

**O'HANLON, DEMERATH & CASTILLO**

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September 30, 2019

Local Government Assistance & Economic Analysis  
Texas Comptroller of Public Accounts  
P.O. Box 13528  
Austin, Texas 78711-3528

RE: Amendment One to the Pecos-Barstow-Toyah Independent School District from Caprock Permian Processing, LLC

To the Local Government Assistance & Economic Analysis Division:

Enclosed is Amendment One to the Pecos-Barstow-Toyah Independent School District from Caprock Permian Processing, LLC. The following Changes have been made:

- Application Page 4, Section 8
  - Question 7 updated to "Yes."
- Application Page 5, Section 9
  - Question 3 updated to January 2, 2020
- Application Page 7, Section 14
  - Question 7a: Wages updated to \$1204.00
  - Question 7c: Wages updated to \$2629.00
- Tab 3
  - Documentation of Combined Group Membership Provided
- Tab 4, 7, & 8
  - "includes but not limited to" language removed
- Tab 11
  - Qualified property map provided
- Tab 14
  - Reviewed
- Tab 16
  - Intent to create RZ on behalf of school district provided
- Tab 17
  - Signature Page Provided

A copy of the application will be submitted to the Reeves County Appraisal District.

Sincerely,



Kevin O'Hanlon  
School District Consultant

Application #1412 Rec'd: Bristow-Toyah ISD-Caprock Permian Processing, LLC-Amendment One  
Cc: Reeves County Appraisal District  
Caprock Permian Processing, LLC



September 24, 2019

Pecos-Barstow-Toyah ISD  
cc Texas Comptroller of Public Accounts  
1301 S. Eddy  
Pecos, Texas 79772

RE: Application #1412 Caprock Permian Processing, LLC Amendment One

Superintendent Dr. Jose A. Cervantes:

Please find attached Amendment One for Application #1412 Caprock Permian Processing, LLC. We kindly request you accept and acknowledge the following changes:

- Application Page 4, Section 8
  - Question 7 updated to "Yes."
- Application Page 5, Section 9
  - Question 3 updated to January 2, 2020
- Application Page 7, Section 14
  - Question 7a: Wages updated to \$1204.00
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- Tab 14
  - Reviewed
- Tab 16
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- Tab 17
  - Signature Page Provided

If you have any questions, feel free to contact us. We appreciate your consideration of this request.

Best Regards,  
Mike Fry

Director-Energy Services



# Tab 1

*Pages 1-9 of the application*

**SECTION 6: Eligibility Under Tax Code Chapter 313.024**

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

**SECTION 7: Project Description**

- 1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
- 2. Check the project characteristics that apply to the proposed project:
  - Land has no existing improvements  Land has existing improvements (*complete Section 13*)
  - Expansion of existing operation on the land (*complete Section 13*)  Relocation within Texas

**SECTION 8: Limitation as Determining Factor**

- 1. Does the applicant currently own the land on which the proposed project will occur?  Yes  No
- 2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?  Yes  No
- 3. Does the applicant have current business activities at the location where the proposed project will occur?  Yes  No
- 4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?  Yes  No
- 5. Has the applicant received any local or state permits for activities on the proposed project site?  Yes  No
- 6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?  Yes  No
- 7. Is the applicant evaluating other locations not in Texas for the proposed project?  Yes  No
- 8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?  Yes  No
- 9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?  Yes  No
- 10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?  Yes  No

**Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.**

**SECTION 9: Projected Timeline**

- 1. Application approval by school board ..... January 2, 2020
- 2. Commencement of construction ..... March 1, 2020
- 3. Beginning of qualifying time period ..... January 2, 2020
- 4. First year of limitation ..... January 1, 2021
- 5. Begin hiring new employees ..... February 1, 2020
- 6. Commencement of commercial operations ..... October 1, 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  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? ..... October 1, 2020

**SECTION 10: The Property**

- 1. Identify county or counties in which the proposed project will be located Reeves County
- 2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Reeves CAD
- 3. Will this CAD be acting on behalf of another CAD to appraise this property? .....  Yes  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: Reeves Co., .49952 100% City: N/A  
(Name, tax rate and percent of project) (Name, tax rate and percent of project)  
 Hospital District: Reeves Co. Hosp.District .24 100% Water District: Reeves Co. Groundwater District .004 100%  
(Name, tax rate and percent of project) (Name, tax rate and percent of project)  
 Other (describe): Reeves Water District #2 .125 100% Other (describe): N/A  
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
- 5. Is the project located entirely within the ISD listed in Section 1? .....  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  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/](http://comptroller.texas.gov/economy/local/ch313/).

