



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

August 17, 2018

Greg Poole  
Superintendent  
Barbers Hill Independent School District  
9600 Eagle Drive  
Mont Belvieu, Texas 77580

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Barbers Hill Independent School District and Enterprise Products Operating, LLC, Application 1272

Dear Superintendent Poole:

On August 3, 2018, the Comptroller issued written notice that Enterprise Products Operating, LLC (applicant) submitted a completed application (Application 1272) for a limitation on appraised value under the provisions of Tax Code Chapter 313.<sup>1</sup> This application was originally submitted on May 21, 2018, to the Barbers Hill Independent School District (school district) by the applicant.

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

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter B; 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.

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<sup>1</sup> 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 1272.

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

### **Certificate decision required by 313.025(d)**

#### Determination required by 313.026(c)(1)

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

#### Determination required by 313.026(c)(2)

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

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

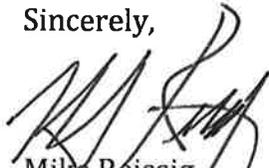
The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed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

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2018.

Note that any building or improvement existing as of the application review start date of August 3, 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](mailto:will.counihan@cpa.texas.gov) or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Reissig", written over a large, stylized flourish that extends downwards and to the right.

Mike Reissig  
Deputy Comptroller

Enclosure

cc: Will Counihan

### Attachment A - Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Enterprise Products Operating LLC (project) applying to Barbers Hill Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

**Table 1** is a summary of investment, employment and tax impact of Enterprise Products Operating LLC.

Applicant	Enterprise Products Operating LLC
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Barbers Hill ISD
2015-2016 Average Daily Attendance	4,785
County	Chambers
Proposed Total Investment in District	\$557,204,850
Proposed Qualified Investment	\$557,204,850
Limitation Amount	\$80,000,000
Qualifying Time Period (Full Years)	2019-2020
Number of new qualifying jobs committed to by applicant	25
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	\$1,250
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,210.88
Minimum annual wage committed to by applicant for qualified jobs	\$65,000
Minimum weekly wage required for non-qualifying jobs	\$1,185
Minimum annual wage required for non-qualifying jobs	\$61,620
Investment per Qualifying Job	\$22,288,194
Estimated M&O levy without any limit (15 years)	\$78,105,856
Estimated M&O levy with Limitation (15 years)	\$34,544,817
Estimated gross M&O tax benefit (15 years)	\$43,561,038

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

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2018	1500	2,198	3,698	\$97,500,000	\$175,440,000	\$272,940,000
2019	1500	2,328	3828.48	\$97,500,000	\$209,010,000	\$306,510,000
2020	1525	2,419	3944	\$99,125,000	\$236,395,000	\$335,520,000
2021	25	317	342	\$1,625,000	\$65,765,000	\$67,390,000
2022	25	60	85	\$1,625,000	\$37,185,000	\$38,810,000
2023	25	(120)	-95	\$1,625,000	\$15,745,000	\$17,370,000
2024	25	(182)	-157	\$1,625,000	\$4,065,000	\$5,690,000
2025	25	(170)	-145	\$1,625,000	\$95,000	\$1,720,000
2026	25	(122)	-97	\$1,625,000	\$635,000	\$2,260,000
2027	25	(60)	-35	\$1,625,000	\$3,805,000	\$5,430,000
2028	25	2	27	\$1,625,000	\$8,395,000	\$10,020,000
2029	25	58	83	\$1,625,000	\$13,365,000	\$14,990,000
2030	25	102	127	\$1,625,000	\$18,105,000	\$19,730,000
2031	25	125	150	\$1,625,000	\$21,285,000	\$22,910,000
2032	25	143	168	\$1,625,000	\$24,185,000	\$25,810,000

