



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

---

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

November 30, 2016

Jim Haley  
Superintendent  
Pecos-Barstow-Toyah Independent School District  
1302 South Park Street  
Pecos, Texas 79772

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Pecos-Barstow-Toyah Independent School District and Enterprise Products Operating, LLC, Application 1161

Dear Superintendent Haley:

On November 29, 2016, the Comptroller issued written notice that Enterprise Products Operating, LLC (applicant) submitted a completed application (Application 1161) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted on November 15, 2016, to the Pecos-Barstow-Toyah Independent School District (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 1161.

---

<sup>1</sup> All statutory references are to the Texas Tax Code, unless otherwise noted.

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.

**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 November 29, 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 Will Counihan, Director, Data Analysis & Transparency, by email at [will.counihan@cpa.texas.gov](mailto:will.counihan@cpa.texas.gov) or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,



Mike Reissig  
Deputy Comptroller

Enclosure

cc: Will Counihan

## Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Enterprise Products Operating, LLC (project) applying to Pecos-Barstow-Toyah Independent School District (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 Enterprise Products Operating, LLC.

Applicant	Enterprise Products Operating, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Pecos-Barstow-Toyah ISD
2014-2015 Average Daily Attendance	2270
County	Reeves
Proposed Total Investment in District	\$477,993,750
Proposed Qualified Investment	\$257,381,250
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2017-2018
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)	\$1,108.08
Minimum annual wage committed to by applicant for qualified jobs	\$60,000
Minimum weekly wage required for non-qualifying jobs	\$725.75
Minimum annual wage required for non-qualifying jobs	\$37,739
Investment per Qualifying Job	\$47,799,375
Estimated M&O levy without any limit (15 years)	\$107,839,995
Estimated M&O levy with Limitation (15 years)	\$44,499,744
Estimated gross M&O tax benefit (15 years)	\$63,340,251

**Table 2** is the estimated statewide economic impact of Enterprise Products Operating, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2017	150	169	319	\$9,000,000	\$14,300,000	\$23,300,000
2018	160	223	383	\$9,600,000	\$20,300,000	\$29,900,000
2019	160	243	403	\$9,600,000	\$24,000,000	\$33,600,000
2020	160	254	414	\$9,600,000	\$27,100,000	\$36,700,000
2021	160	252	412	\$9,600,000	\$29,100,000	\$38,700,000
2022	10	97	107	\$600,000	\$14,500,000	\$15,100,000
2023	10	76	86	\$600,000	\$12,400,000	\$13,000,000
2024	10	63	73	\$600,000	\$11,000,000	\$11,600,000
2025	10	58	68	\$600,000	\$10,300,000	\$10,900,000
2026	10	56	66	\$600,000	\$10,100,000	\$10,700,000
2027	10	58	68	\$600,000	\$10,200,000	\$10,800,000
2028	10	43	53	\$600,000	\$8,900,000	\$9,500,000
2029	10	41	51	\$600,000	\$8,500,000	\$9,100,000
2030	10	41	51	\$600,000	\$8,500,000	\$9,100,000
2031	10	41	51	\$600,000	\$8,500,000	\$9,100,000
2032	10	43	53	\$600,000	\$8,700,000	\$9,300,000

