

**CONOCO PHILIPS SAN JUAN (BLANCO) GAS PLANT
UNBUNDLING COST ALLOCATIONS (UCAs)**

PROCESSING UNBUNDLING COST ALLOCATIONS:

YEAR	2003	2004	2005	2006
Allowed	24.92%	24.88%	24.83%	24.95%
Non-Allowed	75.08%	75.12%	75.17%	75.05%
	100.00%	100.00%	100.00%	100.00%

YEAR	2003	2004	2005	2006
Allowed Fuel	24.92%	24.88%	24.83%	24.95%
Non-Allowed Fuel	75.08%	75.12%	75.17%	75.05%
	100.00%	100.00%	100.00%	100.00%

**SAN JUAN (BLANCO) GAS PLANT AND SAN JUAN TRANSPORTATION SYSTEM
SIMPLIFIED EXAMPLE FOR 2006 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:	1,000 MMBtu
Bundled Gathering (Transport) Rate:	\$0.20 Per MMBtu	Residue Volume:	770 MMBtu
Bundled Processing Rate:	\$0.043 Per MMBtu	Plant Shrink Volume:	140 MMBtu
Residue Gas Price:	\$3.50 Per MMBtu	Field Fuel:	40 MMBtu
NGL Price:	\$1.20 Per Gallon	Plant Fuel:	50 MMBtu
NGL Volume:	1,000 Gross Gallons		1,000 Ties to Wellhead MMBtu
			960 Calculated Inlet MMBtu

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
770	50	75.05% Non-Allowed		38	808
	50	24.95% Allowed		12	
		100.00%		50	

Residue Value (PC 03)

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
808	\$3.50	\$2,828.00

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
1,000	\$1.20	\$1,200.00

Field Fuel Value (PC 15)

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
40	\$3.50	\$140.00

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
960	\$0.20	(\$192.00)	64.17%	(\$123.21)		
**Field Fuel Value	40	\$3.50	0.00%	\$0.00		
		(\$332.00)		(\$123.21)	12.50%	(\$15.40)
						(\$15.40)

*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.

**Fuel is not allowed on the San Juan Transportation System as it is used by equipment to place the gas into marketable condition. Additionally, Enterprise invoices separately for certain costs that are related to field dehydration, global, lateral, and electrical compression. These costs are disallowed because they are necessary to place the gas into marketable condition.

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)	Allowance Allocated Among Products (C * F)
A	B	C	D	E	F	G
03	808	81.77%				(\$12.59)
07	140	14.18%				(\$2.18)
15	40	4.05%				(\$0.62)
	988	100.00%	(\$123.21)	12.50%	(\$15.40)	(\$15.40)

Processing Allowance PC 07

MMBtu	Bundled Processing Rate	Total Bundled Processing Cost (A * B)	Allowed Unbundling Cost Allocation	Allowed Processing Cost (C * D)	Royalty Rate	Total Processing Allowance (E * F)
A	B	C	D	E	F	G
960	\$0.043	(\$41.28)	24.95%	(\$10.30)	12.50%	(\$1.29)

*Processing Rate Cost

* Review your contract to determine if processing cost is based on inlet or wellhead volume and revise calculation accordingly. For this example, the processing 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		808	\$2,828.00	\$353.50	(\$12.59)		\$340.91
07 Natural Gas Liquids	1,000		\$1,200.00	\$150.00	(\$2.18)	(\$1.29)	\$146.53
15 Field Fuel		40	\$140.00	\$17.50	(\$0.62)		\$16.88
						Royalty Due ONRR	\$504.31

For Percentage-of-Proceeds or Keep whole 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 located at: <http://www.onrr.gov/ReportPay/PDFDocs/royassign.pdf>