



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

March 9, 2016

Maxie Watts
Superintendent
Pecos-Barstow-Toyah Independent School District
1302 South Park Street
Pecos, Texas 79772

Dear Superintendent Watts:

On February 1, 2016, the Comptroller issued written notice that Delaware Basin Gas Processing, LLC (the applicant) submitted a completed application (Application #1122) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on December 17, 2015, to the Pecos-Barstow-Toyah Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1122.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

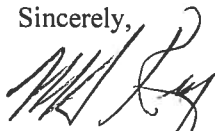
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2016.

Note that any building or improvement existing as of the application review start date of February 1, 2016, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Korry Castillo

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Delaware Basin Gas Processing, LLC (the project) applying to Pecos-Barstow-Toyah Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Delaware Basin Gas Processing LLC.

Applicant	Delaware Basin Gas Processing LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Pecos-Barstow-Toyah ISD
2014-15 Enrollment in School District	2,228
County	Reeves
Proposed Total Investment in District	\$260,000,000
Proposed Qualified Investment	\$260,000,000
Limitation Amount	\$30,000,000
Number of new qualifying jobs committed to by applicant	10
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,153.85
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,040.68
Minimum annual wage committed to by applicant for qualified jobs	\$60,000
Minimum weekly wage required for non-qualifying jobs	\$753
Minimum annual wage required for non-qualifying jobs	\$39,156
Investment per Qualifying Job	\$26,000,000
Estimated M&O levy without any limit (15 years)	\$34,059,584
Estimated M&O levy with Limitation (15 years)	\$14,049,568
Estimated gross M&O tax benefit (15 years)	\$20,010,016

Table 2 is the estimated statewide economic impact of Delaware Basin Gas Processing LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2015	0	0	0	\$0	\$0	\$0
2016	150	668	818	\$9,000,000	\$60,000,000	\$69,000,000
2017	160	802	962	\$9,600,000	\$75,400,000	\$85,000,000
2018	10	200	210	\$600,000	\$20,400,000	\$21,000,000
2019	10	112	122	\$600,000	\$14,400,000	\$15,000,000
2020	10	54	64	\$600,000	\$9,400,000	\$10,000,000
2021	10	23	33	\$600,000	\$6,400,000	\$7,000,000
2022	10	9	19	\$600,000	\$4,400,000	\$5,000,000
2023	10	4	14	\$600,000	\$3,400,000	\$4,000,000
2024	10	5	15	\$600,000	\$3,400,000	\$4,000,000
2025	10	10	20	\$600,000	\$3,400,000	\$4,000,000
2026	10	15	25	\$600,000	\$4,400,000	\$5,000,000
2027	10	21	31	\$600,000	\$4,400,000	\$5,000,000
2028	10	27	37	\$600,000	\$5,400,000	\$6,000,000
2029	10	32	42	\$600,000	\$5,400,000	\$6,000,000
2030	10	36	46	\$600,000	\$6,400,000	\$7,000,000

