

## Gas Transportation Allowance Report Form MMS-4295

FOR MMS USE ONLY:

  
  
  
  

3 FOR PAYOR USE ONLY:

1 PAYOR NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

2 PAYOR CODE

4 AMENDED REPORT

5 REPORTING PERIOD \_\_\_\_\_ to \_\_\_\_\_  
 (mm/dd/ccyy) \_\_\_\_\_

6	7	8	9	10	11 ACTUAL DATA		
					a	b	c
	LEASE NUMBER	AGREEMENT NUMBER	PRODUCT CODE	NON-ARM'S-LENGTH INDICATOR	ROYALTY QUANTITY	ALLOWANCE RATE PER UNIT	ROYALTY ALLOWANCE AMOUNT
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							

12	PAGE TOTAL			XXXXXXXXXXXX
13	REPORT TOTAL (LAST PAGE ONLY)			XXXXXXXXXXXX

IF MORE LINES ARE NEEDED, ATTACH ADDITIONAL PAGES OF FORM MMS-4295

I have read and examined the statements in this report and, to the best of my knowledge, they are accurate and complete.

NAME (FIRST, MIDDLE INITIAL, LAST) (typed or printed) \_\_\_\_\_ DATE: \_\_\_\_\_

AUTHORIZED SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME OF PREPARER: \_\_\_\_\_ TELEPHONE NUMBER: \_\_\_\_\_

THIS INFORMATION SHOULD BE CONSIDERED (Please check one)  PROPRIETARY  NONPROPRIETARY

**Paperwork Reduction Act of 1995 (PRA) Statement:** The PRA (44 U.S.C. 3501 *et seq.*) requires us to inform you that we collect this information to determine product valuation and to ensure that royalties are paid properly. The MMS uses the information to evaluate the reasonableness of allowances claimed. Responses are required to obtain a benefit. Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 15 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 5438, 1849 C Street, NW., Washington, DC 20240.

# Gas Transportation Allowance Report Form MMS-4295

## General Instructions

The purpose of Form MMS-4295 is to provide for the determination and reporting of costs associated with non-arm's-length contracts or no contract situations for transporting gas and gas plant products under 30 CFR 206.178. Allowable transportation costs must be based upon the following criteria: (1) arm's-length based allowances--allowable cost incurred under an arm's-length contract; and (2) non-arm's-length based allowance--actual, allowable operating cost plus depreciation, plus a return on the undepreciated portion of the depreciable capital. Allowable cost divided by lease production yields the transportation allowance rate.

In accordance with 30 CFR 206.177, a payor may deduct from royalty payments the reasonable actual costs incurred by the lessee to transport unprocessed gas, residue gas, and gas plant products from a lease to a point off the lease including, if appropriate, transportation from the lease to a gas processing plant off the lease and from the plant to a point away from the plant. Costs for transporting products, excluding waste products that have no value, which are not valued for royalty purposes will be allowed only if the lessee has secured prior approval from MMS.

For transportation costs incurred under arm's-length conditions, payors are not required to submit Form MMS-4295. Instead, payors are required to submit a copy of its arm's-length transportation contract to MMS within 2 months of the date MMS receives your first report that deducts the allowance on the Form MMS-2014. For transportation costs incurred under other than arm's-length conditions, Schedules 1, 1A, 1B, and 1C, as appropriate, will be used to determine the allowance and will be submitted to MMS with Page 1 of Form MMS-4295 within 3 months after the end of the 12-month period to which the allowance applies.

For purposes of this report, a sale means the disposition of gas or gas products under a non-arm's-length contract, or no contract situation. A transportation facility means a physical system associated with the transportation of gas or gas products from the lease to a point of disposition remote from the lease. A transportation segment is any mode of transportation from one point to another for which the payor can associate unique, identifiable costs. A transportation segment may be part of the total transportation facility such as from one tie-in to another tie-in location on the pipeline, or may constitute the entire facility. Examples of a transportation segment would be an origin-to-destination pipeline owned by the lessee, and truck haulage over specific routes where the equipment is owned by the lessee. An example of a multi-segment transportation system would be a pipeline bringing sour gas to a processing facility and rail or truck haulage to transport sulfur from the processing plant to a remote point of sale.

