportation allowance.

- Although 20% of the transportation cost is allowed for moving the production to the gas plant, you must account for the portion of the fuel allocable to the movement of non-royalty-bearing products
- Multiply the NGL retainage value from Step 5a (\$882.09) by the percent allocable to transportation (60%) then by the transportation UCA (20%)
- The value of the allowed NGL retainage allocable to transportation is \$105.85
- Find the disallowed portion of non-royalty-bearing products from Step 3b (4.33322%)

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- This 4.33322% of the 20% allowed transportation costs (in this case the allowed NGL retained value) is disallowed because the volume of allowable plant fuel is not royalty-bearing. Therefore, lessees may not take an allowance for this movement.
- Multiply the disallowed transportation portion of the allowed plant fuel (4.33322%) by the allowed NGL retainage allocable to transportation value (\$105.85)
- The disallowed transportation of the non-royalty-bearing products is \$4.59

Disallowed Transportation of Non-Royalty-Bearing Products (NRB) (Step 5c):

$$\begin{aligned}
 & \text{Disallowed transportation of NRB} \\
 & \quad = \text{disallowed transportation portion of allowed plant fuel} \\
 & \quad \times \text{allowed NGL retainage allocable to transportation value} \\
 \\
 & \text{Disallowed transportation of NRB} = 0.0433322 \times (\$882.09 \times 0.60 \times 0.20) \\
 \\
 & \text{Disallowed transportation of NRB} = 0.0433322 \times \$105.85 \\
 \\
 & \text{Disallowed transportation of NRB} = \$4.59
 \end{aligned}$$

Step 5d:

Calculate the disallowed NGL retainage value:

- Add the disallowed transportation of the non-royalty-bearing plant fuel value from Step 5c (\$4.59) to the initial disallowed NGL retainage value from Step 5b (\$635.10)
- The total value of the disallowed NGL retainage is \$639.69

Total Disallowed NGL Retainage Value (Step 5d):

$$\begin{aligned}
 & \text{Total disallowed NGL retainage value} \\
 & \quad = \text{Initial disallowed NGL retainage value (Step 5b)} \\
 & \quad + \text{Disallowed transportation of NRB (Step 5c)} \\
 \\
 & \text{Total disallowed NGL retainage value} = \$635.10 + \$4.59 \\
 \\
 & \text{Total disallowed NGL retainage value} = \$639.69
 \end{aligned}$$

Step 6:

Calculate the total disallowed residue gas retainage value:

Step 6a:

Calculate the initial disallowed residue gas retainage value:

- The percent of residue gas retained is 1 minus the contract percentage (85%) **(I)** or 15%
- Locate the net residue MMBtu (1,922.39 MMBtu) **(H)** and multiply by the retained percentage (15%) and then by the residue unit price (\$3.13905/MMBtu) **(J)**

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- The value of the retained residue gas is \$905.17

Residue Gas Retainage Value (Step 6a):

Residue gas retainage value = net residue MMBtu × % retained × residue unit price

Residue gas retainage value = 1,922.39 MMBtu × 0.15 × \$3.13905/MMBtu

Residue gas retainage value = \$905.17

Step 6b:

Calculate the initial disallowed residue gas retainage value:

- Divide the value of the retained residue gas into two disallowed costs: that from the portion allocated to transportation and that from the portion allocated to processing
 - Multiply the value retained by the plant from Step 6a (\$905.17) by the percent retained allocated to transportation (60%) then by the disallowed rate of 80% (1 minus the transportation UCA of 20%)
 - The disallowed residue retainage value from transportation is \$434.48
 - Multiply the amount retained by the plant from Step 6a (\$905.17) by the percent retained allocated to processing (40%) then by the disallowed rate of 60% (1 minus the processing UCA of 40%)
 - The disallowed residue retainage value from processing is \$217.24
- Add the portions of the disallowed residue retainage value from transportation (\$434.48) and from processing (\$217.24)
- The initial total disallowed residue retainage value is \$651.72

Initial Disallowed Residue Gas Retainage Value (Step 6b):

Initial disallowed residue retainage value

*= (residue retainage value × % allocable to transportation
× transportation % disallowed)
+ (residue retainage value × % allocable to processing
× processing % disallowed)*

Initial disallowed residue retainage value

= (\$905.17 × 0.60 × 0.80) + (\$905.17 × 0.40 × 0.60)

Initial disallowed residue retainage value = \$434.48 + \$217.24

Initial disallowed residue retainage value = \$651.72

Step 6c:

Calculate the disallowed transportation of non-royalty-bearing products:

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- Although 20% of the transportation cost is allowed for moving the production to the gas plant, you must account for the portion of the fuel allocable to the movement of non-royalty-bearing products



Under 30 CFR §1202.151(b), the volume of allowable plant fuel transported is not royalty-bearing. Therefore, the portion of the 20% allowable fuel allocable to the allowable plant fuel cannot be claimed as a transportation allowance.

