
FINDINGS
OF THE
CULBERSON COUNTY-ALLAMOORE
INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
TARGA DELAWARE, LLC
TEXAS TAXPAYER ID #32053692227
APPLICATION #1261

December 17, 2018

<https://comptroller.texas.gov/data/property-tax/pvs/2017p/0550559011D.php>.

After receipt of the Application, the District submitted a proposed form of Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, in the form required by the Comptroller of Public Accounts. The proposed Agreement and letter approving same are attached to these findings as **Exhibit C**.

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

Board Finding Number 1.

The Applicant qualifies for a limitation on appraised value of Qualified Property under Texas Tax Code § 313.024 in the eligibility category of Manufacturing.

Board Finding Number 2.

The Applicant's entire proposed investment in the Culberson County-Allamore Independent School District is \$110,000,000—all of which is proposed to be Qualified Investment under Texas Tax Code § 313.021.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$44,207 per year. The review of the Application by the State Comptroller's Office indicates that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs pay more than the minimum weekly wage required for Qualified Jobs under Texas Tax Code § 313.021.

Board Finding Number 4.

The level of the Applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$11 million on the basis of the 10 new qualifying positions committed to by the Applicant for this project. The project's total investment is \$110,000,000, resulting in a relative level of investment per qualifying job of \$11,000,000.

Board Finding Number 5.

The Applicant has not requested a waiver of the job creation requirement under Texas Tax Code § 313.025(f-1), and the Board finds that the project meets state job creating requirements.

Board Finding Number 6.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region. In support of Finding No. 6, the economic impact evaluation states:

Board Findings of the Culberson County-Allamore Independent School District

Table 2 depicts this project’s estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller’s office calculated the economic impact based on 15 years of annual investment and employment levels.

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	150	180	330	\$ 6,631,050	\$ 15,196,923	\$ 21,827,973
2019	160	228	388	\$ 7,073,120	\$ 20,679,041	\$ 27,752,161
2020	10	71	81	\$ 442,070	\$ 8,074,133	\$ 8,516,203
2021	10	47	57	\$ 442,070	\$ 6,234,160	\$ 6,676,230
2022	10	30	40	\$ 442,070	\$ 4,833,736	\$ 5,275,806
2023	10	21	31	\$ 442,070	\$ 3,959,627	\$ 4,401,697
2024	10	18	28	\$ 442,070	\$ 3,510,725	\$ 3,952,795
2025	10	18	28	\$ 442,070	\$ 3,434,245	\$ 3,876,315
2026	10	21	31	\$ 442,070	\$ 3,590,049	\$ 4,032,119
2027	10	24	34	\$ 442,070	\$ 3,906,094	\$ 4,348,164
2028	10	28	38	\$ 442,070	\$ 4,306,688	\$ 4,748,758
2029	10	31	41	\$ 442,070	\$ 4,755,672	\$ 5,197,742
2030	10	33	43	\$ 442,070	\$ 5,073,933	\$ 5,516,003
2031	10	34	44	\$ 442,070	\$ 5,448,500	\$ 5,89,0 570
2032	10	36	46	\$ 442,070	\$ 5,824,377	\$ 6,266,447
2033	10	37	47	\$ 442,070	\$ 6,183,617	\$ 6,625,68
2034	10	37	47	\$ 442,070	\$ 6,519,144	\$ 6,961,214

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Culberson 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 Table 3 and Table 4:

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	CCAISD I&S Tax Levy	CCAISD M&O Tax Levy	CCAISD M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson Co. Hosp. Distr. Tax Levy	Estimated Total Property Taxes	
			Tax Rate ¹	0.4566	1.0400		0.2339	0.1837	
2020	\$ 95,000,000	\$ 25,000,000	\$ 433,752	\$ 260,000	\$ 693,752	\$ 0	\$ 174,544	\$ 868,295	
2021	\$ 93,100,000	\$ 25,000,000	\$ 425,077	\$ 260,000	\$ 685,077	\$ 65,323	\$ 171,053	\$ 921,452	
2022	\$ 91,200,000	\$ 25,000,000	\$ 416,402	\$ 260,000	\$ 676,402	\$ 117,314	\$ 167,562	\$ 961,278	
2023	\$ 89,300,000	\$ 25,000,000	\$ 407,727	\$ 260,000	\$ 667,727	\$ 156,641	\$ 164,071	\$ 988,439	
2024	\$ 87,400,000	\$ 25,000,000	\$ 399,052	\$ 260,000	\$ 659,052	\$ 183,970	\$ 160,580	\$ 1,003,602	
2025	\$ 85,500,000	\$ 25,000,000	\$ 390,377	\$ 260,000	\$ 650,377	\$ 199,967	\$ 157,089	\$ 1,007,433	
2026	\$ 83,600,000	\$ 25,000,000	\$ 381,702	\$ 260,000	\$ 641,702	\$ 195,524	\$ 153,598	\$ 990,824	
2027	\$ 817,00,000	\$ 25,000,000	\$ 373,027	\$ 260,000	\$ 633,027	\$ 191,080	\$ 150,107	\$ 974,214	
2028	\$ 79,800,000	\$ 25,000,000	\$ 364,352	\$ 260,000	\$ 624,352	\$ 186,636	\$ 146,617	\$ 957,604	
2029	\$ 77,900,000	\$ 25,000,000	\$ 355,677	\$ 260,000	\$ 615,677	\$ 182,193	\$ 143,126	\$ 940,995	
2030	\$ 76,000,000	\$ 76,000,000	\$ 347,002	\$ 790,400	\$ 1,137,402	\$ 177,749	\$ 139,635	\$ 1,454,785	
2031	\$ 74,100,000	\$ 74,100,000	\$ 338,327	\$ 770,640	\$ 1,108,967	\$ 173,305	\$ 136,144	\$ 1,418,416	
2032	\$ 72,200,000	\$ 72,200,000	\$ 329,651	\$ 750,880	\$ 1,080,531	\$ 168,861	\$ 132,653	\$ 1,382,046	
2033	\$ 70,300,000	\$ 70,300,000	\$ 320,976	\$ 731,120	\$ 1,052,096	\$ 164,418	\$ 129,162	\$ 1,345,676	
2034	\$ 68,400,000	\$ 68,400,000	\$ 312,301	\$ 711,360	\$ 1,023,661	\$ 159,974	\$ 125,671	\$ 1,309,307	
			Total	\$ 5,595,400	\$ 6,354,400	\$ 11,949,800	\$ 2,322,955	\$ 2,251,611	\$ 16,524,366
			Diff	\$ 0	\$ 6,390,800	\$ 6,390,800	\$ 543,245	\$ 0	\$ 6,934,04 5

¹Tax Rate per \$100 Valuation

Board Findings of the Culberson County-Allamore Independent School District

Table 3 illustrates the estimated tax impact of the Applicant’s project on 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	CCAISD I&S Tax Levy	CCAISD M&O Tax Levy	CCAISD M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson Co. Hosp. Distr. Tax Levy	Estimated Total Property Taxes	
			Tax Rate ¹	0.4566	1.0400	0.2339	0.1837		
2020	\$ 95,000,000	\$ 95,000,000	\$ 433,752	\$ 988,000	\$ 1,421,752	\$ 222,186	\$ 174,544	\$ 1,818,481	
2021	\$ 93,100,000	\$ 93,100,000	\$ 425,077	\$ 968,240	\$ 1,393,317	\$ 217,742	\$ 171,053	\$ 1,782,112	
2022	\$ 91,200,000	\$ 91,200,000	\$ 416,402	\$ 948,480	\$ 1,364,882	\$ 213,299	\$ 167,562	\$ 1,745,742	
2023	\$ 89,300,000	\$ 89,300,000	\$ 407,727	\$ 928,720	\$ 1,336,447	\$ 208,855	\$ 164,071	\$ 1,709,373	
2024	\$ 87,400,000	\$ 87,400,000	\$ 399,052	\$ 908,960	\$ 1,308,012	\$ 204,411	\$ 160,580	\$ 1,673,003	
2025	\$ 85,500,000	\$ 85,500,000	\$ 390,377	\$ 889,200	\$ 1,279,577	\$ 199,967	\$ 157,089	\$ 1,636,633	
2026	\$ 83,600,000	\$ 83,600,000	\$ 381,702	\$ 869,440	\$ 1,251,142	\$ 195,524	\$ 153,598	\$ 1,600,264	
2027	\$ 81,700,000	\$ 81,700,000	\$ 373,027	\$ 849,680	\$ 1,222,707	\$ 191,080	\$ 150,107	\$ 1,563,894	
2028	\$ 79,800,000	\$ 79,800,000	\$ 364,352	\$ 829,920	\$ 1,194,272	\$ 186,636	\$ 146,617	\$ 1,527,524	
2029	\$ 77,900,000	\$ 77,900,000	\$ 355,677	\$ 810,160	\$ 1,165,837	\$ 182,193	\$ 143,126	\$ 1,491,155	
2030	\$ 76,000,000	\$ 76,000,000	\$ 347,002	\$ 790,400	\$ 1,137,402	\$ 177,749	\$ 139,635	\$ 1,454,785	
2031	\$ 74,100,000	\$ 74,100,000	\$ 338,327	\$ 770,640	\$ 1,108,967	\$ 173,305	\$ 136,144	\$ 1,418,416	
2032	\$ 72,200,000	\$ 72,200,000	\$ 329,651	\$ 750,880	\$ 1,080,531	\$ 168,861	\$ 132,653	\$ 1,382,046	
2033	\$ 70,300,000	\$ 70,300,000	\$ 320,976	\$ 731,120	\$ 1,052,096	\$ 164,418	\$ 129,162	\$ 1,345,676	
2034	\$ 68,400,000	\$ 68,400,000	\$ 312,301	\$ 711,360	\$ 1,023,661	\$ 159,974	\$ 125,671	\$ 1,309,307	
			Total	\$ 5,595,400	\$ 12,745,200	\$ 18,340,600	\$ 2,866,199	\$ 2,251,611	\$ 23,458,411

¹Tax Rate per \$100 Valuation

Board Finding Number 7.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

Board Finding Number 8.

The effect of the Applicant’s proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District’s facility needs, with current trends suggesting little underlying enrollment growth based on the impact of the project.

Board Finding Number 9.

The Applicant’s 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. Attachment B of the economic impact study contains a year-by-year analysis as depicted in the following table:

Board Findings of the Culberson County-Allamore Independent School District

	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	2017	\$ 0	\$ 0	\$ 0	\$ 0
	2018	\$ 0	\$ 0	\$ 0	\$ 0
	2019	\$ 104,000	\$ 104,000	\$ 0	\$ 0
Limitation Period (10 Years)	2020	\$ 260,000	\$ 364,000	\$ 728,000	\$ 728,000
	2021	\$ 260,000	\$ 624,000	\$ 708,240	\$ 1,436,240
	2022	\$ 260,000	\$ 884,000	\$ 688,480	\$ 2,124,720
	2023	\$ 260,000	\$ 1,144,000	\$ 668,720	\$ 2,793,440
	2024	\$ 260,000	\$ 1,404,000	\$ 648,960	\$ 3,442,400
	2025	\$ 260,000	\$ 1,664,000	\$ 629,200	\$ 4,071,600
	2026	\$ 260,000	\$ 1,924,000	\$ 609,440	\$ 4,681,040
	2027	\$ 260,000	\$ 2,184,000	\$ 589,680	\$ 5,270,720
	2028	\$ 260,000	\$ 2,444,000	\$ 569,920	\$ 5,840,640
	2029	\$ 260,000	\$ 2,704,000	\$ 550,160	\$ 6,390,800
Maintain Viable Presence (5 Years)	2030	\$ 790,400	\$ 3,494,400	\$ 0	\$ 6,390,800
	2031	\$ 770,640	\$ 4,265,040	\$ 0	\$ 6,390,800
	2032	\$ 750,880	\$ 5,015,920	\$ 0	\$ 6,390,800
	2033	\$ 731,120	\$ 5,747,040	\$ 0	\$ 6,390,800
	2034	\$ 711,360	\$ 6,458,400	\$ 0	\$ 6,390,800
Additional Years as Required by § 313.026(c)(1) (10 Years)	2035	\$ 691,600	\$ 7,150,000	\$ 0	\$ 6,390,800
	2036	\$ 671,840	\$ 7,821,840	\$ 0	\$ 6,390,800
	2037	\$ 652,080	\$ 8,473,920	\$ 0	\$ 6,390,800
	2038	\$ 632,320	\$ 9,106,240	\$ 0	\$ 6,390,800
	2039	\$ 612,560	\$ 9,718,800	\$ 0	\$ 6,390,800
	2040	\$ 592,800	\$ 10,311,600	\$ 0	\$ 6,390,800
	2041	\$ 573,040	\$ 10,884,640	\$ 0	\$ 6,390,800
	2042	\$ 553,280	\$ 11,437,920	\$ 0	\$ 6,390,800
	2043	\$ 533,520	\$ 11,971,440	\$ 0	\$ 6,390,800
	2044	\$ 513,760	\$ 12,485,200	\$ 0	\$ 6,390,800

\$ 12,485,200 is greater than \$ 6,390,800

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

Board Finding Number 10.

The limitation on appraised value requested by the Applicant is a determining factor in the Applicant’s decision to invest capital and construct the project in this state.

Board Finding Number 11.

The ability of the Applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Findings 10 and 11, **Attachment C** of the economic impact study states:

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. This is based on information available, including information provided by the Applicant. Specifically, the Comptroller notes the following:

- I. Per Targa Delaware, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Targa’s pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation.”
 - B. “As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Gas Plant economics just as potential customer response will be. Both factors will be considered

Board Findings of the Culberson County-Allamore Independent School District

before any determination is made. At this time, the company is considering other locations in Southern New Mexico for the same capital expenditures. That is due to offers of Industrial Revenue Bonds (abatements) and Job Training incentive programs.”

- II. Per Targa Delaware, LLC in Tab 3 of their application Targa Resources Corp. is the applicant’s parent company.
- III. Per the April 28, 2018 transmittal letter written by Mike Fry to Ken Baugh, Culberson County-Allamore ISD, “Targa Delaware, LLC is considering plans to build The Peregrine Plant, a 250mmscf/d gas processing plant within the Culberson County-Allamore ISD boundary. That would allow Targa Delaware the ability to process raw natural gas into useable products.”
- IV. Targa Resources Corp. has made public announcements about the project. According to the Targa Resources Corp. news release dated March 27, 2018:
 - A. “Targa Resources Corp... announced today that it has entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The agreements with Targa are underpinned by the customer’s dedication of significant acreage within a large, well-defined area in the Delaware Basin.”
 - B. “ ‘We are very pleased to have entered into agreements to provide services across our integrated platform supported by a large acreage position held by a major Delaware Basin customer. This is a significant extension of our multi-plant, multi-system Delaware footprint, adding infrastructure through the core of the Delaware Basin.’ ... said Joe Bob Perkins, Chief Executive Officer of the Company.”
 - C. “In the Delaware Basin, supported by the significant near-term volume growth expected on the dedicated acreage, Targa will construct approximately 220 miles of 12 to 24 inch high pressure rich gas gathering pipelines across some of the most prolific parts of the Delaware Basin, a new 250 million cubic feet per day (“MMcf/d”) cryogenic natural gas processing plant (the “Falcon Plant”) in the Delaware that is expected to begin operations in the fourth quarter of 2019, and a second 250 MMcf/d cryogenic natural gas processing plant (the “Peregrine Plant”) in the Delaware that is expected to begin operations in the second quarter of 2020. Total net growth capex related to the plants and high-pressure pipeline system is approximately \$500 million, with approximately \$200 million expected to be spent in 2018.”
- V. According to a May 3, 2013 *Targa Resources Corp. Securities and Exchange Commission Form 10-K Report Filing*:
 - A. “In March 2018, we announced that we entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. We will construct approximately 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across the Delaware Basin, a new 250 MMcfd cryogenic natural gas processing plant (the “Falcon Plant”) in the Delaware Basin that is expected to begin operations in the fourth quarter of 2019, and a second 250 MMcf/d cryogenic natural gas processing plant in Culberson County (the “Peregrine Plant”) in the Delaware Basin that is expected to begin operations in the second quarter of 2020.”
 - B. “We will provide NGL transportation services on Grand Prix and fractionation services at our Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine Plants. Total growth capital expenditures related to the plants and high-pressure pipeline system are approximately \$500 million, with approximately \$200 million expected to be spent in 2018.”

Board Findings of the Culberson County-Allamore Independent School District

- VI. The company has highlighted the project in its recent investor presentation materials. Targa Resources Corp. “Announces Delaware Basin and Grand Prix Expansions,” March 2018 and Targa Resources Corp. “Investor Presentation,” May 2018
- VII. In a Targa Resources Corp. Q1 2018 Results Earnings Conference Call May 3, 2018 transcribed by Seeking Alpha noted the following:
- A. Joe Bob Perkins - CEO – “Commercially, we announced significant additional Delaware Basin processing expansions supported by long-term fee-based agreements to provide gathering, processing and downstream transportation, fractionation and other related services with a well-positioned investment-grade energy company.”
 - B. Matt Meloy - President – “Our recently announced Delaware Basin expansion include the 220-mile high-pressure rates gas header system and two new 250 million cubic feet per day cryogenic natural gas processing. The Falcon and Peregrine plants are scheduled to be completed in the fourth quarter of 2019 and the second quarter of 2020 respectively. As part of the agreement, underpinning the expansion plan, Targa will also provide transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine Plants.”
- VIII. A March 28, 2018 *Natural Gas Intelligence* article reported that “Targa Resources Corp. said this week that it has entered long-term fee-based agreements with an undisclosed producer that will find it spending \$500 million to expand natural gas gathering and processing services in the Permian Basin’s Delaware sub-basin.” Furthermore:
- A. “The company also said that it would extend its Grand Prix natural gas liquids (NGL) pipeline that’s currently under construction into southern Oklahoma. The system, which was announced last year, would connect the Permian and the company’s North Texas gathering system to its fractionation and storage complex at the NGL market hub at Mont Belvieu, TX.”
 - B. “Targa said it would build 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across parts of the Delaware sub-basin. Under the fee-based agreements, plans also call for a new 250 MMcf/d cryogenic natural gas processing plant that is to be called the Falcon Plant and enter service in the Delaware in 4Q 2019. A second 250 MMcf/d processing plant that’s to be called the Peregrine Plant would enter service there in 2Q 2020.”
 - C. “The company said it would also provide NGL transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine plants.”
- IX. A March 28, 2018 *Midstream Business* article reported the following:
- A. “Targa Resources Corp. (NYSE: TRGP) said March 27 that it has entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The agreements with Targa are underpinned by the customer’s dedication of significant acreage within a large, well-defined area in the Delaware Basin.”
 - B. “ ‘The investments are aligned with our strategic objectives of leveraging existing Targa infrastructure to further strengthen our competitive position from gathering and processing through transportation, fractionation and other related services to meet the infrastructure needs of our customers.’ [said Joe Bob Perkins, CEO of the company.]”
 - C. “In the Delaware Basin, supported by the significant near-term volume growth expected on the dedicated acreage, Targa will construct approximately 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across some of the most prolific parts of the Delaware Basin, a new 250 million cubic feet per day (MMcf/d) cryogenic natural gas processing plant (Falcon Plant) in the Delaware that is expected to begin operations in fourth-quarter 2019, and a second 250 MMcf/d cryogenic natural gas processing plant (Peregrine Plant) in the Delaware that is expected to begin operations in second-quarter 2020. Total net growth capex related to the plants and high-

Board Findings of the Culberson County-Allamoore Independent School District

pressure pipeline system is approximately \$500 million, with approximately \$200 million expected to be spent in 2018.”

- X. A May 4, 2018 *The Van Horn Advocate* article reported, “The Culberson County-Allamoore ISD Board of Trustees met in Regular Session on April 30. Supt. Ken Baugh introduced a Chapter 313 Value Limitation Application prepared by Targa Delaware LLC (Targa) for the construction of a gas production plant in the north part of Culberson County. If approved, Targa has funds in hand and is ready to start the one-year construction project. Baugh indicated that Targa is also planning to submit an application for a second plant. The estimated value of each plant is \$110 million. The application requests a limitation on the taxable value of the project for a certain amount of time in exchange for the construction and creation of new jobs in the district.”
- XI. A May 31, 2018 *The Van Horn Advocate* article described the following:
- A. “Doug Carr, financial advisor, gave an overview of the Chapter 313 Value Limitation Agreement process to the Board...discussed the advantages and disadvantages of these agreements and provided financial scenarios to show the impact on the District’s revenue...For each agreement, the District will receive a payment-in-lieu-of-taxes of at least \$50,000/year which is not subject to recapture by the state. At this time, there are four potential applications: two solar projects and two gas production plants.”
 - B. “Sara Leon of Powell and Leon provided the board an outline of the process going forward should the District decide to participate in the Chapter 313 Value Limitation Agreements. Once the District accepts an application, it is a four to six-month review and approval process through the Texas Comptroller’s office. Leon noted that this is actually a state program designed to have no negative financial impacts on school districts.”
 - C. “Mike Frye [*vis*], representing Targa Delaware LLC, briefed the Board on the two applications that have been submitted to the District for the gas production plants.”
 - D. “The Board unanimously accepted the two applications for the Chapter 313 Value Limitation Agreements from Targa Delaware LLC for two gas production plants to be located in the northern portion of Culberson County. The applications will be reviewed for completeness and submitted to the Comptroller of Public Accounts.”

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

Board Finding Number 12.

The Board of Trustees of the Culberson County-Allamoore Independent School District hired consultants to review and verify the information in Application #1261. Based upon the consultants’ review, the Board has determined that the information provided by the Applicant appears to be true and correct.

Board Finding Number 13.

The Board of Trustees has determined that the Tax Limitation Amount requested by the Applicant is currently \$25 Million Dollars (\$25,000,000), which is consistent with the minimum values currently set out by Texas Tax Code § 313.027(b).

Board Finding Number 14.

Board Findings of the Culberson County-Allamore Independent School District

The Applicant (Taxpayer ID 32053692227) is eligible for the limitation on appraised value of Qualified Property as specified in the Agreement based on its "good standing" certification as a franchise-tax paying entity.

Board Finding Number 15.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Exhibit C, includes adequate and appropriate revenue protection provisions for the District.

Board Finding Number 16.

Considering the purpose and effect of the law and the terms of the Agreement, it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

It is therefore ORDERED that the Agreement attached hereto as **Exhibit C** is approved and hereby authorized to be executed and delivered by and on behalf of the Culberson County-Allamore Independent School District. It is further ORDERED that these Findings and the Attachments referred to herein be attached to the official minutes of this meeting and maintained in the permanent records of the Board of Trustees of the Culberson County-Allamore Independent School District.

Dated the 17th day of December, 2018.

CULBERSON COUNTY-ALLAMORE INDEPENDENT SCHOOL DISTRICT

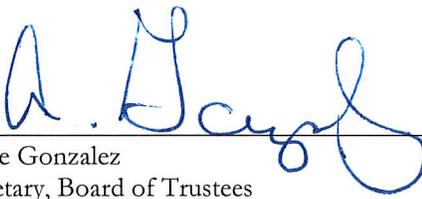
By:



Leticia Hernandez
President, Board of Trustees

ATTEST:

By:



Angie Gonzalez
Secretary, Board of Trustees

Findings and Order of the Culberson County-Allamoore Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Targa Delaware, LLC (Tax ID 32053692227) (Application #1261)

EXHIBIT A

Comptroller's Economic Impact Analysis



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

September 19, 2018

Ken Baugh
Superintendent
Culberson County-Allamoore Independent School District
400 West 7th Street
Van Horn, Texas 79855-0899

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Culberson County-Allamoore Independent School District and Targa Delaware, LLC, Application 1261

Dear Superintendent Baugh:

On July 25, 2018, the Comptroller issued written notice that Targa Delaware, LLC (applicant) submitted a completed application (Application 1261) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on May 22, 2018, to the Culberson County-Allamoore 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.

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

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 1261.

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'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 July 25, 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,

A handwritten signature in black ink, appearing to read "Mike Reissig". The signature is stylized and overlaps the printed name below it.

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Targa Delaware, LLC (project) applying to Culberson County-Allamoore 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 Targa Delaware, LLC.

Applicant	Targa Delaware, LLC – Peregrine Plant
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Culberson County-Allamoore ISD
Estimated 2016-2017 Average Daily Attendance	373
County	Culberson County
Proposed Total Investment in District	\$110,000,000
Proposed Qualified Investment	\$110,000,000
Limitation Amount	\$25,000,000
Qualifying Time Period (Full Years)	2019-2020
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	\$850
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$850
Minimum annual wage committed to by applicant for qualified jobs	\$44,207
Minimum weekly wage required for non-qualifying jobs	\$829
Minimum annual wage required for non-qualifying jobs	\$43,122
Investment per Qualifying Job	\$11,000,000
Estimated M&O levy without any limit (15 years)	\$12,745,200
Estimated M&O levy with Limitation (15 years)	\$6,354,400
Estimated gross M&O tax benefit (15 years)	\$6,390,800

Table 2 is the estimated statewide economic impact of Targa Delaware, LLC (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	150	180	330	\$6,631,050	\$15,196,923	\$21,827,973
2019	160	228	388.143	\$7,073,120	\$20,679,041	\$27,752,161
2020	10	71	81	\$442,070	\$8,074,133	\$8,516,203
2021	10	47	57	\$442,070	\$6,234,160	\$6,676,230
2022	10	30	40	\$442,070	\$4,833,736	\$5,275,806
2023	10	21	31	\$442,070	\$3,959,627	\$4,401,697
2024	10	18	28	\$442,070	\$3,510,725	\$3,952,795
2025	10	18	28	\$442,070	\$3,434,245	\$3,876,315
2026	10	21	31	\$442,070	\$3,590,049	\$4,032,119
2027	10	24	34	\$442,070	\$3,906,094	\$4,348,164
2028	10	28	38	\$442,070	\$4,306,688	\$4,748,758
2029	10	31	41	\$442,070	\$4,755,672	\$5,197,742
2030	10	33	43	\$442,070	\$5,073,933	\$5,516,003
2031	10	34	44	\$442,070	\$5,448,500	\$5,890,570
2032	10	36	46	\$442,070	\$5,824,377	\$6,266,447
2033	10	37	47	\$442,070	\$6,183,617	\$6,625,687
2034	10	37	47	\$442,070	\$6,519,144	\$6,961,214

Source: CPA REMI, Targa Delaware, 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	Tax Rate*	Culberson County-allamoore ISD I&S Tax Levy	Culberson County-allamoore ISD M&O Tax Levy	Culberson County-allamoore ISD M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson County Hospital District Tax Levy	Estimated Total Property Taxes
2020	\$95,000,000	\$95,000,000	0.4566	\$433,752	\$988,000	\$1,421,752	\$222,186	\$174,544	\$1,818,481
2021	\$93,100,000	\$93,100,000		\$425,077	\$968,240	\$1,393,317	\$217,742	\$171,053	\$1,782,112
2022	\$91,200,000	\$91,200,000		\$416,402	\$948,480	\$1,364,882	\$213,299	\$167,562	\$1,745,742
2023	\$89,300,000	\$89,300,000		\$407,727	\$928,720	\$1,336,447	\$208,855	\$164,071	\$1,709,373
2024	\$87,400,000	\$87,400,000		\$399,052	\$908,960	\$1,308,012	\$204,411	\$160,580	\$1,673,003
2025	\$85,500,000	\$85,500,000		\$390,377	\$889,200	\$1,279,577	\$199,967	\$157,089	\$1,636,633
2026	\$83,600,000	\$83,600,000		\$381,702	\$869,440	\$1,251,142	\$195,524	\$153,598	\$1,600,264
2027	\$81,700,000	\$81,700,000		\$373,027	\$849,680	\$1,222,707	\$191,080	\$150,107	\$1,563,894
2028	\$79,800,000	\$79,800,000		\$364,352	\$829,920	\$1,194,272	\$186,636	\$146,617	\$1,527,524
2029	\$77,900,000	\$77,900,000		\$355,677	\$810,160	\$1,165,837	\$182,193	\$143,126	\$1,491,155
2030	\$76,000,000	\$76,000,000		\$347,002	\$790,400	\$1,137,402	\$177,749	\$139,635	\$1,454,785
2031	\$74,100,000	\$74,100,000		\$338,327	\$770,640	\$1,108,967	\$173,305	\$136,144	\$1,418,416
2032	\$72,200,000	\$72,200,000		\$329,651	\$750,880	\$1,080,531	\$168,861	\$132,653	\$1,382,046
2033	\$70,300,000	\$70,300,000		\$320,976	\$731,120	\$1,052,096	\$164,418	\$129,162	\$1,345,676
2034	\$68,400,000	\$68,400,000		\$312,301	\$711,360	\$1,023,661	\$159,974	\$125,671	\$1,309,307
			Total	\$5,595,400	\$12,745,200	\$18,340,600	\$2,866,199	\$2,251,611	\$23,458,411

Source: CPA, Targa Delaware, LLC

*Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Culberson County and Culberson County Hospital District, with all property tax incentives sought 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	Tax Rate*	Culberson County-allamoore ISD I&S Tax Levy	Culberson County-allamoore ISD M&O Tax Levy	Culberson County-allamoore ISD M&O and I&S Tax Levies	Culberson County Tax Levy	Culberson County Hospital District Tax Levy	Estimated Total Property Taxes
				0.4566	1.0400		0.2339	0.1837	
2020	\$95,000,000	\$25,000,000		\$433,752	\$260,000	\$693,752	\$0	\$174,544	\$868,295
2021	\$93,100,000	\$25,000,000		\$425,077	\$260,000	\$685,077	\$65,323	\$171,053	\$921,452
2022	\$91,200,000	\$25,000,000		\$416,402	\$260,000	\$676,402	\$117,314	\$167,562	\$961,278
2023	\$89,300,000	\$25,000,000		\$407,727	\$260,000	\$667,727	\$156,641	\$164,071	\$988,439
2024	\$87,400,000	\$25,000,000		\$399,052	\$260,000	\$659,052	\$183,970	\$160,580	\$1,003,602
2025	\$85,500,000	\$25,000,000		\$390,377	\$260,000	\$650,377	\$199,967	\$157,089	\$1,007,433
2026	\$83,600,000	\$25,000,000		\$381,702	\$260,000	\$641,702	\$195,524	\$153,598	\$990,824
2027	\$81,700,000	\$25,000,000		\$373,027	\$260,000	\$633,027	\$191,080	\$150,107	\$974,214
2028	\$79,800,000	\$25,000,000		\$364,352	\$260,000	\$624,352	\$186,636	\$146,617	\$957,604
2029	\$77,900,000	\$25,000,000		\$355,677	\$260,000	\$615,677	\$182,193	\$143,126	\$940,995
2030	\$76,000,000	\$76,000,000		\$347,002	\$790,400	\$1,137,402	\$177,749	\$139,635	\$1,454,785
2031	\$74,100,000	\$74,100,000		\$338,327	\$770,640	\$1,108,967	\$173,305	\$136,144	\$1,418,416
2032	\$72,200,000	\$72,200,000		\$329,651	\$750,880	\$1,080,531	\$168,861	\$132,653	\$1,382,046
2033	\$70,300,000	\$70,300,000		\$320,976	\$731,120	\$1,052,096	\$164,418	\$129,162	\$1,345,676
2034	\$68,400,000	\$68,400,000		\$312,301	\$711,360	\$1,023,661	\$159,974	\$125,671	\$1,309,307
			Total	\$5,595,400	\$6,354,400	\$11,949,800	\$2,322,955	\$2,251,611	\$16,524,366
			Diff	\$0	\$6,390,800	\$6,390,800	\$543,245	\$0	\$6,934,045

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, Targa Delaware, LLC

*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 Targa Delaware, 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	2017	\$0	\$0	\$0	\$0
	2018	\$0	\$0	\$0	\$0
	2019	\$104,000	\$104,000	\$0	\$0
Limitation Period (10 Years)	2020	\$260,000	\$364,000	\$728,000	\$728,000
	2021	\$260,000	\$624,000	\$708,240	\$1,436,240
	2022	\$260,000	\$884,000	\$688,480	\$2,124,720
	2023	\$260,000	\$1,144,000	\$668,720	\$2,793,440
	2024	\$260,000	\$1,404,000	\$648,960	\$3,442,400
	2025	\$260,000	\$1,664,000	\$629,200	\$4,071,600
	2026	\$260,000	\$1,924,000	\$609,440	\$4,681,040
	2027	\$260,000	\$2,184,000	\$589,680	\$5,270,720
	2028	\$260,000	\$2,444,000	\$569,920	\$5,840,640
	2029	\$260,000	\$2,704,000	\$550,160	\$6,390,800
Maintain Viable Presence (5 Years)	2030	\$790,400	\$3,494,400	\$0	\$6,390,800
	2031	\$770,640	\$4,265,040	\$0	\$6,390,800
	2032	\$750,880	\$5,015,920	\$0	\$6,390,800
	2033	\$731,120	\$5,747,040	\$0	\$6,390,800
	2034	\$711,360	\$6,458,400	\$0	\$6,390,800
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	\$691,600	\$7,150,000	\$0	\$6,390,800
	2036	\$671,840	\$7,821,840	\$0	\$6,390,800
	2037	\$652,080	\$8,473,920	\$0	\$6,390,800
	2038	\$632,320	\$9,106,240	\$0	\$6,390,800
	2039	\$612,560	\$9,718,800	\$0	\$6,390,800
	2040	\$592,800	\$10,311,600	\$0	\$6,390,800
	2041	\$573,040	\$10,884,640	\$0	\$6,390,800
	2042	\$553,280	\$11,437,920	\$0	\$6,390,800
	2043	\$533,520	\$11,971,440	\$0	\$6,390,800
	2044	\$513,760	\$12,485,200	\$0	\$6,390,800
		\$12,485,200	is greater than	\$6,390,800	

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, Targa Delaware, 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 Targa Delaware, 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 Targa Delaware, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Targa’s pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation.”
 - B. “As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Gas Plant economics just as potential customer response will be. Both factors will be considered before any determination is made. At this time, the company is considering other locations in Southern New Mexico for the same capital expenditures. That is due to offers of Industrial Revenue Bonds (abatements) and Job Training incentive programs.”
- Per Targa Delaware, LLC in Tab 3 of their application Targa Resources Corp. is the applicant’s parent company.
- Per the April 28, 2018 transmittal letter written by Mike Fry to Ken Baugh, Culberson County-Allamore ISD, “Targa Delaware, LLC is considering plans to build The Peregrine Plant, a 250mmscf/d gas processing plant within the Culberson County – Allamore ISD boundary. That would allow Targa Delaware the ability to process raw natural gas into useable products.”
- Targa Resources Corp. has made public announcements about the project.
 - A. According to the Targa Resources Corp. news release dated March 27, 2018,
 - “Targa Resources Corp... announced today that it has entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The agreements with Targa are underpinned by the customer’s dedication of significant acreage within a large, well-defined area in the Delaware Basin.”