Source: CPA REMI, Enterprise Products Operating LLC

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Barbers Hil ISD I&S Tax Levy	Barbers Hil ISD M&O Tax Levy	M&O and I&S Tax Levies	Chambers County Tax Levy	City of Baytown ETJ Tax Levy	Estimated Total Property Taxes
				<b>0.2698</b>	<b>1.0600</b>		<b>0.5527</b>	<b>0.8220</b>	
2018	\$13,930,121	\$13,930,121		\$37,583	\$147,659	\$185,243	\$76,990	\$114,510	\$376,743
2019	\$125,371,091	\$125,371,091		\$338,251	\$1,328,934	\$1,667,185	\$692,913	\$1,030,588	\$3,390,686
2020	\$278,602,425	\$278,602,425		\$751,669	\$2,953,186	\$3,704,855	\$1,539,808	\$2,290,196	\$7,534,858
2021	\$540,600,145	\$540,600,145		\$1,458,539	\$5,730,362	\$7,188,901	\$2,987,843	\$4,443,895	\$14,620,639
2022	\$529,567,489	\$529,567,489		\$1,428,773	\$5,613,415	\$7,042,188	\$2,926,867	\$4,353,204	\$14,322,259
2023	\$518,534,833	\$518,534,833		\$1,399,007	\$5,496,469	\$6,895,476	\$2,865,890	\$4,262,512	\$14,023,878
2024	\$507,502,177	\$507,502,177		\$1,369,241	\$5,379,523	\$6,748,764	\$2,804,914	\$4,171,820	\$13,725,498
2025	\$496,469,521	\$496,469,521		\$1,339,475	\$5,262,577	\$6,602,052	\$2,743,937	\$4,081,128	\$13,427,117
2026	\$485,436,865	\$485,436,865		\$1,309,709	\$5,145,631	\$6,455,339	\$2,682,961	\$3,990,437	\$13,128,737
2027	\$474,404,209	\$474,404,209		\$1,279,943	\$5,028,685	\$6,308,627	\$2,621,985	\$3,899,745	\$12,830,357
2028	\$463,371,553	\$463,371,553		\$1,250,176	\$4,911,738	\$6,161,915	\$2,561,008	\$3,809,053	\$12,531,976
2029	\$452,338,897	\$452,338,897		\$1,220,410	\$4,794,792	\$6,015,203	\$2,500,032	\$3,718,361	\$12,233,596
2030	\$441,306,241	\$441,306,241		\$1,190,644	\$4,677,846	\$5,868,490	\$2,439,055	\$3,627,670	\$11,935,216
2031	\$430,273,585	\$430,273,585		\$1,160,878	\$4,560,900	\$5,721,778	\$2,378,079	\$3,536,978	\$11,636,835
2032	\$419,240,929	\$419,240,929		\$1,131,112	\$4,443,954	\$5,575,066	\$2,317,103	\$3,446,286	\$11,338,455
2033	\$408,208,273	\$408,208,273		\$1,101,346	\$4,327,008	\$5,428,354	\$2,256,126	\$3,355,594	\$11,040,074
2034	\$397,175,617	\$397,175,617		\$1,071,580	\$4,210,062	\$5,281,641	\$2,195,150	\$3,264,903	\$10,741,694
2035	\$386,142,961	\$386,142,961		\$1,041,814	\$4,093,115	\$5,134,929	\$2,134,174	\$3,174,211	\$10,443,314
			<b>Total</b>	<b>\$19,880,151</b>	<b>\$78,105,856</b>	<b>\$97,986,006</b>	<b>\$40,724,835</b>	<b>\$60,571,091</b>	<b>\$199,281,932</b>

Source: CPA, Enterprise Products Operating LLC

\*Tax Rate per \$100 Valuation

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

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate*	Barbers Hil ISD I&S Tax Levy	Barbers Hil ISD M&O Tax Levy	M&O and I&S Tax Levies	Chambers County Tax Levy	City of Baytown ETJ Tax Levy	Estimated Total Property Taxes
				<b>0.2698</b>	<b>1.0600</b>		<b>0.5527</b>	<b>0.8220</b>	
2018	\$13,930,121	\$13,930,121		\$37,583	\$147,659	\$185,243	\$76,990	\$114,510	\$376,743
2019	\$125,371,091	\$125,371,091		\$338,251	\$1,328,934	\$1,667,185	\$692,913	\$1,030,588	\$3,390,686
2020	\$278,602,425	\$278,602,425		\$751,669	\$2,953,186	\$3,704,855	\$769,904	\$1,311,366	\$5,786,125
2021	\$540,600,145	\$80,000,000		\$1,458,539	\$848,000	\$2,306,539	\$1,493,921	\$2,544,574	\$6,345,035
2022	\$529,567,489	\$80,000,000		\$1,428,773	\$848,000	\$2,276,773	\$1,463,433	\$2,492,644	\$6,232,851
2023	\$518,534,833	\$80,000,000		\$1,399,007	\$848,000	\$2,247,007	\$1,432,945	\$2,440,714	\$6,120,666
2024	\$507,502,177	\$80,000,000		\$1,369,241	\$848,000	\$2,217,241	\$1,402,457	\$2,388,784	\$6,008,482
2025	\$496,469,521	\$80,000,000		\$1,339,475	\$848,000	\$2,187,475	\$1,371,969	\$2,336,854	\$5,896,298
2026	\$485,436,865	\$80,000,000		\$1,309,709	\$848,000	\$2,157,709	\$1,341,481	\$2,284,924	\$5,784,113
2027	\$474,404,209	\$80,000,000		\$1,279,943	\$848,000	\$2,127,943	\$1,310,992	\$2,232,994	\$5,671,929
2028	\$463,371,553	\$80,000,000		\$1,250,176	\$848,000	\$2,098,176	\$1,280,504	\$2,181,064	\$5,559,744
2029	\$452,338,897	\$80,000,000		\$1,220,410	\$848,000	\$2,068,410	\$1,250,016	\$2,129,134	\$5,447,560
2030	\$441,306,241	\$80,000,000		\$1,190,644	\$848,000	\$2,038,644	\$2,439,055	\$3,627,670	\$8,105,369
2031	\$430,273,585	\$430,273,585		\$1,160,878	\$4,560,900	\$5,721,778	\$2,378,079	\$3,536,978	\$11,636,835
2032	\$419,240,929	\$419,240,929		\$1,131,112	\$4,443,954	\$5,575,066	\$2,317,103	\$3,446,286	\$11,338,455
2033	\$408,208,273	\$408,208,273		\$1,101,346	\$4,327,008	\$5,428,354	\$2,256,126	\$3,355,594	\$11,040,074
2034	\$397,175,617	\$397,175,617		\$1,071,580	\$4,210,062	\$5,281,641	\$2,195,150	\$3,264,903	\$10,741,694
2035	\$386,142,961	\$386,142,961		\$1,041,814	\$4,093,115	\$5,134,929	\$2,134,174	\$3,174,211	\$10,443,314
			<b>Total</b>	<b>\$19,880,151</b>	<b>\$34,544,817</b>	<b>\$54,424,968</b>	<b>\$27,607,213</b>	<b>\$43,893,793</b>	<b>\$125,925,974</b>
			<b>Diff</b>	<b>\$0</b>	<b>\$43,561,038</b>	<b>\$43,561,038</b>	<b>\$13,117,622</b>	<b>\$16,677,298</b>	<b>\$73,355,959</b>