Source: CPA, REMI, Delaware Basin Gas Processing LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Pecos-Barstow-Toyah ISD I&S Tax Levy	Pecos-Barstow-Toyah ISD M&O Tax Levy	Pecos-Barstow-Toyah M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital District Tax Levy	Estimated Total Property Taxes
			Tax Rate	0.0460	1.0400		0.4200	0.2288	
2017	\$122,200,000	\$122,200,000		\$56,212	\$1,270,880	\$1,327,092	\$513,240	\$279,618	\$2,119,950
2018	\$244,400,000	\$244,400,000		\$112,424	\$2,541,760	\$2,654,184	\$1,026,480	\$559,236	\$4,239,900
2019	\$239,512,000	\$239,512,000		\$110,176	\$2,490,925	\$2,601,100	\$1,005,950	\$548,051	\$4,155,102
2020	\$234,624,000	\$234,624,000		\$107,927	\$2,440,090	\$2,548,017	\$985,421	\$536,867	\$4,070,304
2021	\$229,736,000	\$229,736,000		\$105,679	\$2,389,254	\$2,494,933	\$964,891	\$525,682	\$3,985,506
2022	\$224,848,000	\$224,848,000		\$103,430	\$2,338,419	\$2,441,849	\$944,362	\$514,497	\$3,900,708
2023	\$219,960,000	\$219,960,000		\$101,182	\$2,287,584	\$2,388,766	\$923,832	\$503,312	\$3,815,910
2024	\$215,072,000	\$215,072,000		\$98,933	\$2,236,749	\$2,335,682	\$903,302	\$492,128	\$3,731,112
2025	\$210,184,000	\$210,184,000		\$96,685	\$2,185,914	\$2,282,598	\$882,773	\$480,943	\$3,646,314
2026	\$205,296,000	\$205,296,000		\$94,436	\$2,135,078	\$2,229,515	\$862,243	\$469,758	\$3,561,516
2027	\$200,408,000	\$200,408,000		\$92,188	\$2,084,243	\$2,176,431	\$841,714	\$458,574	\$3,476,718
2028	\$195,520,000	\$195,520,000		\$89,939	\$2,033,408	\$2,123,347	\$821,184	\$447,389	\$3,391,920
2029	\$190,632,000	\$190,632,000		\$87,691	\$1,982,573	\$2,070,264	\$800,654	\$436,204	\$3,307,122
2030	\$185,744,000	\$185,744,000		\$85,442	\$1,931,738	\$2,017,180	\$780,125	\$425,019	\$3,222,324
2031	\$180,856,000	\$180,856,000		\$83,194	\$1,880,902	\$1,964,096	\$759,595	\$413,835	\$3,137,526
2032	\$175,968,000	\$175,968,000		\$80,945	\$1,830,067	\$1,911,012	\$739,066	\$402,650	\$3,052,728
			Total	\$1,506,482	\$34,059,584	\$35,566,066	\$13,754,832	\$7,493,763	\$53,761,933

Source: CPA, Delaware Basin Gas Processing LLC

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Reeves County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Pecos-Barstow-Toyah ISD I&S Tax Levy	Pecos-Barstow-Toyah ISD M&O Tax Levy	Pecos-Barstow-Toyah M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hopital District Tax Levy	Estimated Total Property Taxes
			Tax Rate¹	0.0460	1.0400		0.4200	0.2288	
2017	\$122,200,000	\$122,200,000		\$56,212	\$1,270,880	\$1,327,092	\$123,178	\$279,618	\$1,729,888
2018	\$244,400,000	\$30,000,000		\$112,424	\$312,000	\$424,424	\$246,355	\$559,236	\$1,230,015
2019	\$239,512,000	\$30,000,000		\$110,176	\$312,000	\$422,176	\$241,428	\$548,051	\$1,211,655
2020	\$234,624,000	\$30,000,000		\$107,927	\$312,000	\$419,927	\$236,501	\$536,867	\$1,193,295
2021	\$229,736,000	\$30,000,000		\$105,679	\$312,000	\$417,679	\$231,574	\$525,682	\$1,174,934
2022	\$224,848,000	\$30,000,000		\$103,430	\$312,000	\$415,430	\$944,362	\$514,497	\$1,874,289
2023	\$219,960,000	\$30,000,000		\$101,182	\$312,000	\$413,182	\$923,832	\$503,312	\$1,840,326
2024	\$215,072,000	\$30,000,000		\$98,933	\$312,000	\$410,933	\$903,302	\$492,128	\$1,806,363
2025	\$210,184,000	\$30,000,000		\$96,685	\$312,000	\$408,685	\$882,773	\$480,943	\$1,772,400
2026	\$205,296,000	\$30,000,000		\$94,436	\$312,000	\$406,436	\$862,243	\$469,758	\$1,738,438
2027	\$200,408,000	\$30,000,000		\$92,188	\$312,000	\$404,188	\$841,714	\$458,574	\$1,704,475
2028	\$195,520,000	\$195,520,000		\$89,939	\$2,033,408	\$2,123,347	\$821,184	\$447,389	\$3,391,920
2029	\$190,632,000	\$190,632,000		\$87,691	\$1,982,573	\$2,070,264	\$800,654	\$436,204	\$3,307,122
2030	\$185,744,000	\$185,744,000		\$85,442	\$1,931,738	\$2,017,180	\$780,125	\$425,019	\$3,222,324
2031	\$180,856,000	\$180,856,000		\$83,194	\$1,880,902	\$1,964,096	\$759,595	\$413,835	\$3,137,526
2032	\$175,968,000	\$175,968,000		\$80,945	\$1,830,067	\$1,911,012	\$739,066	\$402,650	\$3,052,728
			Total	\$1,506,482	\$14,049,568	\$15,556,050	\$10,337,885	\$7,493,763	\$33,387,698
			Diff	\$0	\$20,010,016	\$20,010,016	\$3,416,947	\$0	\$20,374,235

