

POWELL & LEON, LLP

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March 27, 2018

Ms. Tabita Collazo
Research Analyst
Local Government Assistance & Economic Analysis
Texas Comptroller of Public Accounts
111 E. 17th Street
Austin, Texas 78774

Re: Application #1336 from Lone Star NGL Asset Holdings II, LTD to Barbers Hill
Independent School District – Amendment #002 Transmittal Letter

Dear Ms. Collazo:

This letter is in response to your email dated March 15, 2019. Per your request, Lone Star NGL Asset Holdings II, LTD has made the following changes to Application #1336. Enumerated below are the changes contained in Amendment #002:

1. **Application Section 9, Item 3:** *Beginning of Qualifying Time Period*
The Qualifying Time Period begins on January 1, 2020.
2. **Application Section 10, Item 4:** *List all taxing entities that have jurisdiction for the property, the portion of the project within each entity, and tax rates for each entity.*
Chambers County is the only taxing entity for this project other than Barbers Hill ISD.
3. **Project Schematic:** *Is the warehouse considered qualified property?*
The warehouse is qualified property.
4. **Tab 7 and Tab 8:** *Qualified Investment and Qualified Property*
A sentence has been added to state that the Qualified Property and Qualified Investment are within the project boundary.

If you have any questions, or would like to discuss this matter further, please contact me at (512) 494-1177.

Respectfully submitted,


Sara Hardner Leon

SHL;sl

cc: *Via Electronic Mail:* Mike@keatax.com
Mr. Mike Fry, Director of Energy Services, K.E. Andrews & Company

Via Electronic Mail: gpoole@bhisd.net
Dr. Greg Poole, Superintendent of Schools, Barbers Hill ISD

Via Electronic Mail: bmcmanus@bhisd.net
Ms. Rebecca McManus, Assistant Superintendent of Finance, Barbers Hill ISD

SECTION 9: Projected Timeline

- 1. Application approval by school board January 2019
2. Commencement of construction October 2019
3. Beginning of qualifying time period January 1, 2020
4. First year of limitation January 2021
5. Begin hiring new employees April 2020
6. Commencement of commercial operations November 2020
7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? [] Yes [x] No
Note: Improvements made before that time may not be considered qualified property.
8. When do you anticipate the new buildings or improvements will be placed in service? November 2020

SECTION 10: The Property

- 1. Identify county or counties in which the proposed project will be located Chambers County
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Chambers County CAD
3. Will this CAD be acting on behalf of another CAD to appraise this property? [] Yes [x] No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:
County: Chambers County, .542548 (100%) City: N/A
Hospital District: N/A Water District: N/A
Other (describe): N/A Other (describe): N/A
5. Is the project located entirely within the ISD listed in Section 1? [x] Yes [] No
5a. If no, attach in Tab 6 additional information on the project scope and size to assist in the economic analysis.
6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? [] Yes [x] No
6a. If yes, attach in Tab 6 supporting documentation from the Office of the Governor.

SECTION 11: Investment

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at comptroller.texas.gov/economy/local/ch313/.

- 1. At the time of application, what is the estimated minimum qualified investment required for this school district? 80,000,000.00
2. What is the amount of appraised value limitation for which you are applying? 80,000,000.00
Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? [x] Yes [] No
4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (Tab 7);
b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (Tab 7); and
c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (Tab 11).
5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? [x] Yes [] No



Tab 7

Description of Qualified Investment

In compliance with the criteria and guidelines set forth in Title 3, Chapter 313 of the Texas Property Tax Code, Frac VIII requests an appraised value limitation from Barbers Hill Independent School District. Lone Star NGL Asset Holdings, LLC is proposing to construct a NGL fractionator in Chambers County, Texas. The facility will be located in the western portion of the county. Additionally, the entirety of the project will be within Barbers Hill Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

Frac VIII will be a NGL fractionator with a total plant capacity of 120,000 barrels/day located within a reinvestment zone in Chambers County, Texas. Construction is anticipated to commence in October 2019. The hiring of new employees will begin in April 2020, and the purchase of equipment and machinery will also begin in April 2019. Construction is projected to be complete by November 2020, when the plant will also be fully operational.

Lone Star NGL Asset Holdings, LLC (Frac VIII) requests that this application includes but is not limited to the following components of this project:

- Deethanizer
- Depropanizer
- Debutanizer
- Associated Towers
- Heat Medium
- Gasoline Treater
- Compression Equipment
- Warehouse/O&M Building

Please Note: The qualified investment described is within the project boundary.

NGL Fractionation

NGL fractionation is the process of manufacturing raw NGL mix produced by natural gas processing plants into discrete NGL purity components (i.e., ethane, propane, normal butane, iso-butane, and natural gasoline).

Fractionation Process

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

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component (propane) is separated. This process is repeated until the mixture of liquids has been separated into its purity components. This facility will also be built with the necessary equipment to produce International Grade Propane.

Demand for NGL's

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

The following factors influence demand for each individual NGL component:

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

Frac VIII Schematic

Amendment Two (3/15/2019)





Tab 8

Description of Qualified Property

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Frac VIII Schematic

Amendment Two (3/15/2019)



SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in Tab 17. NOTE: If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print here Greg Poole Superintendent
sign here [Signature] 3-27-19

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here Megan McKavanagh Sr. Manager Property Tax
sign here [Signature] 3.15.2019



(Notary Seal)

GIVEN under my hand and seal of office this, the 15 day of March 2019
Beverly M. Hernandez
Notary Public in and for the State of Texas
My Commission expires: 9.3.2022

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.