- “We are very pleased to have entered into agreements to provide services across our integrated platform supported by a large acreage position held by a major Delaware Basin customer. This is a significant extension of our multi-plant, multi-system Delaware footprint, adding infrastructure through the core of the Delaware Basin.’ ... said Joe Bob Perkins, Chief Executive Officer of the Company.”
 - “In the Delaware Basin, supported by the significant near-term volume growth expected on the dedicated acreage, Targa will construct approximately 220 miles of 12 to 24 inch high pressure rich gas gathering pipelines across some of the most prolific parts of the Delaware Basin, a new 250 million cubic feet per day (“MMcf/d”) cryogenic natural gas processing plant (the “Falcon Plant”) in the Delaware that is expected to begin operations in the fourth quarter of 2019, and a second 250 MMcf/d cryogenic natural gas processing plant (the “Peregrine Plant”) in the Delaware that is expected to begin operations in the second quarter of 2020. Total net growth capex related to the plants and high pressure pipeline system is approximately \$500 million, with approximately \$200 million expected to be spent in 2018.”
- B. According to a May 3, 2013 *Targa Resources Corp. Securities and Exchange Commission Form 10-K Report Filing*,
- “In March 2018, we announced that we entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. We will construct approximately 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across the Delaware Basin, a new 250 MMcfd cryogenic natural gas processing plant (the “Falcon Plant”) in the Delaware Basin that is expected to begin operations in the fourth quarter of 2019, and a second 250 MMcf/d cryogenic natural gas processing plant in Culberson County (the “Peregrine Plant”) in the Delaware Basin that is expected to begin operations in the second quarter of 2020.”
 - “We will provide NGL transportation services on Grand Prix and fractionation services at our Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine Plants. Total growth capital expenditures related to the plants and high pressure pipeline system are approximately \$500 million, with approximately \$200 million expected to be spent in 2018.”
- C. The company has highlighted the project in its recent investor presentation materials. Targa Resources Corp. “Announces Delaware Basin and Grand Prix Expansions,” March 2018 and Targa Resources Corp. “Investor Presentation,” May 2018
- D. In a Targa Resources Corp. Q1 2018 Results Earnings Conference Call May 3, 2018 transcribed by Seeking Alpha noted the following:
- Joe Bob Perkins – CEO – “Commercially, we announced significant additional Delaware Basin processing expansions supported by long-term fee-based agreements to provide gathering, processing and downstream transportation, fractionation and other related services with a well-positioned investment-grade energy company.”
 - Matt Meloy – President – “Our recently announced Delaware Basin expansion include the 220-mile high-pressure rich gas header system and two new 250 million cubic feet per day cryogenic natural gas processing. The Falcon and Peregrine plants are scheduled to be completed in the fourth quarter of 2019 and the second quarter of 2020 respectively. As part of the agreement, underpinning the expansion plan, Targa will also provide transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine Plants.”
- A March 28, 2018 *Natural Gas Intelligence* article reported that “Targa Resources Corp. said this week that it has entered long-term fee-based agreements with an undisclosed producer that will find it spending \$500 million to expand natural gas gathering and processing services in the Permian Basin’s Delaware sub-basin.” . Furthermore:
 - A. “The company also said that it would extend its Grand Prix natural gas liquids (NGL) pipeline that’s currently under construction into southern Oklahoma. The system, which was announced last year, would connect the Permian and the company’s North Texas gathering system to its fractionation and storage complex at the NGL market hub at Mont Belvieu, TX.”

- B. "Targa said it would build 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across parts of the Delaware sub-basin. Under the fee-based agreements, plans also call for a new 250 MMcf/d cryogenic natural gas processing plant that is to be called the Falcon Plant and enter service in the Delaware in 4Q2019. A second 250 MMcf/d processing plant that's to be called the Peregrine Plant would enter service there in 2Q2020."
- C. "The company said it would also provide NGL transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine plants."
- A March 28, 2018 *Midstream Business* article reported the following:
 - A. "Targa Resources Corp. (NYSE: TRGP) said March 27 that it has entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The agreements with Targa are underpinned by the customer's dedication of significant acreage within a large, well-defined area in the Delaware Basin."
 - B. "'The investments are aligned with our strategic objectives of leveraging existing Targa infrastructure to further strengthen our competitive position from gathering and processing through transportation, fractionation and other related services to meet the infrastructure needs of our customers.' [said Joe Bob Perkins, CEO of the company.]"
 - C. "In the Delaware Basin, supported by the significant near-term volume growth expected on the dedicated acreage, Targa will construct approximately 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across some of the most prolific parts of the Delaware Basin, a new 250 million cubic feet per day (MMcf/d) cryogenic natural gas processing plant (Falcon Plant) in the Delaware that is expected to begin operations in fourth-quarter 2019, and a second 250 MMcf/d cryogenic natural gas processing plant (Peregrine Plant) in the Delaware that is expected to begin operations in second-quarter 2020. Total net growth capex related to the plants and high-pressure pipeline system is approximately \$500 million, with approximately \$200 million expected to be spent in 2018."
- A May 4, 2018 *The Van Horn Advocate* article reported, "The Culberson County-Allamore ISD Board of Trustees met in Regular Session on April 30. Supt. Ken Baugh introduced a Chapter 313 Value Limitation Application prepared by Targa Delaware LLC (Targa) for the construction of a gas production plant in the north part of Culberson County. If approved, Targa has funds in hand and is ready to start the one-year construction project. Baugh indicated that Targa is also planning to submit an application for a second plant. The estimated value of each plant is \$110 million. The application requests a limitation on the taxable value of the project for a certain amount of time in exchange for the construction and creation of new jobs in the district."
- A May 31, 2018 *The Van Horn Advocate* article described the following:
 - A. "Doug Carr, financial advisor, gave an overview of the Chapter 313 Value Limitation Agreement process to the Board ... discussed the advantages and disadvantages of these agreements and provided financial scenarios to show the impact on the District's revenue. ...For each agreement, the District will receive a payment-in-lieu-of-taxes of at least \$50,000/year which is not subject to recapture by the state. At this time, there are four potential applications: two solar projects and two gas production plants."
 - B. "Sara Leon of Powell and Leon provided the board an outline of the process going forward should the District decide to participate in the Chapter 313 Value Limitation Agreements. Once the District accepts an application, it is a four to six-month review and approval process through the Texas Comptroller's office. Leon noted that this is actually a state program designed to have no negative financial impacts on school districts."
 - C. "Mike Frye [*sic*], representing Targa Delaware LLC, briefed the Board on the two applications that have been submitted to the District for the gas production plants."
 - D. The project was discussed in the public arena – move up towards the beginning:
 - E. "The Board unanimously accepted the two applications for the Chapter 313 Value Limitation Agreements from Targa Delaware LLC for two gas production plants to be located in the northern

portion of Culberson County. The applications will be reviewed for completeness and submitted to the Comptroller of Public Accounts.”

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**

AMENDMENT 1 [6/27/18]

Texas Comptroller of Public Accounts

Data Analysis and
Transparency
Form 50-296-A

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 checked="" 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

Limitation is a Determining Factor:

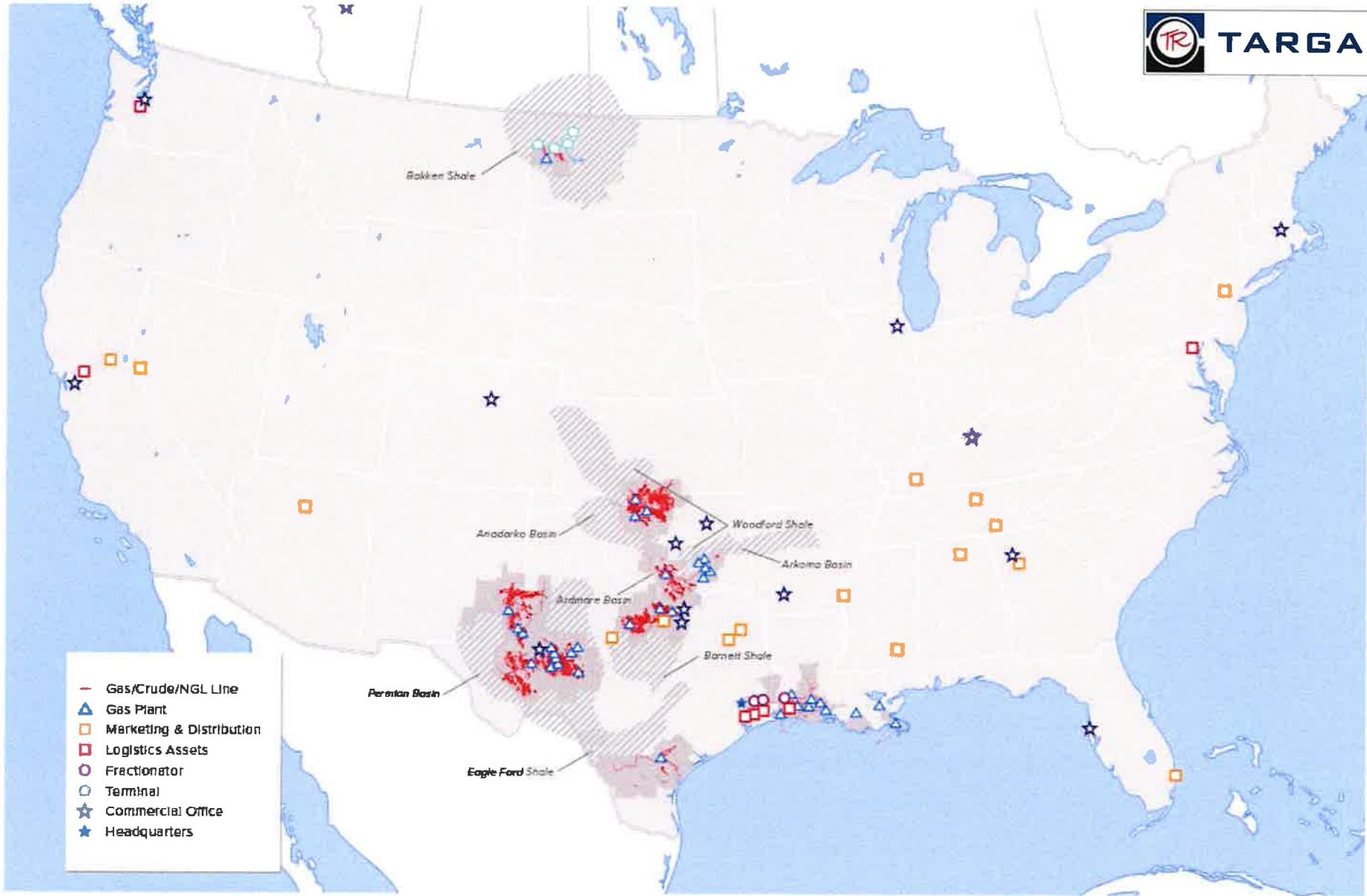
Targa Resources, LP (or “the Company”) is a leading midstream energy company whose primary activities include:

- Gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets and states
- Storing, fractionating, treating, transporting, and selling NGL’s and NGL products, including services to LPG exporters
- Gathering, storing, and terminaling crude oil
- Storing, terminaling, and selling refined petroleum products

Targa currently operates over 27,000 miles of pipeline, 40 gas processing plants, 4 G&P crude terminals, 2 fractionation locations, 1 hydrotreater facility, 1 gas treating facility, 18 NGL terminals, 3 petroleum logistics facilities, and 2 storage facilities. There are also transportation assets, including 700 railcars, 90 tractors, and 20 barges. Locations for these operations included Arizona, Florida, Kansas, Louisiana, Maryland, Mississippi, North Dakota, New Mexico, Oklahoma, Texas, and Washington.

Targa’s pipeline footprint provides substantial flexibility in where future facilities or investments may be located. Capital investments are allocated to projects and locations based on expected economic return and property tax liabilities can make up a substantial ongoing cost of operation.

As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Gas Plant economics just as potential customer response will be. Both factors will be considered before any determination is made. At this time, the company is considering other locations in Southern New Mexico for the same capital expenditures. That is due to offers of Industrial Revenue Bonds (abatements) and Job Training incentive programs.



Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller

Franchise Tax

2017 Annual Extension Request

Confirmation

You Have Filed Successfully

Please do NOT send a paper form

Print this page for your records

Submission ID: 35721746

Date and Time of Filing: 03/22/2017 10:19:21 AM

Taxpayer ID: 12037010753

Taxpayer Name: TARGA RESOURCES CORP.

Taxpayer Address: 1000 LOUISIANA ST STE 4300 ATTN: TAX DEPT HOUSTON, TX 77002 - 5036

Entered By: Kristi D Williams

Email Address: kwilliams@targaresources.com

Telephone Number: (713) 584-1537

IP Address: 63.123.92.157

Extension Request	
Is this the reporting entity of a combined group?	Yes
Will this Extension Request include a payment?	No

Mailing Address
Street Address: 1000 LOUISIANA ST STE 4300 ATTN: TAX DEPT
City: HOUSTON
State: TX
Zip Code: 77002 - 5036
Country: USA

Legal Name of Affiliate	Affiliate Taxpayer Number	Does this Affiliate have Nexus?
Targa Energy GP LLC	32056961710	Yes
Targa Energy LP	32056961637	Yes
Targa Resources Investments Sub Inc.	32033207716	Yes
TRI Resources Inc.	17431170582	Yes
Targa Resources LLC	11419043325	Yes
Targa Resources Finance Corporation	32033207666	Yes
Targa GP Inc.	32026319643	Yes
Targa LP Inc.	32026319551	Yes
Targa America Mid-Continent Inc.	12013894873	Yes
Targa Resources GP LLC	32025591598	Yes
Targa Versado Holdings LP.	32042395056	Yes
Targa Midstream Services LLC	17605078918	Yes
Targa Louisiana Intrastate LLC	32033207542	Yes
Targa Gas Marketing LLC	11137626807	Yes
Targa Gas Pipeline LLC	32037888701	Yes
Targa Liquids Marketing & Trade LLC	32038252865	Yes
Targa Receivables LLC	32049618690	Yes
Targa Gas Processing LLC	32045186205	Yes
Targa Intrastate Pipeline LLC	17606348369	Yes
Versado Gas Processors LLC	17605719362	Yes
Targa Downstream LLC	32035001109	Yes

April 28th, 2018

Culberson County – Allamoore ISD
Mr. Ken Baugh
400 West 7th Street
Van Horn, TX 79855-0899

RE: Application for Section 313 – Value Limitation Agreement

Targa Delaware, LLC is considering plans to build The Peregrine Plant, a 250mmscf/d gas processing plant within the Culberson County – Allamoore ISD boundary. That would allow Targa Delaware the ability to process raw natural gas into useable products. The estimated total investment for this proposed project will be approximately \$110mm, with estimated completion in the 3rd quarter of 2019.

The positive economic impact stretches beyond the investment by providing a number of jobs during the construction phase, and at least 10 full time local jobs once construction is complete.

Targa Delaware, LLC is committed to the growth and welfare of the community. Targa believes the investment in Culberson County affirms their dedication to maintaining a considerable presence in the area.

Attached is the application for property tax limitation. Targa Delaware respectfully request this 10-year limitation under The Appraised Value Limitation on Qualified Property (Chapter 313 of the Texas Tax Code).

Please feel free to contact me if you have any questions. I can be reached via telephone 469-298-1594 or by email mfry@keatax.com.

Sincerely,



Mike Fry

**Targa Resources Announces Additional Delaware Basin Processing Expansions, an
Extension of its Grand Prix NGL Pipeline into Oklahoma and
Potential Asset Sales
Also Posts Updated Investor Presentation**

HOUSTON, TX – March 27, 2018 – Targa Resources Corp. (NYSE: TRGP) ("Targa" or the "Company") announced today that it has entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The agreements with Targa are underpinned by the customer's dedication of significant acreage within a large, well-defined area in the Delaware Basin.

The Company also announced an extension of its new common carrier natural gas liquids ("NGL") pipeline currently under construction ("Grand Prix") into southern Oklahoma. The pipeline expansion is underpinned by significant long-term commitments for both transportation and fractionation services from Targa's existing and future processing plants in the Arkoma area in its SouthOK system and from third party commitments, including a significant long-term commitment for transportation and fractionation with Valiant Midstream, LLC ("Valiant").

"We are very pleased to have entered into agreements to provide services across our integrated platform supported by a large acreage position held by a major Delaware Basin customer. This is a significant extension of our multi-plant, multi-system Delaware footprint, adding infrastructure through the core of the Delaware Basin. Also, the expansion of our Grand Prix NGL Pipeline into Oklahoma is an attractive extension of a highly strategic asset for Targa, enhancing the capabilities we can offer our existing and potential customers in southern Oklahoma," said Joe Bob Perkins, Chief Executive Officer of the Company. "The investments are aligned with our strategic objectives of leveraging existing Targa infrastructure to further strengthen our competitive position from gathering and processing through transportation, fractionation and other related services to meet the infrastructure needs of our customers."

Delaware Basin Processing Expansions

In the Delaware Basin, supported by the significant near-term volume growth expected on the dedicated acreage, Targa will construct approximately 220 miles of 12 to 24 inch high pressure rich gas gathering pipelines across some of the most prolific parts of the Delaware Basin, a new 250 million cubic feet per day ("MMcf/d") cryogenic natural gas processing plant (the "Falcon Plant") in the Delaware that is expected to begin operations in the fourth quarter of 2019, and a second 250 MMcf/d cryogenic natural gas processing plant (the "Peregrine Plant") in the Delaware that is expected to begin operations in the second quarter of 2020. Total net growth capex related to the plants and high pressure pipeline system is approximately \$500 million, with approximately \$200 million expected to be spent in 2018.

Targa will also provide NGL transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine plants.

Grand Prix NGL Pipeline Extension into Oklahoma

The Grand Prix extension into Oklahoma will be anchored by significant long-term commitments for both transportation and fractionation services from Targa's existing and future processing plants in the Arkoma area in its SouthOK system and from third party commitments, including a significant long-term commitment for transportation and fractionation with Valiant. The Company continues to expect Grand Prix to be fully completed and in service in the second quarter of 2019.

Once completed, the capacity of Grand Prix from North Texas, where Permian and Oklahoma volumes will be connected to a 30 inch diameter segment of the pipeline to Mont Belvieu, will be approximately 450 thousand barrels per day, expandable to 950 thousand barrels per day. The capacity on the 24 inch diameter pipeline from the Permian Basin to North Texas will be approximately 300 thousand barrels per day, expandable to 550 thousand barrels per day. The capacity from southern Oklahoma to North Texas will vary based on telescoping pipe size. The vast majority of the pipe for Grand Prix has already been purchased.

As one of the largest gatherers and processors of natural gas in the prolific Permian Basin, with approximately 2.0 billion cubic feet per day ("Bcf/d") of current natural gas processing capacity and approximately 1.5 Bcf/d of processing capacity being added across both the Midland Basin and the Delaware Basin, Targa's existing plants and plants in progress will provide significant volumes for transportation on Grand Prix to Targa's assets in Mont Belvieu. Additionally, Targa's current natural gas processing position in North Texas and commitments in the Arkoma area of southern Oklahoma will also provide incremental volumes on Grand Prix to Targa's downstream assets in Mont Belvieu. Targa expects Grand Prix NGL volume deliveries to Mont Belvieu to significantly increase over time and currently estimates deliveries to exceed 250 thousand barrels per day at some point during 2020 depending on upstream production levels. Volumes on Grand Prix are expected to continue to increase beyond 2020 from continued production growth, increasing third party commitments and the expiration of Targa's existing obligations to transport on other third party NGL pipelines, further enhancing Grand Prix's economics.

Targa's total growth capital spending on Grand Prix is now estimated to be approximately \$1.65 billion, with net growth capital spending of approximately \$1.1 billion and approximately \$900 million net expected to be spent in 2018. Targa's total 2018 net growth capital expenditures for announced projects is now expected to be approximately \$2.2 billion.

Grand Prix's economics related to the volumes flowing on the pipeline from the Permian Basin to Mont Belvieu are part of the previously announced joint venture with Blackstone Energy Partners and the development joint venture with investment vehicles affiliated with Stonepeak Infrastructure Partners. The economics related to the volumes from North Texas and from the extension into southern Oklahoma will accrue exclusively to Targa.

Potential Asset Sales

Targa continues to evaluate and execute financing opportunities to fund its remaining equity capital needs for its announced projects in 2018, which may include a combination of additional asset joint venture arrangements, various types of public and private capital, and asset sales. The

Company has engaged Evercore Group L.L.C. to evaluate alternatives, including the potential divestiture of its Downstream Petroleum Logistics business, which includes terminals in Baltimore, MD; Tacoma, WA; and its Crude and Condensate Splitter and terminal in Channelview, TX. Targa is also evaluating a potential sale of its marine barge business. These potential divestitures are predicated on third party valuations adequately capturing Targa's forward growth expectations for the assets. Sales proceeds could offset a significant portion of the increase in net growth capital expenditures related to the new projects announced today.

A copy of the presentation slides to accompany these announcements can be accessed on the Company's website in the Investor section under Events and Presentations at www.targaresources.com, or by going directly to <http://ir.targaresources.com/trc/events.cfm>.

Forward Looking Statements

Certain statements in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that Targa expects, believes or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties, factors and risks, many of which are outside Targa's control, which could cause results to differ materially from those expected by management of Targa. Such risks and uncertainties include, but are not limited to, the timing and extent of changes in commodity prices, interest rates and demand for services, the level and success of crude oil and natural gas drilling around assets, the timing and success of business development efforts, ability to access the capital markets, the amount of collateral required to be posted from time to time in transactions, success in risk management activities, the credit risk of customers, changes in laws and regulations, weather and other uncertainties. These and other applicable uncertainties, factors and risks are described more fully in Targa's Annual Report on Form 10-K for the year ended December 31, 2017 and other reports filed with the Securities and Exchange Commission. Targa undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

About Targa Resources Corp.

Targa Resources Corp. is a leading provider of midstream services and is one of the largest independent midstream energy companies in North America. Targa owns, operates, acquires, and develops a diversified portfolio of complementary midstream energy assets. The Company is primarily engaged in the business of: gathering, compressing, treating, processing, and selling natural gas; storing, fractionating, treating, transporting, and selling NGLs and NGL products, including services to LPG exporters; gathering, storing, terminaling, and selling crude oil; storing, terminaling, and selling refined petroleum products.

For more information, please visit our website at www.targaresources.com.

Contact the Company's investor relations department by email at InvestorRelations@targaresources.com or by phone at (713) 584-1133.

Sanjay Lad
Director - Investor Relations

Jennifer Kneale
Chief Financial Officer

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-34991



TARGA RESOURCES CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-3701075
(I.R.S. Employer Identification No.)

811 Louisiana St, Suite 2100, Houston, Texas
(Address of principal executive offices)

77002
(Zip Code)

(713) 584-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 1, 2018, there were 219,475,635 shares of the registrant's common stock, \$0.001 par value, outstanding.

Recent Developments

Gathering and Processing Segment Expansion

Permian Midland Processing Expansions

In response to increasing production and to meet the infrastructure needs of producers, we have announced the construction of additional processing plants that further expand the gathering and processing footprint of our Permian Midland system:

- In February 2018, we announced plans to construct two new cryogenic natural gas processing plants, each with a processing capacity of 250 MMcf/d. The first plant, known as the Hopson Plant, is expected to begin operations in the first quarter of 2019. The second plant, known as the Pembroke Plant, is expected to begin operations in the second quarter of 2019.
- In May 2017, we announced plans to build a new 200 MMcf/d cryogenic natural gas processing plant, known as the Johnson Plant, which is expected to begin operations in the third quarter of 2018.
- In November 2016, we announced plans to build the 200 MMcf/d Joyce Plant, which began operations in the first quarter of 2018.

Permian Delaware Processing Expansions

In March 2018, we announced that we entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. We will construct approximately 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across the Delaware Basin, a new 250 MMcf/d cryogenic natural gas processing plant (the "Falcon Plant") in the Delaware Basin that is expected to begin operations in the fourth quarter of 2019, and a second 250 MMcf/d cryogenic natural gas processing plant in Culberson County (the "Peregrine Plant") in the Delaware Basin that is expected to begin operations in the second quarter of 2020.

We will provide NGL transportation services on Grand Prix and fractionation services at our Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine Plants. Total growth capital expenditures related to the plants and high pressure pipeline system are approximately \$500 million, with approximately \$200 million expected to be spent in 2018.

In May 2017, we announced plans to build a new plant and further expand the gathering footprint of our Permian Delaware system. This project includes a new 250 MMcf/d cryogenic processing plant, known as the Wildcat Plant, which is expected to begin operations in the second quarter of 2018.

Permian Acquisition

On March 1, 2017, we completed the purchase of 100% of the membership interests of Outrigger Delaware Operating, LLC, Outrigger Southern Delaware Operating, LLC (together "New Delaware") and Outrigger Midland Operating, LLC ("New Midland" and together with New Delaware, the "Permian Acquisition").

We paid \$484.1 million in cash at closing on March 1, 2017, and paid an additional \$90.0 million in cash on May 30, 2017 (collectively, the "initial purchase price"). Subject to certain performance-based measures and other conditions, additional cash of up to \$935.0 million may be payable to the sellers of New Delaware and New Midland in potential earn-out payments that would occur in May 2018 and May 2019. The potential earn-out payments will be based upon a multiple of realized gross margin from contracts that existed on March 1, 2017. The 2018 portion of the earn-out expired with no payment required.

New Delaware's gas gathering and processing and crude gathering assets are located in Loving, Winkler, Pecos and Ward counties. The operations are backed by producer dedications of more than 145,000 acres under long-term, largely fee-based contracts, with an average weighted contract life of 14 years. The New Delaware assets include 70 MMcf/d of processing capacity. In addition, the Oahu Plant, a 60 MMcf/d plant in the Delaware Basin, which was completed in March 2018 and placed into service in April 2018, was added to the New Delaware system. Currently, there is 40 MBbl/d of crude gathering capacity on the New Delaware system.

New Midland's gas gathering and processing and crude gathering assets are located in Howard, Martin and Borden counties. The operations are backed by producer dedications of more than 105,000 acres under long-term, largely fee-based contracts, with an average weighted contract life of 13 years. The New Midland assets include 10 MMcf/d of processing capacity. Currently, there is 40 MBbl/d of crude gathering capacity on the New Midland system.

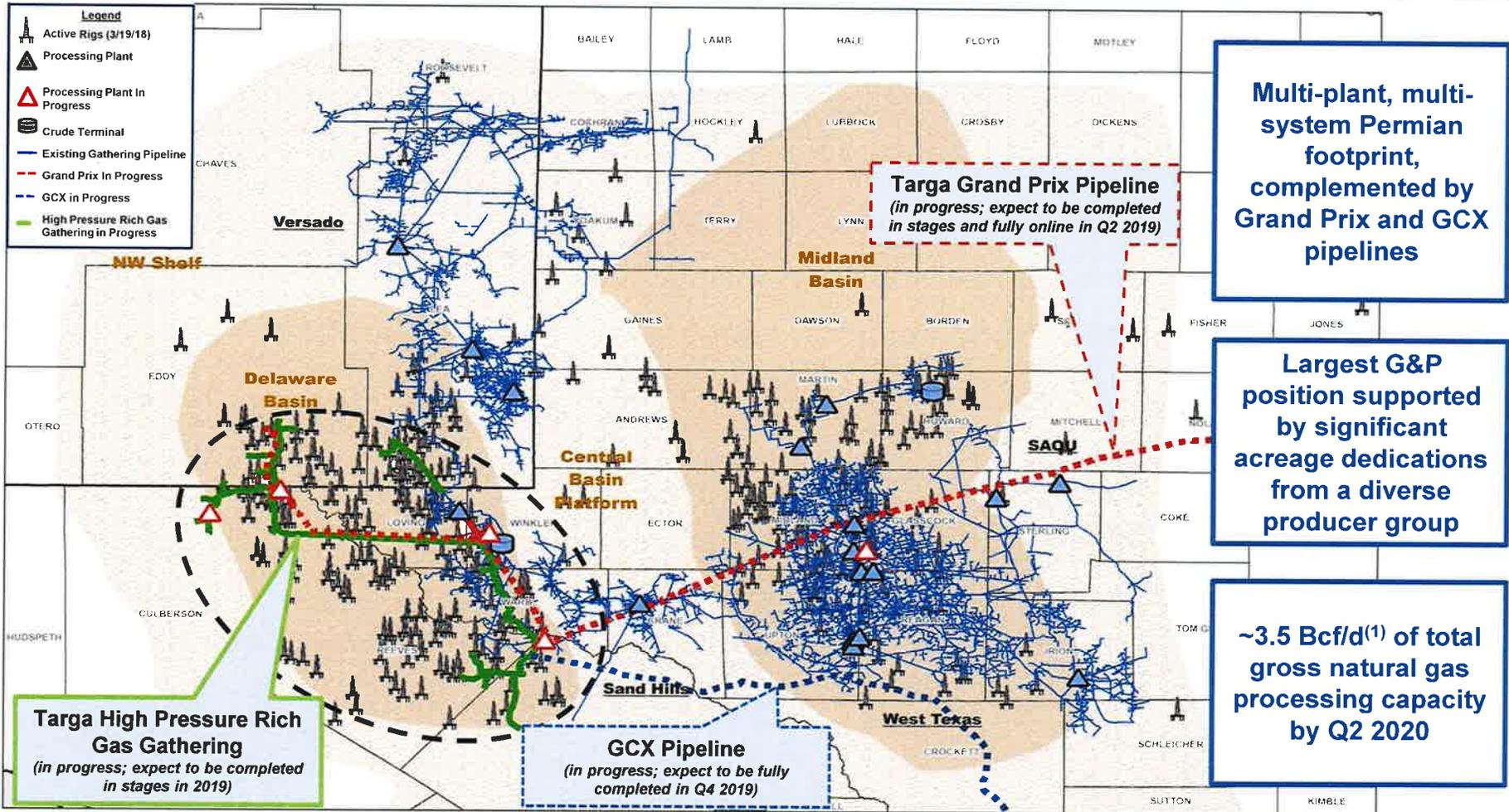
Targa Resources Corp.