Source: CPA REMI, Enterprise Products Operating, LLC

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	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
			<b>0.0550</b>	<b>0.0550</b>	<b>1.0400</b>		<b>0.4200</b>	<b>0.2288</b>	
2017	\$183,843,750	\$183,843,750		\$101,114	\$1,911,975	\$2,013,089	\$772,144	\$420,671	\$3,205,904
2018	\$257,381,250	\$257,381,250		\$141,560	\$2,676,765	\$2,818,325	\$1,081,001	\$588,940	\$4,488,266
2019	\$367,687,500	\$367,687,500		\$202,228	\$3,823,950	\$4,026,178	\$1,544,288	\$841,343	\$6,411,808
2020	\$551,531,250	\$551,531,250		\$303,342	\$5,735,925	\$6,039,267	\$2,316,431	\$1,262,014	\$9,617,712
2021	\$735,375,000	\$735,375,000		\$404,456	\$7,647,900	\$8,052,356	\$3,088,575	\$1,682,685	\$12,823,616
2022	\$720,667,500	\$720,667,500		\$396,367	\$7,494,942	\$7,891,309	\$3,026,804	\$1,649,031	\$12,567,144
2023	\$705,960,000	\$705,960,000		\$388,278	\$7,341,984	\$7,730,262	\$2,965,032	\$1,615,378	\$12,310,672
2024	\$691,252,500	\$691,252,500		\$380,189	\$7,189,026	\$7,569,215	\$2,903,261	\$1,581,724	\$12,054,199
2025	\$676,545,000	\$676,545,000		\$372,100	\$7,036,068	\$7,408,168	\$2,841,489	\$1,548,070	\$11,797,727
2026	\$661,837,500	\$661,837,500		\$364,011	\$6,883,110	\$7,247,121	\$2,779,718	\$1,514,417	\$11,541,255
2027	\$647,130,000	\$647,130,000		\$355,922	\$6,730,152	\$7,086,074	\$2,717,946	\$1,480,763	\$11,284,782
2028	\$632,422,500	\$632,422,500		\$347,832	\$6,577,194	\$6,925,026	\$2,656,175	\$1,447,109	\$11,028,310
2029	\$619,774,050	\$619,774,050		\$340,876	\$6,445,650	\$6,786,526	\$2,603,051	\$1,418,167	\$10,807,744
2030	\$607,378,569	\$607,378,569		\$334,058	\$6,316,737	\$6,650,795	\$2,550,990	\$1,389,804	\$10,591,589
2031	\$595,230,998	\$595,230,998		\$327,377	\$6,190,402	\$6,517,779	\$2,499,970	\$1,362,008	\$10,379,757
2032	\$583,326,378	\$583,326,378		\$320,830	\$6,066,594	\$6,387,424	\$2,449,971	\$1,334,767	\$10,172,162
2033	\$571,659,850	\$571,659,850		\$314,413	\$5,945,262	\$6,259,675	\$2,400,971	\$1,308,072	\$9,968,719
2034	\$560,226,653	\$560,226,653		\$308,125	\$5,826,357	\$6,134,482	\$2,352,952	\$1,281,911	\$9,769,344
			<b>Total</b>	<b>\$5,703,077</b>	<b>\$107,839,995</b>	<b>\$113,543,071</b>	<b>\$43,550,767</b>	<b>\$23,726,873</b>	<b>\$150,910,486</b>

Source: CPA, Enterprise Products Operating, LLC

<sup>1</sup>Tax 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.

<b>Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought</b>									
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	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
				<b>0.0550</b>	<b>1.0400</b>		<b>0.4200</b>	<b>0.2288</b>	
2017	\$183,843,750	\$183,843,750		\$101,114	\$1,911,975	\$2,013,089	\$193,036	\$420,671	\$2,626,796
2018	\$257,381,250	\$257,381,250		\$141,560	\$2,676,765	\$2,818,325	\$270,250	\$588,940	\$3,677,515
2019	\$367,687,500	\$30,000,000		\$202,228	\$312,000	\$514,228	\$386,072	\$841,343	\$1,741,643
2020	\$551,531,250	\$30,000,000		\$303,342	\$312,000	\$615,342	\$579,108	\$1,262,014	\$2,456,464
2021	\$735,375,000	\$30,000,000		\$404,456	\$312,000	\$716,456	\$772,144	\$1,682,685	\$3,171,285
2022	\$720,667,500	\$30,000,000		\$396,367	\$312,000	\$708,367	\$3,026,804	\$1,649,031	\$5,384,202
2023	\$705,960,000	\$30,000,000		\$388,278	\$312,000	\$700,278	\$2,965,032	\$1,615,378	\$5,280,688
2024	\$691,252,500	\$30,000,000		\$380,189	\$312,000	\$692,189	\$2,903,261	\$1,581,724	\$5,177,173
2025	\$676,545,000	\$30,000,000		\$372,100	\$312,000	\$684,100	\$2,841,489	\$1,548,070	\$5,073,659
2026	\$661,837,500	\$30,000,000		\$364,011	\$312,000	\$676,011	\$2,779,718	\$1,514,417	\$4,970,145
2027	\$647,130,000	\$30,000,000		\$355,922	\$312,000	\$667,922	\$2,717,946	\$1,480,763	\$4,866,630
2028	\$632,422,500	\$30,000,000		\$347,832	\$312,000	\$659,832	\$2,656,175	\$1,447,109	\$4,763,116
2029	\$619,774,050	\$619,774,050		\$340,876	\$6,445,650	\$6,786,526	\$2,603,051	\$1,418,167	\$10,807,744
2030	\$607,378,569	\$607,378,569		\$334,058	\$6,316,737	\$6,650,795	\$2,550,990	\$1,389,804	\$10,591,589
2031	\$595,230,998	\$595,230,998		\$327,377	\$6,190,402	\$6,517,779	\$2,499,970	\$1,362,008	\$10,379,757
2032	\$583,326,378	\$583,326,378		\$320,830	\$6,066,594	\$6,387,424	\$2,449,971	\$1,334,767	\$10,172,162
2033	\$571,659,850	\$571,659,850		\$314,413	\$5,945,262	\$6,259,675	\$2,400,971	\$1,308,072	\$9,968,719
2034	\$560,226,653	\$560,226,653		\$308,125	\$5,826,357	\$6,134,482	\$2,352,952	\$1,281,911	\$9,769,344
			<b>Total</b>	<b>\$5,703,077</b>	<b>\$44,499,744</b>	<b>\$50,202,820</b>	<b>\$36,948,938</b>	<b>\$23,726,873</b>	<b>\$110,878,631</b>
			<b>Diff</b>	<b>\$0</b>	<b>\$63,340,251</b>	<b>\$63,340,251</b>	<b>\$6,601,829</b>	<b>\$0</b>	<b>\$40,031,855</b>

