GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

May 25, 2018

Becky McManus
Assistant Superintendent
Barbers Hill Independent School District
9600 Eagle Drive
Mont Belvieu, Texas 77580

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Barbers Hill Independent School District and Oneok Hydrocarbon, LP, Application 1236

Dear Assistant Superintendent McManus:

On April 6, 2018, the Comptroller issued written notice that Oneok Hydrocarbon, LP (applicant) submitted a completed application (Application 1236) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on January 26, 2018, to the Barbers Hill 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; 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.

[1] All Statutory references are to the Texas Tax Code, unless otherwise noted.

Sec. 313.024(d)	Applicant has requested a waiver 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 1236.

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.

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's 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, 2018.

Note that any building or improvement existing as of the application review start date of April 6, 2018, 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 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 Oneok Hydrocarbon, LP (project) applying to Barbers Hill 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 Oneok Hydrocarbon, LP.

Applicant	Oneok Hydrocarbon, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2016-2017 Average Daily Attendance	5,007
County	Chambers
Proposed Total Investment in District	$265,000,000
Proposed Qualified Investment	$265,000,000
Limitation Amount	$80,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	15*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,250
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,210.97
Minimum annual wage committed to by applicant for qualified jobs	$62,970.60
Minimum weekly wage required for non-qualifying jobs	$1,181.50
Minimum annual wage required for non-qualifying jobs	$61,438
Investment per Qualifying Job	$17,666,666.67
Estimated M&O levy without any limit (15 years)	$35,965,800
Estimated M&O levy with Limitation (15 years)	$20,150,600
Estimated gross M&O tax benefit (15 years)	$15,815,200

** Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).*

Table 2 is the estimated statewide economic impact of Oneok Hydrocarbon, LP (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	500	723	1222.9	$31,485,300	$58,014,700	$89,500,000
2019	515	819	1334	$32,429,859	$72,970,141	$105,400,000
2020	15	150	165	$944,559	$21,455,441	$22,400,000
2021	15	82	97	$944,559	$14,555,441	$15,500,000
2022	15	26	41	$944,559	$8,955,441	$9,900,000
2023	15	1	16	$944,559	$5,755,441	$6,700,000
2024	15	(4)	11	$944,559	$4,255,441	$5,200,000
2025	15	4	19	$944,559	$4,155,441	$5,100,000
2026	15	17	32	$944,559	$4,855,441	$5,800,000
2027	15	31	46	$944,559	$5,955,441	$6,900,000
2028	15	45	60	$944,559	$7,255,441	$8,200,000
2029	15	56	71	$944,559	$8,555,441	$9,500,000
2030	15	61	76	$944,559	$9,355,441	$10,300,000
2031	15	66	81	$944,559	$10,355,441	$11,300,000
2032	15	70	85	$944,559	$11,155,441	$12,100,000

Source: CPA REMI, Oneok Hydrocarbon, LP

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		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill M&O and I&S Tax Levies	Chambers County Tax Levy	Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.2698**	**1.0600**		**0.4968**	**0.4367**	
2019	$45,000,000	$45,000,000		$121,410	$477,000	$598,410	$223,556	$196,520	$1,018,485
2020	$240,000,000	$240,000,000		$647,520	$2,544,000	$3,191,520	$1,192,296	$1,048,104	$5,431,920
2021	$237,600,000	$237,600,000		$641,045	$2,518,560	$3,159,605	$1,180,373	$1,037,623	$5,377,601
2022	$235,200,000	$235,200,000		$634,570	$2,493,120	$3,127,690	$1,168,450	$1,027,142	$5,323,282
2023	$232,800,000	$232,800,000		$628,094	$2,467,680	$3,095,774	$1,156,527	$1,016,661	$5,268,962
2024	$230,400,000	$230,400,000		$621,619	$2,442,240	$3,063,859	$1,144,604	$1,006,180	$5,214,643
2025	$228,000,000	$228,000,000		$615,144	$2,416,800	$3,031,944	$1,132,681	$995,699	$5,160,324
2026	$225,600,000	$225,600,000		$608,669	$2,391,360	$3,000,029	$1,120,758	$985,218	$5,106,005
2027	$223,200,000	$223,200,000		$602,194	$2,365,920	$2,968,114	$1,108,835	$974,737	$5,051,686
2028	$220,800,000	$220,800,000		$595,718	$2,340,480	$2,936,198	$1,096,912	$964,256	$4,997,366
2029	$218,400,000	$218,400,000		$589,243	$2,315,040	$2,904,283	$1,084,989	$953,775	$4,943,047
2030	$216,000,000	$216,000,000		$582,768	$2,289,600	$2,872,368	$1,073,066	$943,294	$4,888,728
2031	$213,600,000	$213,600,000		$576,293	$2,264,160	$2,840,453	$1,061,143	$932,813	$4,834,409
2032	$211,200,000	$211,200,000		$569,818	$2,238,720	$2,808,538	$1,049,220	$922,332	$4,780,090
2033	$208,800,000	$208,800,000		$563,342	$2,213,280	$2,776,622	$1,037,298	$911,850	$4,725,770
2034	$206,400,000	$206,400,000		$556,867	$2,187,840	$2,744,707	$1,025,375	$901,369	$4,671,451
			Total	**$9,154,314**	**$35,965,800**	**$45,120,114**	**$16,856,085**	**$14,817,570**	**$76,793,769**