Announces Delaware Basin and Grand Prix Expansions
March 2018



TARGA

Targa's Premier Permian Position



Permian infrastructure position across the Midland and Delaware Basins offers competitive and integrated G&P, NGL transportation and fractionation services to producer customers

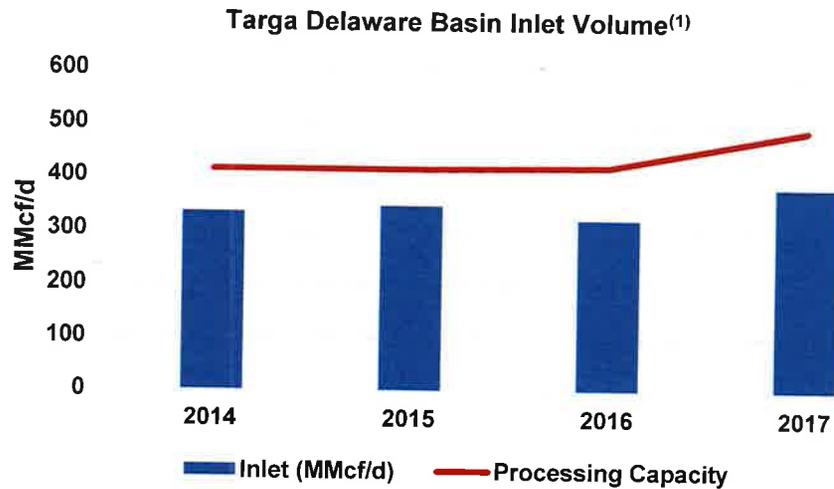
Source: Drillinginfo; rigs as of March 19, 2018

(1) Includes the Johnson Plant (expected online Q3 2018), Oahu Plant (expected online Q1 2018), Wildcat Plant (expected online Q2 2018), two additional 250 MMcf/d plants in Permian-Midland expected online in 2019, Falcon Plant (expected online Q4 2019) and Peregrine Plant (expected online Q2 2020); locations for Falcon and Peregrine plants are preliminary and subject to final decision

Permian – Delaware Basin

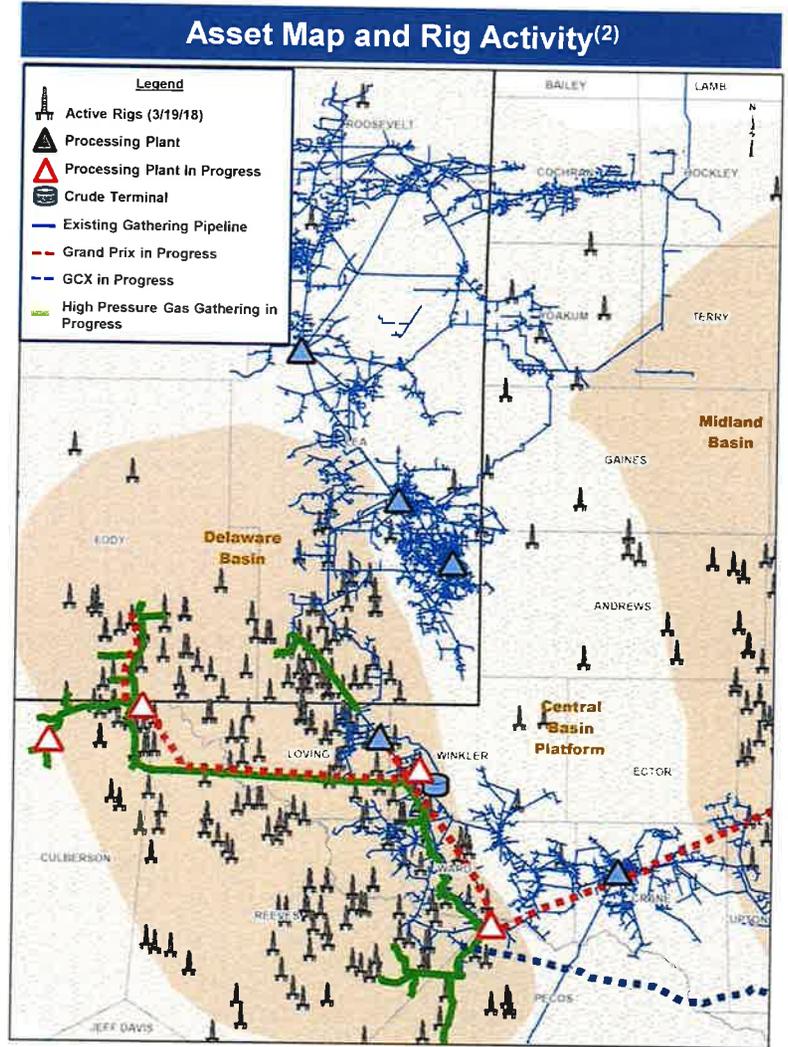


Expansions to Keep Pace with Growth



- ### 2018 Expansions
- Announced long-term fee-based agreement for G&P and integrated midstream services with investment grade producer
 - 220-mile rich gas gathering header to be in service in 2019
 - Oahu Plant online Q1 2018 and Wildcat Plant expected online Q3 2018
 - Oahu and Wildcat add 310 MMcf/d of incremental processing capacity**

- ### 2019 & 2020 Expansions
- Falcon and Peregrine Plants expected online Q4 2019 and Q3 2020, respectively⁽³⁾
 - Falcon and Peregrine plants add 500 MMcf/d of incremental processing capacity
 - Total Delaware Basin processing capacity of 1.3 Bcf/d by 2020**



(1) Average annual as reported natural gas inlet volumes
 (2) Source: Drillinginfo; rigs as of March 19, 2018
 (3) Locations for Falcon and Peregrine plants are preliminary and subject to final decision

Targa's Growing NGL Footprint



Increasing NGL production directs increasing volumes to Grand Prix and Targa's Downstream complex at Mont Belvieu

Existing Plants Total Gross NGL Production (MBbl/d) ⁽¹⁾	Q4 2017	Availability for Grand Prix
Permian	218	Varies ⁽²⁾
SouthOK / North Texas	78	Near Term / Immediate
Total Gross NGL Production from Existing Plants	296	

New Production from Plants Under Construction	Capacity MMcf/d	Theoretical NGLs ⁽³⁾ MBbl/d	Availability for Grand Prix
Permian Midland			
Joyce	200	25 - 30	Medium Term
Johnson	200	25 - 30	Near Term
New Plant 1	250	30 - 35	Immediate
New Plant 2	250	30 - 35	Immediate
Permian Delaware			
Oahu	60	5 - 10	Immediate
Wildcat	250	30 - 35	Immediate
Falcon	250	30 - 35	Immediate
Peregrine	250	30 - 35	Immediate
Total Potential Gross NGLs from Plants Under Construction	1,710	205 - 235	

- Targa manages significant NGLs from its existing plants in the Permian, SouthOK and North Texas
- Some of the volumes will be available for immediate shipment on Grand Prix, while other volumes are subject to existing obligations on third party pipelines that will expire over time and other contractual limitations
- Given Targa's announced processing expansions underway in the Permian, and assuming an inlet GPM of 5 to 6, by 2020 Targa's Permian plants will be capable of producing in excess of an incremental 200+ MBbl/d of NGLs

Additional NGL Volumes from Third Parties, Plants in Progress, Etc.	
3rd Party Existing + New Plants in Progress	+
<i>Including:</i>	
Valiant Midstream	
EagleClaw Midstream	
Other Non-Public Third Party Commitments	
New Commercial Success	+
Existing Transport Commitments	-
Existing Contractual Limitations	-
Total Potential Volumes for Transport & Fractionation	500+

- Targa's gross NGL production from its plants is poised to increase to over 500 MBbl/d by the end of 2020
- Targa will have the ability to direct a meaningful portion of these NGL volumes to Grand Prix
- Additional third party commitments increases volume outlook
- As Targa's existing obligations on other third party pipelines expire, these NGL volumes will transition to Grand Prix
- Increasing volumes on Grand Prix will direct substantial increasing NGLs to Targa's Mont Belvieu fractionation complex

(1) Q4 2017 gross volumes as reported
 (2) Certain volumes subject to existing third party NGL transportation dedications
 (3) Assumes an inlet GPM of 5-6 for the Permian

Additional Delaware Basin Processing Expansions

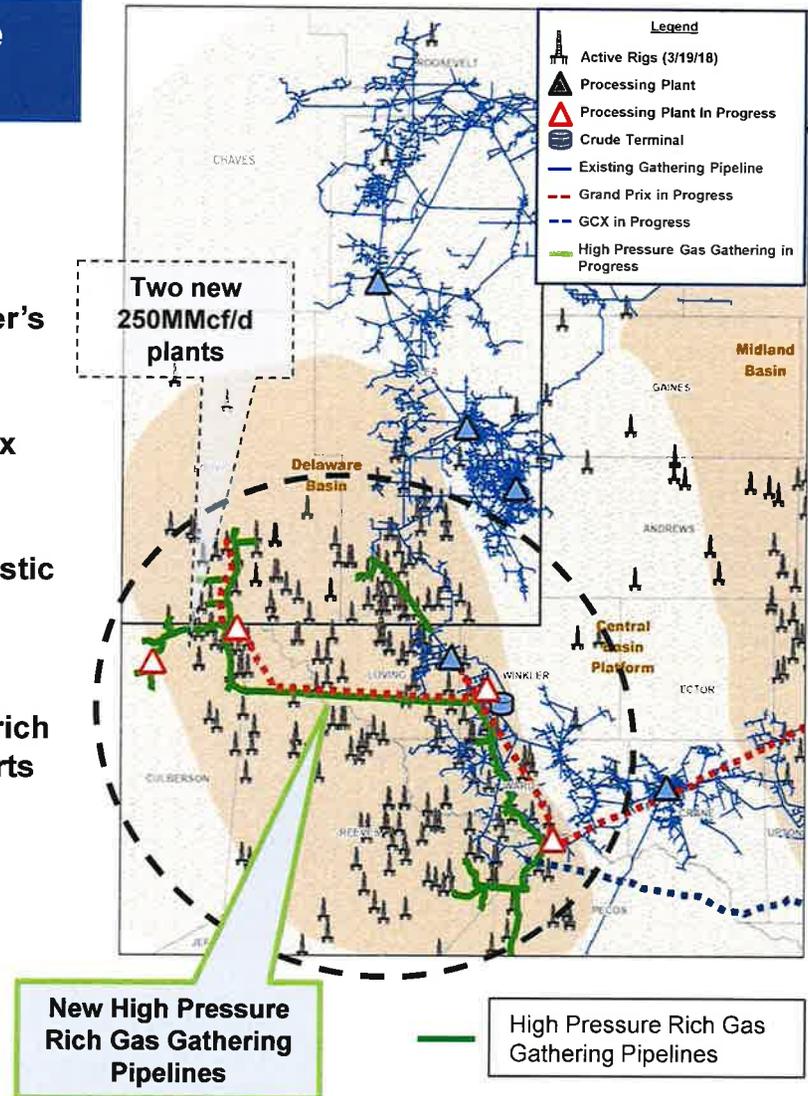


Long-term fee-based agreements to provide integrated midstream services

- Targa entered into long-term fee-based agreements with an investment grade energy company for G&P services in the Delaware Basin and for downstream transportation, fractionation and other related services
- The agreements with Targa are underpinned by the customer's dedication of significant acreage within a large well-defined area in the Delaware Basin
- Targa will also provide transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine Plants
- These volumes will enhance supply availability to key domestic and international markets

Additional Growth Investments in the Delaware

- Targa to construct 220 miles of 12 to 24 inch high pressure rich gas gathering pipelines across some of the most prolific parts of the Delaware Basin
- Significant production growth expected on customer's dedicated acreage; Targa to construct two new 250 MMcf/d cryogenic natural gas processing plants in the Delaware Basin⁽¹⁾:
 - ▶ Falcon Plant (expected online Q4 2019)
 - ▶ Peregrine Plant (expected online Q2 2020)
- Total cost: ~\$500 million (~\$200 million to be spent in 2018)



Infrastructure Investments Focused in the Permian



- An increasing fee-based and operating margin outlook underpinned by attractive organic growth projects underway, with ~75%⁽¹⁾ of total project capex focused on the Permian Basin

Permian-Focused Infrastructure Projects	Details	In-Service Date
Midland Basin Processing Expansions	<ul style="list-style-type: none"> 4 new gas plants, combined 900 MMcf/d incremental processing capacity, and related infrastructure Supported by long-term producer acreage dedications 	1Q18 to 4Q19
Delaware Basin Processing Expansions	<ul style="list-style-type: none"> 2 new gas plants, combined 310 MMcf/d incremental processing capacity, and related infrastructure Supported by long-term producer acreage dedications and fee-based contracts 	2Q18
Delaware Basin Processing Expansions and Rich Gas Gathering	<ul style="list-style-type: none"> 2 new gas plants, combined 500 MMcf/d incremental processing capacity, and related infrastructure 220 miles of 12 to 24 inch diameter high pressure rich gas gathering pipelines Supported by long-term fee-based contracts with an investment grade energy company 	2019 to 2Q20
Grand Prix NGL Pipeline	<ul style="list-style-type: none"> Common carrier NGL pipeline from Permian Basin to Mont Belvieu with initial capacity of 300 MMbbl/d from Permian; expansion capability to 950 MMbbl/d into Mont Belvieu Supported by Targa plant production and significant long-term third party transportation & fractionation agreements 	2Q19
Gulf Coast Express (GCX) Pipeline	<ul style="list-style-type: none"> 25% equity interest in 1.98 Bcf/d residue gas pipeline from Permian Basin to Agua Dulce Supported by long-term shipper commitments 	4Q19
Mont Belvieu Fractionation Expansion	<ul style="list-style-type: none"> 100 Bbl/d NGL fractionator and related infrastructure Supported by long-term fee-based agreements 	1Q19

2018 Announced Net Growth Capex



- 2018E net growth capex based on announced projects after DevCo JVs estimated at ~\$2.2 billion; ~80% of total G&P capex focused on the Permian; ~75%⁽¹⁾ of total project capex focused on the Permian Basin

(\$ in millions)	Location	Total Net Capex	2018E Net Capex	Expected Completion	Primarily Fee-Based
200 MMcf/d WestTX Joyce Plant and Related Infrastructure	Permian - Midland			Q1 2018	
200 MMcf/d WestTX Johnson Plant and Related Infrastructure	Permian - Midland			Q3 2018	
250 MMcf/d WestTX Plant and Related Infrastructure	Permian - Midland			Q1 2019	
250 MMcf/d WestTX Plant and Related Infrastructure	Permian - Midland			Q3 2019	
Additional Permian Midland Gas and Crude Gathering Infrastructure	Permian - Midland			2018	
Total Permian - Midland	Permian - Midland	\$685	\$475		
60 MMcf/d Oahu Plant and Related Infrastructure	Permian - Delaware			Q1 2018	✓
250 MMcf/d Wildcat Plant and Related Infrastructure	Permian - Delaware			Q2 2018	✓
250 MMcf/d Falcon Plant and Related Infrastructure	Permian - Delaware			4Q 2019	✓
250 MMcf/d Peregrine Plant and Related Infrastructure	Permian - Delaware			2Q 2020	✓
High Pressure Rich Gas Gathering Pipelines	Permian - Delaware			2019	✓
Additional Permian Delaware Gas and Crude Gathering Infrastructure	Permian - Delaware			2018	✓
Total Permian - Delaware	Permian - Delaware	\$780	\$380		✓
Grand Total Permian	Permian	\$1,465	\$855		
Hickory Hills Plant and Related Infrastructure	Arkoma Woodford			Q4 2018	✓
Other Central Additional Gas Gathering Infrastructure	Central			2018	✓
Total Central	Eagle Ford, STACK, SCOOP	\$100	\$100		✓
200 MMcf/d Little Missouri 4 Plant and Related infrastructure	Bakken			2018	✓
Additional Bakken Gas and Crude Gathering Infrastructure	Bakken			2018	✓
Total Badlands	Bakken	\$125	\$115		✓
Total - Gathering and Processing		\$1,690	\$1,070		✓
Crude and Condensate Splitter	Channelview			Q2 2018	✓
Downstream Other Identified Spending	Mont Belvieu			2018 / 2019	✓
Grand Prix NGL Pipeline	Permian Basin to Mont Belvieu			Q2 2019	✓
Fractionation Train and Other Frac Related Infrastructure ⁽¹⁾	Mont Belvieu			Q1 2019	✓
Gulf Coast Express Pipeline	Permian to Agua Dulce			Q4 2019	✓
Total - Downstream		\$1,525	\$1,110		✓
Total Net Growth Capex⁽²⁾		\$3,215	\$2,180		✓

Targa Resources Corp.

Investor Presentation
September 2018



TARGA



Gathering & Processing Segment



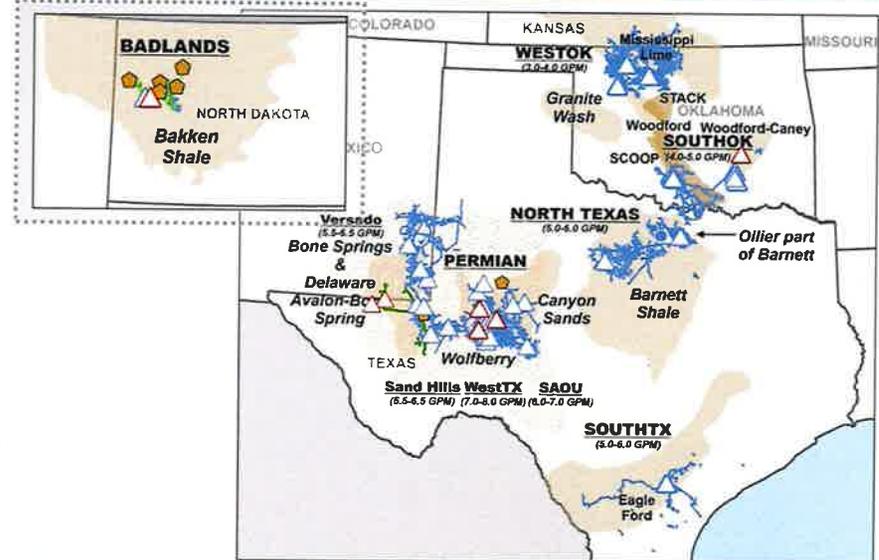
Extensive Field Gathering and Processing Position



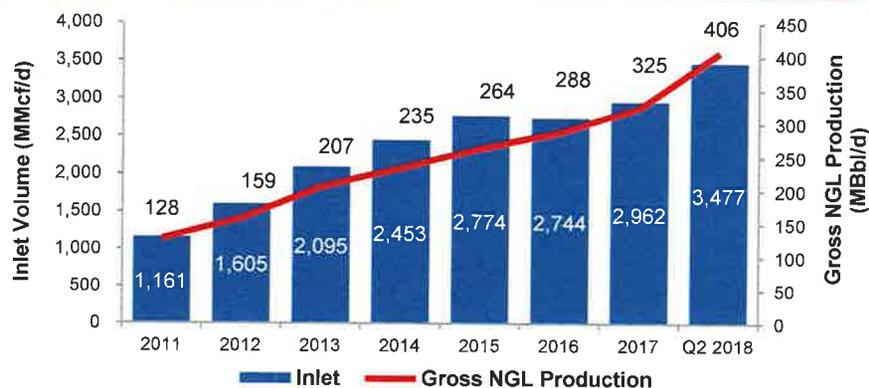
Summary

- ~6.0 Bcf/d of gross processing capacity⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
- Significant acreage dedications in the Permian Basin, Bakken, SCOOP, STACK and Eagle Ford
- G&P capacity additions underway:
 - ▶ 1.2 Bcf/d of additional processing capacity additions underway in the Permian Basin
 - ▶ 200 MMcf/d of additional processing capacity underway in the Badlands and 150 MMcf/d underway in Oklahoma
- Recently completed G&P capacity additions:
 - ▶ Added 200 MMcf/d Joyce Plant in Q1 2018 (Midland Basin)
 - ▶ Added 60 MMcf/d Oahu Plant and 250 MMcf/d Wildcat Plant in Q2 2018 (Delaware Basin)
- Mix of POP and fee-based contracts

Footprint



Volumes (Pro Forma Targa All Years)



Est. Gross Processing Capacity (MMcf/d)

	Est. Gross Processing Capacity (MMcf/d)	Miles of Pipeline ⁽⁵⁾
Permian - Midland ⁽¹⁾	2,129	6,300
Permian - Delaware ⁽²⁾	1,300	5,500
Permian Total	3,429	11,800
SouthTX	660	800
North Texas	478	4,600
SouthOK ⁽³⁾	710	1,500
WestOK	458	6,500
Central Total	2,306	13,400
Badlands ⁽⁴⁾	290	660
Total	6,025	25,860

(1) Includes the Johnson Plant (expected in Q3 2018), Hopson Plant (expected in Q1 2019) and Pembroke Plant (expected in Q2 2019)
 (2) Includes Falcon Plant (expected in Q4 2019) and Peregrine Plant (expected in Q2 2020)
 (3) Includes Hickory Hills Plant (expected in Q4 2018)
 (4) Includes 200 MMcf/d LM4 Plant (expected in Q2 2019)
 (5) Total active natural gas, NGL and crude oil gathering pipeline mileage as of 12/31/2017

Permian – Delaware Basin



Summary

- Interconnected Versado and Sand Hills capturing growing production from increasingly active Delaware Basin (also connected to Permian - Midland)
- Operate natural gas gathering and processing and crude gathering assets
 - ▶ Traditionally POP contracts, with added fees and fee-based services for compression, treating, etc.

Expansions Underway

- In March 2018, Targa announced long-term fee-based agreements with an investment grade energy company for G&P and for downstream transportation and fractionation services
 - ▶ To construct 220 mile high pressure rich gas gathering pipelines in addition to Falcon and Peregrine plants
- 60 MMcf/d Oahu Plant completed in Q2 2018
- 250 MMcf/d Wildcat Plant completed in Q2 2018

Facility	% Owned	Location (County)	Est. Gross Processing Capacity (MMcf/d)	Q2 2018 Gross Plant Inlet (MMcf/d)	Q2 2018 Gross NGL Production (MMbbl/d)	Q2 2018 Crude Oil Gathered (MMbbl/d)	Miles of Pipeline
(1) Saunders	100.0%	Lea, NM	60				
(2) Eunice	100.0%	Lea, NM	110				
(3) Monument	100.0%	Lea, NM	85				
Versado Total			255				3,600
(4) Loving Plant	100.0%	Loving, TX	70				
(5) Wildcat	100.0%	Winkler, TX	250				
(6) Oahu	100.0%	Pecos, TX	60				
(7) Sand Hills	100.0%	Crane, TX	165				
(8) Falcon ⁽¹⁾	100.0%	Culberson, TX	250				
(9) Peregrine ⁽²⁾	100.0%	Culberson, TX	250				
Sand Hills Total			1,045				1,900
Permian Delaware Total^{(1)(2)(e)}			1,300	417	50	67	5,500

⁽¹⁾ Expected to be completed in Q4 2019

⁽²⁾ Expected to be completed in Q2 2020

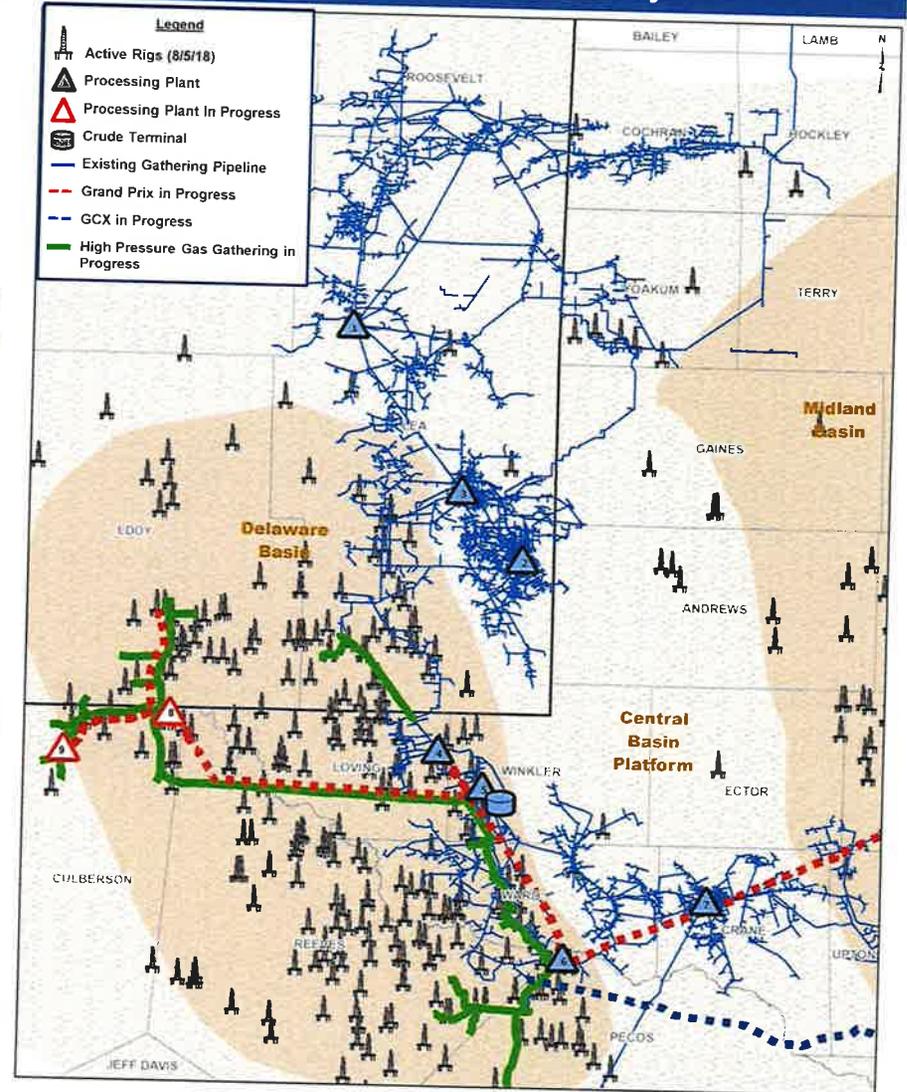
^(e) Total estimated gross capacity by Q2 2020

^(d) Crude oil gathered includes Permian - Midland and Permian - Delaware

^(e) Total gas and crude oil pipeline mileage

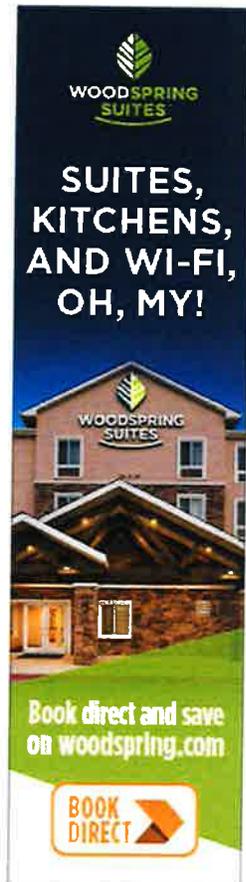
targaresources.com | NYSE: TRGP

Asset Map and Rig Activity⁽¹⁾



(1) Source: Drillinginfo; rigs as of August 5, 2018

(2) Location of the 250 MMcf/d Falcon and 250 MMcf/d Peregrine Plants are preliminary and subject to final decision



Targa Resources' (TRGP) CEO Joe Bob Perkins on Q1 2018 Results - Earnings Call Transcript

May 3, 2018 | About: Targa Resources (TRGP)

Targa Resources Corp. (NYSE:TRGP) Q1 2018 Results Earnings Conference Call May 3, 2018 10:00 AM ET

Executives

Sanjay Lad - Director, IR

Joe Bob Perkins - CEO

Matt Meloy - President

Jennifer Kneale - CFO

Scott Pryor - President, Logistics and Marketing Segment

Analysts

Shneur Gershuni - UBS

Christine Cho - Barclays

Colton Bean - Tudor, Pickering, Holt

TJ Schultz - RBC Capital Markets

Craig Shere - Tuohy Brothers Investment Research, Inc.

Darren Horowitz - Raymond James

Vikram Bagri - Citi

Jeremy Tonet - JPMorgan



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Operator

Good day ladies and gentlemen and welcome to the Targa Resources Corporation First Quarter 2018 Earnings Webcast and Presentation. At this time, all participants are in listen-only mode. Later we'll conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Sanjay Lad, Director of Investor Relations. Sir, you may begin.

Sanjay Lad

Thank you, Heather. Good morning and welcome to the first quarter 2018 earnings call for Targa Resources Corp. The first quarter earnings release for Targa Resources Corp., Targa, TRC or the company, along with the first quarter earnings supplement presentations are available on the Investors section of our website at www.targaresources.com. In addition, an updated investor presentation has also been posted to our website.

Any statement made during this call that might include the company's expectations or predictions should be considered forward-looking statements and are covered by the Safe Harbor provision of the Securities Act of 1933 and 1934.

Please note that actual results could differ materially from those projected in any forward-looking statements. For a discussion of factors that could cause actual results to differ, please refer to our recent SEC filings, including the company's annual report on Form 10-K for the year ended December 31st, 2017, and subsequently filed reports with the SEC.

Our speakers for the call today will be Joe Bob Perkins, Chief Executive Officer; Matt Meloy, President; and Jen Kneale, Chief Financial Officer. We will also have the following senior management team members available for Q&A. Pat McDonie, President, Gathering and Processing; Scott Pryor, President, Logistics and Marketing; and Bobby Muraro, Chief Commercial Officer.

Joe Bob will begin today's call, Matt will provide an update on commercial

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developments and business outlook, and Jen will then discuss first quarter 2018 results and wrap-up our prepared remarks before we open up for questions.

I will now turn the call over to Joe Bob Perkins.

Joe Bob Perkins

Thanks Sanjay. Good morning and thanks to everyone for joining. It's been a busy couple of months since our last earnings call and I believe that the announcements that we made since mid-February are examples of the strength of execution across our organization.

Commercially, we announced significant additional Delaware Basin processing expansions supported by long-term fee-based agreements to provide gathering, processing and downstream transportation, fractionation and other related services with a well-positioned investment-grade energy company.

Importantly, part of our expansion is to construct new high-pressure rich gas-gathering lines across some of the most attractive acreage in the Delaware Basin. And that new pipe positioning is already betting additional fruit or otherwise, we would not have been able to compete before. We've already contracted with additional producers, have verbal commitments from others, and expect additional dedications over the coming months.

We also announced that we're expanding our Grand Prix NGL pipeline further north into Southern Oklahoma. That expansion is supported by volumes from our current and future Arkoma plant and via significant long-term transportation and fractionation volume commitment from Valiant Midstream. Valiant is a private midstream company that put together a very attractive, very large, dedicated acreage position in the Arkoma STACK.

We issued \$1 billion of senior notes at an attractive rate in a choppy, high yield market in early April, which demonstrates the continued strong support of Targa's business by our high yield investors.

We announced in early April that the 200 million cubic feet per day Joyce Plant has been successfully brought online. The Joyce plant was on-time and on-

	
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budget and provides much needed relief to a system that has been operating over capacity in the Midland Basin.

We also recently brought the 60 million cubic feet per day Oahu plant online in the Delaware Basin, adding incremental capacity as volumes continue to ramp in our Delaware systems.

And this morning, WhiteWater Midstream announced that Targa made a small 10% equity and secured strategic space on their project financed Delaware Basin to Oahu pipeline. Also in April, we announced that we retained Evercore to evaluate the potential divestiture of our petroleum logistics business and that process is ongoing.

And this morning, we announced that we recently executed agreements to sell our Inland Barge business for about \$70 million. That's an example of us identifying some less strategic assets that could be sold for an attractive valuation with the proceed used to help fund our ongoing highly strategic capital program.

These public announcements, coupled with year-to-date execution on multiple other fronts, support our key strategic initiatives, which include; investing in attractive projects that leverage our existing infrastructure and further strengthen our competitive advantage; proactively financing our growth program to maintain balance sheet strength and flexibility; and continuing to identify and pursue additional opportunities to further integrate, strengthen, and grow our existing asset base to further enhance an already attractive long-term Targa outlook.

Our capital program is expected to generate significant cash flow growth as the various highly visible projects become operational. The longer term outlook that we provided last June is even better today.

Looking back at the outlook provided at that time, the fundamentals are currently stronger, including more activity and higher oil and NGL prices we developed the outlook nearly a year ago.

Plus we have had a year of additional commercial success that was not included in that outlook. And since that time, Targa has announced significant additional growth projects that were not included and that clearly leverage our existing asset base.

We are well-positioned to deliver attractive returns to Targa shareholders over

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the longer term, supported by our focus on execution and on continuing to provide best-in-class midstream services to our customers.

With that, I'll now turn the call over to Matt, and Matt will provide an update on commercial and operational execution and our business outlook. Matt?

Matt Meloy

Thanks Joe Bob and good morning everyone. Commercial activity and production in many of our operating regions continues to increase and we expect this positive trend to progress throughout 2018 and beyond.

Compared to the fourth quarter, first quarter Permian inlet volumes increased 3% even with the freeze-off related impacts in January reducing first quarter average Permian inlet by approximately 2%.

Volume have since more than recovered with estimated average April Permian inlet volumes already 8% above the first quarter average. For a total field G&P, estimated average April inlet volumes were 5% above the first quarter average.

