



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

October 30, 2019

Dr. Jose Cervantes
Superintendent
Pecos-Barstow-Toyah Independent School District
1301 South Eddy Street
Pecos, Texas 79772

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Pecos-Barstow-Toyah Independent School District and Caprock Permian Processing, LLC, Application 1412

Dear Superintendent Cervantes:

On October 11, 2019, the Comptroller issued written notice that Caprock Permian Processing, LLC (applicant) submitted a completed application (Application 1412) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on August 15, 2019, to the Pecos-Barstow-Toyah Independent School District (school district) by the applicant.

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

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a) Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b) Applicant is proposing to use the property for an eligible project.

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

Sec. 313.024(d) Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.

Sec. 313.024(d-2) Not applicable to Application 1412.

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

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

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

Determination required by 313.026(c)(2)

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

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

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

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of October 11, 2019, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

A handwritten signature in blue ink that reads "Lisa Craven". The signature is written in a cursive, flowing style.

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller’s economic impact analysis of Caprock Permian Processing, LLC (project) applying to Pecos-Barstow-Toyah 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 Caprock Permian Processing, LLC.

| | |
|---|---------------------------------|
| Applicant | Caprock Permian Processing, LLC |
| Tax Code, 313.024 Eligibility Category | Manufacturing |
| School District | Pecos-Barstow-Toyah ISD |
| 2017-2018 Average Daily Attendance | 2,402 |
| County | Reeves |
| Proposed Total Investment in District | \$150,000,000 |
| Proposed Qualified Investment | \$150,000,00 |
| Limitation Amount | \$30,000,000 |
| Qualifying Time Period (Full Years) | 2021-2022 |
| Number of new qualifying jobs committed to by applicant | 10 |
| Number of new non-qualifying jobs estimated by applicant | 0 |
| Average weekly wage of qualifying jobs committed to by applicant | \$1,140 |
| Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B) | \$1,140 |
| Minimum annual wage committed to by applicant for qualified jobs | \$59,270.20 |
| Minimum weekly wage required for non-qualifying jobs | \$1,240 |
| Minimum annual wage required for non-qualifying jobs | \$62,609 |
| Investment per Qualifying Job | \$15,000,000 |
| Estimated M&O levy without any limit (15 years) | \$15,801,300 |
| Estimated M&O levy with Limitation (15 years) | \$6,984,000 |
| Estimated gross M&O tax benefit (15 years) | \$8,817,300 |

Table 2 is the estimated statewide economic impact of Caprock Permian Processing, LLC (modeled).

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|--------|-----------------|--------------------|--------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2020 | 210 | 307 | 517 | \$11,854,040 | \$27,750,960 | \$39,605,000 |
| 2021 | 10 | 61 | 71.427 | \$592,702 | \$7,361,298 | \$7,954,000 |
| 2022 | 10 | 55 | 65 | \$592,702 | \$6,561,298 | \$7,154,000 |
| 2023 | 10 | 41 | 51 | \$592,702 | \$5,464,298 | \$6,057,000 |
| 2024 | 10 | 34 | 44 | \$592,702 | \$4,807,298 | \$5,400,000 |
| 2025 | 10 | 31 | 41 | \$592,702 | \$4,544,298 | \$5,137,000 |
| 2026 | 10 | 31 | 41 | \$592,702 | \$4,530,298 | \$5,123,000 |
| 2027 | 10 | 33 | 43 | \$592,702 | \$4,699,298 | \$5,292,000 |
| 2028 | 10 | 35 | 45 | \$592,702 | \$4,989,298 | \$5,582,000 |
| 2029 | 10 | 37 | 47 | \$592,702 | \$5,348,298 | \$5,941,000 |
| 2030 | 10 | 39 | 49 | \$592,702 | \$5,749,298 | \$6,342,000 |
| 2031 | 10 | 39 | 49 | \$592,702 | \$5,995,298 | \$6,588,000 |
| 2032 | 10 | 40 | 50 | \$592,702 | \$6,348,298 | \$6,941,000 |
| 2033 | 10 | 41 | 51 | \$592,702 | \$6,707,298 | \$7,300,000 |
| 2034 | 10 | 42 | 52 | \$592,702 | \$7,087,298 | \$7,680,000 |
| 2035 | 10 | 42 | 52 | \$592,702 | \$7,463,298 | \$8,056,000 |

