

Objective

Determine long term royalty impact using 1995
Production Year data

- 1995 Net Royalty (with adjustments) - PART A
- 1995 RRIR Net Royalty - PART B
- Impact - PART C

Analysis assumes paper copy report generation
(UDF fields not specifically addressed)

EUB Facility Level Approach

Reports Required

1995 Reports Issued by DOE:

- 1995 Corporate Effective Royalty Rate (CERR) Calculation Detail (Part A, Step 1)
- Crown Royalty Detail Report for latest 1995 charges (throughout)
- Capital Cost Allowance Recapture for EOR and RPBS Summary (Part A, Step 4)
- Annual CP Net of Op. Costs Summary (Part A, Step 5)
- Annual CP Net of Op. Costs Detail (Part A, Step 5)

Schedules 1-5 (throughout)

Part A

Adjust 1995 Variables

- Why?
 - Consideration of long term impact
 - Exemption Volumes not included for long term impact assessment
 - Use of “Actual” 1995 data for Operating Costs

Getting Started

- Sum CRV's for the 1995 Year for like products

Part A - Step 1

Move to next step if no 1995 Holiday Production

Use your latest 1995 CERR report

Add Exemption CRQ's to Net CRQ Total

Recalculate CERR using revised numerator

No adjustment for cycling volumes

Apply revised numerator to weighted average CERR, for applicable consolidated/amalgamated situations in 1995

Part A Step 2

Using your most current 1995 Crown Royalty Detail Report, sum the Gross Royalty field for each month

- Holiday amounts are included under the Gross Royalty field

Part A Step 3

Separate facility into Plant Type or Designated classification group

Sum like products for the year

Convert to EAGEV (Schedule 2)

Sum all EAGEV for each product

Determine Annual Op. Costs (Schedule 1)

Part A Step 3 (con't)

Discount Raw Gas volumes

Apply UOCR rates for entire calendar year

– Previous calculations had rate adjustment in 1995-02

Part A Step 4

Add back EOR and RPBS Capital amounts into
Capital Pool

IR Long Term Impact
March 18, 1998

Part A Step 5

Revise Custom Processing Fees:

- Determine Non-Ownership/Ownership of Custom Processing volumes
 - Part 2 of AC5 - use Schedule 1 UOCR
 - Part 3 of AC5 - replace delayed rates
- Calculate Total Operating Cost Deduction
- Recalculate CP Net of Op. Costs total

Part A Steps 6 and 7

Use adjusted CERR from Step 1 and apply against Capital Cost and Custom Processing Pools from Steps 4 and 5

Part B Step 1

Gross Royalty determination same as Part A,
Step 2

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March 18, 1998

Part B Steps 2 and 3

Step 2 - Same Annual Operating Cost total as determined in Part A, Step 3

Step 3 - Apply Schedule 3 to annual CRV's on a like product basis

- USE ACTUAL GJ'S FOR GAS, NOT CONVERTED VALUE

Allowable Capital Cost = EUB Facility Rates (Schedule X Product Value

Part B Steps 4 and 5

Step 4 - Same Annual Operating Cost total as determined in Part A, Step 3

Step 5 - Apply Schedule 3 to annual CRV's on a like product basis (= Gross Capital Value)

Allowable Capital Cost = CP Capital Rates (Schedule 5)
X Product Value

Allowance for P/T 1 on P/T 2 with no liquids

Part B Step 6

Calculate RRIR Net Royalty

- Step 6a: Owner in Processing
 - $[\text{Gross Royalty} - \text{Op Costs} - \text{Capital Rate}] \times \text{Neutrality Factor}$
- Step 6b: Non-owner in Processing
 - $[\text{Gross Royalty} - \text{Op Costs} - \text{CP Capital Rate}] \times \text{Neutrality Factor}$

Part C - RRIR Impact

Owner in Processing:

- Part A Net Total (Step 8) minus Part B Net Total (Step 6a)

Non Owner in Processing

- Part A Net Total (Step 8) minus Part B Net Total (Step 6b)