Source: CPA, Delaware Basin Gas Processing LLC

¹Tax Rate per \$100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller’s determination that DELAWARE BASIN GAS PROCESSING, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
	2017	\$1,270,880	\$1,270,880	\$0	\$0
Limitation Period (10 Years)	2018	\$312,000	\$1,582,880	\$2,229,760	\$2,229,760
	2019	\$312,000	\$1,894,880	\$2,178,925	\$4,408,685
	2020	\$312,000	\$2,206,880	\$2,128,090	\$6,536,774
	2021	\$312,000	\$2,518,880	\$2,077,254	\$8,614,029
	2022	\$312,000	\$2,830,880	\$2,026,419	\$10,640,448
	2023	\$312,000	\$3,142,880	\$1,975,584	\$12,616,032
	2024	\$312,000	\$3,454,880	\$1,924,749	\$14,540,781
	2025	\$312,000	\$3,766,880	\$1,873,914	\$16,414,694
	2026	\$312,000	\$4,078,880	\$1,823,078	\$18,237,773
	2027	\$312,000	\$4,390,880	\$1,772,243	\$20,010,016
Maintain Viable Presence (5 Years)	2028	\$2,033,408	\$6,424,288	\$0	\$20,010,016
	2029	\$1,982,573	\$8,406,861	\$0	\$20,010,016
	2030	\$1,931,738	\$10,338,598	\$0	\$20,010,016
	2031	\$1,880,902	\$12,219,501	\$0	\$20,010,016
	2032	\$1,830,067	\$14,049,568	\$0	\$20,010,016
Additional Years as Required by 313.026(c)(1) (10 Years)	2033	\$1,779,232	\$15,828,800	\$0	\$20,010,016
	2034	\$1,728,397	\$17,557,197	\$0	\$20,010,016
	2035	\$1,677,562	\$19,234,758	\$0	\$20,010,016
	2036	\$1,626,726	\$20,861,485	\$0	\$20,010,016
	2037	\$1,575,891	\$22,437,376	\$0	\$20,010,016
	2038	\$1,525,056	\$23,962,432	\$0	\$20,010,016
	2039	\$1,474,221	\$25,436,653	\$0	\$20,010,016
	2040	\$1,423,386	\$26,860,038	\$0	\$20,010,016
	2041	\$1,372,550	\$28,232,589	\$0	\$20,010,016
	2042	\$1,321,715	\$29,554,304	\$0	\$20,010,016
		\$29,554,304	is greater than	\$20,010,016	
Analysis Summary					
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					Yes

Source: CPA, DELAWARE BASIN GAS PROCESSING, LLC

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in Delaware Basin Gas Processing’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant.

Specifically, the Comptroller notes the following:

- An investor presentation document (from applicant website), dated January 13-14, 2015, indicates the project is a future “Growth Capital Project”. [See page and map attached.]
- In a *Business Wire* April 20, 2015 article, and other news articles at the end of April, 2015, Enterprise Products and Occidental Petroleum announced a cryogenic processing plant and related pipelines in the Delaware Basin.
- Delaware Basin Gas Processing (a Joint Venture of Oxy and Enterprise) submitted application #1068 for the Waha Cryogenic Gas Processing Plant in April of 2015.
 - On October 15, 2015, the Comptroller was unable to certify that, for application #1068, Chapter 313 was a determining factor in the applicant's decision to invest capital and construct the project in this state.
- On January 4, 2016, Delaware Basin Gas Processing submitted this application #1122 for the Waha Gas Plant to process raw natural gas from various producers in the Permian Basin.
- Attached maps indicate the location of the project adjacent to the Waha natural gas pipeline “hub”.
- The applicant provided confidential cash flow models with application #1122 indicating that a Chapter 313 limitation agreement would result in an increased internal rate of return. The applicant stated in Item 10 to Tab 5 that “capital investments by the applicant are allocated to projects based on expected economic return on investment. Property tax liabilities can

make up a substantial ongoing cost of operation that directly impact the rate of return on the investment in the proposed project. Without the tax incentive this project will not meet the required rate of return to move forward with the investment.”