- 1. At the time of application, what is the estimated minimum qualified investment required for this school district? ..... 30,000,000.00
- 2. What is the amount of appraised value limitation for which you are applying? ..... 30,000,000.00  
**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)? .....  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? .....  Yes  No

**SECTION 14: Wage and Employment Information**

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? ..... 0
2. What is the last complete calendar quarter before application review start date:  
 First Quarter     Second Quarter     Third Quarter     Fourth Quarter of 2019  
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? ..... 0  
**Note:** For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? ..... 10
5. What is the number of new non-qualifying jobs you are estimating you will create? ..... 0
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? .....  Yes     No  
 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).  
 a. Average weekly wage for all jobs (all industries) in the county is ..... 1,204.00  
 b. 110% of the average weekly wage for manufacturing jobs in the county is ..... 1,459.98  
 c. 110% of the average weekly wage for manufacturing jobs in the region is ..... 1,139.81
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? .....  §313.021(5)(A) or  §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? ..... 59,270.20
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? ..... 59,270.20
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? .....  Yes     No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? .....  Yes     No  
 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? .....  Yes     No  
 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

**SECTION 15: Economic Impact**

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (*not required*)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.



# Tab 3

*Documentation of Combined Group Membership*

Electronic Return Acknowledgement

Tax Year 2018	Return No 76647620191355000022
Taxpayer BCP Raptor Holdco, LP/Compliance	
EFIN 766476	
Return Identification Number	76647620191355000022
Filing Type Description	TX 05164
Tax Period Begin Date	01/01/2018
Tax Period End Date	12/31/2018
Return Status	Accepted
Transmission Date and Timestamp	05/15/2019 12:34:09 PM

Application #1412-Pecos-Barstow-Toyah ISD-Caprock Permian Processing, LLC-Amendment One

8Q52B5 2.000

TX2019 05-164  
Ver. 10.0 (Rev.9-16/9)

Texas Franchise Tax Extension Request

Tcode 13258 Annual

■ Taxpayer number	■ Report year	Due date
32067327190	2019	05/15/2019

Taxpayer name BCP Raptor Holdco, LP				Secretary of State file number or Comptroller file number  0096826380
Mailing address 500 W Illinois Avenue Suite 700				
City Midland	State TX	Country USA	ZIP code plus 4 79701	Blacken box if the address has changed <input type="checkbox"/>
Blacken box if this is a combined report <input checked="" type="checkbox"/>				

If this extension is for a combined group, you must also complete and submit Form 05-165.

Note to mandatory Electronic Fund Transfer(EFT) payers:  
When requesting a second extension do not submit an Affiliate List Form 05-165.

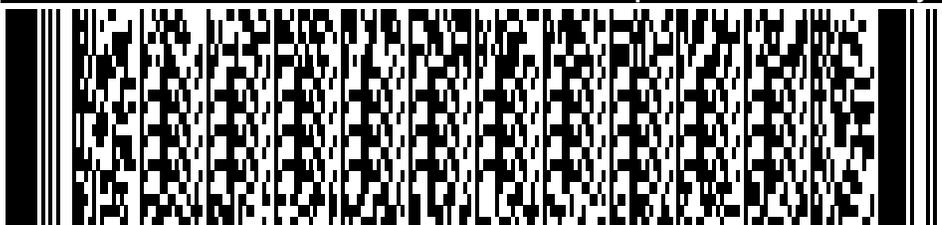
1. Extension payment (Dollars and cents) 1. ■

Print or type name Brenda Chenault		Area code and phone number (713) 356-4000
I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.		<b>Mail original to:</b> Texas Comptroller of Public Accounts P.O. Box 149348 Austin, TX 78714-9348
sign here 	Date 05/15/2019	

Instructions for each report year are online at [www.comptroller.texas.gov/taxes/franchise/forms](http://www.comptroller.texas.gov/taxes/franchise/forms). If you have any questions, call 1-800-252-1381.

