Chapter 9 Volume/Value Allocation Tools

The P&R has an automated volume and value allocation tool. It uses the rolling weighted average method where the Production Available for Sale equals the Beginning Inventory plus the Inventory Adjustment plus the Units Produced.

The Allocation Ratio equals the Lease-level Production Available for Sale divided by the total Production Available for Sale from all leases.

You may use another allocation method such as First In First Out (FIFO), as long as you use it consistently; however, you cannot then use the automated P&R allocation tool.

Before using the Allocation Tools, please contact your Solid Minerals Representative for more information.

9.1 Original P&R Allocation Option Information

The advantages of using the built-in allocation tool are that you enter less data. Also, when we conduct a compliance analysis on your property and see that you have used the tool, we won’t have to scrutinize your allocation methodology to determine whether you did the allocation correctly.

You can’t use the allocation tool if you have more than one product such as light and dense soda ash, multiple remotes rolled up into one, or more than one royalty rate for any lease during a single sales month.

NOTE If you have five or fewer remotes, you cannot roll them up because each of the five or fewer remote sites is required to be established as a separate remote sales point.
9.1.1 Lease Level Data Input If Using the Allocation Tools

The only lease-level data needed for input when using the allocation tools are the Inventory/Volume Adjustment and Units Produced. This will allow the Production Available for Sale to be calculated for each lease.

9.1.2 Mine Level Data Input If Using the Allocation Tools

The following mine-level data listed is required to use the Volume and Value Allocation tools:

- Total Unit Sold
- Total Units Transferred (to a remote)
- Total Gross Proceeds
- Total Allowed Transportation Cost
- Total Allowed Processing Cost

EXAMPLE

- Total Units Sold = 500 tons.
- Total Units Transferred = 50 tons.

Once you have entered the Total Units Sold and the Total Units Transferred, click on the Allocate Volume button. The tool will calculate the Units Transferred = 25 tons, the Units Sold = 250 tons, and the Ending Inventory = 500 tons.

NOTE

You must use the Volume Allocation tool prior to using the Value Allocation tool.
The allocation ratio for Lease 1 = Production Available for Sale for Lease 1 ÷ the Mine total Production Available for Sale = 50%

Lease 1 Units Sold = Ratio 1 × Total Units Sold (50% × 500) = 250.

Lease 1 Units Transferred = Ratio 1 × Total Units Transferred (50% × 50) = 25

For Value Allocation:

• Enter the Total Gross Proceeds = $50,000.
• Enter the Total Allowed Processing Cost = $10,000.
• Enter the Total Allowed Transportation Cost = $5,000.

Once you have entered the Total Gross Proceeds, the Total Allowed Processing Cost, and the Total Allowed Transportation Cost, click on the Allocate Value button. The P&R will calculate the Gross Proceeds, Allowed Processing Cost, and Allowed Transportation Cost for each lease.

These results are based on the same ratios that were used in the Volume Allocation:
- Lease 1 Gross Proceeds = Ratio 1 \times \text{Total Gross Proceeds} = 50\% \times \$50,000 = \$25,000.
- Lease 1 Allowed Processing Cost = 50\% \times \$10,000 = \$5,000.
- Lease 1 Allowed Transportation Cost = 50\% \times \$5,000 = \$2,500.

Click on the **Calculate Royalty Due** button to calculate *Royalty Before Allowance* and *Royalty Payment* for each lease. In this case, the lease 1 *Royalty Before Allowance* is $1,000 ($25,000 \times 4\% \text{ royalty rate}) and the *Royalty Payment* is $700 ($30,000 – $2,500, and – $5,000 \times 4\% \text{ royalty rate}).

After you have completed loading the lease-level data using the Allocation Tool, click on the **Save Before Submitting** button at the top or bottom of the page to navigate back to the Mine-Level Summary page.

### 9.2 Volume/Value P&R Allocation Option Information

The advantage of using the built-in Allocation Tool is that you enter less data. Also, when we conduct a compliance analysis on your property and see that you have used the tool, we won’t have to scrutinize your allocation methodology to determine whether you did the allocation correctly.

You cannot use the Allocation Tool if you have more than one product, such as light and dense soda ash, multiple remotes rolled up into one, or more than one royalty rate for any lease during a single sales month.
NOTE

If you have five or fewer remotes, you cannot roll them up because each of the five of fewer remote sites is required to be established as a separate remote sales point.

Upon opening the first sales month that a Volume/Value Adjustment will be completed for, you will see the columns shown below:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Values</td>
<td>This shows the current values that the P&amp;R has in the system including any adjustments made on prior reports.</td>
</tr>
<tr>
<td>Computed Differences</td>
<td>This shows the net adjustments for any changes that are made during the current session.</td>
</tr>
<tr>
<td>User Entered Differences</td>
<td>If not using the Allocation Tools, you can enter all adjustments by lease in this field.</td>
</tr>
<tr>
<td>Total Differences</td>
<td>This will show the total difference for each category which is the sum of the Computed Differences Column and the User Entered Differences.</td>
</tr>
</tbody>
</table>
The last Original P&R submitted for this company was April 2007.

In the first column is a list of the three months that need to be adjusted. You must open each adjustment month in order, from the earliest adjustment to the most recent. The P&R will automatically choose the month you need to adjust next.

You have a decrease in the Sales Volume of negative 200 tons. This means that 200 fewer tons were produced than were previously reported.

Enter the negative tons into the Total Sales Volume Difference field and click on the **Allocate Volume** button.
The next step is to enter the value adjustments. For example:

- The Total Sales Value Difference is a negative $3200.00.
- The Total Allowed Processing Cost Difference is a negative $250.00.
- The Total Allowed Transportation Cost Difference is a negative $25.00.

Once you have entered the values as noted above, click on the Allocate Value button.
**NOTE:** The User Entered Differences Field will populate.

Click on the **Calculate Royalty Due** button, then click on **Complete Sales Month Adjustment**.

You will be returned to the Summary Volume/Value Adjustment page, where you can see whether the month in question has been completed or not.

The Royalty Payment column will populate after you enter adjustment data on the next page.

If you have a subsequent month, you must click on the **Open Adjustment** button to open the Adjustment Detail page for the indicated month.
Once you have completed all months in the Volume/Value Adjustment Report:

- Click on the **Create Payment** button when all months have been adjusted and you are ready to submit the report.
- Click on the **Submit P&R to ONRR** button.

If you made a mistake or need to cancel your report, click the **Cancel Submission** button. Please note that this action will cancel the entire report and no data will be saved.
**Remember** the advantages of the allocation tools:

- Less data input,
- Less change of error, and
- Less compliance scrutiny.

You cannot use the volume allocation tool if you have more than one product, multiple remotes rolled up into one, or more than one royalty rate for any lease during a singles sales month.