- Per Item 10 to Tab 5 of the application, the property tax burden for the “proposed project is significant. The property tax burden has a direct impact on the proposed projects economic viability and the decision to invest in Texas. The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in Reeves County, Texas.”
- Applicant has indicated there is recent limited construction on the site that will not become qualified property; the project could still locate elsewhere.

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 4 and 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☐ Yes ☐ No
2. The property will be used for one of the following activities:
 - (1) manufacturing ☐ Yes ☐ No
 - (2) research and development ☐ Yes ☐ No
 - (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☐ No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☐ No
 - (5) renewable energy electric generation ☐ Yes ☐ No
 - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☐ No
 - (7) nuclear electric power generation ☐ Yes ☐ No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☐ No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☐ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☐ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☐ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☐ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☐ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☐ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:

<input type="checkbox"/> Land has no existing improvements	<input type="checkbox"/> Land has existing improvements (<i>complete Section 13</i>)
<input type="checkbox"/> Expansion of existing operation on the land (<i>complete Section 13</i>)	<input type="checkbox"/> Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☐ Yes ☐ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☐ Yes ☐ No
3. Does the applicant have current business activities at the location where the proposed project will occur? ☐ Yes ☐ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☐ Yes ☐ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☐ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☐ Yes ☐ No
7. Is the applicant evaluating other locations not in Texas for the proposed project? ☐ Yes ☐ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☐ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☐ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☐ Yes ☐ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

Attachments provided in Tab 4
and Tab 5
of the Application for a
Limitation on Appraised Value

Tab # 4

Proposed Project Description

The proposed Waha Gas Plant project will construct a new gas plant capable of processing up to 150MMSCFD of well-head gas in Reeves County, Texas. The plant will include inlet compression, inlet treating and dehydration, a cryogenic plant and a stabilizer system with truck loading capabilities.

The project is a cryogenic natural gas processing plant that will process raw natural gas by removing contaminants or impurities and creating pipeline-quality residue gas and natural gas liquids. Natural gas liquids is a mixture of products such as ethane, propane, normal butane, isobutane and natural gasoline.

Raw natural gas produced at the well-head contains varying amounts of natural gas liquids ("NGLs"). This rich natural gas in its raw form is usually not acceptable for transportation in the nation's major natural gas pipeline systems or for commercial use as a fuel. Natural gas processing plants remove the NGLs from the natural gas stream, enabling the natural gas to meet transmission pipeline and commercial quality specifications.

Summary of plant feed stock and finished products

1. Feedstock Source: Raw Natural Gas produced at the well-head and transported through gathering systems from various producers in the Permian Basin.
2. Final Products Produced:
 - a. Mixed NGL's: The mixed NGL's will be transported via pipeline from the plant to multiple markets for storage and further fractionation.
 - b. Natural Gas: The residue gas will be compressed and delivered to a pipeline adjacent to the facility to be delivered to multiple markets.
3. Interconnections
 - a. The plant will be interconnected via newly constructed pipelines to existing facilities and pipelines in the area. This connectivity allows the final products to be delivered to the market.

The new cryogenic plant facility will consist of the following process areas:

- Inlet Slug Catcher
- Inlet Separation and Filtration
- Amine treating for CO₂ Removal
- TEG dehydration for H₂O Removal
- Thermal Oxidizer
- Underground Injections wells
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plant
- Residue Recompression units
- Heat Medium System with Waste Heat Recovery
- Flare System (common for all trains)
- Water supply, drain systems, waste water
- Utilities (fuel, air, R.O. water)

Tab 5

Limitation as a Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur?

An affiliate of Applicant's member owns the land upon which the proposed project will be constructed. Title to land will be transferred to Applicant in the near future. The land is described in Tab 9.

2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?

Enterprise GC LLC and Oxy Delaware Basin Plant, LLC entered into a preliminary cost sharing agreement related to the proposed project in the event that the proposed project goes forward at the location identified by this Application. The cost sharing agreement culminated into the formation of Applicant.

3. Does the applicant have current business activities at the location where the proposed project will occur?

Applicant's member has current business activities at a location directly to the south of the site of the proposed project. However, those activities are in the name of Applicant's member, a separate legal entity and independent taxpayer.