Taxpayers who paid \$10,000 or more during the preceding fiscal year (Sept. 1 thru Aug. 31) are required to electronically pay their franchise tax.  
For more information visit [www.comptroller.texas.gov/taxes/franchise/filing-requirements.php](http://www.comptroller.texas.gov/taxes/franchise/filing-requirements.php).

Texas Comptroller Official Use Only



VE/DE	<input type="checkbox"/>
PM Date	<input type="text"/>



7004

8Q52B4 2.000

TX2019 05-165  
Ver. 10.0 (Rev.9-11/3)

Texas Franchise Tax Extension Affiliate List

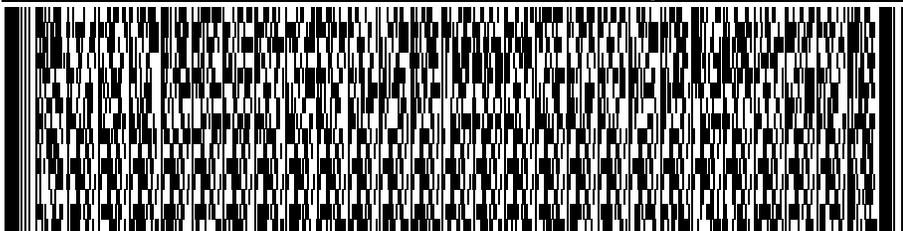
Tcode 13298

Reporting entity taxpayer number 32067327190	Report year 2019	Reporting entity taxpayer name BCP Raptor Holdco, LP
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LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)	BLACKEN BOX IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
1. BCP Raptor Intermediate Holdco, LLC	32067327430	<input type="checkbox"/>
2. BCP Raptor, LLC	32067327414	<input type="checkbox"/>
3. EagleClaw Midstream Ventures, LLC	32055882289	<input type="checkbox"/>
4. Dew Point Midstream, LLC	32065763370	<input type="checkbox"/>
5. BCP Raptor Midco, LLC	32068987877	<input type="checkbox"/>
6. Caprock Permian Natural Gas Transmission LLC	32062575884	<input type="checkbox"/>
7. Caprock Permian Crude LLC	32061658657	<input type="checkbox"/>
8. Caprock Permian Holdings LLC	32060239616	<input type="checkbox"/>
9. BCP Raptor II, LLC.	32069761040	<input type="checkbox"/>
10. BCP Raptor Intermediate Holdco II, LLC	831965403	<input type="checkbox"/>
11. BCP PHP Intermediate Holdco, LLC.	611903659	<input type="checkbox"/>
12. BCP PHP, LLC.	832063179	<input type="checkbox"/>
13. Sierra Grande Connector, LLC	831006163	<input type="checkbox"/>
14. Pinnacle Transpecos Midstream Gas, LLC	32058813802	<input type="checkbox"/>
15. Pinnacle Transpecos Stabilization, LLC	830990179	<input type="checkbox"/>
16. Pinnacle Transpecos Midstream, LLC	32058653554	<input type="checkbox"/>
17. Pinnacle Transpecos Processing, LLC	32061956465	<input type="checkbox"/>
18. EagleClaw Intrastate Ventures, LLC	32070408847	<input type="checkbox"/>
19. Pinnacle Midstream, LLC	32055571619	<input type="checkbox"/>
20. Caprock Field Services LLC	32060902056	<input type="checkbox"/>
21. Caprock Permian Processing LLC	32060471706	<input type="checkbox"/>

Note: To file an extension request for a reporting entity and its affiliates, Form 05-164 (Texas Franchise Tax Extension Request) must be submitted with this affiliate list. The filing of this list by itself does not constitute a properly filed Extension Request. Do not file this form when requesting a second extension.