In the Permian, we continued to execute on our growth program and remain on track to add an incremental 710 million cubic feet per day of new processing capacity in 2018.

In the Delaware Basin, a 60 million cubic feet per day Oahu plant is online and we expect to begin commissioning our 250 million cubic per day Wildcat Plant later this month. Both plants are interconnected with multiple other plants and systems across our Permian Basin footprint.

Our recently announced Delaware Basin expansion include the 220-mile high-pressure rates gas header system and two new 250 million cubic feet per day cryogenic natural gas processing. The Falcon and Peregrine plants are scheduled to be completed in the fourth quarter of 2019 and the second quarter of 2020 respectively.

As part of the agreement, underpinning the expansion plan, Targa will also provide transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine Plant.

Without our multi-plant system that spans across the Permian Basin, Grand



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www.naturalgasintel.com/articles/113852-targa-to-add-permian-natural-gas-processing-gathering-capacity-extend-ngl-pipeline

Targa to Add Permian Natural Gas Processing, Gathering Capacity, Extend NGL Pipeline

[Jamison Cocklin](#)

March 28, 2018

Targa Resources Corp. said this week that it has entered long-term fee-based agreements with an undisclosed producer that will find it spending \$500 million to expand natural gas gathering and processing services in the Permian Basin's Delaware sub-basin.

The company also said that it would extend its [Grand Prix](#) natural gas liquids (NGL) pipeline that's currently under construction into southern Oklahoma. The system, which was announced last year, would connect the Permian and the company's North Texas gathering system to its fractionation and storage complex at the NGL market hub at Mont Belvieu, TX.

Targa said it would build 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across parts of the Delaware sub-basin. Under the fee-based agreements, plans also call for a new 250 MMcf/d cryogenic natural gas processing plant that is to be called the Falcon Plant and enter service in the Delaware in 4Q2019. A second 250 MMcf/d processing plant that's to be called the Peregrine Plant would enter service there in 2Q2020.

The company said it would also provide NGL transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGLs from the Falcon and Peregrine plants.

"This is a significant extension of our multi-plant, multi-system Delaware footprint, adding infrastructure through the core of the Delaware Basin. Also, the expansion of our Grand Prix NGL Pipeline into Oklahoma is an attractive extension of a highly strategic asset for Targa, enhancing the capabilities we can offer our existing and potential customers in southern Oklahoma," CEO Joe Bob Perkins said.

Targa said the Grand Prix expansion is underpinned by significant long-term commitments for both transportation and fractionation services from its existing and future processing plants in the Arkoma area in its SouthOK system and from third party commitments, including a significant long-term commitment for transportation and fractionation with Valiant Midstream LLC. Targa now expects to spend \$1.65 billion on the system instead of the \$1.3 billion it budgeted when the project was first announced.

Once completed, the capacity of Grand Prix from North Texas, where Permian and Oklahoma volumes will be connected to a 30-inch diameter segment of the pipeline to Mont Belvieu, will be 450,000 b/d, expandable to 950,000 b/d. The capacity on the 24-inch segment from the Permian to North Texas would be 300,000 b/d, expandable to 550,000 b/d. From southern Oklahoma to North Texas, capacity would vary based on telescoping pipe size. The company still expects Grand Prix to be in service in 2Q2019.

Targa is one of the largest gatherers and processors of natural gas in the Permian, with 2 Bcf/d of current natural gas processing capacity and another 1.5 Bcf/d being added across both the Midland and Delaware sub-basins. Perkins said the latest investments are “aligned with our strategic objectives of leveraging existing Targa infrastructure to further strengthen our competitive position.”



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Jamison Cocklin joined the staff of NGI in November 2013. Prior to that he worked as business and energy reporter at the Youngstown Vindicator, covering the regional economy and the Utica Shale play. He also served as a city reporter at the Bangor Daily News and did freelance work for the Associated Press. He has a bachelor's degree in journalism and political science from the University of Maine.

jamison.cocklin@naturalgasintel.com

GATHERING-PROCESSING NATURAL GAS LIQUIDS PIPELINES**Targa To Expand Processing In Delaware Basin**

Targa will also extend its Grand Prix NGL pipeline into Oklahoma.

Wednesday, March 28, 2018 - 10:38am

Targa Resources Corp. (NYSE: TRGP) said March 27 that it has entered into long-term fee-based agreements with an investment grade energy company for natural gas gathering and processing services in the Delaware Basin and for downstream transportation, fractionation and other related services. The agreements with Targa are underpinned by the customer's dedication of significant acreage within a large, well-defined area in the Delaware Basin.

The Company also announced an extension of its new Grand Prix common carrier NGL pipeline currently under construction into southern Oklahoma. The pipeline expansion is underpinned by significant long-term commitments for both transportation and fractionation services from Targa's existing and future processing plants in the Arkoma area in its SouthOK system and from third-party commitments, including a significant long-term commitment for transportation and fractionation with Valiant Midstream LLC.

"We are very pleased to have entered into agreements to provide services across our integrated platform supported by a large acreage position held by a major Delaware Basin customer. This is a significant extension of our multi-plant, multi-system Delaware footprint, adding infrastructure through the core of the Delaware Basin. Also, the expansion of our Grand Prix NGL Pipeline into Oklahoma is an attractive extension of a highly strategic asset for Targa, enhancing the capabilities we can offer our existing and potential customers in southern Oklahoma," said Joe Bob Perkins, CEO of the company. "The investments are aligned with our strategic objectives of

leveraging existing Targa infrastructure to further strengthen our competitive position from gathering and processing through transportation, fractionation and other related services to meet the infrastructure needs of our customers.”

In the Delaware Basin, supported by the significant near-term volume growth expected on the dedicated acreage, Targa will construct approximately 220 miles of 12- to 24-inch high pressure rich gas gathering pipelines across some of the most prolific parts of the Delaware Basin, a new 250 million cubic feet per day (MMcf/d) cryogenic natural gas processing plant (Falcon Plant) in the Delaware that is expected to begin operations in fourth-quarter 2019, and a second 250 MMcf/d cryogenic natural gas processing plant (Peregrine Plant) in the Delaware that is expected to begin operations in second-quarter 2020. Total net growth capex related to the plants and high-pressure pipeline system is approximately \$500 million, with approximately \$200 million expected to be spent in 2018.

Targa will also provide NGL transportation services on Grand Prix and fractionation services at its Mont Belvieu complex for a majority of the NGL from the Falcon and Peregrine plants.

The Grand Prix extension into Oklahoma will be anchored by significant long-term commitments for both transportation and fractionation services from Targa’s existing and future processing plants in the Arkoma area in its SouthOK system and from third-party commitments, including a significant long-term commitment for transportation and fractionation with Valiant. The company continues to expect Grand Prix to be fully completed and in service in second-quarter 2019.

Once completed, the capacity of Grand Prix from North Texas, where Permian and Oklahoma volumes will be connected to a 30-inch diameter segment of the pipeline to Mont Belvieu, will be approximately 450,000 barrels per day (bbl/d), expandable to 950,000 bbl/d. The capacity on the 24-inch diameter pipeline from the Permian Basin to North Texas will be approximately 300,000 bbl/d, expandable to 550,000 bbl/d. The capacity from southern Oklahoma to North Texas will vary based on telescoping pipe size. The vast majority of the pipe for Grand Prix has already been purchased.

As one of the largest gatherers and processors of natural gas in the prolific Permian Basin, with approximately 2 billion cubic feet per day (Bcf/d) of current natural gas processing capacity and approximately 1.5 Bcf/d of processing capacity being added across both the Midland Basin and the Delaware Basin, Targa's existing plants and plants in progress will provide significant volumes for transportation on Grand Prix to Targa's assets in Mont Belvieu. Additionally, Targa's current natural gas processing position in North Texas and commitments in the Arkoma area of southern Oklahoma will also provide incremental volumes on Grand Prix to Targa's downstream assets in Mont Belvieu. Targa expects Grand Prix NGL volume deliveries to Mont Belvieu to significantly increase over time and currently estimates deliveries to exceed 250,000 bbl/d at some point during 2020 depending on upstream production levels. Volumes on Grand Prix are expected to continue to increase beyond 2020 from continued production growth, increasing third-party commitments and the expiration of Targa's existing obligations to transport on other third-party NGL pipelines, further enhancing Grand Prix's economics.

Targa's total growth capital spending on Grand Prix is now estimated to be approximately \$1.65 billion, with net growth capital spending of approximately \$1.1 billion and approximately \$900 million net expected to be spent in 2018. Targa's total 2018 net growth capital expenditures for announced projects is now expected to be approximately \$2.2 billion.

Grand Prix's economics related to the volumes flowing on the pipeline from the Permian Basin to Mont Belvieu are part of the previously announced joint venture with Blackstone Energy Partners and the development joint venture with investment vehicles affiliated with Stonepeak Infrastructure Partners. The economics related to the volumes from North Texas and from the extension into southern Oklahoma will accrue exclusively to Targa.

Targa continues to evaluate and execute financing opportunities to fund its remaining equity capital needs for its announced projects in 2018, which may include a combination of additional asset joint venture arrangements, various types of public and private capital, and asset sales. The company has engaged Evercore Group LLC. to evaluate alternatives, including the potential divestiture of its Downstream Petroleum Logistics business, which includes terminals in Baltimore; Tacoma, Wash.;

and its crude and condensate splitter and terminal in Channelview, Texas. Targa is also evaluating a potential sale of its marine barge business. These potential divestitures are predicated on third-party valuations adequately capturing Targa's forward growth expectations for the assets. Sales proceeds could offset a significant portion of the increase in net growth capital expenditures related to the new projects announced today.

A copy of the presentation slides to accompany these announcements can be accessed on the Company's website in the Investor section under Events and Presentations at www.targaresources.com, or by going directly to <http://ir.targaresources.com/trc/events.cfm>.

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CCAISD gives go-ahead for value limitation agreements for proposed gas plants

May 31, 2018



Newly-elected Trustees Eduardo Seyffert and Jodi Corrales took their seats with the board after taking the oaths of office. -Photo by Becky Brewster

By Becky Brewster

The Culberson County-Allamore ISD Board of Trustees met in Regular Session on May 22, 2018. Newly-elected Trustees Eduardo Seyffert and Jodi Corrales took their seats with the board after taking the oaths of office. The Board approved the following slate of officers: President – Letty Hernandez; Vice-President – Romy Ramirez; Secretary – Angie Gonzalez.

Doug Carr, financial advisor, gave an overview of the Chapter 313 Value Limitation Agreement process to the Board, noting that HB 1200 providing for such value limitation agreements was passed in 2001 as an economic development incentive. Carr discussed the advantages and disadvantages of these agreements and provided financial scenarios to show the impact on the District's revenue. The Value Limitation Agreement would apply only to the Maintenance and Operating fund; the project sites would be fully taxable for the Interest and Sinking (I&S) levy collected to pay the bonds for the new K-12 Campus. For each agreement, the District will receive a payment-in-lieu-of-taxes of at least \$50,000/year which is not subject to recapture by the state. At this time, there are four potential applications: two solar projects and two gas production plants.

Sara Leon of Powell and Leon provided the board an outline of the process going forward should the District decide to participate in the Chapter 313 Value Limitation Agreements. Once the District accepts an application, it is a four to six-month review and approval process through the Texas Comptroller's office. Leon noted that this is actually a state program designed to have no negative financial impacts on school districts.

Mike Frye, representing Targa Delaware LLC, briefed the Board on the two applications that have been submitted to the District for the gas production plants. Wes Jackson, representing Intersect Power, briefed the Board on the two applications that are being prepared for the solar projects.

The Board unanimously accepted the two applications for the Chapter 313 Value Limitation Agreements from Targa Delaware LLC for two gas production plants to be located in the northern portion of Culberson County. The applications will be reviewed for completeness and submitted to the Comptroller of Public Accounts. To facilitate the process, the Board retained the services of Powell and Leon to provide legal/financial assistance in the review and processing of the applications.

After a lengthy executive session, the Board directed Supt. Baugh and legal counsel to take action as discussed in the closed session regarding two pending claims by Julie Uranga: one charge with the Equal Opportunity Commission Charge and the case before the Texas Education Agency (Julie Uranga vs. Culberson County - Allamoore ISD).

Assistant Principal Sondra McCoy informed the Board that the District had received approval for a "Project Lead the Way" grant for computer science in grades 6-8.

In other business, the CCAISD Board members:

Received an update on the K-12 Campus construction project from HB Construction Project Manager Manuel Quinones.

Adopted Updated Policy CCG (Local)

Approved the 2018-2019 School Calendar

Approved the sale of three properties as presented by the Culberson County Appraisal District.

Approved consent items.



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CCAISD to consider value limitation agreement for proposed gas plant

May 4, 2018

By Becky Brewster



Construction of new gym and K-12 Campus -Advocate Photo

The Culberson County-Allamore ISD Board of Trustees met in Regular Session on April 30. Supt. Ken Baugh introduced a Chapter 313 Value Limitation Application prepared by Targa Delaware LLC (Targa) for the construction of a gas production plant in the north part of Culberson County. If approved, Targa has funds in hand and is ready to start the one-year construction project. Baugh

indicated that Targa is also planning to submit an application for a second plant. The estimated value of each plant is \$110 million. The application requests a limitation on the taxable value of the project for a certain amount of time in exchange for the construction and creation of new jobs in the district. The Value Limitation Agreement would apply only to the Maintenance and Operating fund; the sites would be fully taxable for the Interest and Sinking (I&S) levy collected to pay the bonds for the new K-12 Campus. Baugh announced that legal counsel will be present at the next meeting to guide the district through the process. In the meantime, the Value Limitation proposal for the solar plants is still in the works.



Construction of new gym and K-12 Campus -Advocate Photo

The Trustees also received an update on the K-12 Campus construction project from HB Construction Project Manager Manuel Quinones. The cinder block wall for the competition gym is completed and is underway at the auxiliary gym. The

steel erection on two areas is complete, and work on the metal decks has begun. Concrete will start being poured this week. The Board agreed to use some of the interest on the bond money to replace the air intake units in the auxiliary gym with an HVAC system.

Supt. Baugh also reported that CCAISD is working with Odessa College to offer a 5-course Robotics program in the high school which will provide the students an opportunity to graduate with a Level 1 Certificate in robotics as well as dual credit hours. The District still plans for the students to participate in the robotics competitions as they do now, but this program will take them much further towards job readiness.

In other business, the CCAISD Board members:

Approved Consent Agenda Items.

- Conducted a Closed Session for personnel matters.
- Approved 2018-2019 teacher contracts and resignations as recommended.
- Approved a resolution for the naming of the new gym and the band hall.
- Approved the auditor contract with Smith & Rives with a decrease in fees from \$44,000 to \$28,000.
- Approved the sale of two lots as presented by the Appraisal District and removed one proposal from consideration.
- Heard an update from the Athletic Director Brock Tyrrell.

- Learned that the Sports Banquet is slated for May 3, the prom is scheduled for May 5, and the Awards of Excellence Banquet will be held May 21.

Findings and Order of the Culberson County-Allamoore Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Targa Delaware, LLC (Tax ID 32053692227) (Application #1261)

EXHIBIT B

**Summary of Financial Impact on
Culberson County-Allamoore ISD Prepared by
Education Service Center, Region 12**

**SUMMARY OF THE FINANCIAL IMPACT OF THE PROPOSED
TARGA DELAWARE, LLC PROJECT
(APPLICATION #1261)
ON THE FINANCES OF
CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL
DISTRICT
UNDER A REQUESTED
CHAPTER 313 APPRAISED VALUE LIMITATION**

**PREPARED BY
EDUCATION SERVICE CENTER, REGION 12
SEPTEMBER 20, 2018**

Introduction

Targa Delaware, LLC (“Targa” or “Company”) has submitted an application to the Culberson County-Allamore Independent School District (“CCAISD” or “District”) requesting a property value limitation on a proposed project, located within the school district boundaries, under Chapter 313 of the Texas Tax Code. The proposed project is a new 250 mmscf/d Gas Processing Plant in Culberson County, TX. The company estimates that the total investment in this project will be in excess of \$110 million.

Local government entities in Texas, including school districts, rely heavily on the ad valorem property tax to fund operations and building projects. Thus, the property tax burden that Texas imposes on individuals and business entities is higher compared to most other states. Seeking to encourage economic development and to attract large scale capital investment, the 77th Texas Legislature in 2001 enacted House Bill 1200 creating Tax Code Chapter 313, the Texas Economic Development Act. The act as amended by the legislature in 2007, 2009, and 2013 now grants eligibility to companies engaging in manufacturing, advanced clean energy projects, research and development, clean coal projects, renewable electric energy generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation and a computer center used primarily in connection to one of the other categories, or a Texas Priority Project. Under the provisions of this law, the Culberson County-Allamore Independent School District may grant a value limitation for maintenance and operation taxes in the amount of \$25 million for a period of ten years.

The application calls for the project to be fully taxable for both maintenance and operation (M&O) and interest and sinking (I&S) during the 2018-19 and 2019-20 school years. Beginning with the 2020-21 school year, the value of the project would be limited to \$25 million for M&O tax purposes and remain limited through the 2029-30 school year. The full value of the project will be taxable for debt service purposes using the I&S tax rate in all years of the agreement.

Revenue Protection Payment to Culberson County-Allamore ISD -	\$ 428,901
Supplemental Payments to Culberson County-Allamore ISD -	\$ 700,000
M&O Taxes Paid to Culberson County-Allamore ISD -	<u>\$ 6,458,400</u>
Total Revenue to Culberson County-Allamore ISD -	\$ 7,587,301
Total Tax Savings to Company after all Payments -	<u>\$ 5,261,899</u>

School Finance Mechanics

The Texas system of public school funding is based on the ad valorem property tax. Schools levy a tax rate for maintenance and operation (M&O) and interest and sinking (I&S) against a current year tax roll. State funding is calculated using a prior year value certified by the Comptroller's Property Tax Division (CPTD). Texas school districts are funded by some combination of local ad valorem property taxes and state aid. Most of the money that a school district generates through the funding formulas is generated in Tier 1. Local M&O collections at the compressed tax rate generate Tier I funding. In 2018-19, a school district's Tier I revenue is the greater of the adjusted minimum target revenue amount or the state share of Tier 1 plus local M&O collections at the compressed rate. Beginning with the 2017-18 school year, Additional State Aid for Tax Reduction or ASATR is eliminated. Thus all school districts in the state will be formula funded. The Tier 1 formulas start with a Basic Allotment per student of \$5,140. Calculations that use the number of students in average daily attendance, the number of students who participate in special programs, and adjustments for size, sparsity, and location determine a Total Cost of Tier 1. A Local Fund Assignment is determined by multiplying the district's compressed tax rate by the previous year (CPTD) property value. This formula determines the local ad valorem property taxes the district must collect in order to satisfy the district's share of the Tier 1 cost. School districts that are relatively property wealthy per student fund most of the Total Cost of Tier 1 with local property taxes, while school districts that are relatively property poor per student receive most of the Total Cost of Tier 1 from state aid.

Culberson County-Allamoore ISD is a relatively property rich district per student and so is generating most of M&O revenue from local ad valorem property taxes. In an attempt to provide some degree of funding equity among school districts, the formulas provide two equalized wealth levels. A district that exceeds the first equalized wealth level of \$514,000 per weighted ADA is subject to recapture on taxes collected at the compressed rate. A district that exceeds the second equalized wealth level of \$319,500 per weighted ADA is subject to recapture on revenues collected on pennies that exceed six pennies over the compressed rate. CCAISD currently has property wealth per weighted ADA in excess of the second equalized wealth level at over \$1,800,000 per weighted ADA. For this reason, CCAISD is considered a Chapter 41 or "recapture" district under the current school finance system. Targa is requesting that the value of the gas processing facility project be limited to \$25,000,000 in years one through ten of the agreement, corresponding to the 2020-21 school year through the 2029-30 school year. The full value of the project would be subject to interest and sinking (I&S) taxes levied by Culberson County-Allamoore ISD in all years of the agreement.

Underlying Assumptions

A forecast of the financial impact that the proposed value limitation will have on CCAISD's future revenue is critical information that will be very useful to the district when making the decision to grant the limitation and for the district's long range financial planning process. Analysis for this application covers the 2018-19 through the 2034-35 school years.

The Revenue Protection Clause of the proposed agreement calls for the school district to be held harmless against total state and local maintenance and operation revenue losses as a result of the value limitation agreement. Revenue protection calculations are to be made using whatever property tax laws and school funding formulas are in place at that time in years one through ten of the agreement. This stipulation is a statutory requirement under Section 313.027 of the Tax Code.

The approach used in this report was to predict 17 years of base data including average daily attendance, M&O and I&S tax rates, maintenance and operation (M&O) tax collections and current year (CAD) values and prior year (CPTD) values for each year of the agreement. For the purposes of this analysis, final 2017 CPTD values were used as well as 2018 CAD values from Culberson County and Hudspeth County CAD. These values have been included in the base data illustrated in **Table 1**.

Table 1 Base District Information with Targa Delaware, LLC Project

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value No Limit	CAD Value with Limitation	CPTD No Limit	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
0	2018-19	339	676	\$1.0400	\$0.4566	\$1,950,912,097	\$1,950,912,097	\$1,454,809,084	\$1,454,809,084	\$2,152,084	\$2,152,084
QTP1	2019-20	339	676	\$1.0400	\$0.4566	\$1,960,912,097	\$1,960,912,097	\$1,950,912,097	\$1,950,912,097	\$2,885,965	\$2,885,965
QTP2/L1	2020-21	339	676	\$1.0400	\$0.4566	\$2,045,912,097	\$1,975,912,097	\$1,960,912,097	\$1,960,912,097	\$2,900,758	\$2,900,758
L2	2021-22	339	676	\$1.0400	\$0.4566	\$2,044,012,097	\$1,975,912,097	\$2,045,912,097	\$1,975,912,097	\$3,026,497	\$2,922,947
L3	2022-23	339	676	\$1.0400	\$0.4566	\$2,042,112,097	\$1,975,912,097	\$2,044,012,097	\$1,975,912,097	\$3,023,687	\$2,922,947
L4	2023-24	339	676	\$1.0400	\$0.4566	\$2,040,212,097	\$1,975,912,097	\$2,042,112,097	\$1,975,912,097	\$3,020,876	\$2,922,947
L5	2024-25	339	676	\$1.0400	\$0.4566	\$2,038,312,097	\$1,975,912,097	\$2,040,212,097	\$1,975,912,097	\$3,018,065	\$2,922,947
L6	2025-26	339	676	\$1.0400	\$0.4566	\$2,036,412,097	\$1,975,912,097	\$2,038,312,097	\$1,975,912,097	\$3,015,255	\$2,922,947
L7	2026-27	339	676	\$1.0400	\$0.4566	\$2,034,512,097	\$1,975,912,097	\$2,036,412,097	\$1,975,912,097	\$3,012,444	\$2,922,947
L8	2027-28	339	676	\$1.0400	\$0.4566	\$2,032,612,097	\$1,975,912,097	\$2,034,512,097	\$1,975,912,097	\$3,009,633	\$2,922,947
L9	2028-29	339	676	\$1.0400	\$0.4566	\$2,030,712,097	\$1,975,912,097	\$2,032,612,097	\$1,975,912,097	\$3,006,823	\$2,922,947
L10	2029-30	339	676	\$1.0400	\$0.4566	\$2,028,812,097	\$1,975,912,097	\$2,030,712,097	\$1,975,912,097	\$3,004,012	\$2,922,947
MVP1	2030-31	339	676	\$1.0400	\$0.4566	\$2,026,912,097	\$2,026,912,097	\$2,028,812,097	\$1,975,912,097	\$3,001,201	\$2,922,947
MVP2	2031-32	339	676	\$1.0400	\$0.4566	\$2,025,012,097	\$2,025,012,097	\$2,026,912,097	\$2,026,912,097	\$2,998,391	\$2,998,391
MVP3	2032-33	339	676	\$1.0400	\$0.4566	\$2,023,112,097	\$2,023,112,097	\$2,025,012,097	\$2,025,012,097	\$2,995,580	\$2,995,580
MVP4	2033-34	339	676	\$1.0400	\$0.4566	\$2,021,212,097	\$2,021,212,097	\$2,023,112,097	\$2,023,112,097	\$2,992,769	\$2,992,769
MVP5	2034-35	339	676	\$1.0400	\$0.4566	\$2,017,697,097	\$2,017,697,097	\$2,021,212,097	\$2,021,212,097	\$2,989,959	\$2,989,959

To isolate the impact of the value limitation on the District's finances over this 17 year agreement, average daily attendance and maintenance and operation tax rates were held constant at levels that existed in the 2017-18 school year. An ADA of 338.810, a WADA of 676.315 and an M&O tax rate of \$1.04 are used for each year of the forecast. A tax collection rate of 100% is assumed in all of the calculations used in this analysis. The Culberson and Hudspeth County CADs certified value for 2018 was used as the 2018 CAD value. This value was used as the basis for subsequent current year (CAD) values in this report. The final 2017 T1, T2, T3 and T4 Comptroller Property Tax Division (CPTD) values, certified to school districts in late July, 2018, were used as a basis for predicting prior year (CPTD) values for each of the agreement years.

The proposed agreement calls for Culberson County-Allamoore ISD to be held harmless against total state and local revenue losses that might occur as a result of the value limitation being in effect for any given year of the agreement. In order to predict when and if these revenue losses may occur, two models were developed. One model, illustrated in **Table 2**, incorporates the full value of the project into the state and local funding calculations. The other model, shown in **Table 3**, assumes that only the limited value of the project is available for M&O taxation purposes. In any year of the limitation period where total state and local funding with the full project value exceeds the total state and local funding produced when the limited value is used, a Revenue Protection Payment is indicated for that year. The results of these calculations are illustrated in **Table 4**.

Financial Impact on the School District

Utilizing the assumptions and methodology described above, total maintenance and operation revenue was estimated for each year of the agreement. **Table 4**, which summarizes the difference between the two models, indicates that there will be a total revenue loss of \$428,901 over the course of the agreement. The revenue loss by the district, due to the agreement, is estimated to be mostly in the first year of the value limitation period. Most of the reductions in M&O taxes under this agreement are offset by reductions in recapture costs that the district would owe under current school finance law.

Table 2 "Baseline Revenue Model" - Project Value Added with No Value Limitation

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to \$.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the \$514,00 Level	Recapture at the \$319,500 Level	Other State Aid	Total General Fund
0	2018-19	\$43,927	\$97,408	\$4,834,019	\$780,365	\$0	\$14,675,102	\$0	\$0	\$5,755,719
QTP1	2019-20	\$44,113	\$97,408	\$3,743,616	\$784,365	\$0	\$15,865,505	\$0	\$0	\$4,669,502
QTP2/L1	2020-21	\$44,194	\$97,408	\$3,878,040	\$818,365	\$0	\$16,581,081	\$0	\$0	\$4,838,007
L2	2021-22	\$44,222	\$97,408	\$3,737,355	\$817,605	\$0	\$16,702,766	\$0	\$0	\$4,696,591
L3	2022-23	\$44,220	\$97,408	\$3,737,057	\$816,845	\$0	\$16,684,064	\$0	\$0	\$4,695,529
L4	2023-24	\$44,218	\$97,408	\$3,736,758	\$816,085	\$0	\$16,665,363	\$0	\$0	\$4,694,468
L5	2024-25	\$44,215	\$97,408	\$3,736,459	\$815,325	\$0	\$16,646,662	\$0	\$0	\$4,693,407
L6	2025-26	\$44,213	\$97,408	\$3,736,161	\$814,565	\$0	\$16,627,960	\$0	\$0	\$4,692,346
L7	2026-27	\$44,210	\$97,408	\$3,735,862	\$813,805	\$0	\$16,609,259	\$0	\$0	\$4,691,285
L8	2027-28	\$44,208	\$97,408	\$3,735,563	\$813,045	\$0	\$16,590,558	\$0	\$0	\$4,690,224
L9	2028-29	\$44,205	\$97,408	\$3,735,264	\$812,285	\$0	\$16,571,857	\$0	\$0	\$4,689,162
L10	2029-30	\$44,203	\$97,408	\$3,734,966	\$811,525	\$0	\$16,553,155	\$0	\$0	\$4,688,101
MV P1	2030-31	\$44,201	\$97,408	\$3,734,667	\$810,765	\$0	\$16,534,454	\$0	\$0	\$4,687,040
MV P2	2031-32	\$44,198	\$97,408	\$3,734,368	\$810,005	\$0	\$16,515,753	\$0	\$0	\$4,685,979
MV P3	2032-33	\$44,196	\$97,408	\$3,734,069	\$809,245	\$0	\$16,497,052	\$0	\$0	\$4,684,918
MV P4	2033-34	\$44,193	\$97,408	\$3,733,770	\$808,485	\$0	\$16,478,351	\$0	\$0	\$4,683,857
MV P5	2034-35	\$44,190	\$97,408	\$3,730,694	\$807,079	\$0	\$16,446,277	\$0	\$0	\$4,679,370

Table 3 "Value Limitation Revenue Model" - Project Value Added With Value Limit

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to \$.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the \$514,000 Level	Recapture at the \$319,500 Level	Other State Aid	Total General Fund
0	2018-19	\$43,927	\$97,408	\$4,834,019	\$780,365	\$0	\$14,675,102	\$0	\$0	\$5,755,719
QTP1	2019-20	\$44,113	\$97,408	\$3,743,616	\$784,365	\$0	\$15,865,505	\$0	\$0	\$4,669,502
QTP2/L1	2020-21	\$44,130	\$97,408	\$3,753,946	\$790,365	\$0	\$16,005,175	\$0	\$0	\$4,685,849
L2	2021-22	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L3	2022-23	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L4	2023-24	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L5	2024-25	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L6	2025-26	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L7	2026-27	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L8	2027-28	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L9	2028-29	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
L10	2029-30	\$44,135	\$97,408	\$3,729,689	\$790,365	\$0	\$16,029,432	\$0	\$0	\$4,661,597
MV P1	2030-31	\$44,182	\$97,408	\$3,819,414	\$810,765	\$0	\$16,449,707	\$0	\$0	\$4,771,769
MV P2	2031-32	\$44,198	\$97,408	\$3,734,368	\$810,005	\$0	\$16,515,753	\$0	\$0	\$4,685,979
MV P3	2032-33	\$44,196	\$97,408	\$3,734,069	\$809,245	\$0	\$16,497,052	\$0	\$0	\$4,684,918
MV P4	2033-34	\$44,193	\$97,408	\$3,733,770	\$808,485	\$0	\$16,478,351	\$0	\$0	\$4,683,857
MV P5	2034-35	\$44,190	\$97,408	\$3,730,694	\$807,079	\$0	\$16,446,277	\$0	\$0	\$4,679,370

Table 4 "Baseline Revenue Model" Less "Value Limitation Model"

Year of Agreement	School Year	Foundation School Fund	Available School Fund	M&O Rev From Local Taxes (net of recapture and up to compressed rate)	M&O Rev From Local Taxes (up to \$.06 above compressed rate; no recapture)	M&O Rev From Local Taxes (net of any recapture)	Recapture at the \$514,000 Level	Recapture at the \$319,500 Level	Other State Aid	Total General Fund
0	2018-19	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP1	2019-20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP2/L1	2020-21	-\$64	\$0	-\$124,094	-\$28,000	\$0	-\$575,906	\$0	\$0	-\$152,158
L2	2021-22	-\$87	\$0	-\$7,667	-\$27,240	\$0	-\$673,333	\$0	\$0	-\$34,994
L3	2022-23	-\$85	\$0	-\$7,368	-\$26,480	\$0	-\$654,632	\$0	\$0	-\$33,933
L4	2023-24	-\$82	\$0	-\$7,069	-\$25,720	\$0	-\$635,931	\$0	\$0	-\$32,871
L5	2024-25	-\$80	\$0	-\$6,770	-\$24,960	\$0	-\$617,230	\$0	\$0	-\$31,810
L6	2025-26	-\$77	\$0	-\$6,472	-\$24,200	\$0	-\$598,528	\$0	\$0	-\$30,749
L7	2026-27	-\$75	\$0	-\$6,173	-\$23,440	\$0	-\$579,827	\$0	\$0	-\$29,688
L8	2027-28	-\$73	\$0	-\$5,874	-\$22,680	\$0	-\$561,126	\$0	\$0	-\$28,627
L9	2028-29	-\$70	\$0	-\$5,575	-\$21,920	\$0	-\$542,425	\$0	\$0	-\$27,566
L10	2029-30	-\$68	\$0	-\$5,277	-\$21,160	\$0	-\$523,723	\$0	\$0	-\$26,505
MVP1	2030-31	-\$19	\$0	\$84,747	\$0	\$0	-\$84,747	\$0	\$0	\$84,729
MVP2	2031-32	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MVP3	2032-33	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MVP4	2033-34	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MVP5	2034-35	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Financial Impact on the Taxpayer

The terms of the proposed agreement call for the maintenance and operation (M&O) value of the project to be limited to \$25 million starting in school year 2020-21 and remaining limited through school year 2029-30. The potential gross and net tax savings to Targa are shown in **Table 5**. As stated earlier, an M&O tax rate of \$1.04 and a collection rate of 100% is used throughout the calculations in this report. **Table 5** shows gross tax savings due to the limitation of over \$6.3 million over the length of the agreement. Net tax savings are estimated to be \$5.26 million. According to Texas Tax Code 313.027(i), supplemental payments to the district will be \$50,000, because the district has less than 500 ADA.