Source: CPA, Enterprise Products Operating 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 25<sup>th</sup> Anniversary of Limitation Start

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

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
<b>Limitation Pre-Years</b>	2018	\$147,659	\$147,659	\$0	\$0
	2019	\$1,328,934	\$1,476,593	\$0	\$0
	2020	\$2,953,186	\$4,429,779	\$0	\$0
<b>Limitation Period (10 Years)</b>	2021	\$848,000	\$5,277,779	\$4,882,362	\$4,882,362
	2022	\$848,000	\$6,125,779	\$4,765,415	\$9,647,777
	2023	\$848,000	\$6,973,779	\$4,648,469	\$14,296,246
	2024	\$848,000	\$7,821,779	\$4,531,523	\$18,827,769
	2025	\$848,000	\$8,669,779	\$4,414,577	\$23,242,346
	2026	\$848,000	\$9,517,779	\$4,297,631	\$27,539,977
	2027	\$848,000	\$10,365,779	\$4,180,685	\$31,720,662
	2028	\$848,000	\$11,213,779	\$4,063,738	\$35,784,400
	2029	\$848,000	\$12,061,779	\$3,946,792	\$39,731,192
	2030	\$848,000	\$12,909,779	\$3,829,846	\$43,561,038
<b>Maintain Viable Presence (5 Years)</b>	2031	\$4,560,900	\$17,470,679	\$0	\$43,561,038
	2032	\$4,443,954	\$21,914,632	\$0	\$43,561,038
	2033	\$4,327,008	\$26,241,640	\$0	\$43,561,038
	2034	\$4,210,062	\$30,451,702	\$0	\$43,561,038
	2035	\$4,093,115	\$34,544,817	\$0	\$43,561,038
<b>Additional Years as Required by 313.026(c)(1) (10 Years)</b>	2036	\$3,976,169	\$38,520,986	\$0	\$43,561,038
	2037	\$3,859,223	\$42,380,209	\$0	\$43,561,038
	2038	\$3,742,277	\$46,122,486	\$0	\$43,561,038
	2039	\$3,625,331	\$49,747,817	\$0	\$43,561,038
	2040	\$3,508,385	\$53,256,202	\$0	\$43,561,038
	2041	\$3,391,438	\$56,647,640	\$0	\$43,561,038
	2042	\$3,274,492	\$59,922,132	\$0	\$43,561,038
	2043	\$3,157,546	\$63,079,679	\$0	\$43,561,038
	2044	\$3,040,600	\$66,120,279	\$0	\$43,561,038
	2045	\$2,923,654	\$69,043,932	\$0	\$43,561,038

\$69,043,932

is greater than

\$43,561,038

<b>Analysis Summary</b>	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

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, Enterprise Products Operating LLC

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## Attachment C – Limitation as a Determining Factor

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

### Methodology

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

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

### Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the Enterprise Products Operating LLC’s decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Enterprise Products Operating LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. “The Applicant has not entered into any agreement with respect to the proposed project.”
  - B. “An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment.”
  - C. “The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in this project.”
  - D. “Without the tax incentive the economics of this project will be less competitive with other capital intensive projects and the viability of the proposed project becomes uncertain.”
  - E. “The Applicant is evaluating various manufacturing projects for development and where to commit substantial long term investment based on economic rate of return on investment in the proposed projects. The economic benefits provided by a Chapter 313 appraised value limitation agreement is an important component in this analysis.”
- Enterprise Products Operating, LLC submitted a confidential discounted cash flow model (DCF) with their application. This model “shows that the rate of return with the valuation limitation agreement exceeds the minimum rate of return required by the Applicant to proceed with the proposed investment.”
- A June 8, 2018 *Forbes* article states that “Enterprise Products Partners, simply put, is in the business of storing and moving gas and petroleum products. One of its major advantages is its location. Its network of pipelines and facilities comes very close to the Permian and Eagle Ford formations, which have — and will — see a majority of production growth in coming years.”