Texas Comptroller Official Use Only



VE/DE	<input type="checkbox"/>	FM	<input type="checkbox"/>
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7004

8Q52B4 2.000

TX2019 05-165  
Ver. 10.0 (Rev.9-11/3)

Texas Franchise Tax Extension Affiliate List

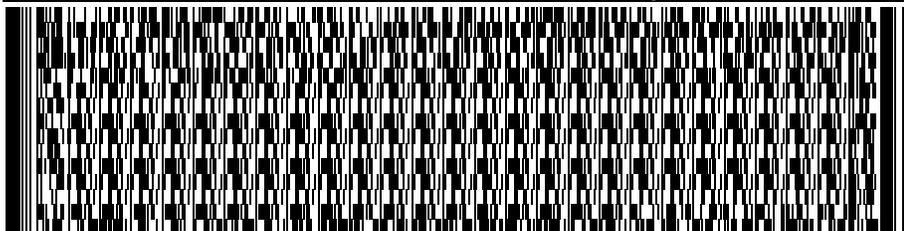
Tcode 13298

Reporting entity taxpayer number 32067327190	Report year 2019	Reporting entity taxpayer name BCP Raptor Holdco, LP
---	---------------------	---

LEGAL NAME OF AFFILIATE	AFFILIATE'S TEXAS TAXPAYER NUMBER (If none, enter FEI number)	BLACKEN BOX IF AFFILIATE DOES NOT HAVE NEXUS IN TEXAS
1. Caprock Midstream Holdings LLC	32060471714	<input type="checkbox"/>
2.		<input type="checkbox"/>
3.		<input type="checkbox"/>
4.		<input type="checkbox"/>
5.		<input type="checkbox"/>
6.		<input type="checkbox"/>
7.		<input type="checkbox"/>
8.		<input type="checkbox"/>
9.		<input type="checkbox"/>
10.		<input type="checkbox"/>
11.		<input type="checkbox"/>
12.		<input type="checkbox"/>
13.		<input type="checkbox"/>
14.		<input type="checkbox"/>
15.		<input type="checkbox"/>
16.		<input type="checkbox"/>
17.		<input type="checkbox"/>
18.		<input type="checkbox"/>
19.		<input type="checkbox"/>
20.		<input type="checkbox"/>
21.		<input type="checkbox"/>

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Texas Comptroller Official Use Only



VE/DE	<input type="checkbox"/>	FM	<input type="checkbox"/>
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7004



## Tab 4

### *Detailed Description of the Project*

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.

In compliance with the criteria and guidelines set forth in Title 3, Chapter 313 of the Texas Property Tax Code, Caprock Permian Processing, LLC requests an appraised value limitation from Pecos-Barstow-Toyah Independent School District. Caprock Permian Processing, LLC is a proposed natural gas processing facility which will encompass a reinvestment zone on the eastern boundary of Reeves county. The facility itself is expected to have a total capacity of 400-600 mmcf (million cubic feet). A total of two trains will be built with an estimated 200-300 mmcf capacity per day for each train. Additionally, the entirety of the project will be within Pecos-Barstow-Toyah Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

Caprock Permian Processing, LLC requests that this application includes all eligible ancillary and necessary equipment, most of which is outlined below:

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

Caprock Permian Processing, LLC is managed by EagleClaw Midstream, a leader in the energy industry, specifically natural gas gathering and processing. As the largest independent gathering and processing company in the Delaware Basin, EagleClaw Midstream has decades of experience in West Texas. They are dedicated to the delivery of gas and crude oil production to market in a responsible manner that protects our natural resources.



## Summary of Production Process

The initial stages of production will begin with raw natural gas produced at the well-head from various sources throughout the Permian Basin. This raw natural gas is then transported through gathering systems where it is either further process into natural gas or natural gas liquids. Upon processing, the products are delivered to the market through newly constructed pipelines. Throughout this process there are a variety of components used including the following:

- Inlet Slug Catcher
- Inlet Separation and Filtration
- Amine Treating for CO<sub>2</sub> Removal
- TEG Dehydration for H<sub>2</sub>O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants
- Residue Recompression Units
- Heat Medium Systems
- Flare System
- Water Systems (supply, drain, waste)
- Utilities

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 necessary before its used 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 'non-associated 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, carbon dioxide, helium, nitrogen, and other compounds.