Facilities Funding Impact on the District

Reports submitted by Targa show the full value of the property being depreciated over time. Even so, the full value of the project will be available to the district for I&S taxes and will enhance the district's ability to service current and future debt obligations. Texas funding laws provide assistance to school districts for debt service purposes in the form of the Instructional Facilities Allotment and the Existing Debt Allotment. The formulas provide a guarantee of \$35 per ADA per penny of tax effort. CCAISD has property wealth per WADA that exceeds this amount and is thus not eligible for this state assistance. While the project is expected to provide additional employment opportunities in the area, the impact on student enrollment is predicted to be minimal.

Table 5 Estimated Financial Impact on Culberson County-Allamore ISD from the Targa Delaware, LLC Project

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	School District Benefit \$100 per ADA	Company Tax Benefit
0	2018-19	\$0	\$0	\$0	1.0400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP1	2019-20	\$10,000,000	\$10,000,000	\$0	1.0400	\$104,000	\$104,000	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
QTP2/L1	2020-21	\$95,000,000	\$25,000,000	\$70,000,000	1.0400	\$988,000	\$260,000	\$728,000	\$728,000	-\$152,158	\$575,842	\$50,000	\$525,842
L2	2021-22	\$93,100,000	\$25,000,000	\$68,100,000	1.0400	\$968,240	\$260,000	\$708,240	\$708,240	-\$34,994	\$673,246	\$50,000	\$623,246
L3	2022-23	\$91,200,000	\$25,000,000	\$66,200,000	1.0400	\$948,480	\$260,000	\$688,480	\$688,480	-\$33,933	\$654,547	\$50,000	\$604,547
L4	2023-24	\$89,300,000	\$25,000,000	\$64,300,000	1.0400	\$928,720	\$260,000	\$668,720	\$668,720	-\$32,871	\$635,849	\$50,000	\$585,849
L5	2024-25	\$87,400,000	\$25,000,000	\$62,400,000	1.0400	\$908,960	\$260,000	\$648,960	\$648,960	-\$31,810	\$617,150	\$50,000	\$567,150
L6	2025-26	\$85,500,000	\$25,000,000	\$60,500,000	1.0400	\$889,200	\$260,000	\$629,200	\$629,200	-\$30,749	\$598,451	\$50,000	\$548,451
L7	2026-27	\$83,600,000	\$25,000,000	\$58,600,000	1.0400	\$869,440	\$260,000	\$609,440	\$609,440	-\$29,688	\$579,752	\$50,000	\$529,752
L8	2027-28	\$81,700,000	\$25,000,000	\$56,700,000	1.0400	\$849,680	\$260,000	\$589,680	\$589,680	-\$28,627	\$561,053	\$50,000	\$511,053
L9	2028-29	\$79,800,000	\$25,000,000	\$54,800,000	1.0400	\$829,920	\$260,000	\$569,920	\$569,920	-\$27,566	\$542,354	\$50,000	\$492,354
L10	2029-30	\$77,900,000	\$25,000,000	\$52,900,000	1.0400	\$810,160	\$260,000	\$550,160	\$550,160	-\$26,505	\$523,655	\$50,000	\$473,655
MVP1	2030-31	\$76,000,000	\$76,000,000	\$0	1.0400	\$790,400	\$790,400	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP2	2031-32	\$74,100,000	\$74,100,000	\$0	1.0400	\$770,640	\$770,640	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP3	2032-33	\$72,200,000	\$72,200,000	\$0	1.0400	\$750,880	\$750,880	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP4	2033-34	\$70,300,000	\$70,300,000	\$0	1.0400	\$731,120	\$731,120	\$0	\$0	\$0	\$0	\$0	\$0
MVP5	2034-35	\$68,400,000	\$68,400,000	\$0	1.0400	\$711,360	\$711,360	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS						\$12,849,200	\$6,458,400	\$6,390,800	\$6,390,800	-\$428,901	\$5,961,899	\$700,000	\$5,261,899

*Note: School District Revenue-Loss estimates are subject to change based on various factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year project appraisal values, and changes in school district tax rates. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Conclusion

The Targa project proposed in this application will benefit the community, the district, CCAISD, and the company, Targa. The community will receive economic development, the taxpayer will enjoy savings on property taxes and the district will be held harmless from revenue loss due to the provisions of the agreement. The district will also enjoy an increased value available for I&S tax collections dedicated to debt service that can be leveraged to provide first class facilities for faculty and students.

Remember that the Texas Legislature could take action that could potentially change the impact of this agreement on the finances of Culberson County-Allamore ISD and result in estimates that differ significantly from the estimates presented in this analysis. Some of the factors that could significantly change these estimates are legislative or administrative changes by the Texas Legislature, the Texas Education Agency or the Comptroller of Public Accounts. Those changes could contain changes to the school finance formulas, property value appraisals and tax exemptions. Other factors which could change, and will impact the estimates of this agreement, include changes to property values, district tax rates and student enrollment.

Table 5 Estimated Financial Impact on Culberson County-Allamoore ISD from the Targa Delaware, LLC Project

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits	School District Benefit \$100 per ADA	Company Tax Benefit
0	2018-19	\$0	\$0	\$0	1.0400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP1	2019-20	\$10,000,000	\$10,000,000	\$0	1.0400	\$104,000	\$104,000	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
QTP2/L1	2020-21	\$95,000,000	\$25,000,000	\$70,000,000	1.0400	\$988,000	\$260,000	\$728,000	\$728,000	-\$152,158	\$575,842	\$50,000	\$525,842
L2	2021-22	\$93,100,000	\$25,000,000	\$68,100,000	1.0400	\$968,240	\$260,000	\$708,240	\$708,240	-\$34,994	\$673,246	\$50,000	\$623,246
L3	2022-23	\$91,200,000	\$25,000,000	\$66,200,000	1.0400	\$948,480	\$260,000	\$688,480	\$688,480	-\$33,933	\$654,547	\$50,000	\$604,547
L4	2023-24	\$89,300,000	\$25,000,000	\$64,300,000	1.0400	\$928,720	\$260,000	\$668,720	\$668,720	-\$32,871	\$635,849	\$50,000	\$585,849
L5	2024-25	\$87,400,000	\$25,000,000	\$62,400,000	1.0400	\$908,960	\$260,000	\$648,960	\$648,960	-\$31,810	\$617,150	\$50,000	\$567,150
L6	2025-26	\$85,500,000	\$25,000,000	\$60,500,000	1.0400	\$889,200	\$260,000	\$629,200	\$629,200	-\$30,749	\$598,451	\$50,000	\$548,451
L7	2026-27	\$83,600,000	\$25,000,000	\$58,600,000	1.0400	\$869,440	\$260,000	\$609,440	\$609,440	-\$29,688	\$579,752	\$50,000	\$529,752
L8	2027-28	\$81,700,000	\$25,000,000	\$56,700,000	1.0400	\$849,680	\$260,000	\$589,680	\$589,680	-\$28,627	\$561,053	\$50,000	\$511,053
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L10	2029-30	\$77,900,000	\$25,000,000	\$52,900,000	1.0400	\$810,160	\$260,000	\$550,160	\$550,160	-\$26,505	\$523,655	\$50,000	\$473,655
MVP1	2030-31	\$76,000,000	\$76,000,000	\$0	1.0400	\$790,400	\$790,400	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP2	2031-32	\$74,100,000	\$74,100,000	\$0	1.0400	\$770,640	\$770,640	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP3	2032-33	\$72,200,000	\$72,200,000	\$0	1.0400	\$750,880	\$750,880	\$0	\$0	\$0	\$0	\$50,000	-\$50,000
MVP4	2033-34	\$70,300,000	\$70,300,000	\$0	1.0400	\$731,120	\$731,120	\$0	\$0	\$0	\$0	\$0	\$0
MVP5	2034-35	\$68,400,000	\$68,400,000	\$0	1.0400	\$711,360	\$711,360	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS						\$12,849,200	\$6,458,400	\$6,390,800	\$6,390,800	-\$428,901	\$5,961,899	\$700,000	\$5,261,899

*Note: School District Revenue-Loss estimates are subject to change based on various factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year project appraisal values, and changes in school district tax rates. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Findings and Order of the Culberson County-Allamoore Independent School District
Board of Trustees under the Texas Economic Development Act on the Application Submitted by
Targa Delaware, LLC (Tax ID 32053692227) (Application #1261)

EXHIBIT C

**Proposed Agreement between
Culberson County-Allamoore Independent School District
and Targa Delaware, LLC**



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

December 14, 2018

Ken Baugh
Superintendent
Culberson County-Allamoore Independent School District
400 West 7th Street
Van Horn, Texas 79855-0899

Re: Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Culberson County-Allamoore Independent School District and Targa Delaware, LLC, Application 1261

Dear Superintendent Baugh:

This office has been provided with the Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Culberson County-Allamoore Independent School District and Targa Delaware, LLC (Agreement). As requested, the Agreement has been reviewed pursuant to 34 TAC 9.1055(e)(1).

Based on our review, this office concludes that the agreement complies with the provisions of Tax Code, Chapter 313 and 34 TAC Chapter 9, Subchapter F.

Should you have any questions, please contact Michelle Luera with our office. She can be reached by email at michelle.luera@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-6053, or at 512-463-6053.

Sincerely,

Will Counihan
Director
Data Analysis & Transparency Division

cc: Sara Leon, Powell & Leon, LLP
John Thompson, Targa Resources, LLC
Dorothy Pearson, Targa Resources, LLC
Mike Fry, K E Andrews

**AGREEMENT FOR LIMITATION ON APPRAISED VALUE OF PROPERTY FOR
SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES**

by and between

CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT

and

TARGA DELAWARE, LLC

(Texas Taxpayer ID # 32053692227)

Comptroller Application #1261

Dated

December 17, 2018

impact evaluation and certificate for limitation on appraised value submitted by the Texas Comptroller's Office pursuant to Section 313.025 of the TEXAS TAX CODE;

WHEREAS, on December 17, 2018, the Board of Trustees conducted a public hearing on the Application at which it solicited input into its deliberations on the Application from all interested parties within the District;

WHEREAS, on December 17, 2018, the Board of Trustees made factual findings pursuant to Section 313.025(f) of the TEXAS TAX CODE, including, but not limited to findings that: (i) the information in the Application is true and correct; (ii) the Applicant is eligible for the limitation on appraised value of the Applicant's Qualified Property; (iii) the project proposed by the Applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the 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; (iv) the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in this State; and (v) this Agreement is in the best interest of the District and the State of Texas;

WHEREAS, on December 14, 2018, the Texas Comptroller's Office approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes;

WHEREAS, on December 17, 2018, the Board of Trustees approved the form of this Agreement for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, and authorized the Board President and Secretary to execute and deliver such Agreement to the Applicant; and,

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE I **DEFINITIONS**

Section 1.1. DEFINITIONS.

Wherever used in this Agreement, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning. Words or terms defined in 34 TEXAS ADMIN. CODE Section 9.1051 and not defined in this Agreement shall have the meanings provided by 34 TEXAS ADMIN. CODE Section 9.1051.

“Act” means the Texas Economic Development Act set forth in Chapter 313 of the TEXAS TAX CODE as amended.

“Agreement” means this Agreement, as the same may be modified, amended, restated, amended and restated, or supplemented as approved pursuant to Sections 10.2 and 10.3.

“Applicant” means Targa Delaware, LLC (Texas Taxpayer ID #32053692227), the entity listed in the Preamble of this Agreement and that is listed as the Applicant on the Application as of

the Application Approval Date. The term “Applicant” shall also include the Applicant’s assigns and successors-in-interest as approved according to Sections 10.2 and 10.3 of this Agreement.

“Applicant’s Qualified Investment” means the Qualified Investment of the Applicant during the Qualifying Time Period and as more fully described in **EXHIBIT 3** of this Agreement.

“Applicant’s Qualified Property” means the Qualified Property of the Applicant to which the value limitation identified in the Agreement will apply and as more fully described in **EXHIBIT 3** of this Agreement.

“Application” means the Application for Appraised Value Limitation on Qualified Property (Chapter 313, Subchapter B or C of the TEXAS TAX CODE) filed with the District by the Applicant on May 22, 2018. The term includes all forms required by the Comptroller, the schedules attached thereto, and all other documentation submitted by the Applicant for the purpose of obtaining an Agreement with the District. The term also includes all amendments and supplements thereto submitted by the Applicant.

“Application Approval Date” means the date that the Application is approved by the Board of Trustees of the District and as further identified in Section 2.3.B of this Agreement.

“Application Review Start Date” means the later date of either the date on which the District issues its written notice that the Applicant has submitted a completed Application or the date on which the Comptroller issues its written notice that the Applicant has submitted a completed Application and as further identified in Section 2.3.A of this Agreement.

“Appraised Value” shall have the meaning assigned to such term in Section 1.04(8) of the TEXAS TAX CODE

“Appraisal District” means the Culberson County Appraisal District.

“Board of Trustees” means the Board of Trustees of the Culberson County—Allamoore Independent School District.

“Commercial Operations” shall mean the date on which the Project described in the Application for Value Limitation Agreement becomes commercially operational and capable of being placed into service, such that it has been constructed and is capable of producing electricity and achieving a Qualifying Investment of no less than \$20 million dollars.

“Comptroller” means the Texas Comptroller of Public Accounts, or the designated representative of the Texas Comptroller of Public Accounts acting on behalf of the Comptroller.

“Comptroller’s Rules” means the applicable rules and regulations of the Comptroller set forth in Chapter 34 TEXAS ADMIN. CODE Chapter 9, Subchapter F, together with any court or administrative decisions interpreting same.

“County” means Culberson County, Texas.

“District” or “School District” means the Culberson County-Allamoore Independent School District being a duly authorized and operating school district in the State, having the power to levy, assess, and collect ad valorem taxes within its boundaries and to which Subchapter C of the Act applies. The term also includes any successor independent school district or other successor governmental authority having the power to levy and collect ad valorem taxes for school purposes on the Applicant’s Qualified Property or the Applicant’s Qualified Investment.

“Final Termination Date” means the last date of the final year in which the Applicant is required to Maintain Viable Presence and as further identified in Section 2.3.E of this Agreement.

“Force Majeure” means those causes generally recognized under Texas law as constituting impossible conditions. Each Party must inform the other in writing with proof of receipt within 60 (sixty) business days of the existence of such Force Majeure or otherwise waive this right as a defense.

“Land” means the real property described on **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes.

“Maintain Viable Presence” means (i) the operation during the term of this Agreement of the facility or facilities for which the tax limitation is granted; and (ii) the Applicant’s maintenance of jobs and wages as required by the Act and as set forth in its Application.

“Market Value” shall have the meaning assigned to such term in Section 1.04(7) of the TEXAS TAX CODE.

“New Qualifying Jobs” means the total number of jobs to be created by the Applicant after the Application Approval Date in connection with the project that is the subject of its Application that meet the criteria of Qualifying Job as defined in Section 313.021(3) of the TEXAS TAX CODE and the Comptroller’s Rules.

“New Non-Qualifying Jobs” means the number of Non-Qualifying Jobs, as defined in 34 TEXAS ADMIN. CODE Section 9.1051(14), to be created by the Applicant after the Application Approval Date in connection with the project which is the subject of its Application.

“Qualified Investment” has the meaning set forth in Section 313.021(1) of the TEXAS TAX CODE, as interpreted by the Comptroller’s Rules.

“Qualified Property” has the meaning set forth in Section 313.021(2) of the TEXAS TAX CODE and as interpreted by the Comptroller’s Rules and the Texas Attorney General, as these provisions existed on the Application Review Start Date.

“Qualifying Time Period” means the period defined in Section 2.3.C, during which the Applicant shall make investment on the Land where the Qualified Property is located in the amount required by the Act, the Comptroller’s Rules, and this Agreement.

“State” means the State of Texas.

“Supplemental Payment” means any payments or transfers of things of value made to the

District or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the Agreement and that is not authorized pursuant to Sections 313.027(f)(1) or (2) of the TEXAS TAX CODE, and specifically includes any payments required pursuant to Article VI of this Agreement.

“Tax Limitation Amount” means the maximum amount which may be placed as the Appraised Value on the Applicant’s Qualified Property for maintenance and operations tax assessment in each Tax Year of the Tax Limitation Period of this Agreement pursuant to Section 313.054 of the TEXAS TAX CODE.

“Tax Limitation Period” means the Tax Years for which the Applicant’s Qualified Property is subject to the Tax Limitation Amount and as further identified in Section 2.3.D of this Agreement.

“Tax Year” shall have the meaning assigned to such term in Section 1.04(13) of the TEXAS TAX CODE (*i.e.*, the calendar year).

“Taxable Value” shall have the meaning assigned to such term in Section 1.04(10) of the TEXAS TAX CODE.

Section 1.2. NEGOTIATED DEFINITIONS.

Wherever used in Articles IV, V, and VI, the following terms shall have the following meanings, unless the context in which used clearly indicates another meaning or otherwise; provided however, if there is a conflict between a term defined in this section and a term defined in the Act, the Comptroller’s Rules, or Section 1.1 of Agreement, the conflict shall be resolved by reference to Section 10.9.C:

“Aggregate Limit” means, for any Tax Year during the term of this Agreement, an amount equal to the Net Tax Benefit to the Applicant.

“Applicable School Finance Law” means the State constitution and laws, agency regulations and/or judicial rulings then controlling the public school finance system for Texas public schools and school districts generally and the District specifically, in accordance with all provisions thereof applicable to any terms of this Agreement at the time any computation, calculation or obligation of either Party under this Agreement is required to be performed or for the period to which such computation, calculation or obligation relates, as applicable. The term includes any amendments or successor statutes that may be adopted in the future which affect the calculation of the District’s Maintenance and Operations Revenue or the Applicant’s ad valorem tax obligation to the District, in each case, either with or without the limitation on appraised value of property pursuant to this Agreement.

“Cumulative Payments” means for each year of this Agreement the total of all payments, calculated under Articles IV, V and VI of this Agreement for the current Tax Year which are paid by or owed by Applicant to the District, plus payments paid by Applicant to compensate District for loss of revenue under this Agreement.

“Lost M&O Revenue” shall have the meaning set forth in Section 4.2.

“Maintenance and Operations Revenue” means (i) those revenues which the District receives from the levy of its annual ad valorem maintenance and operations tax pursuant to Section 45.002 of the TEXAS EDUCATION CODE, and Article VII § 3 of the TEXAS CONSTITUTION, plus (ii) all State revenues to which the District is or may be entitled under Chapter 42 of the TEXAS EDUCATION CODE, or any other statutory provision as well as any amendment or successor statute to these provisions, plus (iii) any indemnity payments received by the District under other agreements similar to this Agreement to the extent that such payments are designed to replace the District’s Maintenance and Operations Revenue lost as a result of such similar agreements, minus (iv) any amounts necessary to reimburse the State of Texas or another school district for the education of additional students pursuant to Chapter 41 of the TEXAS EDUCATION CODE,, in each case, as any of the items in clauses (i), (ii), and (iv) above may be amended by Applicable School Finance Law from time to time, and plus or minus, as applicable, any other revenues, payments or amounts received or required to be reimbursed by the District from State and local funding for maintenance and operations purposes under Applicable School Finance Law, such that Maintenance and Operations Revenue shall be the net amount of all such revenues, payments or other amounts which the District is entitled to receive and retain from State and local funding for maintenance and operations purposes under Applicable School Finance Law.

“New M&O Revenue” means, with respect to any school year, the total State and local Maintenance and Operations Revenue that the District received, after all adjustments have been made to such Maintenance and Operations Revenue in accordance with the provisions of the Applicable School Finance Law for such school year.

“Net Tax Benefit” means, for any Tax Year during the term of this Agreement, an amount equal to (but not less than zero): (i) the amount of maintenance and operations ad valorem taxes which the Applicant would have paid to the District for such Tax Year and all previous Tax Years during the term of this Agreement if this Agreement had not been entered into by the Parties; *minus*, (ii) an amount equal to the sum of (A) all maintenance and operations ad valorem school taxes actually due to the District or any other governmental entity, including the State of Texas, for such Tax Year and all previous Tax Years during the term of this Agreement, plus (B) any and all payments due to the District under Articles IV, V, and VI of this Agreement.

“Original M&O Revenue” means, with respect to any school year, the total State and local Maintenance and Operations Revenue that the District would have received for the school year under the Applicable School Finance Law had this Agreement not been entered into by the Parties and the Applicant’s Qualified Property been subject to the ad valorem maintenance and operations tax at the tax rate actually adopted by the District for the applicable Tax Year. For purposes of this calculation, the Third Party will base its calculations upon actual local Taxable Values for each applicable Tax Year as certified by the Appraisal District for all taxable accounts in the District, except that with respect to the Applicant’s Qualified Property during the Tax Limitation Period, such calculations shall use the Taxable Value for each applicable Tax Year of the Applicant’s Qualified Property which is used for the calculation of the District’s tax levy for debt service (interest and sinking fund) ad valorem tax purposes. For the calculation of Original M&O Revenue, the Taxable Value for Applicant’s Qualified Property for maintenance and operations ad valorem tax purposes will not be used during the Tax Limitation Period.

“Revenue Protection Payment” means payments made pursuant to Article IV of this Agreement.

“Third Party” shall have the meaning set forth in Section 4.3

ARTICLE II

AUTHORITY, PURPOSE AND LIMITATION AMOUNTS

Section 2.1. AUTHORITY.

This Agreement is executed by the District as its written agreement with the Applicant pursuant to the provisions and authority granted to the District in Section 313.027 of the TEXAS TAX CODE.

Section 2.2. PURPOSE.

In consideration of the execution and subsequent performance of the terms and obligations by the Applicant pursuant to this Agreement, identified in Sections 2.5 and 2.6 and as more fully specified in this Agreement, the value of the Applicant’s Qualified Property listed and assessed by the County Appraiser for the District’s maintenance and operation ad valorem property tax shall be the Tax Limitation Amount as set forth in Section 2.4 of this Agreement during the Tax Limitation Period.

Section 2.3. TERM OF THE AGREEMENT.

- A. The Application Review Start Date for this Agreement is July 25, 2018, which will be used to determine the eligibility of the Applicant’s Qualified Property and all applicable wage standards.
- B. The Application Approval Date for this Agreement is December 17, 2018.
- C. The Qualifying Time Period for this Agreement:
 - i. Starts on January 1, 2019, a date no later than January 1 of the fourth Tax Year following the Application Approval Date for deferrals, as authorized by §313.027(h) of the TEXAS TAX CODE; and
 - ii. Ends on December 31, 2020, the last day of the second complete Tax Year following the Qualifying Time Period start date.
- D. The Tax Limitation Period for this Agreement:
 - i. Starts on January 1, 2020, the first complete Tax Year that begins after the date of commencement of Commercial Operation; and
 - ii. Ends on December 31, 2029, which is the year the Tax Limitation Period starts as identified in Section 2.3.D.i plus 9 years.
- E. The Final Termination Date for this Agreement is December 31, 2034; which is the last year of the Tax Limitation Period as defined in Section 2.3.D.ii plus 5 years.

- F. This Agreement, and the obligations and responsibilities created by this Agreement, shall be and become effective on the Application Approval Date identified in Section 2.3.B. This Agreement, and the obligations and responsibilities created by this Agreement, terminate on the Final Termination Date identified in Section 2.3.E, unless extended by the express terms of this Agreement.

Section 2.4. TAX LIMITATION.

So long as the Applicant makes the Qualified Investment as required by Section 2.5, during the Qualifying Time Period, and unless this Agreement has been terminated as provided herein before such Tax Year, on January 1 of each Tax Year of the Tax Limitation Period, the Appraised Value of the Applicant's Qualified Property for the District's maintenance and operations ad valorem tax purposes shall not exceed the lesser of:

- A. The Market Value of the Applicant's Qualified Property; or,
- B. Twenty-Five Million Dollars (\$25,000,000.00)

This Tax Limitation Amount is based on the limitation amount for the category that applies to the District on the Application Approval Date, as set out by Section 313.052 of the TEXAS TAX CODE

Section 2.5. TAX LIMITATION ELIGIBILITY.

In order to be eligible and entitled to receive the value limitation identified in Section 2.4 for the Qualified Property identified in Article III, the Applicant shall:

- A. have completed the Applicant's Qualified Investment in the amount of Twenty Million Dollars (\$20,000,000.00) during the Qualifying Time Period;
- B. have created and maintained, subject to the provisions of Section 313.0276 of the TEXAS TAX CODE New Qualifying Jobs as required by the Act; and
- C. pay an average weekly wage of at least \$949.00 for all New Non-Qualifying Jobs created by the Applicant.

Section 2.6. TAX LIMITATION OBLIGATIONS.

In order to receive and maintain the limitation authorized by Section 2.4, Applicant shall:

- A. provide payments to District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV;
- B. provide payments to the District that protect the District from the payment of extraordinary education- related expenses related to the project, as more fully specified in Article V;
- C. provide such Supplemental Payments as more fully specified in Article VI;

- D. create and Maintain Viable Presence on or with the Qualified Property and perform additional obligations as more fully specified in Article VIII of this Agreement; and
- E. No additional conditions are identified in the certificate for a limitation on appraised value by the Comptroller for this project.

ARTICLE III

QUALIFIED PROPERTY

Section 3.1. LOCATION WITHIN ENTERPRISE OR REINVESTMENT ZONE.

At the time of the Application Approval Date, the Land is within an area designated either as an enterprise zone, pursuant to Chapter 2303 of the TEXAS GOVERNMENT CODE, or a reinvestment zone, pursuant to Chapter 311 or 312 of the TEXAS TAX CODE. The legal description, and information concerning the designation, of such zone is attached to this Agreement as **EXHIBIT 1** and is incorporated herein by reference for all purposes.

Section 3.2. LOCATION OF QUALIFIED PROPERTY AND INVESTMENT.

The Land on which the Qualified Property shall be located and on which the Qualified Investment shall be made is described in **EXHIBIT 2**, which is attached hereto and incorporated herein by reference for all purposes. The Parties expressly agree that the boundaries of the Land may not be materially changed from its configuration described in **EXHIBIT 2** unless amended pursuant to the provisions of Section 10.2 of this Agreement.

Section 3.3. DESCRIPTION OF QUALIFIED PROPERTY.

The Qualified Property that is subject to the Tax Limitation Amount is described in **EXHIBIT 4**, which is attached hereto and incorporated herein by reference for all purposes. Property which is not specifically described in **EXHIBIT 4** shall not be considered by the District or the Appraisal District to be part of the Applicant's Qualified Property for purposes of this Agreement, unless by official action the Board of Trustees provides that such other property is a part of the Applicant's Qualified Property for purposes of this Agreement in compliance with Section 313.027(e) of the TEXAS TAX CODE, the Comptroller's Rules, and Section 10.2 of this Agreement.

Section 3.4. CURRENT INVENTORY OF QUALIFIED PROPERTY.

In addition to the requirements of Section 10.2 of this Agreement, if there is a material change in the Qualified Property described in **EXHIBIT 3**, then within 60 days from the date commercial operation begins, the Applicant shall provide to the District, the Comptroller, the Appraisal District or the State Auditor's Office a specific and detailed description of the tangible personal property, buildings, and/or permanent, nonremovable building components (including any affixed to or incorporated into real property) on the Land to which the value limitation applies including maps or surveys of sufficient detail and description to locate all such described property on the Land.

Section 3.5. QUALIFYING USE.

The Applicant's Qualified Property described in Section 3.3 qualifies for a tax limitation agreement under Section 313.024(b)(1) of the TEXAS TAX CODE as property used for manufacturing.

ARTICLE IV
PROTECTION AGAINST LOSS OF FUTURE DISTRICT REVENUES

Section 4.1. INTENT OF PARTIES.

Subject to the limitations contained in this Agreement, it is the intent of the Parties in accordance with the provisions of Section 313.027(f)(1) of the TEXAS TAX CODE that the District shall be compensated by the Applicant as provided in this Article IV for any Lost M&O Revenue as a result of, or on account of, entering into this Agreement, after taking into account any payments to be made under this Agreement. Such payments shall be independent of, and in addition to such other payments as set forth in Article V and Article VI of this Agreement. Subject to the limitations contained in this Agreement, **it is the intent of the Parties that the risk of any and all Lost M&O Revenue as a result of, or on account of, entering into this Agreement, will be borne by the Applicant and not by the District.**

Subject to the limitations contained in this Agreement, the calculation of any Lost M&O Revenue required to be paid by the Applicant under this Article IV shall be made for the first time for in the first year of the Tax Limitation Period, and every year thereafter during the term of this Agreement.

The Parties further agree that the printouts and projections produced during the negotiations and approval of this Agreement are:

- i. For illustrative purposes only, are not intended to be relied upon, and have not been relied upon by the Parties as a prediction of future consequences to either Party to the Agreement;
- ii. Are based upon current Applicable School Finance Law, which is subject to change by statute, by administrative regulation, or by judicial decision at any time; and,
- iii. May change in future years to reflect changes in the Applicable School Finance Law.

Section 4.2 CALCULATING LOST M&O REVENUE.

Subject to the limitations contained in this Agreement, the amount to be paid by the Applicant to compensate the District for loss of M&O Revenue resulting from, or on account of, this Agreement for each year starting in the first year of the Tax Limitation Period and ending on December 31st of the last year of the Tax Limitation Period (the "Lost M&O Revenue") shall be determined in compliance with the Applicable School Finance Law in effect for such year and according to the following formula:

Subject to the limitations contained in this Agreement (including Section 7.1), the Lost M&O Revenue owed by the Applicant to District means the Original M&O Revenue *minus* the New M&O Revenue.

In making the calculations required by this Section 4.2:

- i. The Taxable Value of property for each school year will be determined under the Applicable School Finance Law.
- ii. For purposes of this calculation, the tax collection rate on the Applicant's Qualified Property will be presumed to be one hundred percent (100%).
- iii. If, for any year of this Agreement, the difference between the Original M&O Revenue and the New M&O Revenue, as calculated under this Section 4.2 of this Agreement, results in a negative number, the negative number will be considered to be zero.
- iv. For all calculations made for years during the Tax Limitation Period under this Section 4.2 of this Agreement, Subsection ii of this subsection will reflect the Tax Limitation Amount for such year.
- v. All calculations made under this Section 4.2 shall be made by a methodology which isolates only the full Maintenance and Operation Revenue impact caused by this Agreement. The Applicant shall not be responsible to reimburse the District for other revenue losses created by other agreements, or on account of or otherwise arising out of any other factors not contained in this Agreement.

Section 4.3. CALCULATIONS TO BE MADE BY THIRD PARTY.

All calculations under this Agreement shall be made annually by an independent third party (the "Third Party") selected and appointed each year by the District, subject to approval by Applicant in writing, which approval shall not unreasonably be withheld.

Section 4.4. DATA USED FOR CALCULATIONS.

The calculations for payments under this Agreement shall be initially based upon the valuations that are placed upon all taxable property in the District, including the Applicant's Qualified Property, by the Appraisal District in its annual certified tax roll submitted to the District for each Tax Year pursuant to TEXAS TAX CODE § 26.01 on or about July 25 of each year of this Agreement. Immediately upon receipt of the valuation information by the District, the District shall submit the valuation information to the Third Party selected and appointed under Section 4.3. The certified tax roll data shall form the basis of the calculation of any and all amounts due under this Agreement. All other data utilized by the Third Party to make the calculations contemplated by this Agreement shall be based upon the best available current estimates. The data utilized by the Third Party shall be adjusted from time to time by the Third Party to reflect actual amounts, subsequent adjustments by the Appraisal District to the District's certified tax roll or any other changes in student counts, tax collections, or other data.

Section 4.5. EFFECT OF PROPERTY VALUE APPEAL OR OTHER ADJUSTMENT.

If the Applicant has appealed any matter relating to the valuations placed by the Appraisal District on the Applicant's Qualified Property, and such appeal remains unresolved at the time the Third Party selected under Section 4.3 makes its calculations under this Agreement, the Third Party shall base its calculations upon the values placed upon the Applicant's Qualified Property by the Appraisal District. The calculations shall be readjusted, if necessary, based on the outcome of the appeal as set forth below.