Source: CPA REMI, Caprock Permian Processing, 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* | Pecos-Barstow-Toyah ISD I&S Tax Levy | Pecos-Barstow-Toyah ISD M&O Tax Levy | Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies | Reeves County Tax Levy | Reeves County Hospital District Tax Levy | Reeves County WCID #2 Tax Levy | Reeves County Groundwater CD Tax Levy | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|--------------|--------------------------------------|--------------------------------------|--|------------------------|--|--------------------------------|---------------------------------------|--------------------------------|
| | | | | 0.0850 | 0.9700 | | 0.4995 | 0.2400 | 0.1250 | 0.0040 | |
| 2021 | \$75,000,000 | \$75,000,000 | | \$63,750 | \$727,500 | \$791,250 | \$374,640 | \$180,000 | \$93,750 | \$3,000 | \$1,442,640 |
| 2022 | \$150,000,000 | \$150,000,000 | | \$127,500 | \$1,455,000 | \$1,582,500 | \$749,280 | \$360,000 | \$187,500 | \$6,000 | \$2,885,280 |
| 2023 | \$144,000,000 | \$144,000,000 | | \$122,400 | \$1,396,800 | \$1,519,200 | \$719,309 | \$345,600 | \$180,000 | \$5,760 | \$2,769,869 |
| 2024 | \$138,000,000 | \$138,000,000 | | \$117,300 | \$1,338,600 | \$1,455,900 | \$689,338 | \$331,200 | \$172,500 | \$5,520 | \$2,654,458 |
| 2025 | \$132,000,000 | \$132,000,000 | | \$112,200 | \$1,280,400 | \$1,392,600 | \$659,366 | \$316,800 | \$165,000 | \$5,280 | \$2,539,046 |
| 2026 | \$126,000,000 | \$126,000,000 | | \$107,100 | \$1,222,200 | \$1,329,300 | \$629,395 | \$302,400 | \$157,500 | \$5,040 | \$2,423,635 |
| 2027 | \$120,000,000 | \$120,000,000 | | \$102,000 | \$1,164,000 | \$1,266,000 | \$599,424 | \$288,000 | \$150,000 | \$4,800 | \$2,308,224 |
| 2028 | \$114,000,000 | \$114,000,000 | | \$96,900 | \$1,105,800 | \$1,202,700 | \$569,453 | \$273,600 | \$142,500 | \$4,560 | \$2,192,813 |
| 2029 | \$108,000,000 | \$108,000,000 | | \$91,800 | \$1,047,600 | \$1,139,400 | \$539,482 | \$259,200 | \$135,000 | \$4,320 | \$2,077,402 |
| 2030 | \$102,000,000 | \$102,000,000 | | \$86,700 | \$989,400 | \$1,076,100 | \$509,510 | \$244,800 | \$127,500 | \$4,080 | \$1,961,990 |
| 2031 | \$96,000,000 | \$96,000,000 | | \$81,600 | \$931,200 | \$1,012,800 | \$479,539 | \$230,400 | \$120,000 | \$3,840 | \$1,846,579 |
| 2032 | \$90,000,000 | \$90,000,000 | | \$76,500 | \$873,000 | \$949,500 | \$449,568 | \$216,000 | \$112,500 | \$3,600 | \$1,731,168 |
| 2033 | \$84,000,000 | \$84,000,000 | | \$71,400 | \$814,800 | \$886,200 | \$419,597 | \$201,600 | \$105,000 | \$3,360 | \$1,615,757 |
| 2034 | \$78,000,000 | \$78,000,000 | | \$66,300 | \$756,600 | \$822,900 | \$389,626 | \$187,200 | \$97,500 | \$3,120 | \$1,500,346 |
| 2035 | \$72,000,000 | \$72,000,000 | | \$61,200 | \$698,400 | \$759,600 | \$359,654 | \$172,800 | \$90,000 | \$2,880 | \$1,384,934 |
| | | | Total | \$1,384,650 | \$15,801,300 | \$17,185,950 | \$8,137,181 | \$3,909,600 | \$2,036,250 | \$65,160 | \$31,334,141 |