Natural gas processing consists of separating all the various hydrocarbons and fluids from the pure natural gas, the produce what is known as 'pipeline quality' dry natural gas. Major transportation pipelines usually impose restrictions on the make-up 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 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 pipeline 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. 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 ( $H_2S$ ), and the gas is usually considered sour if the hydrogen sulfide content exceeds 5.7 milligrams of  $H_2S$  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.



## Tab 7

### *Description of Qualified Investment*

Caprock Permian Processing, LLC is a proposed natural gas processing facility which will encompass a reinvestment zone on the eastern boundary of Reeves county. The facility itself is expected to have a total capacity of 400-600 mmcf (million cubic feet). Additionally, the entirety of the project will be within Pecos-Barstow-Toyah Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

Caprock Permian Processing, LLC requests that this application includes all eligible ancillary and necessary equipment, most of which is outlined below:

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

### **Summary of Production Process**

The initial stages of production will begin with raw natural gas produced at the well-head from various sources throughout the Permian Basin. This raw natural gas is then transported through gathering systems where it is either further process into natural gas or natural gas liquids. Upon processing, the products are delivered to the market through newly constructed pipelines.

Throughout this process there are a variety of components used including the following:

- Inlet Slug Catcher
- 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
- Water Systems (supply, drain, waste)
- Utilities



## Tab 8

### *Description of Qualified Property*

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- GSP Cryogenic Gas Plants
- Residue Recompression Units
- Heat Medium Systems
- Flare System
- Water Systems (supply, drain, waste)
- Utilities



# Tab 11

*Maps*

Qualified Property

Legend

Project Boundary

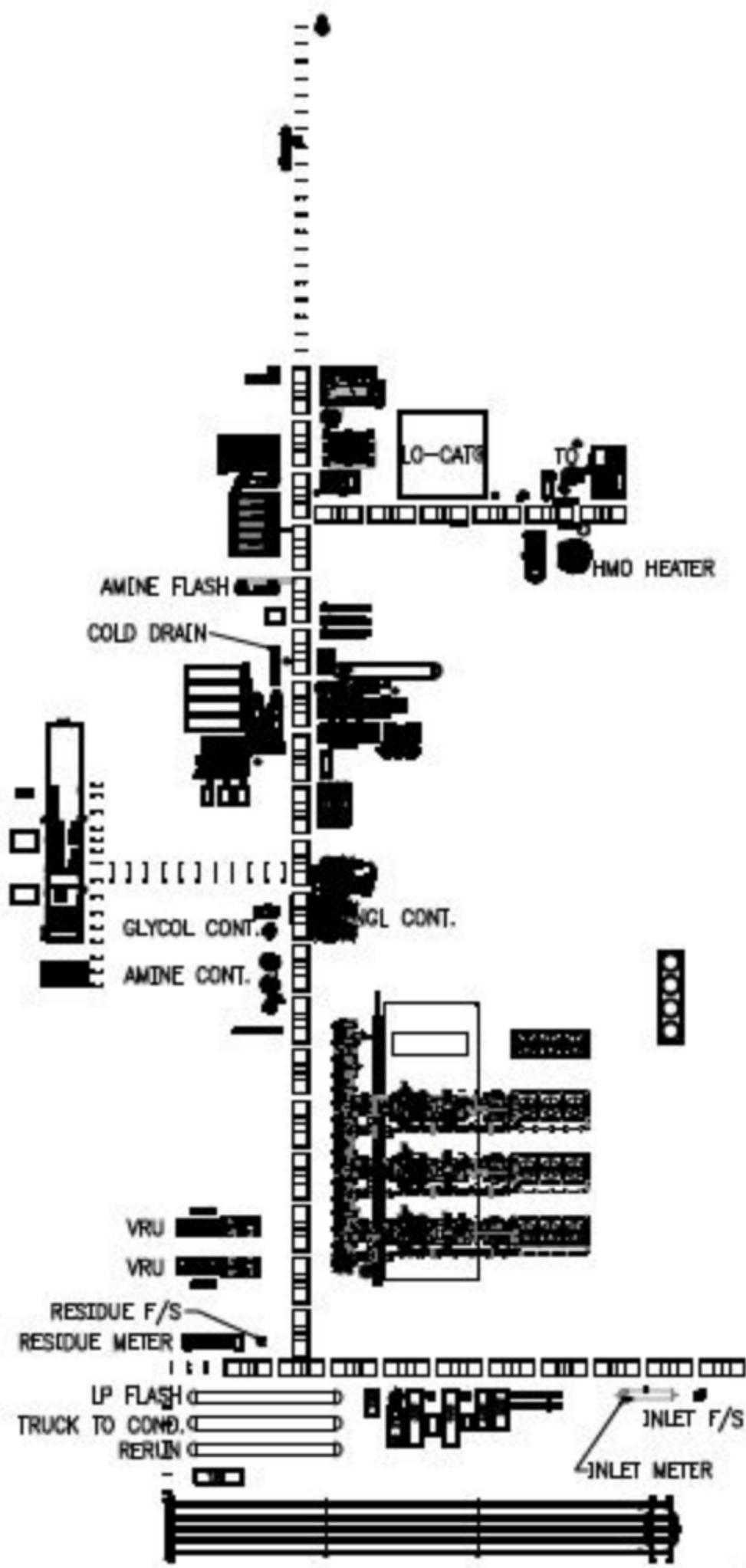
Project Boundary  
(yellow outline)