If as a result of an appeal or for any other reason, the Taxable Value of the Applicant's Qualified Investment is changed, once the determination of the new Taxable Value becomes final, the Parties shall immediately notify the Third Party who shall immediately issue new calculations for the applicable year or years using the new Taxable Value. In the event the new calculations result in a change in any amount paid or payable by the Applicant under this Agreement, the Party from whom the adjustment is payable shall remit such amount to the other Party within thirty (30) days of the receipt of the new calculations from the Third Party.

Section 4.6. DELIVERY OF CALCULATIONS.

On or before November 1 of each year for which this Agreement is effective, the Third Party appointed pursuant to Section 4.3 of this Agreement shall forward to the Parties a certification containing the calculations required under this Article IV, Article V, Article VI, and/or Section 7.1 of this Agreement in sufficient detail to allow the Parties to understand the manner in which the calculations were made. The Third Party shall simultaneously submit his, her or its invoice for fees for services rendered to the Parties, if any fees are being claimed, which fee shall be the sole responsibility of the District, but subject to the provisions of Section 4.8, below. Upon reasonable prior notice, the employees and agents of the Applicant shall have access, at all reasonable times, to the Third Party's calculations, records, and correspondence pertaining to the calculation and fee for the purpose of verification. The Third Party shall maintain supporting data consistent with generally accepted accounting practices, and the employees and agents of the Applicant shall have the right to reproduce and retain for purpose of audit, any of these documents. The Third Party shall preserve all documents pertaining to the calculation until four (4) years after the Final Termination Date of this Agreement. The Applicant shall not be liable for any of the Third Party's costs resulting from an audit of the Third Party's books, records, correspondence, or work papers pertaining to the calculations contemplated by this Agreement.

Section 4.7. STATUTORY CHANGES AFFECTING MAINTENANCE & OPERATION REVENUE.

Notwithstanding any other provision in this Agreement, but subject to the limitations contained in Section 7.1 of this Agreement, in the event that, by virtue of statutory changes to the Applicable School Finance Law, administrative interpretations by the Comptroller, Commissioner of Education, or the Texas Education Agency, or for any other reason attributable to statutory change, the District will receive less Maintenance and Operations Revenue, or, if applicable, will be required to increase its payment of funds to the State, because of its participation in this Agreement, the Applicant shall make payments to the District that are necessary to fully reimburse and hold the District harmless from any actual negative impact on the District's Maintenance and Operation

Revenue as a result of its participation in this Agreement. Such calculation shall take into account any adjustments to the amount calculated for the current fiscal year that should be made in order to reflect the actual impact on the District. Such payment shall be made no later than thirty (30) days following notice from the District of such determination and calculation. The District shall use reasonable efforts to mitigate the economic effects of any such statutory change or administrative interpretation, and if the Applicant disagrees with any calculation or determination by the District of any adverse impact described in this Article IV, the Applicant shall have the right to appeal such calculation or determination in accordance with the procedures set forth in Section 4.9.

Section 4.8. PAYMENT BY APPLICANT.

Subject to Section 4.9 below, the Applicant shall pay any amount determined by the Third Party to be due and owing to the District under this Agreement on or before the January 31 of the year next following the tax levy for each year for which this Agreement is effective. Subject to the limitation set forth in this Section 4.8 below, by such date, the Applicant shall also pay any amount billed by the Third Party for all calculations under this Agreement under Section 4.2, above, plus any reasonable and necessary legal expenses paid by the District to its attorneys, auditors, or financial consultants for the preparation and filing of any financial reports, disclosures, or other reimbursement applications filed with or sent to the State of Texas, for any audits conducted by the State Auditor's Office, or for other legal expenses which are, or may be required under the terms of, or because of, the execution of this Agreement. The Applicant shall only be responsible for the payment of an aggregate amount of fees and expenses under this Section 4.8 not to exceed Fifteen Thousand Dollars (\$15,000.00).

Section 4.9. RESOLUTION OF DISPUTES.

Should the Applicant disagree with the Third Party calculations made pursuant to this Article IV of this Agreement, the Applicant may appeal the findings, in writing, to the Third Party within thirty (30) days following the later of (i) receipt of the certification, or (ii) the date the Applicant is granted access to the books, records, and other information in accordance with Section 4.4 for purposes of auditing or reviewing the information in connection with the certification. Within thirty (30) days of receipt of the Applicant's appeal, the Third Party will issue, in writing, a final determination of the calculations. Thereafter, the Applicant may appeal the final determination of the certification containing the calculations to the District's Board of Trustees within thirty (30) days after receipt of the final determination of the calculations. Any appeal by the Applicant of the final determination of calculations shall in no way limit Applicant's other rights and remedies available hereunder, at law or in equity.

Section 4.10. PAYMENT LIMITATION.

Notwithstanding any other provision in this Agreement, in no event shall the Revenue Protection Payment calculated for a Tax Year of this Agreement during the period from the Tax Year that includes the date on which the Limitation Period commences under this Agreement as provided in Section 2.3.D.i, and ending with the end of the Tax Limitation Period, exceed an amount equal to One Hundred Percent (100%) of the Applicant's Net Tax Benefit for such Tax Year. For each Tax Year of this Agreement, amounts otherwise due and owing by the Applicant to the District under this Article IV which, by virtue of the application of the payment limitation set forth in this Section 4.10,

are not payable to the District for such Tax Year, shall be carried forward from year-to-year into subsequent Tax Years during the term of this Agreement, but shall be subject, in each subsequent Tax Year, to the limit set forth in this Section 4.10. Any of the Revenue Protection Payments which cannot be paid to the District prior to the end of the first Tax Year following the end of the Tax Limitation Period because such payment would exceed the Applicant's Net Tax Benefit under this Agreement will be deemed to have been cancelled by operation of law, and the Applicant shall have no further obligation with respect thereto.

ARTICLE V
PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES

Section 5.1. PAYMENT OF EXTRAORDINARY EDUCATION-RELATED EXPENSES.

In addition to the amounts determined pursuant to Articles IV and VI of this Agreement, Applicant on an annual basis shall also indemnify and reimburse District for all non-reimbursed costs, certified by the District's external auditor to have been incurred by the District for extraordinary education-related expenses directly and solely related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment caused directly by such project. Applicant shall have the right to contest the findings of the District's external auditor pursuant to Section 4.9 above.

ARTICLE VI
SUPPLEMENTAL PAYMENTS

Section 6.1. INTENT OF PARTIES WITH RESPECT TO SUPPLEMENTAL PAYMENTS

In interpreting the provisions of this Article VI, the Parties agree that, in addition to undertaking the responsibility for the payment of all of the amounts set forth under Articles IV and V, and as further consideration for the execution of this Agreement by the District, the Applicant shall also be responsible for the Supplemental Payments set forth in this Article VI. The Applicant shall not be responsible to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on appraised value made pursuant to Chapter 313 of the TEXAS TAX CODE, unless it is explicitly set forth in this Agreement. It is the express intent of the Parties that the obligation for Supplemental Payments under this Article VI are separate and independent of the obligation of the Applicant to pay the amounts described in Articles IV and V; provided, however, that all payments under Articles IV, V, and VI are subject to such limitations as are contained in Section 7.1, and that all payments under Article VI are subject to the separate limitations contained in Section 6.2 and Section 6.3. Each Supplemental Payment shall be due and payable on January 31st of the year following that in which such Supplemental Payment accrued.

Section 6.2. SUPPLEMENTAL PAYMENT LIMITATION.

Notwithstanding the foregoing:

- A. The total of the Supplemental Payments made pursuant to this Article shall not exceed for any calendar year of this Agreement an amount equal to the greater of One Hundred Dollars (\$100.00) per student per year in average daily attendance, as defined by Section 42.005 of the TEXAS EDUCATION CODE, or Fifty Thousand Dollars (\$50,000.00) per year times the number of years beginning with the first complete or partial year of the Qualifying Time Period identified in Section 2.3.C and ending with the year for which the Supplemental Payment is being calculated minus all Supplemental Payments previously made by the Application.
- B. Supplemental Payments may only be made during the period starting the first year of the Qualifying Time Period and ending December 31 of the third year following the end of the Tax Limitation Period.
- C. The limitation in Section 6.2.A does not apply to amounts described by Section 313.027(f)(1)–(2) of the TEXAS TAX CODE as implemented in Articles IV and V of this Agreement.
- D. For purposes of this Agreement, the calculation of the limit of the annual Supplemental Payment shall be the greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance as calculated pursuant to Section 42.005 of the TEXAS EDUCATION CODE, based upon the District's Average Daily Attendance for the previous school year, or any greater amount that may be then permitted by law.

Failure to pay such Supplemental Payments shall constitute Material Breach of this Agreement, as set forth more fully herein at Article IX.

Section 6.3. CALCULATION OF ANNUAL SUPPLEMENTAL PAYMENTS TO THE DISTRICT.

For each Tax Year beginning with the period starting the first full or partial year of the Qualifying Time Period and ending December 31 of the third year following the end of the Limitation Period, supplemental payments shall be owed. For each Tax Year not falling within the Tax Limitation Period, the full supplemental amount shall be paid and shall not be subject to the Aggregate Limit.

If, for any Tax Year during the Limitation Period of this Agreement the Cumulative Payment Amount, calculated under Sections IV, V and VI of this Agreement, exceeds the Aggregate Limit for such Tax Year, the difference between the Applicant's Supplemental Payment Amount so calculated and the Aggregate Limit for such Tax Year, shall be carried forward from year-to-year until paid to the District. The Aggregate Limit shall not apply nor limit Supplemental Payment amounts due to the District during the Qualifying Time Period or in the three years following the end of the Tax Limitation Period.

For illustrative purposes, the Supplemental Payments shall be paid as follows:

Tax Year	Supplemental Payment Amount Owed
2019	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2020	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2021	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2022	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2023	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2024	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2025	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2026	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2027	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2028	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2029	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2030	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2031	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.
2032	The greater of \$50,000 or \$100 multiplied by the District's Average Daily Attendance for the previous school year.

Section 6.4. PROCEDURES FOR SUPPLEMENTAL PAYMENT CALCULATIONS. All calculations required by this Article VI, including but not limited to: (i) the calculation of the Applicant's Supplemental Payment Amount; (ii) the determination of the Aggregate Limit; (iii) the effect, if any,

of the Aggregate Limit upon the actual amount of Supplemental Payments eligible to be paid to the District by the Applicant; and (iv) the carry forward and accumulation of any of the Applicant's Stipulated Supplemental Payment Amounts unpaid by the Applicant due to the Aggregate Limit in previous years, shall be calculated by the Third Party selected pursuant to Section 4.3.

- (a) The calculations made by the Third Party shall be made at the same time and on the same schedule as the calculations made pursuant to Section 4.6.
- (b) The payment of all amounts due under this Article VI shall be made at the time set forth in Section 4.8.
- (c) Any appeal by the Applicant of the calculations made by the Third Party under this Article VI shall be done in the same manner as set forth in Section 4.9, above.

Section 6.5. DISTRICT'S OPTION TO DESIGNATE SUCCESSOR BENEFICIARY. At any time during this Agreement, the Board of Trustees may, in its sole discretion, direct that any of the Applicant's payments under this Article VI be made to the District's educational foundation or to a similar entity. Such foundation or entity may only use such funds received under this Article VI to support the educational mission of the District and its students. Any designation of such foundation or entity must be made by recorded vote of the Board of Trustees at a properly posted public meeting of the Board of Trustees.

ARTICLE VII

ANNUAL LIMITATION OF PAYMENTS BY APPLICANT

Section 7.1. ANNUAL LIMITATION.

Notwithstanding anything contained in this Agreement to the contrary, and with respect to each Tax Year of the Tax Limitation Period beginning after the first Tax Year of the Tax Limitation Period, in no event shall (i) the sum of the maintenance and operations ad valorem taxes paid by the Applicant to the District for such Tax Year, plus the sum of all payments otherwise due from the Applicant to the District under Articles IV, V, and VI of this Agreement with respect to such Tax Year, exceed (ii) the amount of the maintenance and operations ad valorem taxes that the Applicant would have paid to the District for such Tax Year (determined by using the District's actual maintenance and operations tax rate for such Tax Year) if the Parties had not entered into this Agreement. The calculation and comparison of the amounts described in clauses (i) and (ii) of the preceding sentence shall be included in all calculations made pursuant to Article IV of this Agreement, and in the event the sum of the amounts described in said clause (i) exceeds the amount described in said clause (ii), then the payments otherwise due from the Applicant to the District under Articles IV, V, and VI shall be reduced until such excess is eliminated.

Section 7.2. OPTION TO TERMINATE AGREEMENT.

In the event that any payment otherwise due from the Applicant to the District under Article IV, Article V, or Article VI of this Agreement with respect to a Tax Year is subject to reduction in accordance with the provisions of Section 7.1, then the Applicant shall have the option to terminate this Agreement. The Applicant may exercise such option to terminate this Agreement by notifying

the District of its election in writing not later than the July 31 of the year following the Tax Year with respect to which a reduction under Section 7.1 is applicable. Any termination of this Agreement under the foregoing provisions of this Section 7.2 shall be effective immediately prior to the second Tax Year next following the Tax Year in which the reduction giving rise to the option occurred.

Section 7.3. EFFECT OF OPTIONAL TERMINATION.

Upon the exercise of the option to terminate pursuant to Section 7.2, this Agreement shall terminate and be of no further force or effect; provided, however, that:

- A. the Parties respective rights and obligations under this Agreement with respect to the Tax Year or Tax Years (as the case may be) through and including the Tax Year during which such notification is delivered to the District, shall not be impaired or modified as a result of such termination and shall survive such termination unless and until satisfied and discharged; and
- B. the provisions of this Agreement regarding payments (including liquidated damages and tax payments), records and dispute resolution shall survive the termination or expiration of this Agreement.

ARTICLE VIII
ADDITIONAL OBLIGATIONS OF APPLICANT

Section 8.1. APPLICANT'S OBLIGATION TO MAINTAIN VIABLE PRESENCE.

In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall Maintain Viable Presence in the District commencing at the start of the Tax Limitation Period through the Final Termination Date of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, the Applicant shall not be in breach of, and shall not be subject to any liability for failure to Maintain Viable Presence to the extent such failure is caused by Force Majeure, provided the Applicant makes commercially reasonable efforts to remedy the cause of such Force Majeure.

Section 8.2. REPORTS.

In order to receive and maintain the limitation authorized by Section 2.4 in addition to the other obligations required by this Agreement, the Applicant shall submit all reports required from time to time by the Comptroller, listed in 34 TEXAS ADMIN. CODE Section 9.1052 and as currently located on the Comptroller's website, including all data elements required by such form to the satisfaction of the Comptroller on the dates indicated on the form or the Comptroller's website and starting on the first such due date after the Application Approval Date.

Section 8.3. COMPTROLLER'S REPORT ON CHAPTER 313 AGREEMENTS.

During the term of this Agreement, both Parties shall provide the Comptroller with all information reasonably necessary for the Comptroller to assess performance under this Agreement for the purpose of issuing the Comptroller's report, as required by Section 313.032 of the TEXAS TAX CODE

Section 8.4. DATA REQUESTS.

Upon the written request of the District, the State Auditor's Office, the Appraisal District, or the Comptroller during the term of this Agreement, the Applicant, the District or any other entity on behalf of the District shall provide the requesting party with all information reasonably necessary for the requesting party to determine whether the Applicant is in compliance with its rights, obligations or responsibilities, including, but not limited to, any employment obligations which may arise under this Agreement.

Section 8.5. SITE VISITS AND RECORD REVIEW.

The Applicant shall allow authorized employees of the District, the Comptroller, the Appraisal District, and the State Auditor's Office to have reasonable access to the Applicant's Qualified Property and business records from the Application Review Start Date through the Final Termination Date, in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property.

- A. All inspections will be made at a mutually agreeable time after the giving of not less than forty-eight (48) hours prior written notice, and will be conducted in such a manner so as not to unreasonably interfere with either the construction or operation of the Applicant's Qualified Property.
- B. All inspections may be accompanied by one or more representatives of the Applicant, and shall be conducted in accordance with the Applicant's safety, security, and operational standards. Notwithstanding the foregoing, nothing contained in this Agreement shall require the Applicant to provide the District, the Comptroller, or the Appraisal District with any technical or business information that is proprietary, a trade secret, or is subject to a confidentiality agreement with any third party.

Section 8.6. RIGHT TO AUDIT; SUPPORTING DOCUMENTS; AUTHORITY OF STATE AUDITOR.

By executing this Agreement, implementing the authority of, and accepting the benefits provided by Chapter 313 of the TEXAS TAX CODE, the Parties agree that this Agreement and their performance pursuant to its terms are subject to review and audit by the State Auditor as if they are parties to a State contract and subject to the provisions of Section 2262.154 of the TEXAS GOVERNMENT CODE and Section 313.010(a) of the TEXAS TAX CODE. The Parties further agree to comply with the following requirements:

- A. The District and the Applicant shall maintain and retain supporting documents adequate to ensure that claims for the Tax Limitation Amount are in accordance with applicable Comptroller and State of Texas requirements. The Applicant and the District shall maintain all such documents and other records relating to this Agreement and the State's

property for a period of four (4) years after the latest occurring date of:

- i. date of submission of the final payment;
 - ii. Final Termination Date; or
 - iii. date of resolution of all disputes or payment.
- B. During the time period defined under Section 8.6.A, the District and the Applicant shall make available at reasonable times and upon reasonable notice, and for reasonable periods, all information related to this Agreement; the Applicant's Application; and the Applicant's Qualified Property, Qualified Investment, New Qualifying Jobs, and wages paid for New Non- Qualifying Jobs such as work papers, reports, books, data, files, software, records, calculations, spreadsheets and other supporting documents pertaining to this Agreement, for purposes of inspecting, monitoring, auditing, or evaluating by the Comptroller, State Auditor's Office, State of Texas or their authorized representatives. The Applicant and the District shall cooperate with auditors and other authorized Comptroller and State of Texas representatives and shall provide them with prompt access to all of such property as requested by the Comptroller or the State of Texas. By example and not as an exclusion to other breaches or failures, the Applicant's or the District's failure to comply with this Section shall constitute a Material Breach of this Agreement.
- C. In addition to and without limitation on the other audit provisions of this Agreement, the acceptance of tax benefits or funds by the Applicant or the District or any other entity or person directly under this Agreement acts as acceptance of the authority of the State Auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, the Applicant or the District or other entity that is the subject of an audit or investigation by the State Auditor must provide the State Auditor with access to any information the State Auditor considers relevant to the investigation or audit. The Parties agree that this Agreement shall for its duration be subject to all rules and procedures of the State Auditor acting under the direction of the legislative audit committee.
- D. The Applicant shall include the requirements of this Section 8.6 in its subcontract with any entity whose employees or subcontractors are subject to wage requirements under the Act, the Comptroller's Rules, or this Agreement, or any entity whose employees or subcontractors are included in the Applicant's compliance with job creation or wage standard requirement of the Act, the Comptroller's Rules, or this Agreement.

Section 8.7. FALSE STATEMENTS; BREACH OF REPRESENTATIONS.

The Parties acknowledge that this Agreement has been negotiated, and is being executed, in reliance upon the information contained in the Application, and any supplements or amendments thereto, without which the Comptroller would not have approved this Agreement and the District would not have executed this Agreement. By signature to this Agreement, the Applicant:

- A. represents and warrants that all information, facts, and representations contained in the Application are true and correct to the best of its knowledge;

- B. agrees and acknowledges that the Application and all related attachments and schedules are included by reference in this Agreement as if fully set forth herein; and
- C. acknowledges that if the Applicant submitted its Application with a false statement, signs this Agreement with a false statement, or submits a report with a false statement, or it is subsequently determined that the Applicant has violated any of the representations, warranties, guarantees, certifications, or affirmations included in the Application or this Agreement, the Applicant shall have materially breached this Agreement and the Agreement shall be invalid and void except for the enforcement of the provisions required by Section 9.2 of this Agreement.

ARTICLE IX
MATERIAL BREACH OR EARLY TERMINATION

Section 9.1. EVENTS CONSTITUTING MATERIAL BREACH OF AGREEMENT.

The Applicant shall be in Material Breach of this Agreement if it commits one or more of the following acts or omissions (each a “Material Breach”):

- A. The Application, any Application Supplement, or any Application Amendment on which this Agreement is approved is determined to be inaccurate as to any material representation, information, or fact or is not complete as to any material fact or representation or such application;
- B. The Applicant failed to complete Qualified Investment as required by Section 2.5.A. of this Agreement during the Qualifying Time Period;
- C. The Applicant failed to create and maintain the number of New Qualifying Jobs required by the Act;
- D. The Applicant failed to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application;
- E. The Applicant failed to pay at least the average weekly wage of all jobs in the county in which the jobs are located for all New Non-Qualifying Jobs created by the Applicant;
- F. The Applicant failed to provide payments to the District sufficient to protect future District revenues through payment of revenue offsets and other mechanisms as more fully described in Article IV of this Agreement;
- G. The Applicant failed to provide the payments to the District that protect the District from the payment of extraordinary education-related expenses related to the project to the extent and in the amounts that the Applicant agreed to provide such payments in Article V of this Agreement;
- H. The Applicant failed to provide the Supplemental Payments to the extent and in the amounts that the Applicant agreed to provide such Supplemental Payments in Article VI of this Agreement;
- I. The Applicant failed to create and Maintain Viable Presence on or with the Qualified Property as more fully specified in Article VIII of this Agreement;
- J. The Applicant failed to submit the reports required to be submitted by Section 8.2 to the satisfaction of the Comptroller;

- K. The Applicant failed to provide the District or the Comptroller with all information reasonably necessary for the District or the Comptroller to determine whether the Applicant is in compliance with its obligations, including, but not limited to, any employment obligations which may arise under this Agreement;
- L. The Applicant failed to allow authorized employees of the District, the Comptroller, the Appraisal District, or the State Auditor's Office to have access to the Applicant's Qualified Property or business records in order to inspect the project to determine compliance with the terms hereof or as necessary to properly appraise the Taxable Value of the Applicant's Qualified Property under Sections 8.5 and 8.6;
- M. The Applicant failed to comply with a request by the State Auditor's office to review and audit the Applicant's compliance with this Agreement;
- N. The Applicant has made any payments to the District or to any other person or persons in any form for the payment or transfer of money or any other thing of value in recognition of, anticipation of, or consideration for this Agreement for limitation on Appraised Value made pursuant to Chapter 313 of the TEXAS TAX CODE, in excess of the amounts set forth in Articles IV, V and VI of this Agreement;
- O. The Applicant failed to comply with the conditions included in the certificate for limitation issued by the Comptroller.

Section 9.2. DETERMINATION OF BREACH AND TERMINATION OF AGREEMENT.

- A. Prior to making a determination that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall provide the Applicant with a written notice of the facts which it believes have caused the breach of this Agreement, and if cure is possible, the cure proposed by the District. After receipt of the notice, the Applicant shall be given ninety (90) days to present any facts or arguments to the Board of Trustees showing that it is not in breach of its obligations under this Agreement, or that it has cured or undertaken to cure any such breach.
- B. If the Board of Trustees is not satisfied with such response or that such breach has been cured, then the Board of Trustees shall, after reasonable notice to the Applicant, conduct a hearing called and held for the purpose of determining whether such breach has occurred and, if so, whether such breach has been cured. At any such hearing, the Applicant shall have the opportunity, together with their counsel, to be heard before the Board of Trustees. At the hearing, the Board of Trustees shall make findings as to:
 - i. whether or not a breach of this Agreement has occurred;
 - ii. whether or not such breach is a Material Breach;
 - iii. the date such breach occurred, if any;
 - iv. whether or not any such breach has been cured; and
- C. In the event that the Board of Trustees determines that such a breach has occurred and has not been cured, it shall at that time determine:
 - i. the amount of recapture taxes under Section 9.4.C (net of all credits under Section 9.4.C);
 - ii. the amount of any penalty or interest under Section 9.4.E that are owed to the District; and

- iii. in the event of a finding of a Material Breach, whether to terminate this Agreement.

D. After making its determination regarding any alleged breach, the Board of Trustees shall cause the Applicant to be notified in writing of its determination (a “Determination of Breach and Notice of Contract Termination”) and provide a copy to the Comptroller.

Section 9.3. DISPUTE RESOLUTION.

- A. After receipt of notice of the Board of Trustee’s Determination of Breach and Notice of Contract Termination under Section 9.2, the Applicant shall have ninety (90) days in which either to tender payment or evidence of its efforts to cure, or to initiate mediation of the dispute by written notice to the District, in which case the District and the Applicant shall be required to make a good faith effort to resolve, without resort to litigation and within ninety (90) days after the Applicant initiates mediation, such dispute through mediation with a mutually agreeable mediator and at a mutually convenient time and place for the mediation. If the Parties are unable to agree on a mediator, a mediator shall be selected by the senior state district court judge then presiding in Culberson County. The Parties agree to sign a document that provides the mediator and the mediation will be governed by the provisions of Chapter 154 of the TEXAS CIVIL PRACTICE AND REMEDIES CODE and such other rules as the mediator shall prescribe. With respect to such mediation, (i) the District shall bear one-half of such mediator’s fees and expenses and the Applicant shall bear one-half of such mediator’s fees and expenses, and (ii) otherwise each Party shall bear all of its costs and expenses (including attorneys’ fees) incurred in connection with such mediation.
- B. In the event that any mediation is not successful in resolving the dispute or that payment is not received within the time period described for mediation in Section 9.3.A, either the District or the Applicant may seek a judicial declaration of their respective rights and duties under this Agreement or otherwise, in a judicial proceeding in a state district court in Culberson County, assert any rights or defenses, or seek any remedy in law or in equity, against the other Party with respect to any claim relating to any breach, default, or nonperformance of any contract, agreement or undertaking made by a Party pursuant to this Agreement.
- C. If payments become due under this Agreement and are not received before the expiration of the ninety (90) days provided for such payment in Section 9.3.A, and if the Applicant has not contested such payment calculations under the procedures set forth herein, including judicial proceedings, the District shall have the remedies for the collection of the amounts determined under Section 9.4 as are set forth in Chapter 33, Subchapters B and C, of the TEXAS TAX CODE for the collection of delinquent taxes. In the event that the District successfully prosecutes legal proceedings under this section, the Applicant shall also be responsible for the payment of attorney’s fees to the attorneys representing the District pursuant to Section 6.30 of the TEXAS TAX CODE and a tax lien shall attach to the Applicant’s Qualified Property and the Applicant’s Qualified Investment pursuant to Section 33.07 of the TEXAS TAX CODE to secure payment of such fees.

Section 9.4. CONSEQUENCES OF EARLY TERMINATION OR OTHER BREACH BY APPLICANT.

- A. In the event that the Applicant terminates this Agreement without the consent of the District, except as provided in Section 7.2 of this Agreement, the Applicant shall pay to the District liquidated damages for such failure within thirty (30) days after receipt of the notice of breach.
- B. In the event that the District determines that the Applicant has failed to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the Applicant shall pay to the District liquidated damages, as calculated by Section 9.4.C, prior to, and the District may terminate the Agreement effective on the later of: (i) the expiration of the ninety (90) days provided for in Section 9.3.A, and (ii) thirty (30) days after any mediation and judicial proceedings initiated pursuant to Sections 9.3.A and 9.3.B are resolved in favor of the District.
- C. The sum of liquidated damages due and payable shall be the sum total of the District ad valorem taxes for all of the Tax Years for which a tax limitation was granted pursuant to this Agreement prior to the year in which the default occurs that otherwise would have been due and payable by the Applicant to the District without the benefit of this Agreement, including penalty and interest, as calculated in accordance with Section 9.4.E. For purposes of this liquidated damages calculation, the Applicant shall be entitled to a credit for all payments made to the District pursuant to Articles IV, V, and VI. Upon payment of such liquidated damages, the Applicant's obligations under this Agreement shall be deemed fully satisfied, and such payment shall constitute the District's sole remedy.
- D. In the event that the District determines that the Applicant has committed a Material Breach identified in Section 9.1, after the notice and mediation periods provided by Sections 9.2 and 9.3, then the District may, in addition to the payment of liquidated damages required pursuant to Section 9.4.C, terminate this Agreement.
- E. In determining the amount of penalty or interest, or both, due in the event of a breach of this Agreement, the District shall first determine the base amount of recaptured taxes less all credits under Section 9.4.C owed for each Tax Year during the Tax Limitation Period. The District shall calculate penalty or interest for each Tax Year during the Tax Limitation Period in accordance with the methodology set forth in Chapter 33 of the TEXAS TAX CODE, as if the base amount calculated for such Tax Year less all credits under Section 9.4.C had become due and payable on February 1 of the calendar year following such Tax Year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(a) of the TEXAS TAX CODE or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Section 33.01(c) of the TEXAS TAX CODE, or its successor statute.

Section 9.5. LIMITATION OF OTHER DAMAGES.

Notwithstanding anything contained in this Agreement to the contrary, in the event of default or breach of this Agreement by the Applicant, the District's damages for such a default shall under no circumstances exceed the amounts calculated under Section 9.4. In addition, the District's sole right of equitable relief under this Agreement shall be its right to terminate this Agreement. The

Parties further agree that the limitation of damages and remedies set forth in this Section 9.5 shall be the sole and exclusive remedies available to the District, whether at law or under principles of equity.

Section 9.6. STATUTORY PENALTY FOR INADEQUATE QUALIFIED INVESTMENT.

Pursuant to Section 313.0275 of the TEXAS TAX CODE, in the event that the Applicant fails to make Twenty Million Dollars (\$20,000,000.00) of Qualified Investment, in whole or in part, during the Qualifying Time Period, the Applicant is liable to the State for a penalty. The amount of the penalty is the amount determined by: (i) multiplying the maintenance and operations tax rate of the school district for that tax year that the penalty is due by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's records for the Tax Year the penalty is due. This penalty shall be paid on or before February 1 of the year following the expiration of the Qualifying Time Period and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE. The Comptroller may grant a waiver of this penalty in the event of Force Majeure which prevents compliance with this provision.

Section 9.7. REMEDY FOR FAILURE TO CREATE AND MAINTAIN REQUIRED NEW QUALIFYING JOBS.

Pursuant to Section 313.0276 of the TEXAS TAX CODE, for any full Tax Year that commences after the project has become operational, in the event that it has been determined that the Applicant has failed to meet the job creation or retention requirements defined in Sections 9.1.C, the Applicant shall not be deemed to be in Material Breach of this Agreement until such time as the Comptroller has made a determination to rescind this Agreement under Section 313.0276 of TEXAS TAX CODE, and that determination is final.

Section 9.8. REMEDY FOR FAILURE TO CREATE AND MAINTAIN COMMITTED NEW QUALIFYING JOBS.

- A. In the event that the Applicant fails to create and maintain the number of New Qualifying Jobs specified in Schedule C of the Application, an event constituting a Material Breach as defined in Section 9.1.D, the Applicant and the District may elect to remedy the Material Breach through a penalty payment.
- B. Following the notice and mediation periods provided by Sections 9.2 and 9.3, the District may request the Applicant to make a payment to the State in an amount equal to: (i) multiplying the maintenance and operations tax rate of the school district for that Tax Year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the Tax Limitation Amount identified in Section 2.4.B from (b) the market value of the property identified on the Appraisal District's records for each tax year the Material Breach occurs.
- C. In the event that there is no tax limitation in place for the tax year that the Material Breach occurs, the payment to the State shall be in an amount equal to: (i) multiplying the maintenance and operations tax rate of the School District for each tax year that the Material Breach occurs by (ii) the amount obtained after subtracting (a) the tax limitation amount

identified in Section 2.4.B from (b) the Market Value of the property identified on the Appraisal District's records for the last Tax Year for which the Applicant received a tax limitation.

- D. The penalty shall be paid no later than 30 days after the notice of breach and is subject to the delinquent penalty provisions of Section 33.01 of the TEXAS TAX CODE.

ARTICLE X.
MISCELLANEOUS PROVISIONS

Section 10.1. INFORMATION AND NOTICES.

- A. Unless otherwise expressly provided in this Agreement, all notices required or permitted hereunder shall be in writing and deemed sufficiently given for all purposes hereof if (i) delivered in person, by courier (*e.g.*, by Federal Express) or by registered or certified United States Mail to the Party to be notified, with receipt obtained, or (ii) sent by facsimile or email transmission, with notice of receipt obtained, in each case to the appropriate address or number as set forth below. Each notice shall be deemed effective on receipt by the addressee as aforesaid; provided that, notice received by facsimile or email transmission after 5:00 p.m. at the location of the addressee of such notice shall be deemed received on the first business day following the date of such electronic receipt.
- B. Notices to the District shall be addressed to the District's Authorized Representative as follows:

To the District

With Copy to

Name:	Culberson County—Allamoore Independent School District	Powell & Leon. LLP
Attn:	Superintendent Ken Baugh or his successor	Sara Hardner Leon
Address:	400 W. 7 th Street P.O. Box 899	108 Wild Basin Road #100
City/Zip:	Van Horn, Texas 79855	West Lake Hills, TX 78746
Phone :	(432) 283-2245	Phone : (512) 494-1177
Fax :	(432) 283-9062	Fax : (512) 494-1188
Email:	kbaugh@ccaidsd.net	sleon@powell-leon.com

- C. Notices to the Applicant shall be addressed to its Authorized Representative as follows:

To the Applicant

Name: Targa Resources, LLC
Attn: John Thompson
VP Tax
Address: 811 Louisiana St., Suite 2100
City/Zip: Houston, TX 77002
Phone : (713) 584-1580

Email: jthompson@targaresources.com

or at such other address or to such other facsimile transmission number and to the attention of such other person as a Party may designate by written notice to the other.