4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?

An affiliate of a member of Applicant has made public statements regarding its intentions with respect to the proposed project location. In the 10Q filings for the periods ending June 30, 2015 and September 30, 2015, and the 8K filing dated July 30, 2015, Enterprise Products Partners L.P. stated:

In April 2015, we formed a 50/50 joint venture with an affiliate of Occidental Petroleum Corporation to develop a new 150 MMcf/d cryogenic natural gas processing facility that will accommodate growing production of NGL-rich natural gas from the Delaware Basin. The facility will be supported by long-term, firm contracts and is expected to begin operations in mid-2016. We will serve as construction manager for the project and operator once the new facility commences operations. The new facility is located in Reeves County, Texas.

5. Has the applicant received any local or state permits for activities on the proposed project site?

Applicant's member has applied for an air permit from the Texas Commission on Environmental Quality for the proposed project site. A copy of the permit amendment is available upon request.

6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?

At the time of the submission of the Application, Applicant has not received any state or local tax incentives for activities at the proposed project site; however, Applicant has applied for a tax abatement with Reeves County under Chapter 312 of the Tax Code. However at this time, Reeves County has taken no action on the application.

7. Is the applicant evaluating other locations not in Texas for the proposed project?

See Item 10 to Tab 5, as referenced below in the answer to question 10 and incorporated herein.

- 8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with alternative investment opportunities?**

Yes, see Item 10 to Tab 5, as referenced below in the answer to question 10.

- 9. Has the applicant provided information related to the applicant's inputs, transportation and market for the proposed project?**

N/A

- 10. Are you submitting information to assist in the determinations as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?**

See Item 10 attached hereto.

ITEM 10 TO TAB 5

Key Investment Determination

Factors

- The Applicant is a limited liability company formed by its members, Enterprise GC LLC and Oxy Delaware Basin Plant, LLC. An affiliate of one of the members of Applicant, Enterprise Products, is a leading midstream energy company with a large pipeline footprint in the United States. These pipelines provide substantial flexibility in plant location. The members of Applicant have manufacturing locations in Texas, and other states, including Louisiana, New Mexico, Colorado, and Wyoming. Both members of Applicant have significant assets in New Mexico including gathering systems and interstate pipelines that can and do move product to and from Texas. This allows potential manufacturing facilities to be managed via pipelines in the neighboring State of New Mexico or elsewhere.
- The property tax burden for the Applicant's proposed project is significant. The property tax burden has a direct impact on the proposed project's economic viability and the decision to invest in Texas.
- The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in Reeves County, Texas.
- Capital investments by the Applicant are allocated to projects based on expected economic return on investment. Property tax liabilities can make up a substantial ongoing cost of operation that directly impact the rate of return on the investment in the proposed project. Without the tax incentive this project will not meet the required rate of return to move forward with the investment.
- Tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas.
- The Applicant is evaluating various manufacturing projects for development and where to commit substantial long term investment based on economic rate of return on investment in the proposed projects. The economic benefits provided by a Chapter 313 appraised value limitation agreement is an important component in this analysis.
- The Applicant is submitting the attached discounted cash flow model (DCF) computing the proposed project's rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. The DCF model shows that the rate

of return with the valuation limitation agreement exceeds the minimum rate of return required by the Applicant to proceed with the proposed investment in Reeves County, Texas.

- An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incent the Applicant to invest capital in Reeves County, Texas rather than making an alternative investment.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller



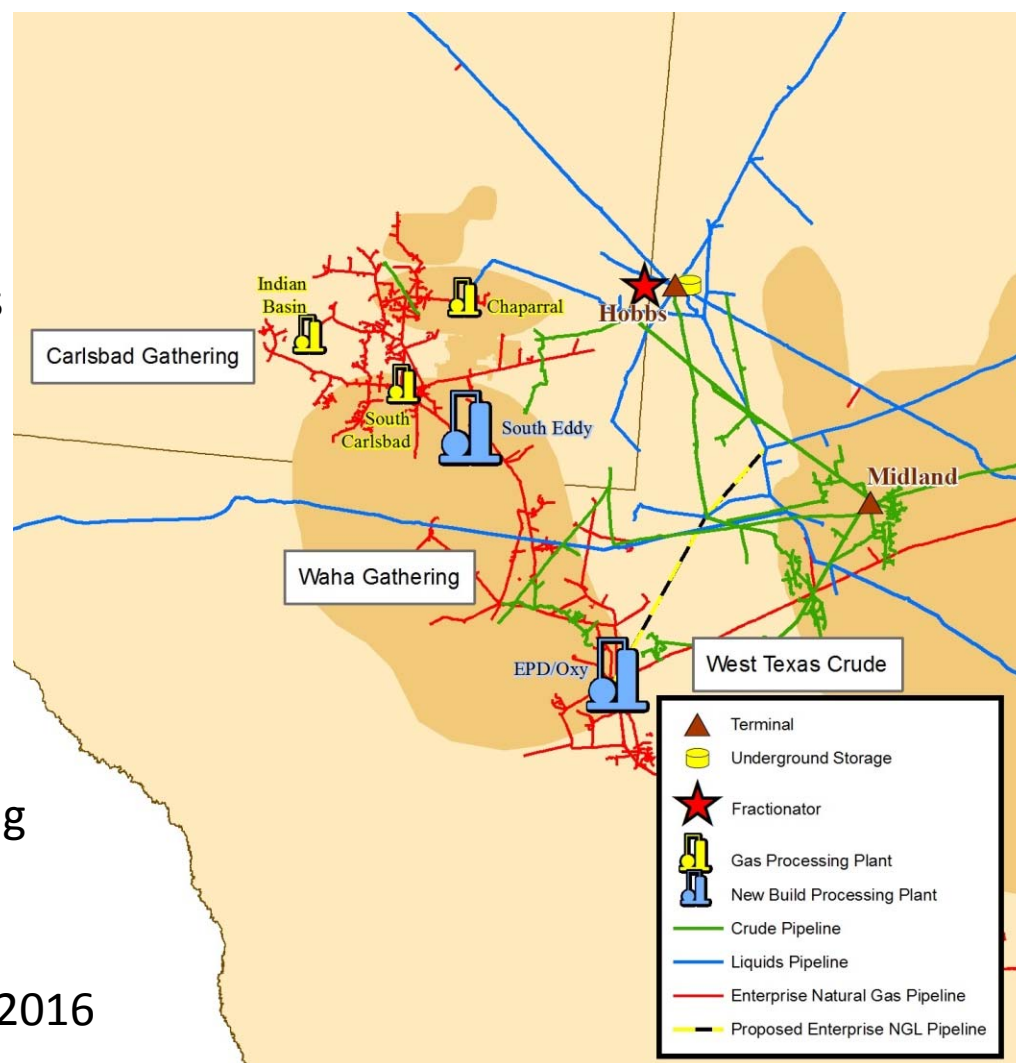
EXPANSION OF PERMIAN ASSET FOOTPRINT

Existing Assets

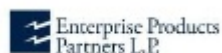
- 2 gas gathering systems: 1,500 miles of pipe
- 3 gas processing plants: 350 MMcf/d capacity
- 75 MBPD of NGL fractionation capacity at Hobbs
- 2.1 MMBbls of NGL cavern storage
- ≈950 miles of crude oil gathering and long haul pipeline and 2.8 MMBbls storage
- Seminole, Chaparral and Texas Express NGL takeaway pipelines

Growth Capital Projects

- 200 MMcf/d South Eddy cryogenic gas processing facility and related pipelines – 1Q 2016
- 150 MMcf/d Waha cryogenic processing plant (50 / 50 JV with Oxy) and related pipelines – 3Q 2016
- Provide shippers access to NGL fractionation and storage capacity at Mont Belvieu



Source: EPD Fundamentals



Enterprise and Occidental Petroleum Form Company to Build Natural Gas Processing Facility in Delaware Basin

April 30, 2015 06:00 AM Eastern Daylight Time

HOUSTON--(BUSINESS WIRE)--Enterprise Products Partners L.P. (NYSE:EPD) today announced it has entered into an agreement with an affiliate of Occidental Petroleum Corporation (NYSE:OXY) to jointly develop a new 150 million cubic feet per day ("MMcf/d") cryogenic natural gas processing plant to accommodate the growing production of NGL-rich natural gas in the Delaware Basin. The plant will be owned by Delaware Basin Gas Processing LLC ("Delaware Processing"), a company owned 50/50 by Enterprise and Occidental. The plant, which is supported by long-term, firm contracts, is expected to begin operations in mid-2016. Enterprise will serve as the construction manager and operator of the Delaware Basin Processing plant.