Form MMS-4295, Page 1, is used to report the royalty allowance amount claimed during the reporting period by Lease Number and Agreement Number (if applicable), combination and product code.

Form MMS-4295, Schedule 1, is used to accumulate segment costs and to compute the royalty allowance rate for a transportation facility. A separate Schedule 1 must be completed for each Lease Number and Agreement Number (if applicable), combination.

Form MMS-4295, Schedule 1A, summarizes operating, maintenance, and overhead costs for a non-arm's-length or no contract transportation segment.

Form MMS-4295, Supplemental Schedule 1A, is used to detail operating, maintenance, and overhead costs that could not be shown on Schedule 1A because of its limited space.

Form MMS-4295, Schedule 1B, summarizes depreciation and undepreciated capital investment costs for a non-arm's-length or no contract transportation segment.

Form MMS-4295, Schedule 1C, is used to determine an allowance for non-arm's-length or no contract transportation of natural gas liquids (NGLs) or sulfur from a lease to a gas processing facility.

# Gas Transportation Allowance Report Form MMS-4295

## Line-by-Line Instructions

1. Enter the payor name and address used to report royalties and transportation deductions on Form MMS-2014.
2. Enter the same payor code as used on Form MMS-2014.
3. Reserved for payor comment.
4. Check the Amended Report box if this report is amending previously submitted data. A corrected report requires a two-line entry. The first line reverses the original entry using a minus sign (-) in columns 11a, 11b, and 11c, as applicable, and the second line shows the correct entry.
5. Enter as the reporting period, the period covered by the actual cost data for the transportation allowance being reported in column 11. The reporting period will begin the first day of the calendar year or when the transportation contract begins, is modified or amended and will end the last day of the calendar year or when the transportation contract or rate terminates, is modified or amended whichever is earlier.
6. Line count; i.e., the number of allowances being reported.
7. Enter the same Lease Number as used on Form MMS-2014.
8. Enter the same Agreement Number as used on Form MMS-2014.
9. Enter the same product code as used on Form MMS-2014.
10. Enter a non-arm's-length indicator as "NARM" for the portion of the transportation costs incurred under non-arm's-length or no contract situations.
11. Column 11 is used to report actual cost data for the reporting period. Enter in column 11a the royalty quantity transported during the reporting period. Enter in column 11b the lesser of the transportation allowance rate from Schedule 1, line 16, or 50 percent of the unit value of the gas or gas product unless MMS has approved a rate in excess of 50 percent. Enter in column 11c the royalty allowance amount determined by multiplying column 11a by column 11b. (Royalty quantity is the total of the monthly royalty quantities actually transported during the reporting period.)
12. Enter page totals on line 12.
13. If the number of allowances being reported exceeds the number of lines on the Form MMS-4295, use additional Page 1, Form MMS-4295s. If more than one Page 1, Form MMS-4295 is submitted, add the amounts on line 12 from each page and enter the total only once on line 13 of the last page of the Gas Transportation Allowance Report.

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

## Gas Transportation Facility Summary Sheet Form MMS-4295, Schedule 1

2

1 PAYOR NAME AND CODE \_\_\_\_\_ / \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

LEASE NUMBER: \_\_\_\_\_

AGREEMENT NUMBER: \_\_\_\_\_

FACILITY NAME/ID NUMBER: \_\_\_\_\_

PRODUCT CODE: \_\_\_\_\_

PERIOD: (mm/dd/ccyy) \_\_\_\_\_ to \_\_\_\_\_

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Segment Name or Number	Mode of Transportation	Non-Arm's-Length Indicator	Non-Arm's-Length Operating Costs	Depreciation	Rate of Return	Undepreciated Capital Investment at Beginning of Year	Return on Investment (f) x (g)
	From	To						