Source: CPA, Enterprise Products Operating, LLC

<sup>1</sup>Tax 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 before 25<sup>th</sup> Anniversary of Limitation Start

This represents the Comptroller’s determination that Enterprise Products Operating, 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)
<b>Limitation Pre-Years</b>	2016	\$0	\$0	\$0	\$0
	2017	\$1,911,975	\$1,911,975	\$0	\$0
	2018	\$2,676,765	\$4,588,740	\$0	\$0
<b>Limitation Period (10 Years)</b>	2019	\$312,000	\$4,900,740	\$3,511,950	\$3,511,950
	2020	\$312,000	\$5,212,740	\$5,423,925	\$8,935,875
	2021	\$312,000	\$5,524,740	\$7,335,900	\$16,271,775
	2022	\$312,000	\$5,836,740	\$7,182,942	\$23,454,717
	2023	\$312,000	\$6,148,740	\$7,029,984	\$30,484,701
	2024	\$312,000	\$6,460,740	\$6,877,026	\$37,361,727
	2025	\$312,000	\$6,772,740	\$6,724,068	\$44,085,795
	2026	\$312,000	\$7,084,740	\$6,571,110	\$50,656,905
	2027	\$312,000	\$7,396,740	\$6,418,152	\$57,075,057
	2028	\$312,000	\$7,708,740	\$6,265,194	\$63,340,251
<b>Maintain Viable Presence (5 Years)</b>	2029	\$6,445,650	\$14,154,390	\$0	\$63,340,251
	2030	\$6,316,737	\$20,471,127	\$0	\$63,340,251
	2031	\$6,190,402	\$26,661,530	\$0	\$63,340,251
	2032	\$6,066,594	\$32,728,124	\$0	\$63,340,251
	2033	\$5,945,262	\$38,673,386	\$0	\$63,340,251
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2034	\$5,826,357	\$44,499,744	\$0	\$63,340,251
	2035	\$5,709,830	\$50,209,574	\$0	\$63,340,251
	2036	\$5,595,633	\$55,805,207	\$0	\$63,340,251
	2037	\$5,483,721	\$61,288,928	\$0	\$63,340,251
	2038	\$5,374,046	\$66,662,974	\$0	\$63,340,251
	2039	\$5,266,565	\$71,929,540	\$0	\$63,340,251
	2040	\$5,161,234	\$77,090,774	\$0	\$63,340,251
	2041	\$5,058,009	\$82,148,783	\$0	\$63,340,251
	2042	\$4,956,849	\$87,105,632	\$0	\$63,340,251
	2043	\$4,857,712	\$91,963,345	\$0	\$63,340,251
		<b>\$91,963,345</b>	is greater than	<b>\$63,340,251</b>	
<b>Analysis Summary</b>					
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, Enterprise Products Operating, 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 the Enterprise Products Operating, LLC’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:

- Per Enterprise Products Operating, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. “Eddy County, New Mexico is a competing location for the proposed project. Enterprise has the infrastructure already in place to build the project in Eddy County. The State of New Mexico offers a comprehensive and aggressive package of incentives which are highly competitive with those offered by the State of Texas.”
  - B. “The property tax burden has a direct impact on the proposed project’s economic viability and the decision to invest in Texas.”
  - C. “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.”
  - D. “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.”
- The applicant provided confidential cash flow models with application #1161 indicating that a Chapter 313 limitation agreement would result in an increased internal rate of return. The applicant stated in 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 impacts 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.”
- Pursuant to the attached *Bloomberg* article, dated June 20, 2016, “[i]n two years, pipeline giant Enterprise Products Partners LP will be capable of processing 800 million cubic feet of natural gas a

day in an energy-rich stretch of West Texas and southeastern New Mexico known as the Delaware Basin.” Additionally, “Enterprise’s expansion includes a new gas-processing plant anchored by long-term commitments from an unnamed producer.” Although “Enterprise has yet to decide where to build the processing plant,” the applicant stated that the new plant “will handle 300 million cubic feet a day.”

- Attached map indicates project location in relation to adjacent natural gas and natural gas liquid pipelines.

### **Supporting Information**

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 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 5  
of the Application for a  
Limitation on Appraised Value

# Tab # 5

## Documentation to assist in determining if limitation is a determining factor

**AT THE REQUEST OF THE APPLICANT SUPPORTING DOCUMENTS ARE CONSIDERED PROPRIETY AND CONFIDENTIAL DUE TO THE NATURE OF THE FINANCIAL INFORMATION ANALYSIS SUBMITTED. Applicant has submitted Propriety and Confidential Discounted Cash Flow Models comparing the rate of return on investment in the proposed project with and without a Chapter 313 Appraised Value Limitation Agreement. These models are confidential.**

### **Key Investment Determination Factors**

- Enterprise Products Operating, LLC is a leading midstream energy company with a large pipeline footprint in the United States. These pipelines provide substantial flexibility in plant location. Enterprise has manufacturing locations in Texas, and other states, including Louisiana, New Mexico, Colorado, and Wyoming. Enterprise also has 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.
- Eddy County, New Mexico is a competing location for the proposed project. Enterprise has the infrastructure already in place to build the project in Eddy County. The State of New Mexico offers a comprehensive and aggressive package of incentives which are highly competitive with those offered by the State of Texas. Enterprise just recently constructed the South Eddy Gas Plant which went into service in May 2016. This project received comprehensive tax abatement from Eddy County and the State of New Mexico.
- 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 impacts 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

# Enterprise Is the Latest to Bet on Mexico's Thirst for U.S. Gas

---

by Harry Weber  
[t HarryRWeber](#)

---

[f](#) [t](#) [h](#)

---

- ▶ Company expanding in energy-rich play of Texas, New Mexico
- ▶ Build-out will allow more U.S. natural gas to flow to Mexico