- According to a May 24, 2018 *Houston Chronicle* article:
  - A. Apache Corp “signed on as an anchor customer of Enterprise Products Partners' Shin Oak NGL pipeline that will traverse 658 miles from Reeves County, Texas to Enterprise's storage hub just east of Houston in MontBelvieu.”
  - B. “The pipeline is under construction and is slated for completion in the second quarter of 2019.”
  - C. “Apache is committing to move more than 200,000 barrels of NGLs a day on the Shin Oak pipeline, which will have a capacity of 550,000 barrels a day initially.”
  - D. “Alpine High is an enormous hydrocarbon resource that encompasses rich gas, dry gas and oil-bearing horizons. This agreement provides an efficient long-term outlet for the tremendous volume of NGLs that Apache plans to produce from the rich gas window of the play.”
- An April 12, 2017 Energy Central article says the following about the Shin Oak Pipeline:
  - A. “Houston-headquartered Enterprise Products Partners (EPP) will build a 571-mile natural gas liquids (NGL) pipeline to add to its Permian infrastructure and service its Mont Belvieu complex, which will in turn help provide regional producers with needed flow assurance.”
  - B. “Formally known as Shin Oak, it is expected to be ready by the second quarter of 2019 and will have an initial capacity of 250,000 bpd; it will be expandable to 600,000 bpd. The 24-inch diameter pipe will extend from Gaines County to the company's Mont Belvieu facility in Chambers County, outside of Houston.”
  - C. “Enterprise officials said in its April 10 confirmation of the plans that Shin Oak, which already has long-term customer commitments, will offer takeaway capacity for mixed NGLs from processing plants in the region as well as those aggregated at the Hobbs facility.”
  - D. ““The Permian Basin is currently the hottest play in North America and is expected to continue its strong growth for years to come,” general partner CEO A.J. Teague said. “Shin Oak...is part of Enterprise's larger plans in the Permian to leverage our integrated midstream assets to link supplies of cost-advantaged U.S. hydrocarbons to the largest domestic and global NGL markets.”
- Per a May 29, 2018 *West Chambers County EDF News* article:
  - A. “Enterprise Products Partners L.P. (NYSE: EPD) and Navigator Holdings Ltd. (NYSE: NVGS) announced today that construction is now under way on their 50/50 joint venture ethylene export terminal which will be located at Enterprise's Morgan's Point, Texas facility on the Houston Ship Channel. The terminal will have the capacity to export approximately 2.2 billion pounds of ethylene per year. Refrigerated storage for 66 million pounds of ethylene is being constructed on-site and will provide the capability to load ethylene at rates of 2.2 million pounds per hour.”
  - B. “The high-capacity ethylene salt dome storage facility Enterprise is developing at its complex in Mont Belvieu, Texas is scheduled to begin service in the second quarter of 2019. Upon completion, this storage facility will have a capacity of approximately 600 million pounds with an injection/withdrawal rate of 420,000 pounds per hour and will be designed to enable connections to the eight ethylene pipelines within a half-mile of the Enterprise ethylene storage system.”
  - C. “In addition, Enterprise is building a new ethylene pipeline from Mont Belvieu to Bayport, Texas, which is on schedule to begin service in 2020. The section from Mont Belvieu to Morgan's Point is scheduled to be in service in 2019 to support the export terminal.”
- Attached Shin Oak NGL Pipeline map.
- Attached Railroad Commission of Texas Public GIS Viewer map depicting area pipelines.

### **Supporting Information**

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

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

# **Supporting Information**

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

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

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

<input 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**

# Tab # 5

## Limitation is a Determining Factor

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

Applicant owns the land upon which the facility identified in Tab 7 will be constructed. The land is described in Tab 9.

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

The Applicant has not entered into any agreement with respect to the proposed project.

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

Attached as Tab 10 is a depiction of the proposed project site. There are no existing improvements at the proposed project site. However, at the time this application was filed the site selected for the proposed project was being used as a construction staging area. The items which were stored on the site were being used in the construction of the Fractionator # 9 project. These items are unrelated to the proposed project. As of July 25, 2018, Applicant has cleared all the items temporarily stored in the staging area from the site. The items that were temporarily stored here are not part of the value limitation agreement and the value of those items are not included in this application. Please note Applicant's Fractionator # 9 application (application # 363) is a totally separate facility and unrelated to the proposed project.

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

Applicant has not made public statements regarding the potential development of the proposed project.

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

No.

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

No.

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

Applicant is a leading midstream energy company with a large pipeline footprint in the United States. These pipelines provide substantial flexibility in plant location. Applicant has gas manufacturing locations in Texas, Louisiana, New Mexico, Colorado, and Wyoming. Applicant also has significant interstate pipeline assets in Louisiana and New Mexico that can and do move product to and from Texas. This allows potential manufacturing facilities to be located in other states and the product moved to Applicant's facilities in Texas.

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. The Chapter 313 Value Limitation, if granted, would make the location in Texas a feasible investment, as is further discussed in Item 10 to Tab 5.

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

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

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

N/A

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

See the attached Item 10 to Tab 5.

**Key Determining factors:**

- The Applicant has submitted in Item 10 to Tab 5 a discounted cash flow model (DCF) computing the proposed project's rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. The DCF model shows that the rate of return with the valuation limitation agreement exceeds the minimum rate of return required by the Applicant to proceed with the proposed investment.
- An appraised value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize the Applicant to invest capital in the proposed project rather than making an alternative investment.