1216

402



Stow-Toyah ISD-Caprock Permian Process





# Tab 13

## Calculation of Wage Requirements

The proceeding calculations are for the following wage requirements:

Calculation A: Reeves County Average Weekly Wage

Calculation B: 110% of Reeves County Average for Manufacturing Jobs - \*Data only available for 2019 Q1\*

Calculation C: 110% of Permian Basin Regional Planning Commission Average for Manufacturing Jobs

### Calculation A: Reeves County Average Weekly Wage for all Jobs

Year	Quarter	Average Weekly Wage
2018	Q2	\$1131.00
2018	Q3	\$1136.00
2018	Q4	\$1248.00
2019	Q1	\$1301.00
	<b>Q Average</b>	<b>\$1204.00</b>

In order to calculate the Reeves County Average Weekly Wage for all Jobs, the following calculations were completed:

Quarterly Average Calculation:

Step 1: \$1131.00 + \$1136.00 + \$1248.00 + \$1301.00 = \$4816.00

Step 2: \$4816.00 / 4 = \$1204.00

### Calculation B: Reeves County Average Weekly Wage for Manufacturing Jobs

Year	Quarter	Average Weekly Wage
2016	Q3	\$532.00
2016	Q4	\$561.00
2017	Q1	\$1826.00
2019	Q1	\$2390.00
	<b>Q Average</b>	<b>\$1327.00</b>
	<b>110% Q Average</b>	<b>\$1459.98</b>

110% Quarterly Average Calculation:

Step 1: \$532.00 + \$561.00 + \$1826.00 + \$2390.00 = \$5,309.00

Step 2: \$5,309 / 4 = \$1,327.25

Step 3: \$1,327.25 \* 1.10 = \$1,459.98

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**Calculation C: 110% of Permian Basin Regional Planning Commission Average Weekly Wage for Manufacturing Jobs**

2018 Permian Basin Regional Planning Commission Annual Wage: \$53,882.00

2018 110% Permian Basin Regional Planning Commission Wage: \$59,270.20 annually or \$1,139.81 weekly

In order to calculate 110% of the Permian Basin Regional Planning Commission Wage for Manufacturing Jobs the following calculations were completed:

Step 1:  $\$53,882.00 \times 1.10 = \$59,270.20$

Step 2:  $\$59,270.20 / 52 = \boxed{\$1,139.81}$

\*All calculations were completed using the most recent data available from the Bureau of Labor Statistics—data attached

Quarterly Census of Employment and Wages (QCEW) Report  
 Customize the report/Help with Accessibility

Drag a column header and drop it here to group by that column

Year	Period	Area	Ownership	Industry	Average Weekly Wage
2018	01	Reeves	Total All	Total, All Industries	1,160
2018	02	Reeves	Total All	Total, All Industries	1,131
2018	03	Reeves	Total All	Total, All Industries	1,136
2018	04	Reeves	Total All	Total, All Industries	1,248
2019	01	Reeves	Total All	Total, All Industries	1,301

