

SCHEDULE 1 -- OIL TRANSPORTATION FACILITY SUMMARY SHEET

2 LEASE NUMBER: _____

1 PAYOR NAME AND CODE _____ / _____

AGREEMENT NUMBER: _____

ADDRESS _____

FACILITY NAME/ID NUMBER: _____

CITY _____ STATE _____ ZIP _____

PERIOD: (mm/dd/ccyy) _____ to _____

| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | |
|---|------------------------|---|--|--------------|----------------|---|--------------------------------|---|
| Segment Name or Number | Mode of Transportation | Arm's-Length/Non-Arm's-Length Indicator | Arm's-Length Contract/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 OIL TO A REMOTE TREATMENT FACILITY. | | | | | | | | |
| _____ | _____ | _____ | \$ _____ | \$ _____ | _____ | \$ _____ | \$ _____ | 3 |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | 4 |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | 5 |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | 6 |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | 7 |
| Totals | | | \$ _____ | \$ _____ | _____ | \$ _____ | \$ _____ | 8 |

Allowance rate = (lines 8d + 8e + 8h)/Volume of production transported from the lease to processing/treatment facility.

$$\frac{\$ \text{ Part A Total Cost}}{\text{Part A Total Volume}} = \frac{\$ \text{ Part A Total Cost}}{\text{Part A Total Volume}} = \$ \text{ Cost per Barrel}$$

B. TRANSPORTING OIL TO A REMOTE SALES POINT.

| | | | | | | | | |
|--------|-------|-------|----------|----------|-------|----------|----------|----|
| _____ | _____ | _____ | \$ _____ | \$ _____ | _____ | \$ _____ | \$ _____ | 10 |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | 11 |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | 12 |
| Totals | | | \$ _____ | \$ _____ | _____ | \$ _____ | \$ _____ | 13 |

Allowance rate = (lines 13d + 13e + 13h)/Volume of products transported from the lease plant to the sales point.

$$\frac{\$ \text{ Part B Total Cost}}{\text{Part B Total Volume}} = \frac{\$ \text{ Part B Total Cost}}{\text{Part B Total Volume}} = \$ \text{ Cost per Barrel}$$

Total Unit Allowance Rate = the sum of line 9h and 14h. The allowance rate cannot exceed 50 percent of the value of the product without prior MMS approval.

_____ 15
Allowance Rate

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

INSTRUCTIONS FOR COMPLETING FORM MMS-4110, SCHEDULE 1

A separate Form MMS-4110, Schedule 1 must be used to determine the royalty transportation allowance amount 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 compute an allowance for transporting oil from the lease to a separation facility remote from where the lease is situated. Part B is used to accumulate segment costs and compute an allowance for transporting oil from either a lease, or from a separation facility, to the nearest available market place or sales outlet remote from the lease. When oil is transported to a separation facility, treated, and clean oil is 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. Separation 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 used on Page 1 of Form MMS-4110.
2. Enter the same Lease Number and Agreement Number (if applicable), combination as used on Form MMS-2014. Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility. (Note: For a transportation facility consisting of only one segment, the 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-4110, Oil Transportation Allowance Report.

The following instructions are applicable to Part A (lines 3-7) and Part B (lines 10-12):

- a. Describe each segment of the transportation facility; e.g., from Lease No. XX-YYYYY-Z to St. John treatment 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 ("NARM" denotes non-arm's-length costs which include non-arm's-length and no contract situations; "ARMS" denotes arm's-length contract costs).
- d. If transportation costs were incurred under arm's-length condition, enter the total costs incurred for the period by multiplying the transportation rate by the volume transported at that rate. No transportation allowance may be given for substances or products that are not valued for royalty purposes without prior MMS approval. If two or more rates are applicable during the reporting period, the cost incurred under each rate must be computed and summed. If, for example, the rates were \$1.00 per barrel for 150 barrels and \$1.50 per barrel for 100 barrels, the transportation costs would be \$1.00 times 150 barrels plus \$1.50 times 100 barrels or \$300.00. Do not complete columns (e) through (h) for arm's-length costs.

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 13d, 13e, and 13h, accordingly.

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

For Part B, sum lines 13d, 13e, and 13h and enter on line 14 - Total Cost. Enter the total volume transported from the lease or treatment facility on line 14 - Total Volume (Note: Total volume is the volume transported through the transportation facility for the prior reporting period.) Compute the allowance cost per barrel, to six decimals, by dividing line 14 - Total Cost, by line 14 - Total Volume, and enter on line 14h.

15. The total unit allowance rate is equal to the sum of line 9h plus line 14h. Enter this allowance rate on line 15. The allowance rate cannot exceed 50 percent of the value of the product without prior MMS approval.

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