- The property tax burden for the Applicant's proposed project is significant. The property tax burden has a direct impact on the proposed project's economic viability and the decision to invest in Texas.
- The ability to enter into a Chapter 313 appraised value limitation agreement with the school district is a determining factor to invest in this project.
- Capital investments by the Applicant are based on expected economic return on investment. Property tax liabilities can make up a substantial ongoing cost of operation that directly impacts the rate of return on the investment in the proposed project. Without the tax incentive the economics of this project will be less competitive with other capital intensive projects and the viability of the proposed project becomes uncertain.
- Tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas.
- The Applicant is evaluating various manufacturing projects for development and where to commit substantial long term investment based on economic rate of return on investment in the proposed projects. The economic benefits provided by a Chapter 313 appraised value limitation agreement is an important component in this analysis.

**AT THE REQUEST OF THE APPLICANT, SUPPORTING DOCUMENTS IN ITEM 10 TO TAB 5 ARE CONSIDERED PROPRIETARY AND CONFIDENTIAL PURSUANT TO SECTION 313.028 OF THE TEXAS TAX CODE, DUE TO THE NATURE OF THE FINANCIAL INFORMATION AND ANALYSIS SUBMITTED. Applicant has separately submitted Proprietary and Confidential Discounted Cash Flow Models comparing the rate of return on investment in the proposed project with and without a Chapter 313 Appraised Value Limitation Agreement. These models are confidential.**

# **Supporting Information**

Additional information  
provided by the Applicant or  
located by the Comptroller

# Pipeline Profits For Products Partners

Jun 8, 2018, 10:24am • 3,352 views #StockWatch



Enterprise Products Partners is expanding its Enterprise Hydrocarbons Terminal next to the Houston Ship Channel. Here, oil tankers, tanks and an oil refinery are across from each other. (File photo by Ken Cedeno Sept. 29, 2014/Corbis via Getty Images)

*Based on its market capitalization, **Enterprise Products Partners** is the largest energy infrastructure master limited partnership. A leader in pipelines and midstream energy operations, the MLP is also a favorite of numerous investment experts, including these five [MoneyShow.com](#) contributors.*

## **Jimmy Mengel, The Crow's Nest**

Enterprise Products Partners is a prime example of a great MLP. It is a relative newcomer to the midstream MLP game, having been founding in 1968 and going public in mid-1998. Since then, it has grown to a \$57 billion company with a yield of 6.4%, well over 3 times the yield of the S&P 500.

Enterprise Products Partners, simply put, is in the business of storing and moving gas and petroleum products. One of its major advantages is its location. Its network of pipelines and facilities comes very close to the Permian and Eagle Ford formations, which have — and will — see a majority of production growth in coming years.

About 70% of natural gas liquids (NGLs) growth is coming from these two formations. NGLs already account for 56% of its gross operating margin. Plus, it extends to the Northeast U.S. coast, which is a massive source of domestic demand. And while oil and condensates don't account for such a large percentage of its business, the Permian Basin and Eagle Ford formations account for 80% of national growth.

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All signs point to greater demand, thus more fees at potentially higher rates, for the foreseeable future. This solid geographic footprint provides the core of revenue for

Enterprise Products Partners as it collects fees from producers as they move their products to storage, refineries and the consumer market.

What really stands out for the company's future potential is the focus on expanding its export business. It is expanding its Enterprise Hydrocarbons Terminal through a recent 65-acre purchase. Located next to the Houston Ship Channel, it has seven deep water docks and two barge docks that enable imports and exports of raw and refined products.

Rising liquefied petroleum gas exports of this terminal have been strong tailwinds for the shares in recent years. From 2015 through 2017, the loading volumes rose from 299,000 bpd to 424,000 bpd. The site already has two docks and some infrastructure. What is important is that there is plenty of room to expand.

Plus, Enterprise Products Partners just tested its docks with a Very Large Crude Carrier (VLCC) ship. These behemoths move around 2 million barrels of oil. Only one privately owned crude terminal in the U.S. can handle them right now.

In total, this is a big push to expand terminal volume and entice shipping companies, all in an effort to capitalize on U.S. energy exports for decades to come. That naturally leads us to how they plan on paying for the infrastructure, and to its balance sheet.

This is a midstream MLP that is investing in the future while maintaining lucrative disbursements to its unit holders. Over the next year, we may not see the kind of growth that is technically possible in those payments, but we're banking on collecting income while the MLP works on growth infrastructure.

Management is on track with those plans, has ample funds to do what should be done, and the long-term potential for its expansion of export capacity provides us exposure to a potentially massive increase in disbursements down the road. Plus, its debt structure is in a place where the company won't be caught between rising interest rates and its commitments.

Enterprise Products Partners also offers a dividend reinvestment program. Current

unit holders can reinvest all or a portion of distributions at a discount (currently set to 2.5%) without paying any service fees, brokerage trading fees or other charges. We're adding the stock to our portfolio as a Buy below \$32 per unit.

**Paul Dykewicz, StockInvestor.com**

Anyone buying gasoline likely has noticed that energy prices are climbing and that reality has helped to fuel record financial results and a recent rise in the unit price of midstream energy producer Enterprise Products Partners.