**A. TRANSPORTING GAS TO A REMOTE GAS PROCESSING FACILITY.**

				\$ _____	\$ _____		\$ _____	\$ _____	<span style="border: 1px solid black; padding: 2px;">3</span>
									<span style="border: 1px solid black; padding: 2px;">4</span>
									<span style="border: 1px solid black; padding: 2px;">5</span>
									<span style="border: 1px solid black; padding: 2px;">6</span>
									<span style="border: 1px solid black; padding: 2px;">7</span>
			Totals	\$ _____	\$ _____			\$ _____	<span style="border: 1px solid black; padding: 2px;">8</span>

Allowance rate = (lines 8d + 8e + 8h)/Quantity of production transported from the lease to the gas processing facility. \_\_\_\_\_ ÷ \_\_\_\_\_ = \$ \_\_\_\_\_ 9  
Part A Total Cost Part A Total Quantity Gas Rate/Mcf

Allowance rate for transporting NGL's or Sulfur from the lease to plant. \_\_\_\_\_ 10  
Sulfur Rate/LT NGL Rate/Gal

**B. TRANSPORTING GAS OR GAS PRODUCTS FROM LEASE OR PLANT TO A REMOTE SALES POINT.**

				\$ _____	\$ _____		\$ _____	\$ _____	<span style="border: 1px solid black; padding: 2px;">11</span>
									<span style="border: 1px solid black; padding: 2px;">12</span>
									<span style="border: 1px solid black; padding: 2px;">13</span>
			Totals	\$ _____	\$ _____			\$ _____	<span style="border: 1px solid black; padding: 2px;">14</span>

Allowance rate = (lines 14d + 14e + 14h)/Quantity of products. \_\_\_\_\_ ÷ \_\_\_\_\_ = \$ \_\_\_\_\_ 15  
Part B Total Cost Part B Total Quantity Product Rate

Total Unit Allowance Rate = the sum of line 9h and 15h if the allowance is for gas; line 10g and 15h if the allowance is for sulfur; or 10h and 15h if the allowance is for NGL's. The allowance rate cannot exceed 50 percent of the value of the product without prior MMS approval. \_\_\_\_\_ 16  
Allowance Rate

THIS INFORMATION SHOULD BE CONSIDERED (Please check one)  PROPRIETARY  NONPROPRIETARY

# Gas Transportation Facility Summary Sheet Form MMS-4295, Schedule 1

## Instructions

A separate Form MMS-4295, Schedule 1, must be used to determine the royalty allowance rate for each Lease Number and Agreement Number (if applicable), combination. No allowance may be claimed if the facility is not off the lease.

Part A is used to accumulate segment costs and to determine an allowance for transporting gas or gas products from the lease to a processing facility off the lease. The payor, using Part A, will compute a gas transportation rate (line 9h) which will be applicable to entrained products including NGLs, sulfur, CO<sub>2</sub>, helium, and nitrogen. The payor must first complete lines 1 through 9 of Part A. If entrained liquids or sulfur are present in the gas stream, the payor must complete Schedule 1C (Allowance for Non-Arm's-Length Transportation of Gas Liquids and Sulfur) using the computed gas transportation rate from line 9h, Schedule 1. A transportation rate will be computed for NGLs and sulfur (in the gaseous form). The payor may then complete Part A, Schedule 1, by completing lines 10(g) and 10(h), Schedule 1, for the sulfur and NGL rates, respectively. The gas, sulfur, and NGL rates (lines 9h, 10g, and 10h) will be used in completing Part B, Schedule 1, for each product.

Part B is used to accumulate segment costs and compute an allowance for transporting gas or gas products from either a lease, or from a processing facility, to the nearest available marketplace or sales outlet off the lease. When gas is transported to a processing facility, processed, and gas or gas products are transported from the facility to a remote sales point, both Parts A and B must be used in computing the allowance.

The payor must submit a clear schematic diagram, on no larger than 8-1/2 by 11-inch paper, illustrating the transportation facility from the lease to the point where the products are disposed of. Processing facilities, points of measurement, and points of sale or disposition for royalty purposes must be designated.