Source: CPA, Caprock Permian Processing, LLC

*Tax Rate per \$100 Valuation

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

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

| Year | Estimated Taxable Value for I&S | Estimated Taxable Value for M&O | Tax Rate* | Pecos-Barstow-Toyah ISD I&S Tax Levy | Pecos-Barstow-Toyah ISD M&O Tax Levy | Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies | Reeves County Tax Levy | Reeves County Hospital District Tax Levy | Reeves County WCID #2 Tax Levy | Reeves County Groundwater CD Tax Levy | Estimated Total Property Taxes |
|------|---------------------------------|---------------------------------|--------------|--------------------------------------|--------------------------------------|--|------------------------|--|--------------------------------|---------------------------------------|--------------------------------|
| | | | | 0.0850 | 0.9700 | | 0.4995 | 0.2400 | 0.1250 | 0.0040 | |
| 2021 | \$75,000,000 | \$30,000,000 | | \$63,750 | \$291,000 | \$354,750 | \$187,320 | \$180,000 | \$93,750 | \$3,000 | \$818,820 |
| 2022 | \$150,000,000 | \$30,000,000 | | \$127,500 | \$291,000 | \$418,500 | \$374,640 | \$360,000 | \$187,500 | \$6,000 | \$1,346,640 |
| 2023 | \$144,000,000 | \$30,000,000 | | \$122,400 | \$291,000 | \$413,400 | \$359,654 | \$345,600 | \$180,000 | \$5,760 | \$1,304,414 |
| 2024 | \$138,000,000 | \$30,000,000 | | \$117,300 | \$291,000 | \$408,300 | \$344,669 | \$331,200 | \$172,500 | \$5,520 | \$1,262,189 |
| 2025 | \$132,000,000 | \$30,000,000 | | \$112,200 | \$291,000 | \$403,200 | \$329,683 | \$316,800 | \$165,000 | \$5,280 | \$1,219,963 |
| 2026 | \$126,000,000 | \$30,000,000 | | \$107,100 | \$291,000 | \$398,100 | \$629,395 | \$302,400 | \$157,500 | \$5,040 | \$1,492,435 |
| 2027 | \$120,000,000 | \$30,000,000 | | \$102,000 | \$291,000 | \$393,000 | \$599,424 | \$288,000 | \$150,000 | \$4,800 | \$1,435,224 |
| 2028 | \$114,000,000 | \$30,000,000 | | \$96,900 | \$291,000 | \$387,900 | \$569,453 | \$273,600 | \$142,500 | \$4,560 | \$1,378,013 |
| 2029 | \$108,000,000 | \$30,000,000 | | \$91,800 | \$291,000 | \$382,800 | \$539,482 | \$259,200 | \$135,000 | \$4,320 | \$1,320,802 |
| 2030 | \$102,000,000 | \$30,000,000 | | \$86,700 | \$291,000 | \$377,700 | \$509,510 | \$244,800 | \$127,500 | \$4,080 | \$1,263,590 |
| 2031 | \$96,000,000 | \$96,000,000 | | \$81,600 | \$931,200 | \$1,012,800 | \$479,539 | \$230,400 | \$120,000 | \$3,840 | \$1,846,579 |
| 2032 | \$90,000,000 | \$90,000,000 | | \$76,500 | \$873,000 | \$949,500 | \$449,568 | \$216,000 | \$112,500 | \$3,600 | \$1,731,168 |
| 2033 | \$84,000,000 | \$84,000,000 | | \$71,400 | \$814,800 | \$886,200 | \$419,597 | \$201,600 | \$105,000 | \$3,360 | \$1,615,757 |
| 2034 | \$78,000,000 | \$78,000,000 | | \$66,300 | \$756,600 | \$822,900 | \$389,626 | \$187,200 | \$97,500 | \$3,120 | \$1,500,346 |
| 2035 | \$72,000,000 | \$72,000,000 | | \$61,200 | \$698,400 | \$759,600 | \$359,654 | \$172,800 | \$90,000 | \$2,880 | \$1,384,934 |
| | | | Total | \$1,384,650 | \$6,984,000 | \$8,368,650 | \$6,541,214 | \$3,909,600 | \$2,036,250 | \$65,160 | \$20,920,874 |
| | | | Diff | \$0 | \$8,817,300 | \$8,817,300 | \$1,595,966 | \$0 | \$0 | \$0 | \$10,413,266 |

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, Caprock Permian Processing, LLC