Source: CPA, Oneok Hydrocarbon, LP
*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Chambers 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.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Barbers Hill ISD I&S Tax Levy	Barbers Hill ISD M&O Tax Levy	Barbers Hill M&O and I&S Tax Levies	Chambers County Tax Levy	Mont Belvieu Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.2698**	**1.0600**		**0.4968**	**0.4367**	
2019	$45,000,000	$45,000,000		$121,410	$477,000	$598,410	$223,556	$196,520	$1,018,485
2020	$240,000,000	$80,000,000		$647,520	$848,000	$1,495,520	$417,304	$293,469	$2,206,293
2021	$237,600,000	$80,000,000		$641,045	$848,000	$1,489,045	$413,131	$290,534	$2,192,710
2022	$235,200,000	$80,000,000		$634,570	$848,000	$1,482,570	$408,958	$287,600	$2,179,127
2023	$232,800,000	$80,000,000		$628,094	$848,000	$1,476,094	$404,784	$284,665	$2,165,544
2024	$230,400,000	$80,000,000		$621,619	$848,000	$1,469,619	$400,611	$281,730	$2,151,961
2025	$228,000,000	$80,000,000		$615,144	$848,000	$1,463,144	$396,438	$278,796	$2,138,378
2026	$225,600,000	$80,000,000		$608,669	$848,000	$1,456,669	$392,265	$275,861	$2,124,795
2027	$223,200,000	$80,000,000		$602,194	$848,000	$1,450,194	$388,092	$272,926	$2,111,212
2028	$220,800,000	$80,000,000		$595,718	$848,000	$1,443,718	$383,919	$269,992	$2,097,629
2029	$218,400,000	$80,000,000		$589,243	$848,000	$1,437,243	$379,746	$267,057	$2,084,046
2030	$216,000,000	$216,000,000		$582,768	$2,289,600	$2,872,368	$1,073,066	$943,294	$4,888,728
2031	$213,600,000	$213,600,000		$576,293	$2,264,160	$2,840,453	$1,061,143	$932,813	$4,834,409
2032	$211,200,000	$211,200,000		$569,818	$2,238,720	$2,808,538	$1,049,220	$922,332	$4,780,090
2033	$208,800,000	$208,800,000		$563,342	$2,213,280	$2,776,622	$1,037,298	$911,850	$4,725,770
2034	$206,400,000	$206,400,000		$556,867	$2,187,840	$2,744,707	$1,025,375	$901,369	$4,671,451
			Total	**$9,154,314**	**$20,150,600**	**$29,304,914**	**$9,454,907**	**$7,610,807**	**$46,370,628**
			Diff	**$0**	**$15,815,200**	**$15,815,200**	**$7,401,177**	**$7,206,763**	**$30,423,141**

Source: CPA, Oneok Hydrocarbon, LP
*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 25th Anniversary of Limitation Start

This represents the Comptroller's determination that Oneok Hydrocarbon, LP (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	2016	$0	$0	$0	$0
	2018	$0	$0	$0	$0
	2019	$477,000	$477,000	$0	$0
Limitation Period (10 Years)	2020	$848,000	$1,325,000	$1,696,000	$1,696,000
	2021	$848,000	$2,173,000	$1,670,560	$3,366,560
	2022	$848,000	$3,021,000	$1,645,120	$5,011,680
	2023	$848,000	$3,869,000	$1,619,680	$6,631,360
	2024	$848,000	$4,717,000	$1,594,240	$8,225,600
	2025	$848,000	$5,565,000	$1,568,800	$9,794,400
	2026	$848,000	$6,413,000	$1,543,360	$11,337,760
	2027	$848,000	$7,261,000	$1,517,920	$12,855,680
	2028	$848,000	$8,109,000	$1,492,480	$14,348,160
	2029	$848,000	$8,957,000	$1,467,040	$15,815,200
Maintain Viable Presence (5 Years)	2030	$2,289,600	$11,246,600	$0	$15,815,200
	2031	$2,264,160	$13,510,760	$0	$15,815,200
	2032	$2,238,720	$15,749,480	$0	$15,815,200
	2033	$2,213,280	$17,962,760	$0	$15,815,200
	2034	$2,187,840	$20,150,600	$0	$15,815,200
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	$2,162,400	$22,313,000	$0	$15,815,200
	2036	$2,136,960	$24,449,960	$0	$15,815,200
	2037	$2,111,520	$26,561,480	$0	$15,815,200
	2038	$2,086,080	$28,647,560	$0	$15,815,200
	2039	$2,060,640	$30,708,200	$0	$15,815,200
	2040	$2,035,200	$32,743,400	$0	$15,815,200
	2041	$2,009,760	$34,753,160	$0	$15,815,200
	2042	$1,984,320	$36,737,480	$0	$15,815,200
	2043	$1,958,880	$38,696,360	$0	$15,815,200
	2044	$1,933,440	$40,629,800	$0	$15,815,200
		$40,629,800	is greater than	**$15,815,200**	