The natural gas and crude oil pipeline partnership beat analysts' expectations when it recently released first-quarter 2018 financial results and led forecasters to boost their stock price targets for the company. The stock price has jumped 9.74 percent so far this year and it should go higher amid forecasts of increased economic growth of close to 3 percent in 2018 that likely will spur additional demand.

Enterprise Products, which offers a current yield of 6.45 percent, generated a 23 percent jump in distributable cash flow (DCF) to reach a record \$1.4 billion for the first quarter of 2018, providing 1.5 times coverage of its \$0.4275 per unit distribution. That distribution excluded proceeds from asset sales and marked a 3 percent hike from the first quarter of 2017.

Two key developments at Enterprise Products Partners emerged during its first-quarter results that were highlighted in an April 30 research report by Stifel, Nicolaus & Company's Selman Akyol, an energy industry analyst.

First, Enterprise Products Partners' strong quarterly results propelled it significantly toward reaching its goal of self-funding its operations. Second, the company reported that "tight" pipeline, rail and fracking capacity is not expected until the second half of 2019. Both are positive for Enterprise, which retained \$460 million in distributable cash flow during the first quarter.

For investors who want to profit from rising energy prices, Enterprise Products Partners and its pipelines offer a way to do so. When its current yield of 6.45 percent is factored into the decision, the appeal of receiving both capital appreciation and

income is strong, indeed.

### **Mark Skousen, High-Income Alert**

Enterprise Products Partners has a 90% payout ratio. It is now profitable for the year and has benefited from the recent rise in the oil price. Its 90% payout ratio is based on cash flow, and the company has increased its dividend for more than 50 consecutive quarters.

The company has benefited from higher oil prices and is profitable for the year. CEO Jim Teague is so bullish that he bought 44,600 units of the Houston-based master limited partnership in the past two months. That's over \$1 million in insider buying.

However, investors face two concerns with Enterprise. First is the impact of the new 25% tariffs on imported steel. An estimated 77% of the steel used in pipelines comes from overseas.

Second, the Federal Energy Regulatory Commission recently closed a long-standing tax loophole that allowed MLPs to claim an income tax allowance when reporting oil & gas pipeline costs.

Overall, Enterprise Products is now profitable for the year. At this price, the annual distribution yield is a generous 6.6%, and Enterprise Products Partners is famous for increasing its payout every quarter. This is a great opportunity for income seekers.

### **Tim Plaehn, The Dividend Hunter**

I search out the highest yield stocks I can find where my research shows that the dividends should be secure. I look for stability and consistency of revenue streams, access to capital to pay for growth projects and cash flow coverage of the dividend. Enterprise Products Partners is a high-yield income idea for conservative investors.

The company provides essential crude oil, natural gas, natural gas liquids pipelines and services. The company also provides petrochemical and refined products services. These are essential services, without which the U.S. energy sector could not function.

One sign of Enterprise Products' financial strength is that the company has increased the distribution paid to investors for 55 consecutive quarters. Unlike most MLPs, Enterprise Products Partners retains a significant portion of free cash flow to reinvest in new projects.

For 2019 the company projects that 50% of capital spending will be covered by internally generated cash. The company is also investment grade and you can expect distributions to grow by a compounding 2.5% to 3% per year.



Enterprise Products Partners has pipelines and shipping networks near the Houston Ship Channel, the Permian and Eagle Ford formations and delivers energy products to high-demand regions. Here, ships wait to enter the Houston Ship Channel. (AP file photo Sept. 15, 2008/David J. Phillip)

## **Ben Reynolds, Sure Dividend**

In late April, Enterprise Products Partners reported financial results for the first quarter of fiscal 2018. The partnership's performance was very strong. Revenue grew by 27% and distributable cash flow increased by 23% in the quarter to a record \$1.4 billion.

More importantly, Enterprise Products Partners reported a distribution coverage ratio of 1.5x in the quarter — one of the highest distribution coverage ratios we've ever seen from a master limited partnership. Because of its strong performance, Enterprise Products Partners noted that it does not expect to issue equity for the remainder of 2018 (other than its distribution reinvestment plan and employee unit

purchase plan).

Despite the partnership's remarkable performance, Enterprise Products Partners' unit price remained essentially unchanged following the announcement. Prior to that, Enterprise Products Partners increased its quarterly distribution payment. The new quarterly payout of \$0.4275 per common unit represents a 3.0% increase over the prior year's period. Remarkably, Enterprise Products Partners has increased its distribution for 55 consecutive quarters.

The most important growth catalysts for Enterprise Products Partners are new projects. The partnership retained \$867 million of distributable cash flow in 2017 and \$458 million of distributable cash flow in the first quarter of 2018 alone. Enterprise Products Partners appears to have plenty of opportunities to deploy this internally generated cash.

We believe Enterprise Products Partners is the safest MLP in our broader investment universe. The partnership has an investment-grade BBB+ rating from Standard & Poor's and a Baa1 rating from Moody's. In addition, Enterprise Products Partners has a reputation for being exceptionally well managed. This year's ranking marked the second consecutive year in which the partnership won the unanimous vote for the Institutional Investor All-America Executive Team for the MLP sector.