*Tax Rate per \$100 Valuation

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

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

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

| | Tax Year | Estimated ISD M&O Tax Levy Generated (Annual) | Estimated ISD M&O Tax Levy Generated (Cumulative) | Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual) | Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative) |
|---|----------|---|---|---|---|
| Limitation Pre-Years | 2018 | \$0 | \$0 | \$0 | \$0 |
| | 2019 | \$0 | \$0 | \$0 | \$0 |
| | 2020 | \$0 | \$0 | \$0 | \$0 |
| Limitation Period (10 Years) | 2021 | \$291,000 | \$291,000 | \$436,500 | \$436,500 |
| | 2022 | \$291,000 | \$582,000 | \$1,164,000 | \$1,600,500 |
| | 2023 | \$291,000 | \$873,000 | \$1,105,800 | \$2,706,300 |
| | 2024 | \$291,000 | \$1,164,000 | \$1,047,600 | \$3,753,900 |
| | 2025 | \$291,000 | \$1,455,000 | \$989,400 | \$4,743,300 |
| | 2026 | \$291,000 | \$1,746,000 | \$931,200 | \$5,674,500 |
| | 2027 | \$291,000 | \$2,037,000 | \$873,000 | \$6,547,500 |
| | 2028 | \$291,000 | \$2,328,000 | \$814,800 | \$7,362,300 |
| | 2029 | \$291,000 | \$2,619,000 | \$756,600 | \$8,118,900 |
| | 2030 | \$291,000 | \$2,910,000 | \$698,400 | \$8,817,300 |
| Maintain Viable Presence (5 Years) | 2031 | \$931,200 | \$3,841,200 | \$0 | \$8,817,300 |
| | 2032 | \$873,000 | \$4,714,200 | \$0 | \$8,817,300 |
| | 2033 | \$814,800 | \$5,529,000 | \$0 | \$8,817,300 |
| | 2034 | \$756,600 | \$6,285,600 | \$0 | \$8,817,300 |
| | 2035 | \$698,400 | \$6,984,000 | \$0 | \$8,817,300 |
| Additional Years as Required by 313.026(c)(1) (10 Years) | 2036 | \$640,200 | \$7,624,200 | \$0 | \$8,817,300 |
| | 2037 | \$582,000 | \$8,206,200 | \$0 | \$8,817,300 |
| | 2038 | \$523,800 | \$8,730,000 | \$0 | \$8,817,300 |
| | 2039 | \$465,600 | \$9,195,600 | \$0 | \$8,817,300 |
| | 2040 | \$407,400 | \$9,603,000 | \$0 | \$8,817,300 |
| | 2041 | \$363,750 | \$9,966,750 | \$0 | \$8,817,300 |
| | 2042 | \$363,750 | \$10,330,500 | \$0 | \$8,817,300 |
| | 2043 | \$363,750 | \$10,694,250 | \$0 | \$8,817,300 |
| | 2044 | \$363,750 | \$11,058,000 | \$0 | \$8,817,300 |
| | 2045 | \$363,750 | \$11,421,750 | \$0 | \$8,817,300 |

\$11,421,750

is greater than

\$8,817,300

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

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

Source: CPA, Caprock Permian Processing, LLC

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

Attachment C – Limitation as a Determining Factor

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

Methodology

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

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

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Caprock Permian Processing, 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 Caprock Permian Processing, LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Caprock Permian Processing, LLC is a subsidiary of EagleClaw Midstream Ventures, LLC. EagleClaw Midstream Ventures, LLC operates four plant sites with more than 1,000 miles of pipeline through the Permian Basin. Their interconnected plant and compression sites provide redundancy, reliability, and ease of future expansion. Other locations that are being evaluated for the construction of the Caprock Permian Processing, LLC include locations in southeastern New Mexico. In the event a 313 value limitation agreement is not reached, the investment for this facility will likely be reallocated to the formation of a processing plant in New Mexico.”
 - B. “EagleClaw Midstream Ventures, LLC is always 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 Value Limitation is one of the most important components in their analysis. Not only EagleClaw Midstream Ventures, LLC but all prudent manufactures, know tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas because of the direct impact on any proposed project’s economic viability, so the decision to invest in Texas, or any other state, requires any capital investment by EagleClaw Midstream Ventures, LLC to be based on expected economic return on their investment.”
 - C. “With the property tax liabilities making up a substantial ongoing cost of operation that directly impacts the rate of return on the investment for the Caprock Permian Processing plant. 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. EagleClaw Midstream Ventures, LLC compares the proposed project’s rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. If the rate of

return with the valuation limitation agreement exceeds the minimum rate of return then they can proceed. Therefore, receiving a value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize EagleClaw Midstream Ventures, LLC to invest capital in the proposed project rather than making an alternative investment. This makes the ability to enter into a Chapter 313 appraised value limitation agreement with the school district “the determining factor” to invest in this project.”