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

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, Oneok Hydrocarbon, LP

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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 Oneok Hydrocarbon, LP'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 Oneok Hydrocarbon, LP in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "As the primary available property tax incentive in Texas, the chapter 313 agreement will play just as pivotal a role in the project's profitability as customer response will. Both factors will be considered heavily before any determination is made."
  B. "[M]ultiple other potential projects are presently competing for the same capital expenditure within The Company. Among the competing projects is a potential facility in the neighboring state of Oklahoma where the Manufacturing Exemption Program could grant the project a five-year, 100% property tax abatement."
- A February 21, 2018 *PR Newswire* article states the following about the MB-4 fractionation plant described in Tab 4 of the limitation application, and its relationship to other associated investments to be made by the applicant:
  A. "ONEOK, Inc. (NYSE: OKE) today announced plans to invest approximately $2.3 billion between now and 2020 to construct: A new 400,000-barrel per day (bpd) natural gas liquids (NGL) pipeline – the Arbuckle II Pipeline – that will create additional NGL transportation capacity between ONEOK's extensive Mid-Continent infrastructure in Oklahoma and the company's existing NGL facilities in Mont Belvieu, Texas; A new 125,000 bpd NGL fractionator – MB-4 – in Mont Belvieu, Texas, and related infrastructure; and A new 200-million cubic feet per day (MMcf/d) natural gas processing facility – the Demicks Lake plant and related infrastructure – in the Williston Basin."
  B. "The approximately 530-mile, 24- and 30-inch diameter Arbuckle II Pipeline is expected to cost approximately $1.36 billion and will have an initial capacity to transport up to 400,000 bpd of unfractionated NGLs originating across ONEOK's supply basins and extensive NGL gathering system to the company's storage and fractionation facilities at Mont Belvieu. The Arbuckle II Pipeline is expected to be completed in the first quarter 2020. The pipeline will have the

capability to be expanded up to 1 million bpd with additional pump facilities, which could more than double ONEOK's current capacity between the Mid-Continent and Gulf Coast."

C. "The new MB-4 fractionator and related infrastructure, which includes additional NGL storage capacity in Mont Belvieu, are expected to cost approximately $575 million and be completed in the first quarter 2020. ONEOK's total NGL fractionation capacity will increase to 965,000 bpd following the completion of MB-4."

D. "The initial capacity of the Arbuckle II Pipeline is more than 50 percent contracted, and MB-4 is fully contracted. Both are anchored by long-term contracts with terms ranging between 10 to 20 years. Adjusted EBITDA multiples for these projects are based only from these commitments but additional supply agreements continue to be negotiated."

- Attached Arbuckle II pipeline map.

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 4 of the Application for a Limitation on Appraised Value
c) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
d) 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:
   - ☑ Land has no existing improvements
   - ☐ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ 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 of the Application for a Limitation on Appraised Value

Oneok Hydrocarbon, LP
Project Description

Detailed Description and Process for Proposed Project

Oneok Hydrocarbon, LP is proposing to build a 4th (fourth) NGL fractionation unit (MB4 Fractionation Plant). Projected timeline for Oneok to start construction is September of 2018 and start hiring the new employees in June of 2019. This should allow for completion and commencement of commercial operations to start in December of 2019.
This facility will be constructed within the reinvestment zone that was put in place for Fractionation Plants MB2, MB3, and the EP Splitter project. It will operate independently and is not dependent upon or offer enhancements to the operation of those existing plants.

MB4 Fractionation Plant will have a production capacity of 125,000 barrels per day of natural gas liquids. The plant will produce industrial gases including ethane, propane, butane, n-butane and natural gasoline (CS+) products from incoming Y-Grade natural gas liquids (NGL's).

The manufacturing process consists of first pre-treating the incoming NGL's with feed filters, coalescers and amine contactors to remove any impurities such as particulates, sulfides and carbon dioxide. Any residual moisture is removed from the treated NGL's by dehydrators. The NGL's are then heated under pressure and fed into the De-Ethanizer Unit where it is separated into an overhead gas phase and an NGL phase. Ethane in the overhead gas phase is further purified and sent to product storage. The remaining NGL's are then heated under pressure and fed into the De-Propanizer Unit where it is separated into an overhead gas phase and an NGL phase. Propane in the overhead gas phase is further purified and sent to product storage.