1. Enter the same payor name, payor code, and address as shown on Form MMS-4295, Gas Transportation Allowance Report.
2. Enter the same Lease Number and Agreement Number (if applicable), as used on Form MMS-2014. Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility. Enter the Product Code (see Reporter Handbook) of the product for which an allowance is being claimed. (Note: For a transportation facility consisting of only one segment, segment name or number will be the same as the facility name or number.)

Enter the reporting period. The period must be the same period shown in item 5 on Form MMS-4295, Gas Transportation Allowance Report.

The following instructions are applicable to Part A (lines 3-7) and Part B (lines 11 -13):

- a. Describe each segment of the transportation facility; e.g., from lease XX-YYYYY-Z to St. John processing facility,
- b. Identify the mode of transportation under which costs are incurred; e.g., pipeline, truck, rail, tanker, barge, etc.
- c. Indicate how facility/segment costs were incurred using "NARM" to denote non-arm's-length costs which include non-arm's-length and no contract situations.

**Gas Transportation Facility Summary Sheet  
Form MMS-4295, Schedule 1**

Instructions

- d. If transportation costs were incurred under other than arm's-length conditions, complete columns (d) through (h). Using Schedule 1A, determine the operations, maintenance, and overhead expenditures and enter in column (d). A separate Schedule 1A must be completed for each individual segment.
- e. Enter depreciation costs for the reporting period. Schedule 1B must be used to determine depreciation costs.
- f. The rate of return shall be the industrial rate associated with Standard and Poor's BBB rating. Enter the monthly average rate as published in Standard and Poor's Bond Guide for the first month of the reporting period,
- g. Enter the beginning-of-year undepreciated capital investment. Schedule 1B must be used to determine beginning-of-year undepreciated capital investment. A separate Schedule 1B must be completed for each individual segment.
- h. Calculate the return on undepreciated capital investment by multiplying column f by column g.

Total columns d, e, and h and enter on lines 8d, 8e, and 8h, or lines 14d, 14e, and 14h, accordingly.

For Part A, sum lines 8d, 8e, and 8h and enter on line 9 - Total Costs. Enter total quantity of production transported from the lease, as measured at the approved point of royalty measurement, to the processing facility on line 9 Total Quantity. (Note: The total throughput quantity excluding waste products that have no value must be used.) Compute the allowance rate, to six decimal places, by dividing line 9 - Total Cost, by line 9 - Total Volume, and enter on line 9h.

When determining an allowance for sulfur or NGLs, Schedule 1 C must be completed.

- a. If the allowance is for transporting sulfur, enter the sulfur allowance rate from Schedule 1 C, line 13 (f), on Schedule 1, line 10g.
- b. If the allowance is for transporting NGL'S, enter the NGL allowance rate from Schedule 1C, line 12, on Schedule 1, line 10h.

For Part B, sum lines 14d, 14e, and 14h and enter on line 15 - total cost. Enter the total product sales quantity transported from the lease, or processing facility to the sales point on line 15 - Total Quantity. (Note: The total quantity to be used is the sum of the sales quantities reported on Form MMS-2014 for the reporting period.) Compute the allowance rate, to six decimal places, by dividing line 15 - Total Cost, by line 15 - Total Quantity, and enter on line 15h.

- 16. The total unit allowance rate is equal to the sum of line 9h plus line 15h if the product is gas; line 10g plus line 15h if the product is sulfur, or line 10h plus line 15h if the product is NGLs. Enter on line 16.

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

PAYOR IDENTIFICATION BLOCK	
Payor Name and Code:	_____
Lease Number:	_____
Agreement Number:	_____
Facility ID No:	_____
Segment ID No:	_____
Period: (mm/dd/ccyy)	_____ to _____

**Non-Arm's-Length Transportation  
 System/Segment Operations, Maintenance,  
 and Overhead Expenditures  
 Form MMS-4295, Schedule 1A**

**A. Lessee's Operating Costs for System/Segment**

Operations Supervision and Engineering	\$ _____	1
Operations Labor	_____	2
Utilities	_____	3
Materials	_____	4
Ad Valorem Property Taxes	_____	5
Rent	_____	6
Supplies	_____	7
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	8
	_____	9
<b>Total Operating Costs -- Subtotal</b>	<b>\$ _____</b>	<b>10</b>