- Per the Eagleclaw Midstream website, Eagleclaw operates three gas processing facilities in Reeves County.
- Per Eagleclaw Midstream news dated September 5, 2018, “EagleClaw Midstream (“EagleClaw”), a portfolio company of Blackstone Energy Partners, announced today that it has entered into binding agreements to acquire Caprock Midstream Holdings (“Caprock”) from Energy Spectrum Capital and Caprock Midstream Management for \$950 million plus pre-closing adjustments. EagleClaw is the largest privately held midstream operator in the Permian’s Delaware Basin in West Texas. The company’s assets are strategically located in Reeves, Ward, and Culberson counties and include more than 550 miles of natural gas and natural gas liquids (“NGL”) pipelines and 720 million cubic feet per day (“MMcf/d”) of processing capacity.”
- According to a Regular meeting of the Board of Trustees of Pecos-Barstow-Toyah ISD dated August 15, 2019, “Discussion and possible action to: accept the Application of EagleClaw Midstream Venture, LLC for an Appraised Value Limitation on Qualified Property; authorize the Superintendent to review the Application for completeness and submit to the Comptroller; and authorize the Superintendent to enter into any agreement to extend the deadline for Board action beyond 150 days.”

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 as a Determining Factor

Caprock Permian Processing, LLC is a subsidiary of EagleClaw Midstream Ventures, LLC. EagleClaw Midstream Ventures, LLC operates four plant sites with more than 1,000 miles of pipeline through the Permian Basin. Their interconnected plant and compression sites provide redundancy, reliability, and ease of future expansion. Other locations that are being evaluated for the construction of the Caprock Permian Processing, LLC include locations in southeastern New Mexico. In the event a 313 value limitation agreement is not reached, the investment for this facility will likely be reallocated to the formation of a processing plant in New Mexico.

EagleClaw Midstream Ventures, LLC is always 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 Value Limitation is one of the most important components in their analysis.

Not only EagleClaw Midstream Ventures, LLC but all prudent manufactures, know tax incentives play an important role in attracting capital intensive manufacturing facilities due to the high property tax burden in Texas because of the direct impact on any proposed project's economic viability, so the decision to invest in Texas, or any other state, requires any capital investment by EagleClaw Midstream Ventures, LLC to be based on expected economic return on their investment.

With the property tax liabilities making up a substantial ongoing cost of operation that directly impacts the rate of return on the investment for the Caprock Permian Processing plant.

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.

EagleClaw Midstream Ventures, LLC compares the proposed project's rate of return with the Chapter 313 appraised value limitation agreement and without the value limitation agreement. If the rate of return with the valuation limitation agreement exceeds the minimum rate of return then they can proceed. Therefore, receiving a value limitation agreement under Chapter 313 results in significant annual operating cost savings which would incentivize EagleClaw Midstream Ventures, LLC to invest capital in the proposed project rather than making an alternative investment. This makes the ability to enter into a Chapter 313 appraised value limitation agreement with the school district "the determining factor" to invest in this project.

Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller



EagleClaw Midstream Announces Acquisition of Caprock Midstream

September 5, 2018
EagleClaw Midstream

Strategic acquisition reinforces EagleClaw's best-in-class service offering by adding complementary natural gas gathering, processing, and compression assets in close proximity to existing system; expanding EagleClaw's offering to crude and water services; and adding new customers, volumes, and high-quality dedicated acreage

September 05, 2018 06:00 AM Eastern Daylight Time

MIDLAND, Texas & HOUSTON--(BUSINESS WIRE)--EagleClaw Midstream ("EagleClaw"), a portfolio company of Blackstone Energy Partners, announced today that it has entered into binding agreements to acquire Caprock Midstream Holdings ("Caprock") from Energy Spectrum Capital and Caprock Midstream Management for \$950 million plus pre-closing adjustments. The all-cash transaction is expected to close in 2018 and will be funded with equity and committed debt financing from Barclays Plc. EagleClaw's current executive leadership team will lead the combined business, which shall operate under the EagleClaw name, following the closing of the transaction.