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## Apache commits to Enterprise's 658-mile Shin Oak pipeline

By [Jordan Blum](#) Published 8:16 am CDT, Thursday, May 24, 2018

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Photo: Michael Ciaglo, Houston Chronicle

A drilling rig sits north of the Davis Mountains Friday, Sept. 16, 2016 in Balmorhea. Houston-based Apache Corporation recently announced the discovery of an estimated 15 billion barrels of oil and gas in the area and plans to drill and use hydraulic fracturing on the 350,000 acres surrounding the town. Apache has leased the mineral rights under the town and nearby state park, but has promised not to drill on or under either. While some residents worry that the drilling could affect the spring at the state park and impact tourism, others are excited for the potential economic boom the oil discovery and drilling could bring.

Houston producer Apache Corp. said it partnered with a major Houston pipeline firm to transport its natural gas liquids from West Texas' Alpine High development to the Houston area.



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Apache signed on as an anchor customer of Enterprise Products Partners' Shin Oak NGL pipeline that will traverse 658 miles from Reeves County, Texas to Enterprise's storage hub just east of Houston in Mont Belvieu.

The pipeline is under construction and is slated for completion in the second quarter of 2019. Apache now has the option of purchasing a 33 percent stake in the Enterprise pipeline.

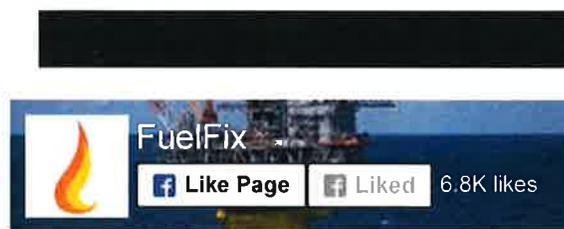
Earlier this month, Apache signed on as a major customer of the planned EPIC Crude Oil pipeline project to move crude from Apache's Alpine High to Corpus Christi, from where the oil can either be refined or exported.

### **RELATED: Apache, Noble sign on for EPIC Permian oil pipeline**

The Alpine High development, which is west of Fort Stockton in the Permian Basin, is expected to produce plenty of oil and natural gas liquids, called NGLs, much of which are used to manufacture plastics and other petrochemicals.

Apache is committing to move more than 200,000 barrels of NGLs a day on the Shin Oak pipeline, which will have a capacity of 550,000 barrels a day initially.

"Alpine High is an enormous hydrocarbon resource that encompasses rich gas, dry gas and oil-bearing horizons. This agreement provides an efficient long-term outlet for the tremendous volume of NGLs that Apache plans to produce from the rich gas window of the play," said Brian Feed, Apache's senior vice president for midstream and marketing.



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# Texas Adding to Infrastructure with Shin Oak Pipeline



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Houston-headquartered Enterprise Products Partners (EPP) will build a 571-mile natural gas liquids (NGL) pipeline to add to its Permian infrastructure and service its Mont Belvieu complex, which will in turn help provide regional producers with needed flow assurance.

Formally known as Shin Oak, it is expected to be ready by the second quarter of 2019 and will have an initial capacity of 250,000 bpd; it will be expandable to 600,000 bpd. The 24-inch diameter pipe will extend from Gaines County to the company's Mont Belvieu facility in Chambers County, outside of Houston.

Enterprise officials said in its April 10 confirmation of the plans that Shin Oak, which already has long-term customer commitments, will offer takeaway capacity for mixed NGLs from processing plants in the region as well as those aggregated at the Hobbs facility.

"In tandem with Enterprise's existing NGL pipelines, this new pipeline will also increase the company's capacity to transport purity NGL products from Hobbs to Mont Belvieu," the company noted.

Mont Belvieu, the largest facility of its kind in the world, has a 130-million-barrel underground storage capacity and currently has a fractionation capacity of 670,000 bpd. By the second

quarter of next year, it will have a ninth fractionator with a capability to process 85,000 bpd. The complex is already well connected with both the Gulf Coast and the export facilities of the Houston Ship Channel.

“The Permian Basin is currently the hottest play in North America and is expected to continue its strong growth for years to come,” general partner CEO A.J. Teague said. “Shin Oak... is part of Enterprise’s larger plans in the Permian to leverage our integrated midstream assets to link supplies of cost-advantaged U.S. hydrocarbons to the largest domestic and global NGL markets.”