- Multiply the residue gas retainage value from Step 6a (\$905.17) by the percent allocable to transportation (60%) then by the transportation UCA (20%)
- The value of the allowed residue gas retainage allocable to transportation is \$108.62
- Find the disallowed transportation portion of the allowed plant fuel from Step 3b (4.33322%).
 - This 4.33322% of the 20% allowed transportation costs (in this case the allowed residue gas retained value) is disallowed because the volume of allowable plant fuel is not royalty-bearing. Therefore, lessees may not take an allowance for this movement.
- Multiply the disallowed transportation portion of the allowed plant fuel (4.33322%) by the allowed residue retainage allocable to transportation value (\$108.62)
- The disallowed transportation of the non-royalty-bearing plant fuel is \$4.71

Disallowed Transportation of Non-Royalty-Bearing Products (NRB) (Step 6c):

Disallowed transportation of NRB

*= disallowed transportation portion of allowed plant fuel
 × allowed residue retainage allocable to transportation value*

Disallowed transportation of NRB = 0.0433322 × (\$905.717 × 0.60 × 0.20)

Disallowed transportation of NRB = 0.0433322 × \$108.62

Disallowed transportation of NRB = \$4.71

Step 6d:

Calculate the total disallowed residue retainage value:

- Add the disallowed transportation of the non-royalty-bearing plant fuel from Step 6c (\$4.71) to the initial disallowed residue gas retainage value from Step 6b (\$651.72)
- The total value of the disallowed pipeline fuel is \$656.43

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Total Disallowed Residue Retainage Value (Step 6d):

$$\begin{aligned} & \text{Total disallowed residue retainage value} \\ & = \text{Initial disallowed residue retainage value (Step 6b)} \\ & + \text{Disallowed transportation of NRB(Step 6c)} \end{aligned}$$

$$\text{Total disallowed residue retainage value} = \$651.72 + \$4.71$$

$$\text{Total disallowed residue retainage value} = \$656.43$$

Step 7:

Add the net value received and the disallowed costs to find the gross proceeds amount:

- Locate the net value received from Step 2 (\$10,127.82)
- Locate the disallowed pipeline fuel from Step 3d (\$411.73)
- Locate the disallowed plant fuel from Step 4 (\$614.75)
- Locate the disallowed NGL retained value from Step 5d (\$639.69)
- Locate the disallowed residue gas retained value from Step 6d (\$656.43)
- Add these values together to calculate the gross proceeds (\$12,450.42)

Total Gross Proceeds (Step 7):

$$\text{Net value} = \$10,127.82$$

$$\text{Disallowed pipeline fuel value} = \$411.73$$

$$\text{Disallowed plant fuel value} = \$614.75$$

$$\text{Disallowed NGL retainage value} = \$639.69$$

$$\underline{+\text{Disallowed residue gas retainage value} = \$656.43}$$

$$\text{Total gross proceeds} = \$12,450.42$$

Value of 100% of the Residue Gas:

Step 8:

Calculate the value of 100% of the residue gas to comply with the minimum value provision:

- Multiply the net residue MMBtu (1,922.39 MMBtu) **(H)** by the residue gas price (\$3.13905/MMBtu) **(J)**
- The value of 100% of the residue gas is \$6,034.48

Value of 100% of the Residue Gas (Step 8):

$$\text{Value of 100\% of the residue gas} = \text{net residue MMBtu} \times \text{residue gas price}$$

$$\text{Value of 100\% of the residue gas} = 1,922.39 \text{ MMBtu} \times \$3.13905 / \text{MMBtu}$$

$$\text{Value of 100\% of the residue gas} = \$6,034.48$$

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Comparing Gross Proceeds to 100% Value of the Residue Gas:

Step 9:

Compare the gross proceeds to the value of 100% of the residue gas:

- Locate the gross proceeds from Step 7 (\$12,450.42)
- Locate the value of 100% of the residue gas from Step 8 (\$6,034.48)
- Since the gross proceeds is the higher of the two values, we will use gross proceeds to calculate the royalties due

Gross Proceeds vs. Value of 100% of the Residue Gas (Step 9):

PC 04 sales value = gross proceeds > value of 100% of the residue gas

PC 04 sales value = \$12,450.42 > \$6,034.48

PC 04 sales value = \$12,450.42

Step 10:

Determine the royalty value. Because this is an arm's-length percent-of-proceeds contract, there are no allowances taken against the royalty amount or reported on the Form ONRR-2014. This means the Royalty Value Prior to Allowances (RVPA) will equal the Royalty Value Less Allowances (RVLA).

- Multiply the gross proceeds sales value calculated under Step 7 (\$12,450.42) by the royalty rate (12.5%)
- The total royalty value is \$1,556.30

PC 04 Royalty Value (Step 10):

PC 04 royalty value = sales value × royalty rate

PC 04 royalty value = \$12,450.42 × 12.5%

PC 04 royalty value = \$1,556.30

Here is what the final royalty reporting looks like:

Form ONRR-2014 Royalty Report								
Prod Code	Sales Volume	Sales MMBtu	Sales Value	Sales Type Code	RVPA	Trans Allow	Proc Allow	RVLA
04	2,458.00	3,013.00	\$12,450.42	APOP	\$1,556.30			\$1,556.30

This example serves as guidance for determining value for royalties and is not an appealable decision or order under 30 CFR Part 1290, Subpart B. If ONRR issues you an order to pay additional royalties or assesses civil penalties under 30 CFR Part 1241 at a later date based on this guidance, your appeal rights will be provided at that time. While this example is not appealable, ONRR may use this guidance in conducting audits and as a basis for demanding additional royalties.