"We are very pleased to partner with Occidental, one of the premier producers in the Permian Basin"

 [Tweet this](#)

In addition to the processing plant, Enterprise will construct, own and operate a 12-inch diameter pipeline that will transport natural gas liquids ("NGL") from the new facility to one of Enterprise's NGL pipelines, which will provide customers with access to Enterprise's NGL fractionation and storage complex in Mont Belvieu, Texas. The partnership's Texas Intrastate pipeline system will provide natural gas at the tailgate of the plant with access to multiple markets.

"We are very pleased to partner with Occidental, one of the premier producers in the Permian Basin," said A.J. "Jim" Teague, chief operating officer of Enterprise's general partner. "This new facility, combined with Enterprise's recently announced 200 MMcf/d cryogenic processing plant being built in Eddy County, New Mexico, reflects the company's commitment to providing producers in the Permian Basin with flow assurance and market choices. When completed, the two plants will increase Enterprise's net natural gas processing capacity in the Permian Basin to more than 600 MMcf/d."

Enterprise Products Partners L.P. is one of the largest publicly traded partnerships and a leading North American provider of midstream energy services to producers and consumers of natural gas, NGLs, crude oil, refined products and petrochemicals. Our services include: natural gas gathering, treating, processing, transportation and storage; NGL transportation, fractionation, storage and import and export terminals; crude oil and refined products transportation,

storage and terminals; offshore production platforms; petrochemical transportation and services; and a marine transportation business that operates primarily on the United States inland and Intracoastal Waterway systems and in the Gulf of Mexico. The partnership’s assets include approximately 51,000 miles of onshore and offshore pipelines; 225 million barrels of storage capacity for NGLs, crude oil, refined products and petrochemicals; and 14 billion cubic feet of natural gas storage capacity.

This press release includes “forward-looking statements” as defined by the Securities and Exchange Commission. All statements, other than statements of historical fact, included herein that address activities, events, developments or transactions that Enterprise and its general partner expect, believe or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from expectations, including required approvals by regulatory agencies, the possibility that the anticipated benefits from such activities, events, developments or transactions cannot be fully realized, the possibility that costs or difficulties related thereto will be greater than expected, the impact of competition, and other risk factors included in Enterprise’s reports filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. Except as required by law, Enterprise does not intend to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

Contacts

Enterprise Products Partners L.P.

Investor Relations

Randy Burkhalter, 713-381-6812

or

Media Relations

Rick Rainey, 713-381-3635

ENTERPRISE PRODUCTS PARTNERS L.P.
NYSE:EPD

Release Versions

English

EON: Enhanced Online News

» More News 



More from Business Wire: [Blog](#) [Apps](#) [UK/Ireland](#) [Deutschland](#) [France](#) [Hong Kong](#) [Italy](#)
[Japan](#) [EON: Enhanced Online News](#) [Tradeshownews.com](#) [PYMNTS.com](#)