**B. Lessee's Maintenance Costs**

Maintenance Supervision	\$ _____	11
Maintenance Labor	_____	12
Materials	_____	13
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	14
	_____	15
<b>Total Maintenance Costs -- Subtotal</b>	<b>\$ _____</b>	<b>16</b>

**C. Lessee's Overhead Allocation (specify)**

_____	\$ _____	17
_____	_____	18
Other (specify) use Supplemental Schedule 1A	_____	19
<b>Total Overhead Allocation</b>	<b>\$ _____</b>	<b>20</b>

**D. Total Operating and Maintenance Costs  
 (Line 10 + line 16 + line 20)**

\$ _____	21
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**E. Allocated to Segment**

Lease Volume _____ ÷ Total throughput _____	\$ _____	22
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**F. Segment Allocated Operating, Maintenance, and  
 Overhead Costs  
 (Line 21 x line 22) Enter in column d, Schedule 1**

\$ _____	23
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THIS INFORMATION SHOULD BE CONSIDERED (Please check one)  PROPRIETARY  NONPROPRIETARY

**Non-Arm's-Length Transportation  
System/Segment Operations, Maintenance, and Overhead Expenditures  
Form MMS-4295, Schedule 1A**

**Instructions**

Schedule 1A is used to record reasonable actual operating, maintenance, and overhead costs for a transportation segment for the prior reporting period. A separate Schedule 1A must be completed for each segment in the transportation facility. The costs for all transportation facility segments are accumulated on Schedule 1 to determine the total operating costs for the facility. A list of allowable and nonallowable costs is provided herein and should be used as a guide in determining operating, maintenance, and overhead costs.

Complete the payor information block as follows.

Enter the same payor name and code as used on Form MMS-4295, Gas Transportation Allowance Report. Enter the same Lease Number and Agreement Number (if applicable), as used on Form MMS-2014.

Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility.

Enter the transportation segment name or identification number (as designated by the payor) unique to the transportation segment. (Note: For a transportation facility consisting of only one segment, the segment name or identification number will be the same as the facility name or identification number.)

Enter the reporting period. The period must be the same period shown in item 5 on Form MMS-4295, Gas Transportation Allowance Report.

Instructions for Computing Operating, Maintenance, and Overhead Costs.

Identify and list on Part A and Part B all operating and maintenance costs directly attributable to the transportation facility/segment during the reporting period. If additional space is needed to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Line 10 - Enter total operating costs (the sum of lines 1-9).

Line 16 - Enter total maintenance costs (the sum of lines 11-15).

Part C - Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of the transportation facility/segment. If additional space is needed, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Line 20 - Sum lines 17 through 19 to obtain the total overhead expenditures directly allocable to the facility/segment.

Line 21 - Sum lines 10, 16, and 20 to obtain the total operating costs.

Part E - Enter the lease volume transported through this segment and the total throughput of this segment. (Note: The total throughput quantity excluding waste products that have no value must be used.) Divide the lease volume by the total throughput and enter answer in 6 decimal places on line 22 (.XXXXXX).

Part F - Determine the allocated operating, maintenance, and overhead costs for the segment by multiplying line 21 times line 22 and enter on line 23. Enter in column (d) of Part A or B, Schedule 1, as appropriate.

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

**Non-Arm's-Length Transportation  
System/Segment Operations, Maintenance, and Overhead Expenditures  
Form MMS-4295, Schedule 1A**

Instructions

ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE, AND CAPITAL COSTS

Allowable Capital Costs - Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the transportation system. The following capital items are generally considered as allowable: garages and warehouses, rail haulage equipment including rail spurs, trucks, barges, pipeline compressors and pumps, and roads.

Nonallowable Capital Costs - Costs incidental to marketing (e.g., on-lease compression, gathering, separation, dehydration, storage, and treatment). Also, schools, hospital, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital cost associated with the preparation of an environment impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of the transportation facility are allowable.