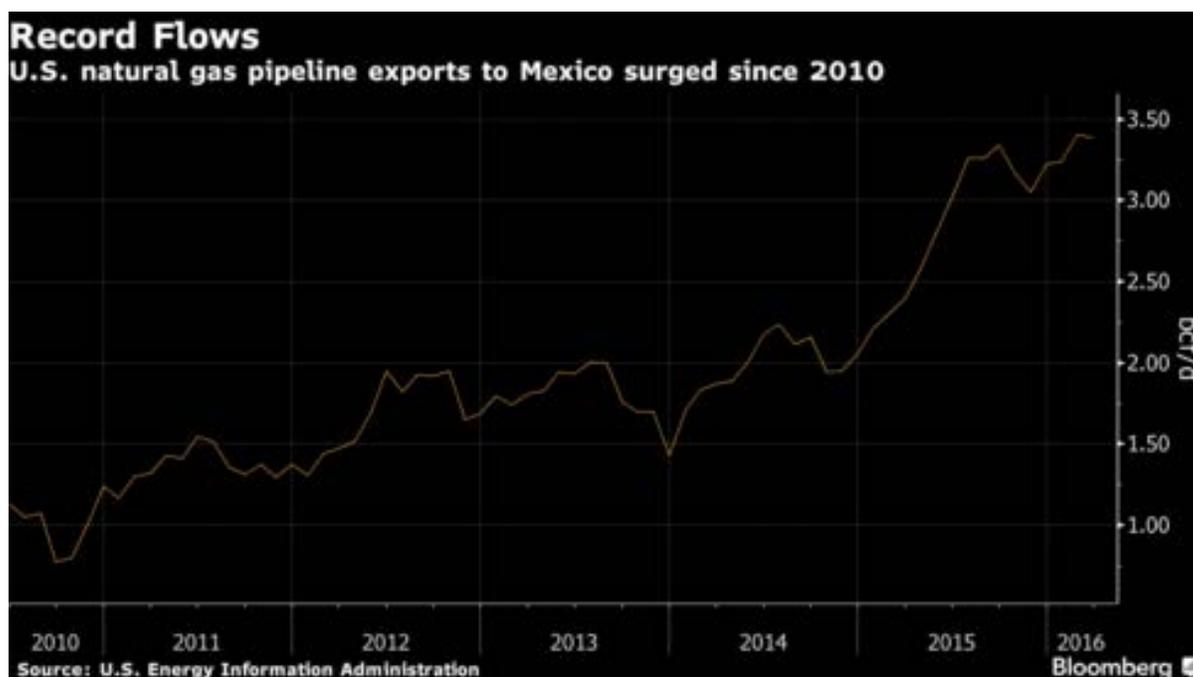
f

t

h

In two years, pipeline giant Enterprise Products Partners LP will be capable of processing 800 million cubic feet of natural gas a day in an energy-rich stretch of West Texas and southeastern New Mexico known as the Delaware Basin -- 20 times what it could handle in 2012.

Behind this rapid expansion in one of America's most prolific oil and gas plays is a big bet on a different market: Mexico. Once Enterprise removes liquids from the gas in the basin, the fuel will flow into pipelines delivering supplies to the southerly neighbor, among other places, Enterprise spokesman Rick Rainey said by phone Monday.



Enterprise is “going to service the burgeoning demand for natural gas in Mexico,” Ed Hirs, an energy economist at the University of Houston, said by phone. “They are staking a claim to the market.”

The Houston-based company won’t be the only one. Spectra Energy Corp., Sempra Energy and TransCanada Corp. are also involved in [multibillion-dollar projects](#) that will help bring more shale gas to Mexico, creating a new outlet for the glut of supply that has been pooling up in the U.S. Their investments are a testament to the shift in Mexico’s energy industry since the country opened markets to private spending in 2013.

Enterprise’s expansion includes a new gas-processing plant anchored by long-term commitments from an unnamed producer. Rainey declined to say how much the company is spending on the build-out.

### Stacked Plays

Enterprise has yet to decide where to build the processing plant, which will handle 300 million cubic feet a day. It is the third gas-processing complex of its kind that Enterprise has announced in less than two years. The company’s South Eddy facility in New Mexico began service earlier this year and a joint-venture processing site in western Texas is set to begin service in the third quarter.

“Producers in the Delaware Basin need access to the markets for their products, and what we are doing is providing them with this infrastructure that’s going to allow

them to do it," Rainey said. "One of those markets, of course, is Mexico."

The Delaware Basin is part of the Permian, the most prolific U.S. oil-producing region which also boasts rich deposits of gas and natural gas liquids, according to the U.S. Energy Information Administration. Because of its multiple geologic zones at differing depths known as "stacked plays," the Delaware offers years of drilling opportunities and superior economics, Rainey said.

## Liquid Demand

"There is an increased demand for natural gas and the NGLs can be recovered and consumed locally by the petrochemical companies on the Gulf Coast or exported," Darryl Rogers, a managing director at IHS Energy in Houston, said by phone. "Enterprise has an export terminal, and they would love to export more NGLs across it."