The remaining NGL's are then heated under pressure and fed into the De-Butanizer Unit where it is separated into an overhead gas phase of mixed Butanes and natural gasolines. The mixed Butane in the overhead gas phase is sent to the Butane Splitter (De-IsoButanizer) where it is separated into n-Butane and Iso-Butane. Natural gasolines are sent off-site for sale via pipeline.

The MB4 Fractionation Plant will include the following main processing units and utility systems which are classified as "Qualified Investment"

List of Improvements

Plant Components

- Pre-treatment Systems
- De-Ethanizer Unit
- De-Propanizer Unit
- De-butanizer Unit
- Towers
- Butane Splitter (De-Isobutanizer)
- All appurtenant components
- Heat Medium
- Gasoline Treater
- Compression Equipment
- Additional storage facilities for Y-grade liquids and other components

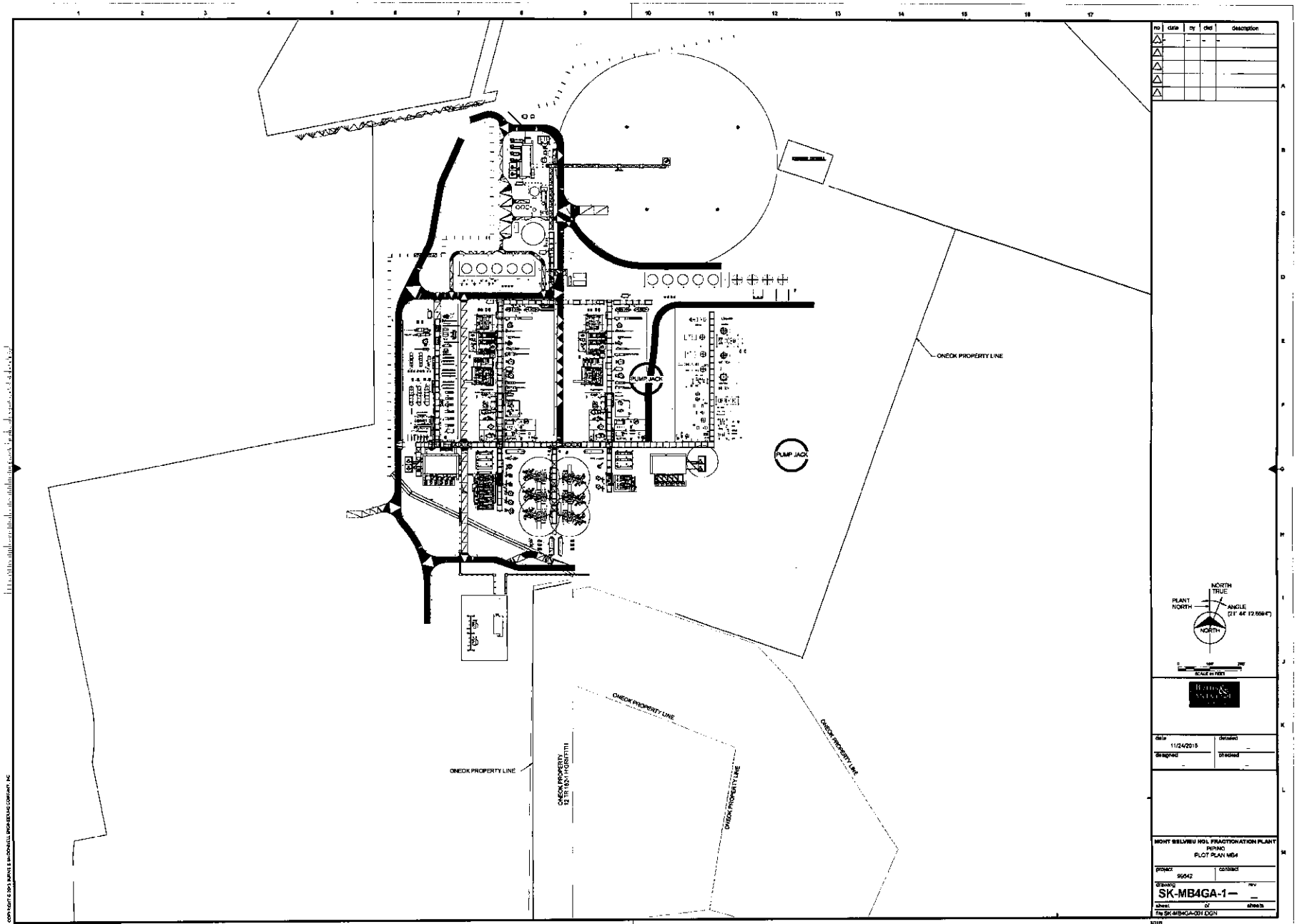
The fractionation process is accomplished by applying heat and pressure to the mixture of raw NGL hydrocarbons and separating each discrete product at the different boiling points for each NGL component of the mixture. The raw NGL mixture is passed through a specific series of distillation towers: deethanizer, depropanizer, debutanizer, and deisobutanizer. The name of each of these towers corresponds to the NGL component that is separated in that tower. The raw NGL mixture first passes through the deethanizer, where its temperature is increased to the point where ethane (the lightest component) boils off the top of the tower as a gas and is condensed into a purity liquid that is routed to storage. The heavier components in the mixture at the bottom of the tower (i.e., propane, butane, iso butane, and natural gasoline) are routed to the second tower (depropanizer), where the process is repeated and the net lightest component (propane) is separated. This process is repeated until the mixture of liquids has been separated into its purity components. This facility will also be built with the necessary equipment to produce International Grade Propane.

