

Neptune Plant Unbundling Cost Allocation

**NEPTUNE PLANT  
UNBUNDLING COST ALLOCATION**

**NEPTUNE PLANT COST ALLOCATION  
Gas delivered to Trunkline / ANR / Nautilus Pipelines**

YEAR	2008	2009	2010	2011	2012	2013	2014	2015
Allowed Costs	73%	73%	73%	69%	68%	68%	68%	68%
Disallowed Costs	27%	27%	27%	31%	32%	32%	32%	32%
	100%	100%	100%	100%	100%	100%	100%	100%
Fuel Allowed	0%	0%	0%	6%	11%	11%	11%	11%
Fuel Disallowed	100%	100%	100%	94%	89%	89%	89%	89%
	100%	100%	100%	100%	100%	100%	100%	100%

ONRR calculated these UCAs using the most current information available (see "Disclaimer for ONRR Unbundling Website")

**Neptune Gas Plant  
SIMPLIFIED EXAMPLE FOR 2015 UCA**

*This example does not represent all contractual situations or include all transportation and processing fees that may be charged.*

Royalty Rate:	12.5%	Wellhead Volume:	300,000 MMBtu
NGL Retainage Fee:	10% NGL Gallons	Residue Volume:	198,000 MMBtu
Residue Gas Price:	\$2.50 Per MMBtu	Plant Shrink Volume:	100,000 MMBtu
Weighted Average NGL Price:	\$1.00 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**

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
	198,000	2,000	89% Non-Allowed		1,780	<b>199,780</b>
		2,000	11% Allowed		220	
			100.00%		2,000	

MMBtu	Residue Gas Price	Sales Value (A * B)
A	B	C
199,780	\$2.50	<b>\$499,450.00</b>

*on excludes the plant fuel allowed royalty free per 30 CFR 1202.151(b). Therefore, you may not take plant fuel as a processing allowance.*

Gallons	NGL Price	Sales Value (A * B)
A	B	C
1,000,000	\$1.00	<b>\$1,000,000.00</b>

**ALLOWANCE REPORTING**

NGL Volume (Gallons)	NGL Price	Sales Value (A * B)	NGL Retainage %	Total Bundled Processing Cost (C * D)	Allowed Unbundled 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	\$1.00	\$1,000,000.00	10%	(\$100,000.00)	68.00%	(\$68,000.00)	12.50%	<b>(\$8,500.00)</b>

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\* 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 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		199,780	\$499,450.00	\$62,431.25	-		\$62,431.25
07 Natural Gas Liquids	1,000,000		\$1,000,000.00	\$125,000.00	-	(\$8,500.00)	\$116,500.00
						Royalty Due ONRR	<u><u>\$178,931.25</u></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 located at: <http://www.onrr.gov/ReportPay/PDFDocs/rovassign.pdf>

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