Quarterly Census of Employment and Wages (QCEW) Report  
 Customize the report/Help with Accessibility

Drag a column header and drop it here to group by that column

Year	Period	Area	Ownership	Industry	Average Weekly Wage
2016	01	Reeves	Private	Manufacturing	648
2016	02	Reeves	Private	Manufacturing	518
2016	03	Reeves	Private	Manufacturing	532
2016	04	Reeves	Private	Manufacturing	561
2017	01	Reeves	Private	Manufacturing	1,826
2019	01	Reeves	Private	Manufacturing	2,390

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# Tab 14

*Schedules A1-D*

**Schedule A1: Total Investment for Economic Impact (through the Qualifying Time Period)**

**Date** 8/8/2019  
**Applicant Name** Caprock Permian Processing, LLC  
**ISD Name** Pecos-Barstow-Toyah ISD

Application #1412-Pecos-Barstow-Toyah ISD-Caprock Permian Processing, LLC-Amendment One

Form 50-296A

Revised May 2014

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A New investment (original cost) in <b>tangible personal property</b> placed in service during this year that will become Qualified Property	Column B New investment made during this year in <b>buildings or permanent nonremovable components of buildings</b> that will become Qualified Property	Column C Other new investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Column D Other new investment made during this year that may become Qualified Property [SEE NOTE]	Column E <b>Total Investment</b> (Sum of Columns A+B+C+D)
Investment made before filing complete application with district	2019	2019-2020	2019	Not eligible to become Qualified Property			[The only other investment made before filing complete application with district that may become Qualified Property is land.]	
Investment made after filing complete application with district, but before final board approval of application	2020	2020-2021	2020	\$ 150,000,000.00				\$ 150,000,000.00
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period								
Complete tax years of qualifying time period	QTP1	2021-2022	2021					
	QTP2	2022-2023	2022					
<b>Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]</b>				\$ 150,000,000.00				\$ 150,000,000.00
<b>Enter amounts from TOTAL row above in Schedule A2</b>								
<b>Total Qualified Investment (sum of green cells)</b>				\$ 150,000,000.00				

For All Columns: List amount invested each year, not cumulative totals.

Column A: This represents the total dollar amount of planned investment in tangible personal property. Only include estimates of investment for "replacement" property if the property is specifically described in the application.

Only tangible personal property that is specifically described in the application can become qualified property.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings.

Column C: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that will not become qualified property include investment meeting the definition of 313.021(1) but not creating a new improvement as defined by TAC 9.1051. This is proposed property that functionally replaces existing property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property—described in SECTION 13, question #5 of the application.

Column D: Dollar value of other investment that may affect economic impact and total value. Examples of other investment that may result in qualified property are land or professional services.

Total Investment: Add together each cell in a column and enter the sum in the blue total investment row. Enter the data from this row into the first row in Schedule A2.

Qualified Investment: For the green qualified investment cell, enter the sum of all the green-shaded cells.



## Tab 16

### *Description of Reinvestment Zone*

Caprock Permian Processing, LLC is to be located within a proposed reinvestment zone. The adoption of this measure will not be complete until Pecos-Barstow-Toyah ISD or Reeves County creates the reinvestment zone and considers the final approval of the Chapter 313 agreement for Caprock Permian Processing, LLC . This will likely occur in the 4<sup>th</sup> fiscal quarter of 2019 and be designated by Pecos-Barstow-Toyah ISD. Therefore, upon the creation of the proposed reinvestment zone, the legal description of the zone as well as the order, resolution, or ordinance that establishes the reinvestment zone will be submitted to the Texas Comptroller.

**PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT**

**RESOLUTION CREATING EAGLECLAW REINVESTMENT ZONE**

**WHEREAS**, Section 312.0025 of the Texas Tax Code 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 this state in which the school district is located; and,

**WHEREAS**, the Pecos-Barstow-Toyah Independent School District (the “District”) desires to encourage 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 published notice of a public hearing regarding the possible designation of the area described in the attached **Exhibit A** as a reinvestment zone for the purposes of Chapter 313 of the Texas Tax Code; and,

**WHEREAS**, the District wishes to create a reinvestment zone within the boundaries of the school district in Reeves County, Texas as shown on the map attached as **Exhibit B**; and,

**WHEREAS**, the District has given written notice of the proposed action and the Public Hearing 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 & B**; and,

**WHEREAS**, all interested members of the public were given an opportunity to make comments at the public hearing.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE PECOS-BARSTOW-TOYAH 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.

**SECTION 2.** That the Board of Trustees of the Pecos-Barstow-Toyah Independent School 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 *EAGLECLAW REINVESTMENT ZONE* has been called, held and conducted, and that notices of such hearing have been published and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone; and,
- (b) That the boundaries of *EAGLECLAW REINVESTMENT ZONE* 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**”; and,
- (c) That the map attached hereto as “**Exhibit B**” is declared to be and, by the adoption of this Resolution, is certified to accurately depict and show the boundaries of *EAGLECLAW REINVESTMENT ZONE* which is described in **Exhibit A**; and further certifies that the property described in **Exhibit A** is inside the boundaries shown on **Exhibit B**; and,
- (d) That creation of *EAGLECLAW REINVESTMENT ZONE* with boundaries as described in **Exhibit A** and **Exhibit B** will result in benefits to the Pecos-Barstow-Toyah Independent School District and to land included in the zone, and that the improvements sought are feasible and practical; and,
- (e) That the *EAGLECLAW REINVESTMENT ZONE* described in **Exhibit A** and **Exhibit B** 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 investment in the zone that will be a benefit to the property, and would contribute to economic development within the Pecos-Barstow-Toyah Independent School District.

**SECTION 3.** That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the Pecos-Barstow-Toyah Independent School District hereby creates a reinvestment zone under the provisions of Texas Tax Code §312.0025, encompassing the area described by the descriptions in **Exhibit A** and **Exhibit B**, and such reinvestment zone is hereby designated and shall hereafter be referred to as *EAGLECLAW REINVESTMENT ZONE*.

**SECTION 4.** That the existence of the *EAGLECLAW REINVESTMENT ZONE* shall first take effect upon, XXX XX<sup>th</sup>, 2019, the date of the adoption of this Resolution by the 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 adoption.

**SECTION 5.** That if any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this

Resolution.

**SECTION 6.** That it is hereby found, determined and declared that a sufficient notice of the date, hour, place and subject of the meeting of the Pecos-Barstow-Toyah Independent School District 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 Reeves County of the State of Texas, and furthermore, such notice was, in fact, delivered to the presiding officer of any effected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act.

PASSED, APPROVED AND ADOPTED on this XX day of XXXX, 2019.

**PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT**

By: \_\_\_\_\_  
President  
Board of Trustees

ATTEST: \_\_\_\_\_  
Secretary  
Board of Trustees

**EXHIBIT A**

**LEGAL DESCRIPTION OF EAGLECLAW REINVESTMENT ZONE**

**EAGLECLAW REINVESTMENT ZONE**



**EXHIBIT B**

**SURVEY MAPS OF EAGLECLAW REINVESTMENT ZONE**

# Proposed Reinvestment Zone

**Legend**

 Proposed Reinvestment Zone

Proposed Reinvestment Zone  
(red outline)





# Tab 17

*Signatures and Certification*

Texas Comptroller of Public Accounts

Data Analysis and Transparency Form 50-296-A

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 Dr. Jose A. Cervantes Superintendent Title

sign here [Signature] 9/27/19 Date

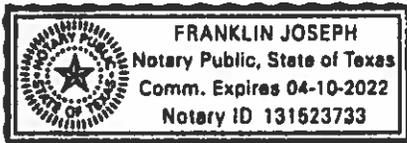
2. Authorized Company Representative (Applicant) Signature and Notarization

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 Erik Ballenger Director of Tax Title

sign here [Signature] 9/26/19 Date



(Notary Seal)

GIVEN under my hand and seal of office this, the

26 day of September 2019

[Signature] Notary Public in and for the State of Texas

My Commission expires: 4/10/22

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.