EagleClaw is the largest privately held midstream operator in the Permian's Delaware Basin in West Texas. The company's assets are strategically located in Reeves, Ward, and Culberson counties and include more than 550 miles of natural gas and natural gas liquids ("NGL") pipelines and 720 million cubic feet per day ("MMcf/d") of processing capacity. EagleClaw serves many of the region's leading oil and gas producers, who have committed long-term dedications of natural gas volumes to the company from over 310,000 acres. Since being acquired by Blackstone last year, EagleClaw has more than doubled its processed volumes and system capacity, increased the amount of acreage under long-term dedication by over 55%, and entered into partnerships with Kinder Morgan and Targa to improve its customers' takeaway options for natural gas and NGLs.

Caprock is a privately held midstream operator that provides gathering, processing, and disposal services for natural gas, crude oil, and produced water to producers in the Delaware Basin. Caprock's assets are strategically located in the core of the southern Delaware Basin in Reeves and Ward counties. Caprock currently operates two natural gas processing facilities and will have 540 MMcf/d of processing capacity pro forma for the completion of two additional facilities currently under construction. Caprock also operates almost 300 miles of gas, crude, natural gas liquids, and water gathering pipelines; 23 MBbls of crude storage (expected to grow to over 60 MBbls within the next

twelve months); and water disposal facilities with capacity of 210 MBpd (with an additional 375 MBpd of additional capacity planned and permitted). Caprock serves several highly active producers, which have made long-term dedications for natural gas, crude and / or water-related services totaling over 115,000 acres.

The acquisition of Caprock is complementary to EagleClaw and further solidifies the company's position as the midstream partner of choice for producers in the Delaware Basin. Pro forma for the closing of the transaction, EagleClaw will operate close to 850 miles of natural gas, natural gas liquids, crude and water gathering pipelines; 1.3 billion cubic feet per day of processing capacity; and crude and water storage facilities, with over 425,000 acres under long-term dedication for midstream services. The acquisition of Caprock expands EagleClaw beyond natural gas gathering and processing related services into crude- and water-related services, providing opportunities for EagleClaw to offer a broad suite of midstream services to both existing and new customers. The transaction also benefits EagleClaw's and Caprock's customers by improving flow assurance and reliability and providing additional flexibility for customers' natural gas, crude, and NGL takeaway.

The transaction has been structured such that the existing Caprock operating company (which will be renamed EagleClaw Midstream II) will be a sister-entity to the existing EagleClaw operating business (EagleClaw Midstream Ventures LLC) following the closing, under common ownership and management by the same corporate parent. The acquirer under the transaction documents and borrower of the acquisition financing will be a newly-established partnership, completely distinct from the existing EagleClaw credit group. All field personnel of Caprock will be offered opportunities to remain with the company following the closing. The Caprock water assets will be operated under a services agreement with Waterfield, a Blackstone-backed partnership focused on long-term full-cycle water solutions for upstream companies in the Permian Basin.

EagleClaw CEO Perspective

"We are delighted to welcome Caprock's customers and their employees into the EagleClaw team," said Bob Milam, EagleClaw's founder and CEO. "I have known and respected Mike Forbau, Caprock's co-founder and CEO, for over 20 years. We look forward to building on the great footprint that Mike and the Caprock team have assembled to date and providing Caprock's customers with best-in-class service consistent with our record of safe and reliable performance." Jamie Welch, EagleClaw's President and CFO, added, "Following our recent announcement of the Permian Highway Pipeline in partnership with Kinder Morgan, the acquisition of Caprock is another exciting chapter in the continued growth story of EagleClaw. This transaction expands our business in every aspect, from asset footprint, to customer diversity, to breadth of service offering, while remaining true to EagleClaw's core mission of providing customer-focused midstream services in the Permian basin."

From Blackstone Energy Partners

"As investors across the energy value chain, with extensive holdings of upstream and midstream businesses, we have firsthand appreciation for the critical nature of EagleClaw's services, the importance of safe and reliable operations, and the mutually beneficial relationship with the company's producer customers," said David Foley, CEO of Blackstone Energy Partners. "We look

Notice of Regular Meeting

The Board of Trustees Pecos-Barstow-Toyah ISD

A Regular meeting of the Board of Trustees of Pecos-Barstow-Toyah ISD will be held August 15, 2019, beginning at 6:30 PM in the PBT Technology Center, 1301 S. Eddy Street, Pecos.