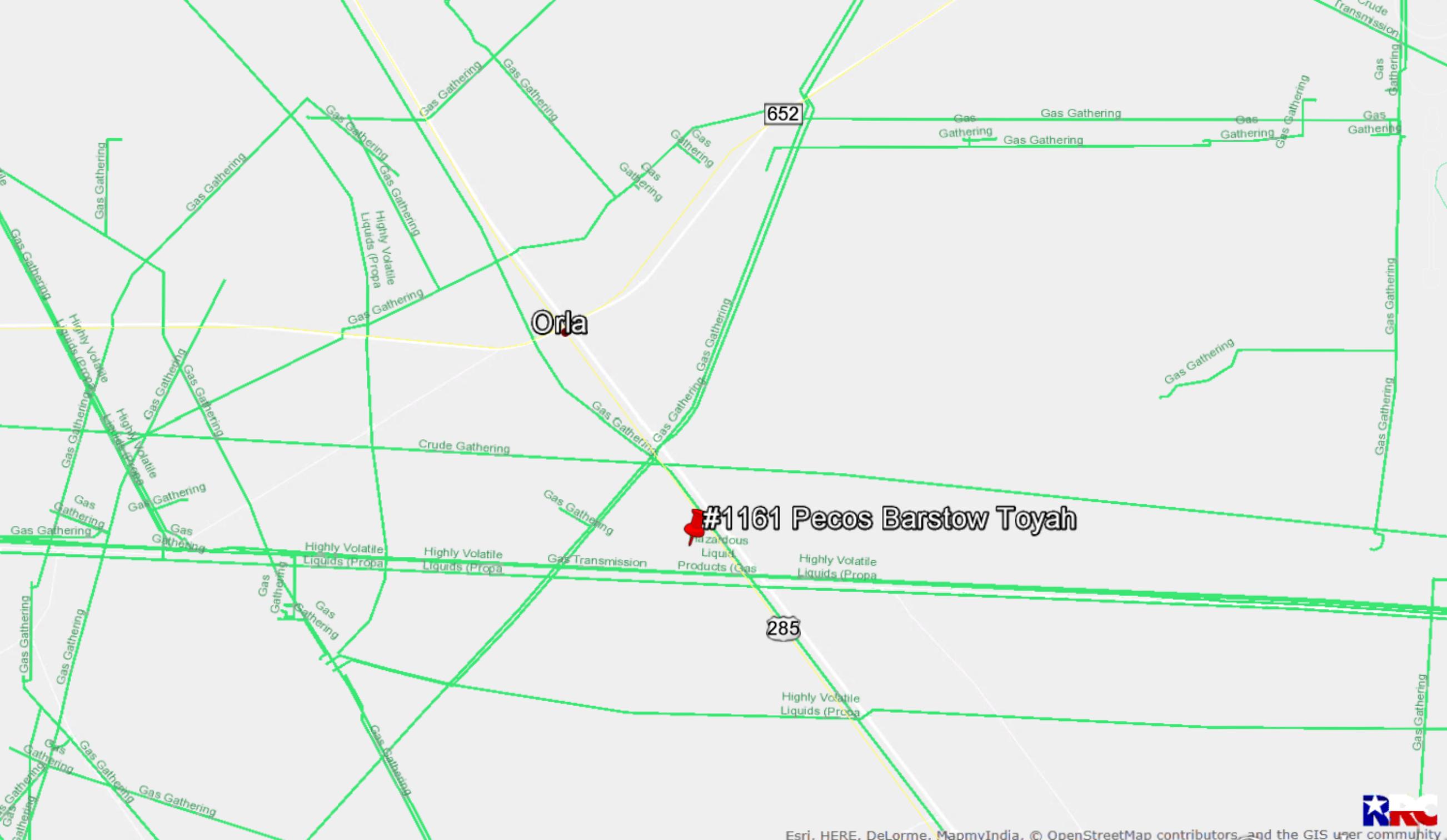
U.S. gas exports to Mexico are set to increase because of growing power demand and flat gas production in Mexico, the EIA said in a report this month. U.S. net natural gas exports to Mexico may reach 6 billion cubic feet a day by 2026 from 2.9 billion last year, according to Rogers.

Before it's here, it's on the Bloomberg Terminal. **T** [LEARN MORE](#)

---

[Read More](#)

Mexico, Natural Gas, Energy, Texas, Delaware, New Mexico



Orla

#1161 Pecos Barstow Toyah

652

285