Allowable Operating Costs - Allowable operating and maintenance costs are those nondepreciable costs that are directly attributable to the operation and maintenance of a transportation facility/segment. These expenditures include the following:

1. Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities.
2. Fuel and utility costs directly related to transporting lease products.
3. Chemicals (including rust preventives and thinning agents) and lubricants used for the purpose of enhancing flow protection, or cleaning.
4. Repairs, labor, materials, and supplies directly related to transportation equipment and facilities.
5. Port and toll fees, insurance and ad valorem property taxes (Federal and State income taxes are not allowable deductions).
6. Arm's-length rental, leasing, contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities.
7. General administrative overhead costs (headquarters personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, office supplies, etc.). The total of these costs shall be limited to those reasonable expenditures directly attributable and allocable to the operation and maintenance of the transportation equipment and facilities.

**Non-Arm's-Length Transportation  
System/Segment Operations, Maintenance, and Overhead Expenditures  
Form MMS-4295, Schedule 1A**

Instructions

Nonallowable Operating Costs –

1. Costs incidental to marketing; e.g., on-lease gathering and storage, compression, separation, and dehydration; also, heaters, treaters, meters, water knockouts, ACT meters, meter sleds, and pumps (surface, subsurface, and circulating), and other operating costs associated with nonallowable capital expenditures which are not directly allocable or attributable to the transportation of lease products are not allowable.
2. Theoretical or actual line losses.
3. Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes.
4. The value of fuel taken from the gas stream and used to run compressors and pumps.
5. Costs for services that the lessee is obligated to perform at no cost to the government.



**Non-Arm's-Length Transportation  
System/Segment Operations, Maintenance, and Overhead Expenditures  
Form MMS-4295, Supplemental Schedule 1A**

Instructions

Supplemental Schedule 1A is used to identify and document operating, maintenance, and overhead expenditures listed under the "Other" expenditure categories on Schedule 1A.

Complete the payor identification block (see Schedule 1A instructions).

A separate Supplemental Schedule 1A must be prepared for other operating costs, other maintenance costs, and other overhead costs associated with the transportation facility/segment.

Describe and specify each expenditure item and amount. Receipts and invoices should be retained in the office of the payor subject to audit.

Sum the amounts of each expenditure and list on the total line.

Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, lines 9, 15, or 19 accordingly.

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



**Non-Arm's-Length Transportation  
System/Segment Depreciation and Capital Expenditure Summary  
Form MMS-4295, Schedule 1B**

Instructions

Schedule 1B is used to summarize actual or estimated facility/segment depreciation and undepreciated capital investment for computing return on investment. A separate Schedule 1B must be completed for each segment in the transportation facility. The costs of all transportation facility segments are accumulated on Schedule 1 to determine the total depreciation and undepreciated capital investment for the facility.

Complete the payor identification block (see Schedule 1A instructions).

For each facility/segment capital expenditure item complete one line as follows:

1. Identify the capital expenditure item.
2. Enter 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 and the number of years of depreciation taken to date.
5. Enter the undepreciated capital investment at beginning-of-year. In computing this value, 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 transportation facility/segment 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 undepreciated capital investment at end-of-year. 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 1, Part A, columns e and g, or Part B, columns e and g, accordingly.
9. Enter the "Allocated to Segment" amount from line 22, Schedule 1A, on line 9, columns 5 and 6.
10. Multiply line 8 by line 9 for columns 5 and 6 and enter on line 10 and on Schedule 1, columns g and e, Parts A and B as appropriate.