[Contact Us](#) [Privacy Statement](#) [Terms of Use](#) ©2016 Business Wire














ENTERPRISE OPERATIONS MAP



MAP KEY

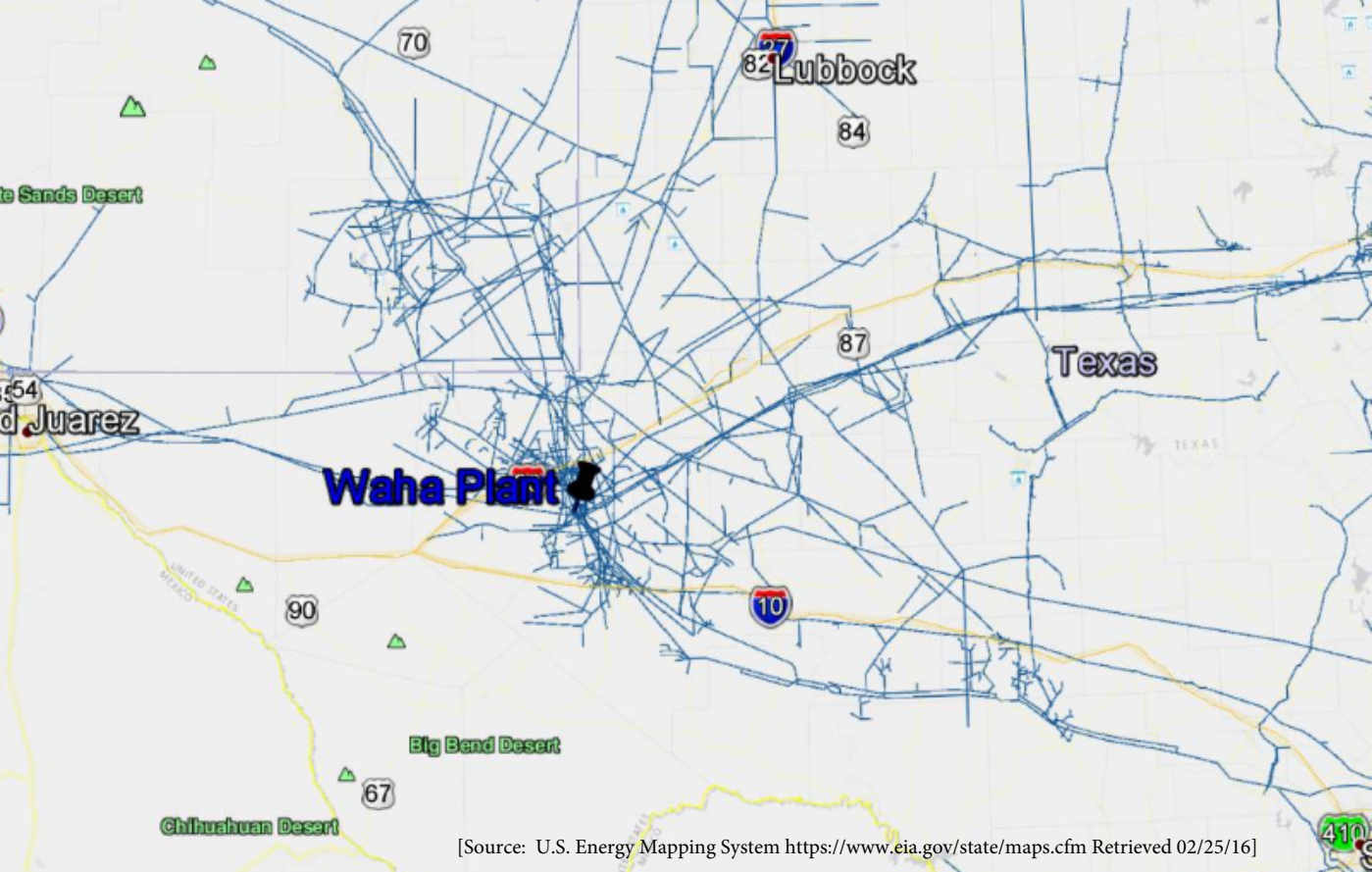
VIEW GULF COAST

RESET MAP

	NATURAL GAS PIPELINE		NATURAL GAS PROCESSING/TREATING PLANT		NGL/PROPYLENE FRACTIONATION FACILITY
	NGL/REFINED PRODUCTS PIPELINE		OCTANE ENHANCEMENT FACILITY		IMPORT/EXPORT TERMINAL
	CRUDE OIL PIPELINE		ISOMERIZATION FACILITY		MARINE SERVICES
	CRUDE OIL TERMINAL		NGL/REFINED PRODUCTS STORAGE		MAJOR PRODUCING BASIN
	NGL/REFINED PRODUCTS TERMINAL		NATURAL GAS STORAGE		

[Source: <http://www.enterpriseproducts.com/systemMap/systemMap.shtm> Retrieved 02/25/2016]

© Copyright 2013 Enterprise Products Company All rights Reserved



[Source: U.S. Energy Mapping System <https://www.eia.gov/state/maps.cfm> Retrieved 02/25/16]



U.S. Department of Transportation
Pipeline and Hazardous Materials
Safety Administration

Gas Transmission And Hazardous Liquid Pipelines

Pipeline data as of 9/29/2013



Map Created October 2013
Projection: Albers Equal Area, NAD 83