Demand for NGLs

Sources of U.S. NGL demand include petrochemical consumption, gasoline blending, heating and fuel, and exports. Demand is driven primarily by the petrochemical industry, which accounts for 40-50% of total consumption. The U.S. petrochemical industry uses NGL products as feedstock (i.e. raw material) to produce ethylene, propylene, and butadiene (also known as olefins).

The following factors influence demand for each individual NGL component:

- **Ethane.** Essentially all of the ethane extracted from natural gas is consumed by the petrochemical industry as a feedstock for ethylene production. (Ethylene is a building block for polyethylene, which is the most popular plastic in the world.)
- **Propane.** Approximately 25-30% of propane is used as a feedstock by the petrochemical industry to produce ethylene and propylene.
  (Like ethylene, propylene is an important building block used in the manufacture of plastics.) The bulk of the remaining demand for propane is primarily as a heating fuel in the residential and commercial markets.
- **Normal butane.** Normal butane is used as a petrochemical feedstock for the production of ethylene and butadiene (used to make synthetic rubber), as a blendstock for motor gasoline, and as a feedstock to create isobutene.
- **Isobutane.** Isobutane has the same molecular formula as normal butane, but a different structural formula (i.e., atoms are rearranged). Isobutane is used in refinery alkylation to enhance the octane content of motor gasoline.
- **Natural gasoline.** Natural gasoline is used primarily as a blendstock.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PLOT PLAN MB4
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Supporting Information

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

Tab 5 Limitation as a Determining Factor, with Ability to Locate or Relocate:

Oneok Hydrocarbon, LP "The Company", is an energy company which primarily consists of facilities that gather, fractionate, treat, store, and/or distribute both natural gas liquids and refined products. The Company currently operates over 2,600 miles of pipeline, three gas processing plants, and six fractionation facilities in Kansas, Oklahoma, and Texas.

As the primary available property tax incentive in Texas, the chapter 313 agreement will play just as pivotal a role in the project's profitability as customer response will. Both factors will be considered heavily before any determination is made. Moreover, multiple other potential projects are presently competing for the same capital expenditure within The Company. Among the competing projects is a potential facility in the neighboring state of Oklahoma where the Manufacturing Exemption Program could grant the project a five-year, 100% property tax abatement.

The map on the following page illustrates The Company's current areas of operation, please note the high level of activity in region 5, that area also serves as a competitive area for any new proposed project. The Company's existing infrastructure allows for a large degree of flexibility in determining the final location of any future facilities and investments. Capital is allocated to projects and locations based upon expected economic return. Large property tax liabilities affect cash flows and can drive down the economic return of a project, this would certainly lessen any projects chance of coming to completion in a taxable area without incentives vs. a project in an area with a lessened tax burden.