Section 10.2. AMENDMENTS TO APPLICATION AND AGREEMENT; WAIVERS.

- A. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by all of the Parties and after completing the requirements of Section 10.2.B. Waiver of any term, condition, or provision of this Agreement by any Party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach of, or failure to comply with, the same term, condition, or provision, or a waiver of any other term, condition, or provision of this Agreement.
- B. By official action of the District's Board of Trustees, the Application and this Agreement may only be amended according to the following:
- i. The Applicant shall submit to the District and the Comptroller:
 - a. a written request to amend the Application and this Agreement, which shall specify the changes the Applicant requests;
 - b. any changes to the information that was provided in the Application that was approved by the District and considered by the Comptroller;
 - c. and any additional information requested by the District or the Comptroller necessary to evaluate the amendment or modification;
 - ii. The Comptroller shall review the request and any additional information for compliance with the Act and the Comptroller's Rules and provide a revised Comptroller certificate for a limitation within 90 days of receiving the revised Application and, if the request to amend the Application has not been approved by the Comptroller by the end of the 90-day period, the request is denied; and
 - iii. If the Comptroller has not denied the request, the District's Board of Trustees shall approve or disapprove the request before the expiration of 150 days after the request is filed.
- C. Any amendment of the Application and this Agreement adding additional or replacement Qualified Property pursuant to this Section 10.2 of this Agreement shall:
- i. require that all property added by amendment be eligible property as defined by Section 313.024 of the TEXAS TAX CODE;
 - ii. clearly identify the property, investment, and employment information added by amendment from the property, investment, and employment information in the

original Agreement; and

- D. The Application and this Agreement may not be amended to extend the value limitation time period beyond its ten-year statutory term.
- E. The Comptroller determination made under Section 313.026(c)(2) of the TEXAS TAX CODE in the original certificate for a limitation satisfies the requirement of the Comptroller to make the same determination for any amendment of the Application and this Agreement, provided that the facts upon which the original determination was made have not changed.

Section 10.3. ASSIGNMENT.

- A. Any assignment of any rights, benefits, obligations, or interests of the Parties in this Agreement, other than a collateral assignment purely for the benefit of creditors of the project, is considered an amendment to the Agreement and such Party may only assign such rights, benefits, obligations, or interests of this Agreement after complying with the provisions of Section 10.2 regarding amendments to the Agreement. Other than a collateral assignment to a creditor, this Agreement may only be assigned to an entity that is eligible to apply for and execute an agreement for limitation on appraised value pursuant to the provisions of Chapter 313 of the TEXAS TAX CODE and the Comptroller's Rules.
- B. In the event of a merger or consolidation of the District with another school district or other governmental authority, this Agreement shall be binding on the successor school district or other governmental authority.
- C. In the event of an assignment to a creditor, the Applicant must notify the District and the Comptroller in writing no later than 30 days after the assignment. This Agreement shall be binding on the assignee.

Section 10.4. MERGER.

This Agreement contains all of the terms and conditions of the understanding of the Parties relating to the subject matter hereof. All prior negotiations, discussions, correspondence, and preliminary understandings between the Parties and others relating hereto are superseded by this Agreement.

Section 10.5. GOVERNING LAW.

This Agreement and the transactions contemplated hereby shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law or rules that would direct the application of the laws of another jurisdiction. Venue in any legal proceeding shall be in a state district court in Culberson County.

Section 10.6. AUTHORITY TO EXECUTE AGREEMENT.

Each of the Parties represents and warrants that its undersigned representative has been expressly authorized to execute this Agreement for and on behalf of such Party.

Section 10.7. SEVERABILITY.

If any term, provision or condition of this Agreement, or any application thereof, is held invalid, illegal, or unenforceable in any respect under any Law (as hereinafter defined), this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and to the extent such term, provision, or condition cannot be so reformed, then such term, provision, or condition (or such invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality, and enforceability of the remaining terms, provisions, and conditions contained herein (and any other application such term, provision, or condition) shall not in any way be affected or impaired thereby. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement in an acceptable manner so as to effect the original intent of the Parties as closely as possible so that the transactions contemplated hereby are fulfilled to the extent possible. As used in this Section 10.7, the term “Law” shall mean any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree, or other official act of or by any federal, state or local government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body having jurisdiction over the matter or matters in question.

Section 10.8. PAYMENT OF EXPENSES.

Except as otherwise expressly provided in this Agreement, or as covered by the application fee, each of the Parties shall pay its own costs and expenses relating to this Agreement, including, but not limited to, its costs and expenses of the negotiations leading up to this Agreement, and of its performance and compliance with this Agreement.

Section 10.9. INTERPRETATION.

- A. When a reference is made in this Agreement to a Section, Article, or Exhibit, such reference shall be to a Section or Article of, or Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.
- B. The words “include,” “includes,” and “including” when used in this Agreement shall be deemed in such case to be followed by the phrase, “but not limited to”. Words used in this Agreement, regardless of the number or gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context shall require.
- C. The provisions of the Act and the Comptroller’s Rules are incorporated by reference as if fully set forth in this Agreement. In the event of a conflict, the conflict will be resolved by reference to the following order of precedence:
 - i. The Act;
 - ii. The Comptroller’s Rules as they exist at the time the Agreement is executed, except as allowed in the definition of Qualified Property in Section 1.1; and

- iii. This Agreement and its Attachments including the Application as incorporated by reference.

Section 10.10. EXECUTION OF COUNTERPARTS.

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

Section 10.11. PUBLICATION OF DOCUMENTS.

The Parties acknowledge that the District is required to publish the Application and its required schedules, or any amendment thereto; all economic analyses of the proposed project submitted to the District; and the approved and executed copy of this Agreement or any amendment thereto, as follows:

- A. Within seven (7) days of receipt of such document, the District shall submit a copy to the Comptroller for publication on the Comptroller's Internet website;
- B. The District shall provide on its website a link to the location of those documents posted on the Comptroller's website;
- C. This Section does not require the publication of information that is confidential under Section 313.028 of the TEXAS TAX CODE.

Section 10.12. CONTROL; OWNERSHIP; LEGAL PROCEEDINGS.

The Applicant shall immediately notify the District in writing of any actual or anticipated change in the control or ownership of the Applicant and of any legal or administrative investigations or proceedings initiated against the Applicant related to the project regardless of the jurisdiction from which such proceedings originate.

Section 10.13. DUTY TO DISCLOSE.

If circumstances change or additional information is obtained regarding any of the representations and warranties made by the Applicant in the Application or this Agreement, or any other disclosure requirements, subsequent to the date of this Agreement, the Applicant's duty to disclose continues throughout the term of this Agreement.

Section 10.14. CONFLICTS OF INTEREST.

- A. The District represents that, after diligent inquiry, each local public official or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE has disclosed any conflicts of interest in obtaining or performing this Agreement and related activities, appropriately recused from any decisions relating to this Agreement when a disclosure has been made, and the performance of this Agreement will not create any appearance of impropriety. The District represents that it, the District's local public officials or local government officer, as those terms are defined in Chapters 171 and 176 of the TEXAS LOCAL GOVERNMENT CODE have not given, nor

intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.

- B. The Applicant represents that, after diligent inquiry, each of its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, involved in the representation of the Applicant with the District has complied with the provisions of Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE. The Applicant represents that it and its agents, as defined in Chapter 176 of the TEXAS LOCAL GOVERNMENT CODE, have not given, nor intend to give, at any time hereafter, any future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant, employee, or representative of the other Party or the State of Texas in connection with this Agreement.
- C. The District and the Applicant each separately agree to notify the other Party and the Comptroller immediately upon learning of any conflicts of interest.

Section 10.15. PROVISIONS SURVIVING EXPIRATION OR TERMINATION.

Notwithstanding the expiration or termination (by agreement, breach, or operation of time) of this Agreement, the provisions of this Agreement regarding payments (including liquidated damages and tax payments), reports, records, and dispute resolution of the Agreement shall survive the termination or expiration dates of this Agreement until the following occurs:

- A. all payments, including liquidated damage and tax payments, have been made;
- B. all reports have been submitted;
- C. all records have been maintained in accordance with Section 8.6.A; and,
- D. all disputes in controversy have been resolved.

Section 10.16. FACSIMILE OR ELECTRONIC DELIVERY.

- A. This Agreement may be duly executed and delivered in person, by mail, or by facsimile or other electronic format (including portable document format (pdf) transmitted by e-mail). The executing Party must promptly deliver a complete, executed original or counterpart of this Agreement to the other executing Parties. This Agreement shall be binding on and enforceable against the executing Party whether or not it delivers such original or counterpart.
- B. Delivery is deemed complete as follows:
 - i. When delivered if delivered personally or sent by express courier service;
 - ii. Three (3) business days after the date of mailing if sent by registered or certified U.S. mail, postage prepaid, with return receipt requested;
 - iii. When transmitted if sent by facsimile, provided a confirmation of transmission is produced by the sending machine; or
 - iv. When the recipient, by an e-mail sent to the e-mail address for the executing Parties acknowledges having received that e-mail (an automatic “read receipt” does not constitute acknowledgment of an e-mail for delivery purposes).

IN WITNESS WHEREOF, this Agreement has been executed by the Parties in multiple originals on this 17th day of December, 2018.

TARGA DELAWARE, LLC

By: 
Name: JOHN D. THOMPSON
Title: VICE PRESIDENT, TAX

**CULBERSON COUNTY-ALLAMOORE
INDEPENDENT SCHOOL DISTRICT**

By: 
Leticia Hernandez
President, Board of Trustees

ATTEST:

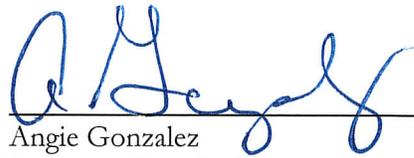
By: 
Angie Gonzalez
Secretary, Board of Trustees

EXHIBIT 1

DESCRIPTION AND LOCATION OF ENTERPRISE OR REINVESTMENT ZONE

**Section 47, A-2937, Block 61, T-1
T&P RR Co. Survey,
Culberson County, Texas**

Proposed 30' Access Easement

A 1.298 Acre tract of land located in the Northeast part of Section 47, Block 61, T-1, T&P RR Co. Survey, A-2937, Culberson County, Texas, being 15' each side of the following described centerline:

Beginning at a point (X = 1052931.79, Y = 10672667.06, NAD 83, Texas Central Zone 4203, US FT) in the Northeast part of said Section 47 from which point the Southeast corner of Section 47 bears S 87°51'01" E 1,402.34' and S 02°08'59" W 3,252.23' & the Northeast corner of Section 47 bears S 87°51'01" E 1,402.34' and N 02°08'59" E 2,279.66';

Thence N 07°20'10" E 842.23' to a point; Thence N 19°34'26" W 162.31' to a point; Thence N 45°24'17" W 159.95' to a point; Thence N 67°36'43" W 605.34' to a point; Thence N 22°23'17" E 114.88' to a point on the South Right-of-Way of FM-652 in the Northeast part of said Section 47, having 1,884.71 feet or 114.22 rods in length and containing 56,541 square feet or 1.298 Acres of land.

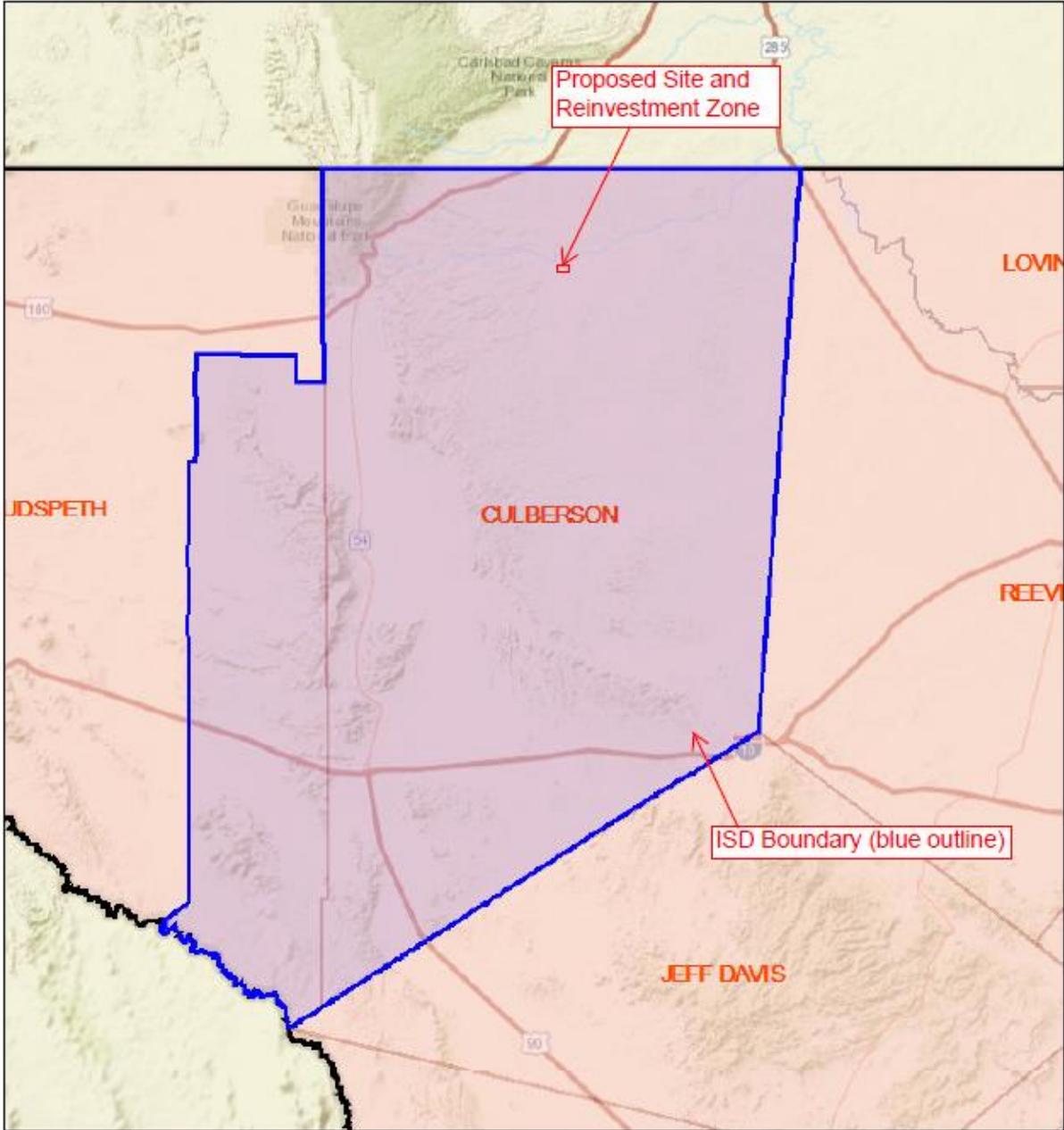
Proposed Peregrine Site

A 120.000 Acre tract of land in the Central part of Section 47, Block 61, T-1, A-2937, T&P RR Co. Survey, Culberson County, Texas, described by metes and bounds as follows:

BEGINNING at a set 5/8" Iron Rebar with cap (X=1053198.15, Y=10672657.06 NAD 83, Texas Central Zone 4203, US Feet) for the Northeast corner of this tract from which point the Southeast corner of said Section 47 bears S 87°51'01" E 1,135.79' and S 02°08'59" W 3,252.23' & the Northeast corner of Section 47 bears S 87°51'01" E 1,135.79' and N 02°08'59" E 2,279.66';

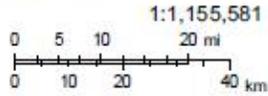
Thence S 02°08'59" W 1,870.00' to a set 5/8" Iron Rebar with cap for the Southeast corner of this tract; Thence N 87°51'01" E 2,795.29' to the place of beginning containing 5,227,192 square feet or 120.000 Acres of land.





April 9, 2018

Texas_Outline
 Counties



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, © OpenStreetMap contributors, and the GIS User Community

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE
CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT**

A RESOLUTION DESIGNATING A REINVESTMENT ZONE IN CONNECTION WITH AN ECONOMIC DEVELOPMENT AGREEMENT UNDER CHAPTER 313 OF THE TEXAS TAX CODE, SUCH REINVESTMENT ZONE BEING LOCATED WITHIN THE GEOGRAPHIC BOUNDARIES OF THE CULBERSON COUNTY-ALLAMOORE INDEPENDENT SCHOOL DISTRICT, CULBERSON COUNTY, TEXAS, TO BE KNOWN AS THE “TARGA DELAWARE – PEREGRINE PLANT REINVESTMENT ZONE #1261”; ESTABLISHING THE BOUNDARIES THEREOF IN CONNECTION WITH AN APPLICATION FOR VALUE LIMITATION AGREEMENT FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES UNDER CHAPTER 313 OF THE TEXAS TAX CODE SUBMITTED BY TARGA DELAWARE, LLC (TAXPAYER I.D. 32053692227), COMPTROLLER’S APPLICATION NO. 1261:

WHEREAS, the Property Redevelopment and Tax Abatement Act, as amended (TEXAS TAX CODE § 312.0025) permits a school district to designate a reinvestment zone if that designation is reasonably likely to contribute to the expansion of primary employment in the reinvestment zone, or attract major investment in the reinvestment zone that would be a benefit to property in the reinvestment zone and to the school district and contribute to the economic development of the region of the state in which the school district is located; and,

WHEREAS, the Culberson County-Allamore Independent School District (the “District”) desires to promote the development of primary employment and to attract major investment in the District and contribute to the economic development of the region in which the school district is located; and,

WHEREAS, a public hearing is required by Chapter 312 of the TEXAS TAX CODE prior to approval of a reinvestment zone; and,

WHEREAS, the District caused to be published in a newspaper of general circulation in Culberson County, Texas timely notice of a public hearing regarding the possible designation of the area described in the attached **EXHIBIT A** as a reinvestment zone, for the purpose of authorizing an *Agreement for Value Limitation on Appraised Value of Qualified Property for School District Maintenance and Operations Taxes*, as authorized by Chapter 313 of the TEXAS TAX CODE; and,

WHEREAS, on December 17, 2018, the District’s Board of Trustees held a hearing, such date being at least seven (7) days after the date of publication of the notice of such public hearing and the delivery of written notice to all political subdivisions and taxing authorities having jurisdiction over the property proposed to be designated as the reinvestment zone, described in the attached **Exhibits A and B**; and,

WHEREAS, at such public hearing all interested members of the public were given an opportunity to appear and speak for or against the designation of the reinvestment zone and whether all or part of the territory described should be included in the proposed reinvestment zone, and approval of an *Agreement for Value Limitation on Appraised Value of Qualified Property for School District Maintenance and Operations Taxes*, as authorized by Chapter 313 of the TEXAS TAX CODE with Targa Delaware, LLC (Texas Taxpayer I.D. No. 32053692227); and,

WHEREAS, the District wishes to designate a reinvestment zone within the boundaries of the school district in Culberson County, Texas to be known as the “Targa Delaware – Peregrine Plant Reinvestment Zone #1261,” as shown on the attached **Exhibit B**.

**NOW THEREFORE, BE IT RESOLVED BY THE
CULBERSON COUNTY - ALLAMOORE INDEPENDENT SCHOOL DISTRICT:**

SECTION 1. That the facts and recitations contained in the preamble of this Resolution are hereby found and declared to be true and correct and are incorporated into this Resolution as findings of fact.

SECTION 2. That the Board of Trustees of the District, after conducting such hearing and having heard such evidence and testimony, has made the following findings and determinations based on the evidence and testimony presented to it:

- (a) That the public hearing on the adoption of the “Targa Delaware – Peregrine Plant Reinvestment Zone #1261” has been properly called, held, and conducted, and that notices of such hearing have been published as required by law and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone;
- (b) That the boundaries of the “Targa Delaware – Peregrine Plant Reinvestment Zone #1261” be and, by the adoption of this Resolution, are declared and certified to be, the area as described in the description attached hereto as **Exhibit A**;
- (c) That creation of the boundaries as described in **Exhibit A** will result in economic benefits to the District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (d) That the “Targa Delaware – Peregrine Plant Reinvestment Zone #1261” described in **Exhibit A** meets the criteria set forth in TEXAS TAX CODE §312.0025 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and/or will attract major investment in the zone that will be a benefit to the property to be included in the reinvestment zone and would contribute to the economic development of the District.

SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the District hereby designates a reinvestment zone under the provisions of TEXAS TAX CODE § 312.0025, encompassing the area described by the descriptions in **Exhibit A**, and such reinvestment zone is hereby designated and shall hereafter be referred to as the “Targa Delaware – Peregrine Plant Reinvestment Zone #1261.”

SECTION 4. That the “Targa Delaware – Peregrine Plant Reinvestment Zone #1261” shall take effect upon adoption of this Resolution by the District Board of Trustees and shall remain designated as a commercial- industrial reinvestment zone for a period of five (5) years from such date of such designation.

SECTION 5. That it is hereby found, determined, and declared that a sufficient notice of the date, hour, place, and subject of the meeting of the District’s Board of Trustees, at which this Resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Government Act, TEXAS GOVERNMENT CODE, Chapter 551, as amended; and that a public hearing was held prior to the designation of such reinvestment zone, and that proper

notice of the hearing was published in newspapers of general circulation in the Culberson County – Allamoore Independent School District, Culberson County, Texas; and that, furthermore, such notice was in fact delivered to the presiding officer of any affected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

PASSED, APPROVED, AND ADOPTED on this 17th day of December 2018.

**CULBERSON COUNTY – ALLAMOORE
INDEPENDENT SCHOOL DISTRICT**

By:



Leticia Hernandez
President, Board of Trustees

ATTEST:

By:



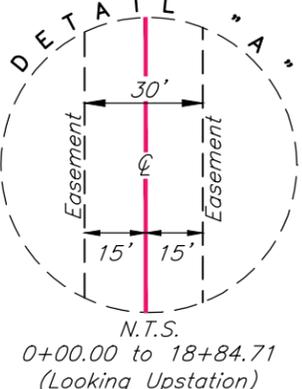
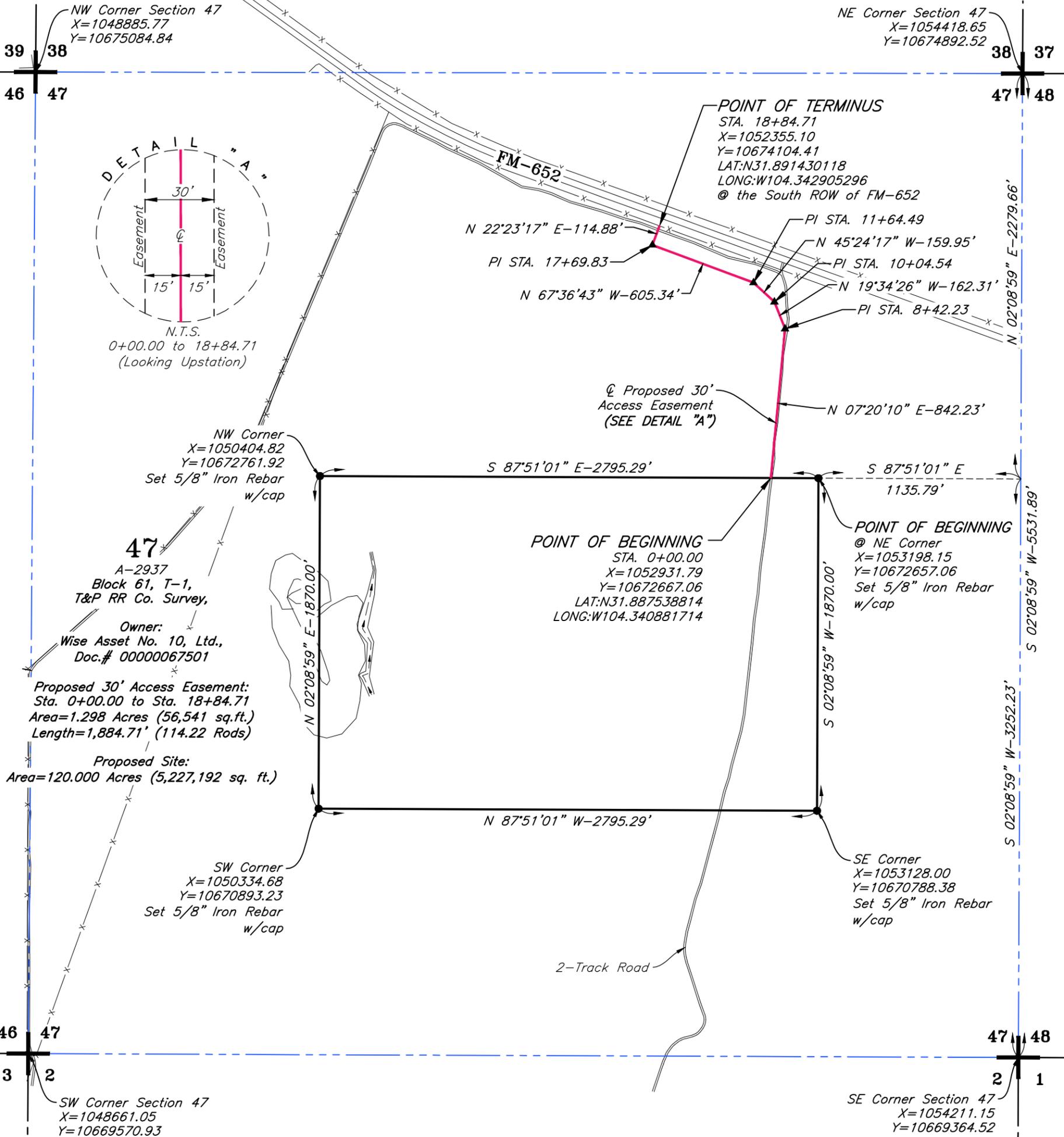
Angie Gonzalez
Secretary, Board of Trustees

EXHIBIT A

**LEGAL DESCRIPTION OF THE
“TARGA DELAWARE – PEREGRINE PLANT REINVESTMENT ZONE #1261”**

SECTION 47, A-2937, BLOCK 61, T-1,
T&P RR CO. SURVEY,
CULBERSON COUNTY, TEXAS
EXHIBIT A

NAD 83
TEXAS CENTRAL
ZONE 4203



Legend

- ▲ PI @ Easement
- Section Line
- Proposed Site Boundary
- Proposed Access Road Easement
- x-x- Fence Line

- NOTES:
- 1) THIS PLAT AND THE SURVEY IT IS BASED ON DOES NOT CONSTITUTE AN:
 - A.) ENVIRONMENTAL ASSESSMENT.
 - B.) WETLANDS DETERMINATION.
 - C.) SUBSURFACE DETERMINATION.
 - 2) COORDINATES AND BEARINGS AS SHOWN ARE GRID AS DERIVED FROM GPS OBSERVATION AND ARE BASED ON STATE PLANE COORDINATES FOR THE TEXAS CENTRAL ZONE 4203 NAD 83.
 - 3) THAT A LEGAL DESCRIPTION OF EVEN SURVEY DATE ACCOMPANIES THIS PLAT.



CERTIFICATION:
This is to certify that this plat and the survey on which it is based were made by me or those under my direct supervision, and meets the Professional and Technical Standards for The State of Texas.

Aaron G. Bunch 05-10-2018
Aaron G. Bunch, RPLS
TX Reg. No. 6322
Should any discrepancies be discovered please notify us immediately.

0	05/09/18	PBR/II	Issued for Use
No.	Date	By	Revision
 TARGA DELAWARE LLC 110 West 7th Street, Tulsa, OK., 74119			
 NTB Associates, Inc. Surveyors 601 Interstate 20, Suite 41 Monahans, TX 79756 Phone: (432) 251-5192 Firm Registration No.: 10194279 Exp. 12/31/2017			
PEREGRINE PROPOSED SITE & ACCESS EASEMENTS Located in Section 47, Block 61, T-1, A-2937, T&P RR Co. Survey, Culberson County, Texas			
FIELD SURVEYED: 05/08/18	DRN: PBR/II	DATE: 05/09/18	
SCALE: 1" = 600'	CHKD: AGB	DATE: 05/10/18	
DRAWING # 18006066-A-200	DATE: 05/10/18	REV	0

SECTION 47, A-2937, BLOCK 61, T-1,
T&P RR CO. SURVEY,
CULBERSON COUNTY, TEXAS
EXHIBIT A

Proposed 30' Access Easement

A 1.298 Acre tract of land located in the Northeast part of Section 47, Block 61, T-1, T&P RR Co. Survey, A-2937, Culberson County, Texas, being 15' each side of the following described centerline:

Beginning at a point (X=1052931.79, Y=10672667.06, NAD 83, Texas Central Zone 4203, US FT) in the Northeast part of said Section 47 from which point the Southeast corner of Section 47 bears S 87°51'01" E 1,402.34' and S 02°08'59" W 3,252.23' & the Northeast corner of Section 47 bears S 87°51'01" E 1,402.34' and N 02°08'59" E 2,279.66';

Thence N 07°20'10" E 842.23' to a point; Thence N 19°34'26" W 162.31' to a point; Thence N 45°24'17" W 159.95' to a point; Thence N 67°36'43" W 605.34' to a point; Thence N 22°23'17" E 114.88' to a point on the South Right-of-Way of FM-652 in the Northeast part of said Section 47, having 1,884.71 feet or 114.22 rods in length and containing 56,541 square feet or 1.298 Acres of land.

Proposed Peregrine Site

A 120.000 Acre tract of land in the Central part of Section 47, Block 61, T-1, A-2937, T&P RR Co. Survey, Culberson County, Texas, described by metes and bounds as follows:

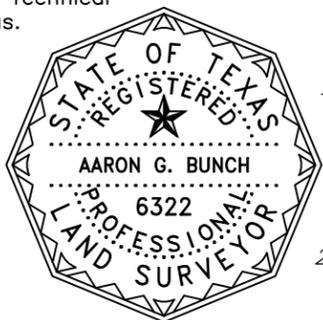
BEGINNING at a set 5/8" Iron Rebar with cap (X=1053198.15, Y=10672657.06, NAD 83, Texas Central Zone 4203, US Feet) for the Northeast corner of this tract from which point the Southeast corner of said Section 47 bears S 87°51'01" E 1,135.79' and S 02°08'59" W 3,252.23' & the Northeast corner of Section 47 bears S 87°51'01" E 1,135.79' and N 02°08'59" E 2,279.66';

Thence S 02°08'59" W 1,870.00' to a set 5/8" Iron Rebar with cap for the Southeast corner of this tract; Thence N 87°51'01" W 2,795.29' to a set 5/8" Iron Rebar with cap for the Southwest corner of this tract; Thence N 02°08'59" E 1,870.00' to a set 5/8" Iron Rebar with cap for the Northwest corner of this tract; Thence S 87°51'01" E 2,795.29' to the place of beginning containing 5,227,192 square feet or 120.000 Acres of land.

PAGE 2 OF 2

CERTIFICATION:

This is to certify that this plat and the survey on which it is based were made by me or those under my direct supervision, and meets the Professional and Technical Standards for The State of Texas.



Aaron G. Bunch 05-10-2018

Aaron G. Bunch, RPLS
TX Reg. No. 6322

Should any discrepancies be discovered please notify us immediately.