*\*Photo Courtesy Enterprise Products Partners*

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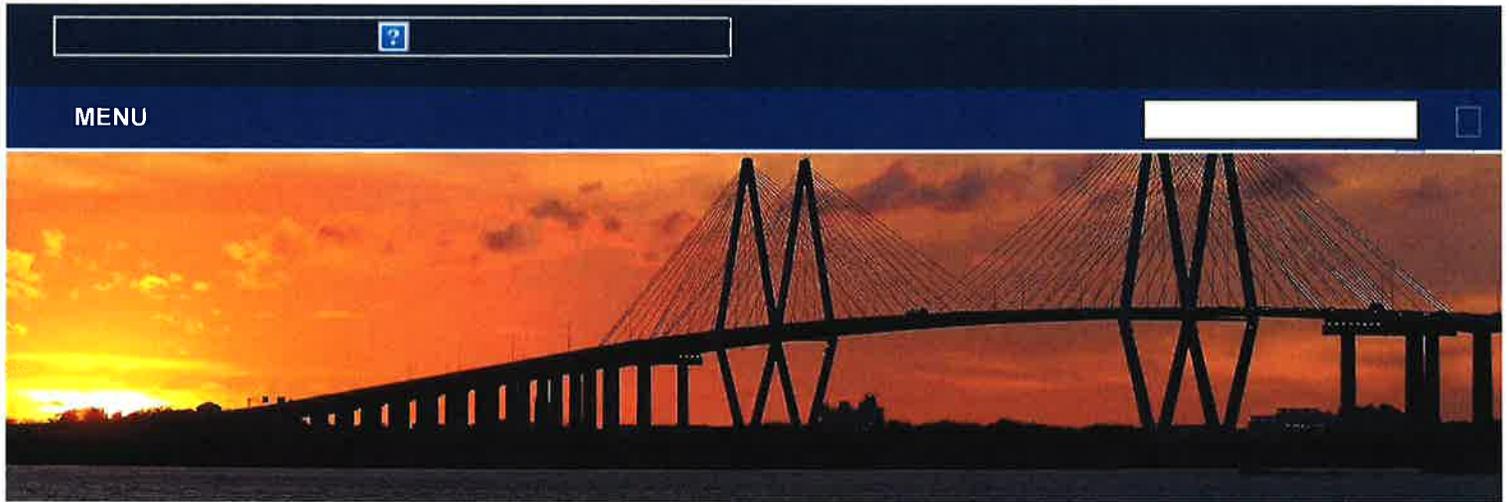
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## Enterprise and Navigator Announce Location of Ethylene Export Terminal; Begin Construction

*May 29, 2018*

HOUSTON and LONDON, May 29, 2018 /PRNewswire/ --

Enterprise Products Partners L.P. (NYSE: EPD) and Navigator Holdings Ltd. (NYSE: NVGS) announced today that construction is now under way on their 50/50 joint venture ethylene export terminal which will be located at Enterprise's Morgan's Point, Texas facility on the Houston Ship Channel. The terminal will have the capacity to export approximately 2.2 billion pounds of ethylene per year. Refrigerated storage for 66 million pounds of ethylene is being constructed on-site and will provide the capability to load ethylene at rates of 2.2 million pounds per hour. Commercial operations are expected to begin in the fourth quarter of 2019, one quarter earlier than previously projected.

By providing access to international markets, the new export terminal will facilitate continued growth of domestic ethylene production, which is expected to reach 90 billion pounds per year by 2021. In addition, the terminal being constructed by Enterprise and Navigator will promote supply diversification for expanding markets like Asia, which rely on cost-advantaged U.S. feedstocks.

The high-capacity ethylene salt dome storage facility Enterprise is developing at its complex in Mont Belvieu, Texas is scheduled to begin service in the second quarter of 2019. Upon completion, this storage facility will have a capacity of approximately 600 million pounds with an injection/withdrawal rate of 420,000 pounds per hour and will be designed to enable connections to the eight ethylene pipelines within a half-mile of the Enterprise ethylene storage system. In addition, Enterprise is building a new ethylene pipeline from Mont Belvieu to Bayport, Texas, which is on schedule to begin service in 2020. The section from Mont Belvieu to Morgan's Point is scheduled to be in service in 2019 to support the export terminal.

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

and a marine transportation business that operates primarily on the United States inland and Intracoastal Waterway systems. The partnership's assets include approximately 50,000 miles of pipelines; 260 million barrels of storage capacity for NGLs, crude oil, refined products and petrochemicals; and 14 billion cubic feet of natural gas storage capacity.

Navigator Holdings Ltd. is the owner and operator of the world's largest fleet of handysize liquefied gas carriers and a global leader in the seaborne transportation of petrochemical gases, such as ethylene and ethane, liquefied petroleum gas ("LPG") and ammonia. We play a vital role in the liquefied gas supply chain for energy companies, industrial consumers and commodity traders, with our sophisticated vessels providing an efficient and reliable 'floating pipeline' between the parties. We continue to build strong, long-term partnerships based on mutual trust, our deep technical expertise and modern versatile fleet.

<https://www.prnewswire.com/news-releases/enterprise-and-navigator-announce-location-of-ethylene-export-terminal-begin-construction-683951391.html>

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# PERMIAN NGL EXPANSION PROJECTS

## *Pipelines and Processing*

### Shin Oak NGL Pipeline:

- 658-mile, 24" new build pipeline, scheduled in-service: 2Q19
- Expected initial capacity of 550 MBPD
- Apache committed 100% of NGLs from its Alpine High acreage to Enterprise – 336,000 net acres
  - Enterprise to accept a minimum of 205 MBPD
- Apache has option for 33% equity stake exercisable after in-service date

### The Orla Gas Processing Complex:

- 3 trains will provide 1 Bcf/d of capacity & 150 MBPD of NGL production
  - Increases Delaware Basin gas processing capacity to >1.2 Bcf/d & >200 MBPD of NGL production
- Orla I started in May 2018; Orla II (expected 4Q18) Orla III (expected 2Q 2019)
- Connected to EPD's NGL & Texas intrastate systems
- Underwritten by creditworthy customers
  - Average initial term: 14 years