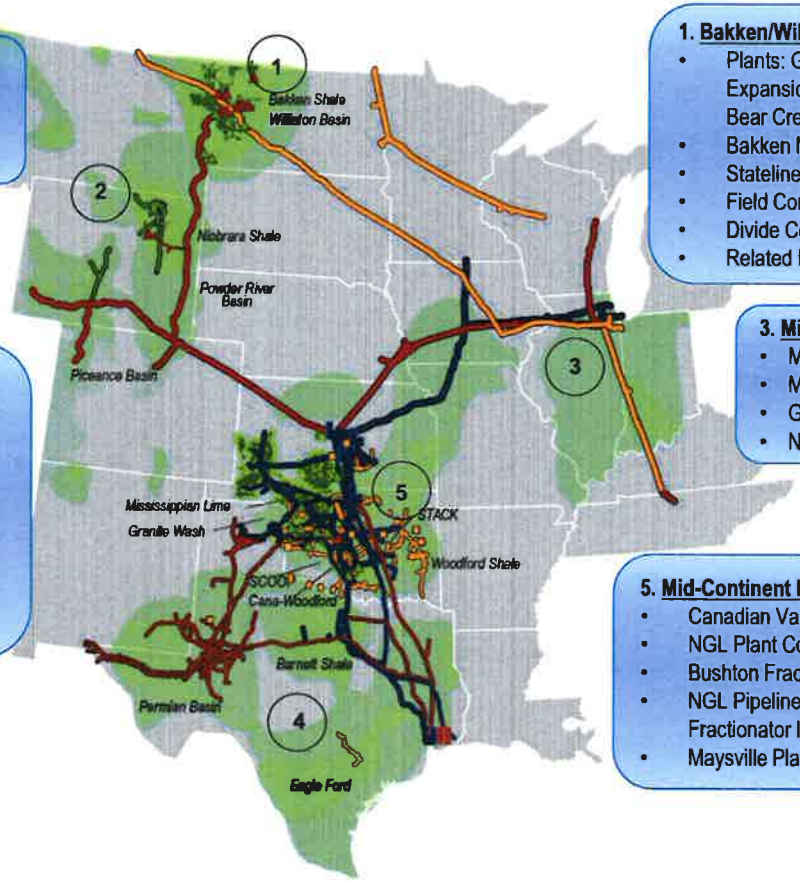
Tab 5 Attachment

ONEOK GROWTH: 2006-2016

$9 BILLION INVESTED IN INFRASTRUCTURE

2. Niobrara/Powder River Basin
- Niobrara NGL Lateral
- OPPL Expansion
- Sage Creek and NGL Infrastructure Acquisition

1. Bakken/Williston Basin
- Plants: Garden Creek I, II and III; Grasslands Plant Expansion; Stateline I and II; Lonesome Creek; and Bear Creek
- Bakken NGL Pipeline and Expansion Phase I
- Stateline de-ethanizers
- Field Compression and Related Infrastructure
- Divide County Gathering System
- Related NGL Infrastructure



3. Midwest Region
- MGT Compressor Station
- Midwestern Extension
- Guardian II Expansion
- North System Acquisition

4. Permian Basin and Gulf Coast
- Roadrunner Gas Transmission Pipeline
- WesTex Transmission Pipeline Expansion
- Sterling I Expansion
- Sterling I and II Reconfiguration
- Sterling III and Arbuckle Pipelines
- MB II and III Fractionators
- Mont Belvieu E/P Splitter
- Ethane Header Pipeline
- West Texas LPG Pipeline System Acquisition

5. Mid-Continent Region
- Canadian Valley Plant
- NGL Plant Connections
- Bushton Fractionator Expansion
- NGL Pipeline and Hutchinson Fractionator Infrastructure
- Maysville Plant Acquisition

- Natural Gas Gathering & Processing
- Natural Gas Liquids
- Natural Gas Pipelines
- Completed Growth Projects and Acquisitions

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Supporting Information

Additional information provided by the Applicant or located by the Comptroller

Send a Release

ONEOK to Invest $2.3 Billion For Additional NGL and Natural Gas Infrastructure

Projects Include Mid-Continent to Gulf Coast NGL Pipeline; Fractionation Facility in Mont Belvieu, Texas; and Natural Gas Processing Plant in McKenzie County, North Dakota

NEWS PROVIDED BY
ONEOK, Inc.
Feb 21, 2018, 17:14 ET

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TULSA, Okla., Feb. 21, 2018 /PRNewswire/ -- ONEOK, Inc. (NYSE: OKE) today announced plans to invest approximately $2.3 billion between now and 2020 to construct:

- A new 400,000-barrel per day (bpd) natural gas liquids (NGL) pipeline – the Arbuckle II Pipeline – that will create additional NGL transportation capacity between ONEOK's extensive Mid-Continent infrastructure in Oklahoma and the company's existing NGL facilities in Mont Belvieu, Texas;
- A new 125,000 bpd NGL fractionator – MB-4 – in Mont Belvieu, Texas, and related infrastructure; and
- A new 200-million cubic feet per day (MMcf/d) natural gas processing facility – the Demicks Lake plant and related infrastructure – in the Williston Basin.

"With more than $4 billion of announced capital-growth projects since June 2017, we continue to build off of our significant asset footprint," said Terry K. Spencer, ONEOK president and chief executive officer.

"The Arbuckle II Pipeline and MB-4 fractionator will help meet the needs of NGL producers in all of the basins where we operate, including the STACK and SCOOP areas and the Denver-Julesburg, Powder River, Williston and Permian basins," said Spencer. "These strategic projects complement our recently announced Elk Creek pipeline, increasing ONEOK's ability to deliver NGLs from the Rocky Mountain region to growing markets in the Gulf Coast.

"The Demicks Lake plant will provide critical natural gas processing capacity to accommodate increasing Williston Basin production, helping producers meet natural gas capture targets in North Dakota," added Spencer.