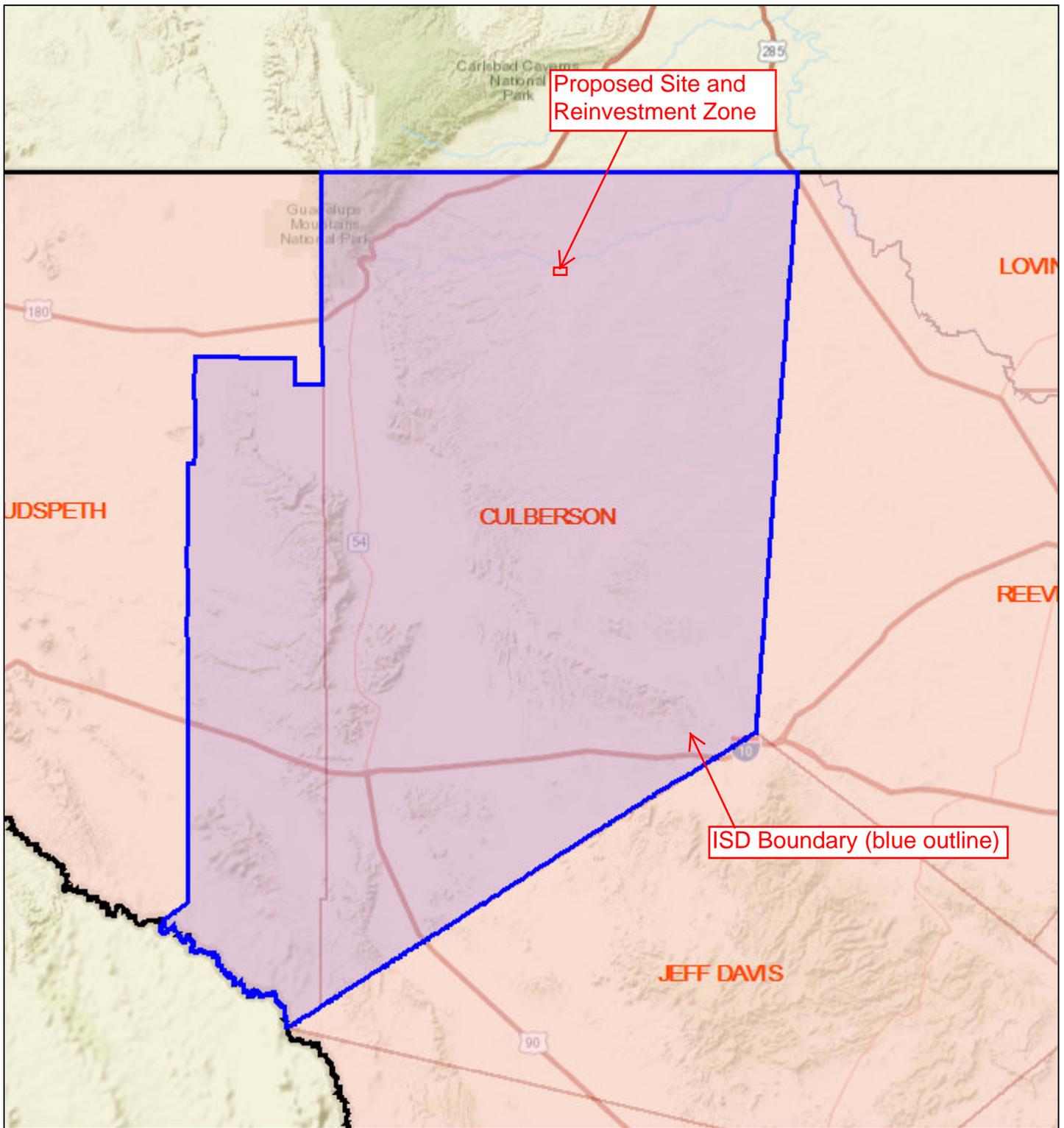
NOTES:

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 - B.) WETLANDS DETERMINATION.
 - C.) SUBSURFACE DETERMINATION.
- 2) COORDINATES AND BEARINGS AS SHOWN ARE GRID AS DERIVED FROM GPS OBSERVATION AND ARE BASED ON STATE PLANE COORDINATES FOR THE TEXAS CENTRAL ZONE 4203 NAD 83.
- 3) THAT A PLAT OF EVEN SURVEY DATE ACCOMPANIES THIS LEGAL DESCRIPTION.

No.	Date	By	Revision
0	05/09/18	PBR II	Issued for Use
 TARGA TARGA DELAWARE LLC 110 West 7th Street, Tulsa, OK., 74119			
 NTB Associates, Inc. Surveyors 601 Interstate 20, Suite 41 Monahans, TX 79756 Phone: (432) 251-5192 Firm Registration No.: 10194279 Exp. 12/31/2017			
PEREGRINE PROPOSED SITE & ACCESS EASEMENTS Located in Section 47, Block 61, T-1, A-2937, T&P RR Co. Survey, Culberson County, Texas			
FIELD SURVEYED: 05/08/18		DRN: PBR II	DATE: 05/09/18
SCALE: N/A		CHKD: AGB	DATE: 05/10/18
DRAWING # 18006066-A-200		DATE: 05/10/18	REV 0

EXHIBIT B

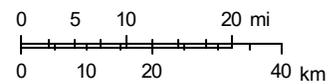
**SURVEY MAP OF THE
“TARGA DELAWARE – PEREGRINE PLANT REINVESTMENT ZONE #1261”**



April 9, 2018

1:1,155,581

-  Texas_Outline
-  Counties



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, © OpenStreetMap contributors, and the GIS User Community

Potential Plant Site

Legend

 Proposed Site and Reinvestment Zone

 Proposed Site and Reinvestment Zone

62

285

Google Earth

Image Landsat / Copernicus

© 2018 Google



20 mi

Potential Plant Site

Legend

 Proposed Site and Reinvestment Zone

652

 Proposed Site and Reinvestment Zone

Google Earth

© 2018 Google



2 mi

Potential Plant Site

Legend

 Proposed Site and Reinvestment Zone

652

 Proposed Site and Reinvestment Zone



ISD Map

Legend

-  Culberson County-Allamore Independent School District
-  Reinvestment Zone

Culberson ISD Boundary
(yellow outline)

Reinvestment Zone Boundary
(red outline)

Google Earth

Image Landsat / Copernicus



50 mi

Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location (yellow outline)



Reinvestment Zone

Legend

 Reinvestment Zone

Reinvestment Zone Boundary



EXHIBIT 2

DESCRIPTION AND LOCATION OF LAND

Land is not considered part of the qualified investment or property.

EXHIBIT 3

APPLICANT'S QUALIFIED INVESTMENT

Proposed Project Description

Targa Delaware, LLC proposes to build a new 250 mmscf/d Gas Processing Plant in Culberson County-Allamoreo ISD, Texas on a reinvestment zone of approximately 120 acres. Projected timeline for Targa to start hiring the new employees in June of 2019, and commencement of commercial operations to start in September of 2019.

Cryogenic Natural Gas Processing Plant

The Gas Processing Plant will manufacture both dry natural gas, and natural gas liquids for sale to consumers and refiners. Equipment systems will include a refrigerated cryogenic gas plant, inlet & liquids handling, dehydration & treating, liquids stabilization, and gas/liquids delivery. If completed, the gas processing plant will be designed to process 250mmscf/d of gas and would include the components listed below.

- Buildings (Maintenance and Operations), Foundations, Inlet Separator, Amine Unit, Boilers, Heat Exchangers, Natural Gas/Air/H₂O Piping, Control
- Valves, Dehydration Units, Knock Out Drums, Slug Catcher, Compressors, Vessels, Heat Exchanger, SCADA (monitoring software) plus Controls.
- ENVIRONMENTAL: (A) Flare-Stack, Scrubber, Leak Detection; (L) Liners, Containment.

After installation, this would provide a long-term processing, compression and residue gas takeaway in the Delaware Basin Region of Texas.

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 newly constructed pipeline adjacent to the facility to be delivered to multiple markets.
3. Interconnections
 - a. The plant will be interconnected via newly constructed pipelines to allow the final products to be delivered to the market.

Summary of Components

- Inlet Slug Catchers
- Inlet Separation and Filtration
- Amine treating for CO₂ Removal
- TEG dehydration for H₂O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants

- Residue Recompression units
- Heat Medium Systems
- Flare System (common for all trains)
- Water supply, drain systems, waste water
- Utilities (fuel, air, R.O. water)

Processing Natural Gas

Natural gas, as it is used by consumers, is much different from the natural gas that is brought from underground up to the wellhead. Although the processing of natural gas is in many respects less complicated than the processing and refining of crude oil, it is equally as necessary before its use by end users.

Natural gas is composed almost entirely of methane. However, natural gas found at the wellhead, although still composed primarily of methane, is by no means as pure. Raw natural gas comes from three types of wells: oil wells, gas wells, and condensate wells. Natural gas that comes from oil wells is typically termed ‘associated gas’. This gas can exist separate from oil in the formation (free gas), or dissolved in the crude oil (dissolved gas). Natural gas from gas and condensate wells, in which there is little or no crude oil, is termed ‘nonassociated gas’. Gas wells typically produce raw natural gas by itself, while condensate wells produce free natural gas along with a semi-liquid hydrocarbon condensate. Whatever the source of the natural gas, once separated from crude oil (if present) it commonly exists in mixtures with other hydrocarbons; principally ethane, propane, butane, and pentanes. In addition, raw natural gas contains water vapor, hydrogen sulfide (H₂S), carbon dioxide, helium, nitrogen, and other compounds.

Natural gas processing consists of separating all the various hydrocarbons and fluids from the pure natural gas, to produce what is known as ‘pipeline quality’ dry natural gas. Major transportation pipelines usually impose restrictions on the makeup of the natural gas that is allowed into the pipeline. That means that before the natural gas can be transported it must be purified. While the ethane, propane, butane, and pentanes must be removed from natural gas, this does not mean that they are all ‘waste products’.

In fact, associated hydrocarbons, known as ‘natural gas liquids’ (NGLs) can be very valuable by-products of natural gas processing. NGLs include ethane, propane, butane, iso-butane, and natural gasoline. These NGLs are sold separately and have a variety of different uses; including enhancing oil recovery in oil wells, providing raw materials for oil refineries or petrochemical plants, and as sources of energy.

While some of the needed processing can be accomplished at or near the wellhead (field processing), the complete processing of natural gas takes place at a processing plant, usually located in a natural gas producing region. The extracted natural gas is transported to these processing plants through a network of gathering pipelines, which are small diameter, low pressure pipes. A complex gathering system can consist of thousands of miles of pipes, interconnecting the processing plant to upwards of 100 wells in the area. According to the American Gas Association’s Gas Facts 2000, there was an estimated 36,100 miles of gathering system pipelines in the U.S. in 1999.

The actual practice of processing natural gas to pipeline dry gas quality levels can be quite complex, but usually involves four main processes to remove the various impurities:

- Oil and Condensate Removal
- Water Removal
- Separation of Natural Gas Liquids
- Sulfur and Carbon Dioxide Removal

Oil and Condensate Removal

The actual process used to separate oil from natural gas, as well as the equipment that is used, can vary widely. Although dry pipeline quality natural gas is virtually identical across different geographic areas, raw natural gas from different regions may have different compositions and separation requirements. In many instances, natural gas is dissolved in oil underground primarily due to the pressure that the formation is under. When this natural gas and oil is produced, it is possible that it will separate on its own, simply due to decreased pressure; much like opening a can of soda pop allows the release of dissolved carbon dioxide. In these cases, separation of oil and gas is relatively easy, and the two hydrocarbons are sent separate ways for further processing. The most basic type of separator is known as a conventional separator. It consists of a simple closed tank, where the force of gravity serves to separate the heavier liquids like oil, and the lighter gases, like natural gas.

Water Removal

In addition to separating oil and some condensate from the wet gas stream, it is necessary to remove most of the associated water. Most of the liquid, free water associated with extracted natural gas is removed by simple separation methods at or near the wellhead. However, the removal of the water vapor that exists in solution in natural gas requires a more complex treatment. This treatment consists of ‘dehydrating’ the natural gas, which usually involves one of two processes: either absorption, or adsorption.

Absorption occurs when the water vapor is taken out by a dehydrating agent.

Adsorption occurs when the water vapor is condensed and collected on the surface.

Glycol Dehydration

An example of absorption dehydration is known as Glycol Dehydration. In this process, a liquid desiccant dehydrator serves to absorb water vapor from the gas stream. Glycol, the principal agent in this process, has a chemical affinity for water. This means that, when in contact with a stream of natural gas that contains water, glycol will serve to ‘steal’ the water out of the gas stream. Essentially, glycol dehydration involves using a glycol solution, usually either diethylene glycol (DEG) or triethylene glycol (TEG), which is brought into contact with the wet gas stream in what is called the ‘contactor’. The glycol solution will absorb water from the wet gas. Once absorbed, the glycol particles become heavier and sink to the bottom of the contactor where they are removed. The natural gas, having been stripped of most of its water content, is then transported out of the dehydrator. The glycol solution, bearing all of the water stripped from the natural gas, is put through a specialized boiler designed to vaporize only the water out of the solution. While water has a boiling point of 212 degrees Fahrenheit, glycol does not boil until 400 degrees Fahrenheit. This boiling point differential

makes it relatively easy to remove water from the glycol solution, allowing it to be reused in the dehydration process.

An innovation in this process has been the addition of flash tank separator-condensers. As well as absorbing water from the wet gas stream, the glycol solution occasionally carries with it small amounts of methane and other compounds found

in the wet gas. In the past, this methane was simply vented out of the boiler. In addition to losing a portion of the natural gas that was extracted, this venting contributes to air pollution and the greenhouse effect. To decrease the amount of methane and other compounds that are lost, flash tank separator-condensers work to remove these compounds before the glycol solution reaches the boiler. Essentially, a flash tank separator consists of a device that reduces the pressure of the glycol solution stream, allowing the methane and other hydrocarbons to vaporize ('flash'). The glycol solution then travels to the boiler, which may also be fitted with air or water-cooled condensers, which serve to capture any remaining organic compounds that may remain in the glycol solution. In practice, according to the Department of Energy's Office of Fossil Energy, these systems have been shown to recover 90 to 99 percent of methane that would otherwise be flared into the atmosphere.

Solid-Desiccant Dehydration

Solid-desiccant dehydration is the primary form of dehydrating natural gas using adsorption, and usually consists of two or more adsorption towers, which are filled with a solid desiccant. Typical desiccants include activated alumina or a granular

silica gel material. Wet natural gas is passed through these towers, from top to bottom. As the wet gas passes around the particles of desiccant material, water is retained on the surface of these desiccant particles. Passing through the entire desiccant bed, almost all of the water is adsorbed onto the desiccant material, leaving the dry gas to exit the bottom of the tower.

Separation of Natural Gas Liquids

Natural gas coming directly from a well contains many natural gas liquids that are commonly removed. In most instances, natural gas liquids (NGLs) have higher value as separate products, and it is thus economical to remove them from the gas stream. The removal of natural gas liquids usually takes place in a relatively centralized processing plant, and uses techniques like those used to dehydrate natural gas.

The Cryogenic Expansion Process

Cryogenic processes are used to extract NGLs from natural gas. Lighter hydrocarbons, such as ethane, are often more difficult to recover from the natural gas stream. In certain instances, it is economic to simply leave the lighter NGLs in the natural gas stream. However, if it is economic to extract ethane and other lighter hydrocarbons, cryogenic processes are required for high recovery rates. Essentially, cryogenic processes consist of dropping the temperature of the gas stream to around -120 degrees Fahrenheit. There are many ways of chilling the gas to these temperatures, but one of the most effective is known as the turbo expander process. In this process, external refrigerants are used to cool the natural gas stream. Then, an expansion turbine is used to rapidly expand the chilled gases, which causes the temperature to drop significantly. This rapid temperature drop condenses ethane and other hydrocarbons in the gas stream, while maintaining methane in gaseous form. This process allows for the recovery of about 90 to 95 percent of the ethane originally in the gas stream. In addition, the expansion turbine can convert some of the energy released when the natural gas stream is expanded into recompressing the gaseous methane effluent, thus saving energy costs associated with extracting

ethane. The extraction of NGLs from the natural gas stream produces both cleaner, purer natural gas, as well as the valuable hydrocarbons that are the NGLs themselves.

Sulfur and Carbon Dioxide Removal

In addition to water, oil, and NGL removal, one of the most important parts of gas processing involves the removal of sulfur and carbon dioxide. Natural gas from some wells contains significant amounts of sulfur and carbon dioxide. This natural gas, because of the rotten smell provided by its sulfur content, is commonly called ‘sour gas’. Sour gas is undesirable because the sulfur compounds it contains can be extremely harmful, even lethal, to breathe. Sour gas can also be extremely corrosive. In addition, the sulfur that exists in the natural gas stream can be extracted and marketed on its own. In fact, according to the USGS, U.S. sulfur production from gas processing plants accounts for about 15 percent of the total U.S. production of sulfur.

Sulfur exists in natural gas as hydrogen sulfide (H₂S), and the gas is usually considered sour if the hydrogen sulfide content exceeds 5.7 milligrams of H₂S per cubic meter of natural gas. The process for removing hydrogen sulfide from sour gas is commonly referred to as ‘sweetening’ the gas.

The primary process for sweetening sour natural gas is quite like the processes of glycol dehydration in this case, however, amine solutions are used to remove the hydrogen sulfide. This process is known simply as the ‘amine process’, or alternatively as the Girdler process, and is used in 95 percent of U.S. gas sweetening operations. The sour gas is run through a tower, which contains the amine solution. This solution has an affinity for sulfur, and absorbs it much like glycol absorbing water. There are two principle amine solutions used, monoethanolamine (MEA) and diethanolamine (DEA). Either of these compounds, in liquid form, will absorb sulfur compounds from natural gas as it passes through. The effluent gas is virtually free of sulfur compounds, and thus loses its sour gas status. Like the process for NGL extraction and glycol dehydration, the amine solution used can be regenerated (that is, the absorbed sulfur is removed), allowing it to be reused to treat more sour gas.

Gas processing is an instrumental piece of the natural gas value chain. It is instrumental in ensuring that the natural gas intended for use is as clean and pure as possible, making it the clean burning and environmentally sound energy choice. Once the natural gas has been fully processed, and is ready to be consumed, it must be transported from those areas that produce natural gas, to those areas that require it.

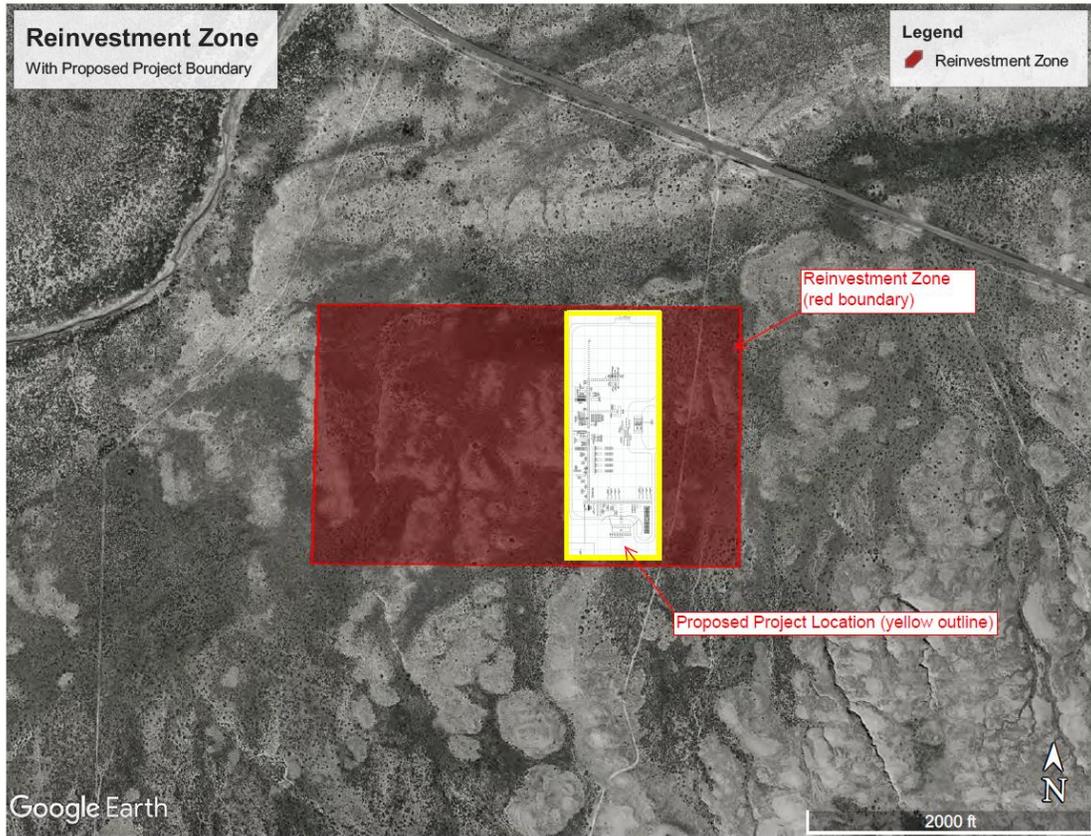
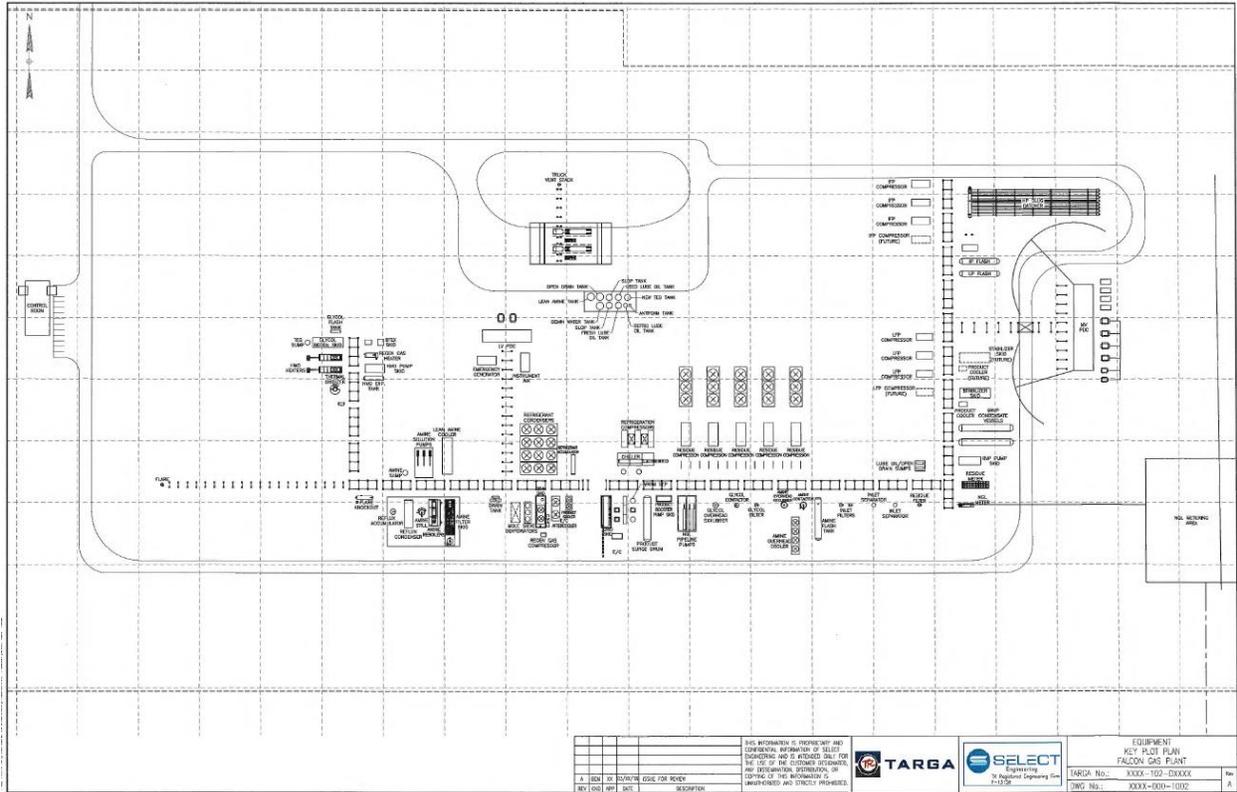


EXHIBIT 4

DESCRIPTION AND LOCATION OF QUALIFIED PROPERTY

Proposed Project Description

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Cryogenic Natural Gas Processing Plant

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- ENVIRONMENTAL: (A) Flare-Stack, Scrubber, Leak Detection; (L) Liners, Containment.

After installation, this would provide a long-term processing, compression and residue gas takeaway in the Delaware Basin Region of Texas.

Summary of plant feed stock and finished products

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3. Interconnections
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- TEG dehydration for H2O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants

- Residue Recompression units
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- Flare System (common for all trains)
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Natural gas processing consists of separating all the various hydrocarbons and fluids from the pure natural gas, to produce what is known as ‘pipeline quality’ dry natural gas. Major transportation pipelines usually impose restrictions on the makeup of the natural gas that is allowed into the pipeline. That means that before the natural gas can be transported it must be purified. While the ethane, propane, butane, and pentanes must be removed from natural gas, this does not mean that they are all ‘waste products’.

In fact, associated hydrocarbons, known as ‘natural gas liquids’ (NGLs) can be very valuable by-products of natural gas processing. NGLs include ethane, propane, butane, iso-butane, and natural gasoline. These NGLs are sold separately and have a variety of different uses; including enhancing oil recovery in oil wells, providing raw materials for oil refineries or petrochemical plants, and as sources of energy.

While some of the needed processing can be accomplished at or near the wellhead (field processing), the complete processing of natural gas takes place at a processing plant, usually located in a natural gas producing region. The extracted natural gas is transported to these processing plants through a network of gathering pipelines, which are small diameter, low pressure pipes. A complex gathering system can consist of thousands of miles of pipes, interconnecting the processing plant to upwards of 100 wells in the area. According to the American Gas Association’s Gas Facts 2000, there was an estimated 36,100 miles of gathering system pipelines in the U.S. in 1999.

The actual practice of processing natural gas to pipeline dry gas quality levels can be quite complex, but usually involves four main processes to remove the various impurities:

- Oil and Condensate Removal
- Water Removal
- Separation of Natural Gas Liquids
- Sulfur and Carbon Dioxide Removal

Oil and Condensate Removal

The actual process used to separate oil from natural gas, as well as the equipment that is used, can vary widely. Although dry pipeline quality natural gas is virtually identical across different geographic areas, raw natural gas from different regions may have different compositions and separation requirements. In many instances, natural gas is dissolved in oil underground primarily due to the pressure that the formation is under. When this natural gas and oil is produced, it is possible that it will separate on its own, simply due to decreased pressure; much like opening a can of soda pop allows the release of dissolved carbon dioxide. In these cases, separation of oil and gas is relatively easy, and the two hydrocarbons are sent separate ways for further processing. The most basic type of separator is known as a conventional separator. It consists of a simple closed tank, where the force of gravity serves to separate the heavier liquids like oil, and the lighter gases, like natural gas.

Water Removal

In addition to separating oil and some condensate from the wet gas stream, it is necessary to remove most of the associated water. Most of the liquid, free water associated with extracted natural gas is removed by simple separation methods at or near the wellhead. However, the removal of the water vapor that exists in solution in natural gas requires a more complex treatment. This treatment consists of ‘dehydrating’ the natural gas, which usually involves one of two processes: either absorption, or adsorption.

Absorption occurs when the water vapor is taken out by a dehydrating agent.

Adsorption occurs when the water vapor is condensed and collected on the surface.

Glycol Dehydration

An example of absorption dehydration is known as Glycol Dehydration. In this process, a liquid desiccant dehydrator serves to absorb water vapor from the gas stream. Glycol, the principal agent in this process, has a chemical affinity for water. This means that, when in contact with a stream of natural gas that contains water, glycol will serve to ‘steal’ the water out of the gas stream. Essentially, glycol dehydration involves using a glycol solution, usually either diethylene glycol (DEG) or triethylene glycol (TEG), which is brought into contact with the wet gas stream in what is called the ‘contactor’. The glycol solution will absorb water from the wet gas. Once absorbed, the glycol particles become heavier and sink to the bottom of the contactor where they are removed. The natural gas, having been stripped of most of its water content, is then transported out of the dehydrator. The glycol solution, bearing all of the water stripped from the natural gas, is put through a specialized boiler designed to vaporize only the water out of the solution. While water has a boiling point of 212 degrees Fahrenheit, glycol does not boil until 400 degrees Fahrenheit. This boiling point differential makes it relatively easy to remove water from the glycol solution, allowing it to be reused in the dehydration process.

An innovation in this process has been the addition of flash tank separator-condensers. As well as absorbing water from the wet gas stream, the glycol solution occasionally carries with it small amounts of methane and other compounds found in the wet gas. In the past, this methane was simply vented out of the boiler. In addition to losing a portion of the natural gas that was extracted, this venting contributes to air pollution and the greenhouse effect. To decrease the amount of methane and other compounds that are lost, flash tank separator-condensers work to remove these compounds before the glycol solution reaches the boiler. Essentially, a flash tank separator consists of a device that reduces the pressure of the glycol solution stream, allowing the methane and other hydrocarbons to vaporize (“flash”). The glycol solution then travels to the boiler, which may also be fitted with air or water-cooled condensers, which serve to capture any remaining organic compounds that may remain in the glycol solution. In practice, according to the Department of Energy’s Office of Fossil Energy, these systems have been shown to recover 90 to 99 percent of methane that would otherwise be flared into the atmosphere.

Solid-Desiccant Dehydration

Solid-desiccant dehydration is the primary form of dehydrating natural gas using adsorption, and usually consists of two or more adsorption towers, which are filled with a solid desiccant. Typical desiccants include activated alumina or a granular silica gel material. Wet natural gas is passed through these towers, from top to bottom. As the wet gas passes around the particles of desiccant material, water is retained on the surface of these desiccant particles. Passing through the entire desiccant bed, almost all of the water is adsorbed onto the desiccant material, leaving the dry gas to exit the bottom of the tower.

Separation of Natural Gas Liquids

Natural gas coming directly from a well contains many natural gas liquids that are commonly removed. In most instances, natural gas liquids (NGLs) have higher value as separate products, and it is thus economical to remove them from the gas stream. The removal of natural gas liquids usually takes place in a relatively centralized processing plant, and uses techniques like those used to dehydrate natural gas.

The Cryogenic Expansion Process

Cryogenic processes are used to extract NGLs from natural gas. Lighter hydrocarbons, such as ethane, are often more difficult to recover from the natural gas stream. In certain instances, it is economic to simply leave the lighter NGLs in the natural gas stream. However, if it is economic to extract ethane and other lighter hydrocarbons, cryogenic processes are required for high recovery rates. Essentially, cryogenic processes consist of dropping the temperature of the gas stream to around -120 degrees Fahrenheit. There are many ways of chilling the gas to these temperatures, but one of the most effective is known as the turbo expander process. In this process, external refrigerants are used to cool the natural gas stream. Then, an expansion turbine is used to rapidly expand the chilled gases, which causes the temperature to drop significantly. This rapid temperature drop condenses ethane and other hydrocarbons in the gas stream, while maintaining methane in gaseous form. This process allows for the recovery of about 90 to 95 percent of the ethane originally in the gas stream. In addition, the expansion turbine can convert some of the energy released when the natural gas stream is expanded into recompressing the gaseous methane effluent, thus saving energy costs associated with extracting ethane. The extraction of NGLs from the natural gas stream produces both cleaner, purer natural gas, as well as the valuable hydrocarbons that are the NGLs themselves.

Sulfur and Carbon Dioxide Removal

In addition to water, oil, and NGL removal, one of the most important parts of gas processing involves the removal of sulfur and carbon dioxide. Natural gas from some wells contains significant amounts of sulfur and carbon dioxide. This natural gas, because of the rotten smell provided by its sulfur content, is commonly called 'sour gas'. Sour gas is undesirable because the sulfur compounds it contains can be extremely harmful, even lethal, to breathe. Sour gas can also be extremely corrosive. In addition, the sulfur that exists in the natural gas stream can be extracted and marketed on its own. In fact, according to the USGS, U.S. sulfur production from gas processing plants accounts for about 15 percent of the total U.S. production of sulfur.

Sulfur exists in natural gas as hydrogen sulfide (H₂S), and the gas is usually considered sour if the hydrogen sulfide content exceeds 5.7 milligrams of H₂S per cubic meter of natural gas. The process for removing hydrogen sulfide from sour gas is commonly referred to as 'sweetening' the gas.

The primary process for sweetening sour natural gas is quite like the processes of glycol dehydration in this case, however, amine solutions are used to remove the hydrogen sulfide. This process is known simply as the 'amine process', or alternatively as the Girdler process, and is used in 95 percent of U.S. gas sweetening operations. The sour gas is run through a tower, which contains the amine solution. This solution has an affinity for sulfur, and absorbs it much like glycol absorbing water. There are two principle amine solutions used, monoethanolamine (MEA) and diethanolamine (DEA). Either of these compounds, in liquid form, will absorb sulfur compounds from natural gas as it passes through. The effluent gas is virtually free of sulfur compounds, and thus loses its sour gas status. Like the process for NGL extraction and glycol dehydration, the amine solution used can be regenerated (that is, the absorbed sulfur is removed), allowing it to be reused to treat more sour gas.

Gas processing is an instrumental piece of the natural gas value chain. It is instrumental in ensuring that the natural gas intended for use is as clean and pure as possible, making it the clean burning and environmentally sound energy choice. Once the natural gas has been fully processed, and is ready to be consumed, it must be transported from those areas that produce natural gas, to those areas that require it.