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

PAYOR IDENTIFICATION BLOCK	
Payor Name and Code:	_____
Lease Number:	_____
Agreement Number:	_____
Facility ID No:	_____
Segment ID No:	_____
Period: (mm/dd/ccyy)	_____ to _____

## Non-Arm's-Length Transportation Gas Liquids and Sulfur from the Lease to the Gas Processing Plant Form MMS-4295, Schedule 1C

Liquids

(a)	(b)	(c)	(d)	(e)	(f)
Product	Gallons of Liquids Sold	Volume <sup>1/</sup> Factors Mcf/Gallon (14.73 psia)	Volume of Liquids in Mcf (b)x(c)	Allowance per Mcf (Line 9h Schedule 1)	Product Allowance (d)x(e)
Ethane	_____	0.039608	_____	_____	\$ _____ <span style="border: 1px solid black; padding: 2px;">1</span>
Propane	_____	0.036416	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">2</span>
Isobutane	_____	0.030829	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">3</span>
N-butane	_____	0.031527	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">4</span>
Pentanes	_____	0.027437	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">5</span>
Hexane	_____	0.024244	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">6</span>
Heptane	_____	0.021550	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">7</span>
Pentanes and Heavier	_____	0.024044	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">8</span>
Other	_____	_____	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">9</span>
Other	_____	_____	_____	_____	_____ <span style="border: 1px solid black; padding: 2px;">10</span>
Totals	_____	_____	_____	_____	\$ _____ <span style="border: 1px solid black; padding: 2px;">11</span>
Allowance Rate/Gallon (line 11f ÷ line 11b)					\$ _____ <span style="border: 1px solid black; padding: 2px;">12</span>

Sulfur

(a)	(b)	(c)	(d)	(e)	(f)
Tons of Sulfur Sold	Plant <sup>2/</sup> Recovery Factor	Tons of Sulfur in Gas Stream (a) ÷ (b)	Volume (Mcf) <sup>3/</sup> of H <sub>2</sub> S in Gas Stream (c) x 26.207682	Allowance per Mcf (line 9h Schedule 1)	Sulfur Allowance (d x e) ÷ a
_____	_____	_____	_____	_____	\$ _____ <span style="border: 1px solid black; padding: 2px;">13</span>

<sup>1/</sup> Petroleum Refinery Engineering. Fourth Edition, McGraw Hill (1958).

<sup>2/</sup> To be based on actual plant sulfur recovery experience.

<sup>3/</sup> Based upon PV = ZNRT Mcf at 60<sup>0</sup>F, 14.73 psia, 94.08467 Wt% S in H<sub>2</sub>S.

THIS INFORMATION SHOULD BE CONSIDERED (Please check one)  PROPRIETARY  NONPROPRIETARY

**Non-Arm's-Length Transportation  
Gas Liquids and Sulfur from the Lease to the Gas Processing Plant  
Form MMS-4295, Schedule 1C**

**Instructions**

Schedule 1C is used to determine an allowance for transporting natural gas liquids (NGLs) or sulfur from a lease to a processing facility.

Complete the payor identification block (see Schedule 1A instructions).

Compute the transportation allowance rate for NGLs as follows:

- a. Identify the liquid products produced.
- b. Enter the gallons of liquids sold.
- c. Enter the volume factor (Mcf/Gallon) if the volume factor used by the payor is other than listed. Use column c1 for 14.75 psia.
- d. Compute the volume of liquids in Mcf by multiplying columns b and c.
- e. Enter the allowance per Mcf from line 9h, Schedule 1.
- f. Compute the product allowance value by multiplying column d by column e.

Sum columns b and f and enter on line 11b and 11f, accordingly. Compute the allowance rate, using six decimal places, for NGLs by dividing the total allowance (line 11f) by the total volume of liquids sold (line 11b). Enter on line 12 of Schedule 1C and line 10h of Schedule 1.

Compute the transportation allowance rate for sulfur as follows:

- a. Enter the total volume of sulfur (in long tons) marketed during the reporting period.
- b. Enter the sulfur recovery factor for the plant. This shall be based on actual plant sulfur recovery experience.
- c. Compute the tons of sulfur in the gas stream by dividing column a by column b.
- d. Enter the volume (Mcf) of H<sub>2</sub>S in the gas stream. This volume is determined by multiplying column c by the conversion factor 26.207682.
- e. Enter the transportation rate for transporting gas from the lease to the plant from line 9h, Schedule 1.
- f. Determine the sulfur allowance rate per ton, using six decimal places, by dividing the product of columns d and e by column a.

Enter the sulfur allowance per ton on line 10g of Schedule 1.

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