These projects are expected to generate adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) multiples of four to six times. Following ONEOK's recently completed equity issuances totaling approximately $1.6 billion, project funding is expected to come from cash generated from operations and short- and long-term borrowings. ONEOK does not expect to issue additional equity in 2018 and well into 2019.

Arbuckle II Pipeline and MB-4:

The approximately 530-mile, 24- and 30-inch diameter Arbuckle II Pipeline is expected to cost approximately $1.36 billion and will have an initial capacity to transport up to 400,000 bpd of unfractionated NGLs originating across ONEOK's supply basins and extensive NGL gathering system to the company's storage and fractionation facilities at Mont Belvieu. The Arbuckle II Pipeline is expected to be completed in the first quarter 2020. The pipeline will have the capability to be expanded up to 1 million bpd with additional pump facilities, which could more than double ONEOK's current capacity between the Mid-Continent and Gulf Coast.

The new MB-4 fractionator and related infrastructure, which includes additional NGL storage capacity in Mont Belvieu, are expected to cost approximately $575 million and be completed in the first quarter 2020. ONEOK's total NGL fractionation capacity will increase to 965,000 bpd following the completion of MB-4.

The initial capacity of the Arbuckle II Pipeline is more than 50 percent contracted, and MB-4 is fully contracted. Both are anchored by long-term contracts with terms ranging between 10 to 20 years. Adjusted EBITDA multiples for these projects are based only from these commitments but additional supply agreements continue to be negotiated.

Demicks Lake plant and related infrastructure:

The Demicks Lake natural gas processing plant and related field infrastructure are expected to cost a total of approximately $400 million and be completed during the fourth quarter 2019. The Demicks Lake plant will be built in McKenzie County, North Dakota, which is in the core area of the Williston Basin. The plant is supported by acreage dedications with primarily fee-based contracts.

The Demicks Lake plant is expected to contribute additional NGL volumes to ONEOK's NGL gathering system and natural gas volumes to ONEOK's 50 percent-owned Northern Border Pipeline.

ONEOK's Williston Basin natural gas processing capacity will increase to more than 1.2 billion cubic feet per day following the completion of the Demicks Lake plant.

EDITOR'S NOTE:

View a map of the proposed projects.

NON-GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) FINANCIAL MEASURES:

ONEOK has disclosed in this news release forward-looking estimates for projected adjusted EBITDA multiples expected to be generated by the announced capital-growth projects. Adjusted EBITDA is a non-GAAP financial metric used to measure

the company's financial performance. Adjusted EBITDA is defined as net income from continuing operations adjusted for interest expense, depreciation and amortization, noncash impairment charges, income taxes, noncash compensation expense, allowance for equity funds used during construction (equity AFUDC), and other noncash items. Adjusted EBITDA multiples for the announced capital-growth projects reflect the expected adjusted EBITDA to be generated by the projects relative to the capital investment being made.

Adjusted EBITDA and adjusted EBITDA multiples are useful to investors because these and similar measures, are used by many companies in the industry as a measure of financial performance and commonly employed by financial analysts and others to evaluate ONEOK's financial performance and of its capital-growth projects and to compare the financial performance of ONEOK with the performance of other companies within its industry. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or any other measure of financial performance presented in accordance with GAAP. Additionally, this calculation may not be comparable with similarly titled measures of other companies.

A reconciliation of estimated adjusted EBITDA to GAAP net income is not provided because the GAAP net income generated by the projects is not available without unreasonable efforts.

ONEOK, Inc. (pronounced ONE-OAK) (NYSE: OKE) is one of the largest energy midstream service providers in the U.S., connecting prolific supply basins with key market centers. It owns and operates one of the nation's premier natural gas liquids (NGL) systems and is a leader in the gathering, processing, storage and transportation of natural gas. ONEOK's operations include a 38,000-mile integrated network of NGL and natural gas pipelines, processing plants, fractionators and storage facilities in the Mid-Continent, Williston, Permian and Rocky Mountain regions.

ONEOK is a FORTUNE 500 company and is included in Standard & Poor's (S&P) 500 index.

For information about ONEOK, visit the website: www.oneok.com.

For the latest news about ONEOK, find us on LinkedIn, Facebook or Twitter @ONEOK.

Some of the statements contained herein are forward-looking statements as defined under federal securities laws. The forward-looking statements relate to our anticipated financial performance (including projected net income, capital expenditures, cash flow and projected levels of dividends), liquidity, management's plans and objectives for our future growth projects and other future operations (including plans to construct additional natural gas and natural gas liquids facilities and related cost estimates), our business prospects, the outcome of regulatory and legal proceedings, market conditions and other matters. We make these forward-looking statements in reliance on the safe harbor protections provided under federal securities legislation and other applicable laws.

Forward-looking statements include the items identified in the preceding paragraph, the information concerning possible or assumed future results of our operations and other statements contained herein identified by words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled" and other words and terms of similar meaning.

You should not place undue reliance on the forward-looking statements. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Those factors may affect our operations, markets, products, services and prices. In addition to any assumptions and other factors referred to specifically in connection with the forward-looking statements, factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement include, among others, those factors listed under "Forward-looking Statements" in our Quarterly Report on Form 10-Q for the quarter ended Sept. 30,

2017, and in our other filings that we make with the SEC, which are available via the SEC's website at www.sec.gov and our website at www.oneok.com.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other factors could also have material adverse effects on our future results. These and other risks are described in greater detail under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2016 and in our other filings that we make with the SEC, which are available via the SEC's website at www.sec.gov and our website at www.oneok.com. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Any such forward-looking statement speaks only as of the date on which such statement is made, and other than as required under securities laws, we undertake no obligation to update publicly any forward-looking statement whether as a result of new information, subsequent events or change in circumstances, expectations or otherwise. Projects are subject to approvals from state and regulatory agencies.

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	918-591-5026

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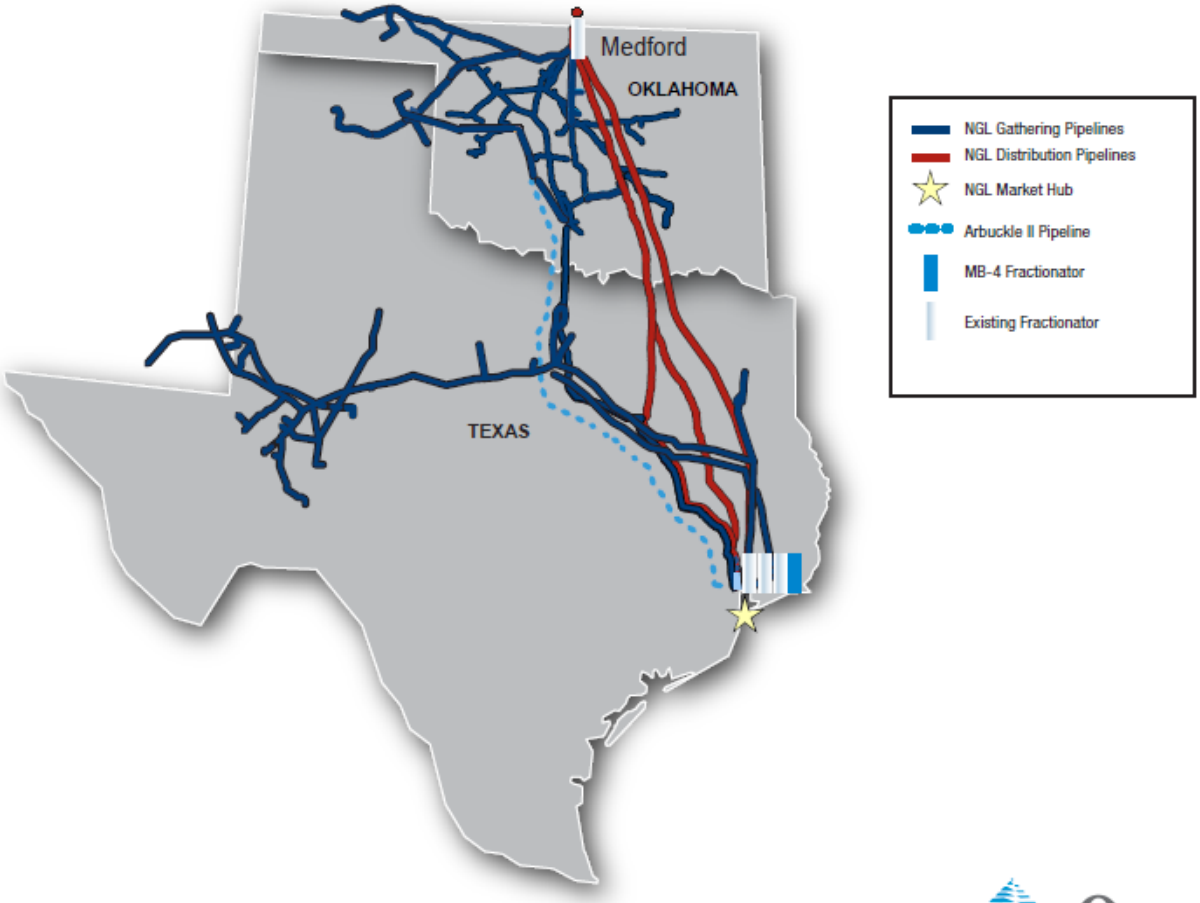

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[http://www.oneok.com/~/media/ONEOK/NewsRoom/ReleaseDocs/Arbuckle2Pipeline_Map.ashx Retrieved 04/18/2018]