The subjects to be discussed or considered or upon which any formal action may be taken are as listed below. Items do not have to be taken in the order shown on this meeting notice.

1. **Call to order and roll call**
2. **Pledge of Allegiance to the United States flag, Pledge of Allegiance to the Texas flag, moment of silence**
3. **Recognition/Correspondence**
4. **Open Forum/Audience**
5. **Closed session as authorized by the Texas Open Meetings Act, 551.101 et. seq.**
 - A. Pursuant to Texas Government Code 551.071, 551.074; and 551.129: Consultation with legal counsel including possible telephone consultation with legal counsel, as necessary, to address legal concerns, implications, and answer any legal questions regarding posted agenda items
 - B. Pursuant to Texas Government Code 551.074 - Discuss personnel matters, including appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee
6. **Open Session, take action, if any, on the items discussed in closed session**
 - A. Consider and possible action on professional personnel, including appointment, employment, evaluation, assignment, duties, discipline or dismissal of a public officer or employee
7. **Approval of Consent Agenda Items**
 - A. Minutes of Budget Workshop - July 22, 2019
 - B. Minutes of Regular Meeting - July 23, 2019
 - C. Minutes of Budget Workshop - July 30, 2019
 - D. Minutes of Regular Meeting - August 1, 2019
 - E. Budget Amendments 2018-2019, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
8. **Superintendent's Report**
 - A. Bond Update and Facility Renovation Report
 - B. Academic Update, Presented by Wendi Russell, Assistant Superintendent of Curriculum & Instruction
 - C. Police Department Update, Presented by Chief Clemente Camarillo

9. Discussion and Consideration Items

- A. Consider and possible action on the Community Advisory Committee recommendation for overall bond scope and cost - Presented by Kim Juarez, Chairman
- B. Consider and possible action of an order calling a bond election to be held by the Pecos-Barstow-Toyah Independent School District; making provision for the conduct of a joint election; and resolving other matters incident and related to such election
- C. Consider and possible action to authorize issuance of Request for Proposals and/or Qualifications for Project/Program Manager services for possible future bond projects. Representative, Matt Elliott, Board Member
- D. Discussion and possible action to: accept the Application of EagleClaw Midstream Venture, LLC for an Appraised Value Limitation on Qualified Property; authorize the Superintendent to review the Application for completeness and submit to the Comptroller; and authorize the Superintendent to enter into any agreement to extend the deadline for Board action beyond 150 days
- E. Discussion and possible action to retain consultants to assist the District in processing of Application for Appraised Value Limitation on Qualified Property from EagleClaw Midstream Venture, LLC
- F. Discussion and possible action to: accept the Application of MarkWest Energy West Texas Gas Company, L.L.C. for an Appraised Value Limitation on Qualified Property; authorize the Superintendent to review the Application for completeness and submit to the Comptroller; and authorize the Superintendent to enter into any agreement to extend the deadline for Board action beyond 150 days
- G. Discussion and possible action to retain consultants to assist the District in processing of Application for Appraised Value Limitation on Qualified Property from MarkWest Energy West Texas Gas Company, LLC
- H. Consider and possible action to approve coaching stipends, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- I. Consider and possible action to approve the Administrative/Professional Compensation Plan, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- J. Consider and possible action to approve a substitute pay scale, Sam Contreras, Board President
- K. Consider and possible action to approve a request for proposals for mobile housing for teachers, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- L. Consider and possible action to approve proposal for plumbing services for Carver Mobile Home Park, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- M. Consider and possible action to approve proposal for electrical system for Carver Mobile Home Park, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- N. Consideration and possible action on resolution appointing the Reeves County Tax Assessor-Collector to serve as the assessor and collector for the Pecos-Barstow-Toyah Independent School District, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations

- O. Consideration and possible action on contract between Pecos-Barstow-Toyah Independent School District and the McCreary, Veselka, Bragg and Allen, P.C. for the collection of delinquent property taxes, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- P. Consideration and possible action on resolution imposing the additional penalty to defray the cost of collection of delinquent taxes pursuant to Texas Tax Code, sections 33.07 and 33.08, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- Q. Consider and possible action on a Resolution to extend the depository contract for Fund of Independent School Districts under Texas Education Code, Chapter 45, Subchapter G, School District Depositories, Presented by Eddie Ramirez, Assistant Superintendent of Finance & Operations
- R. Consider and possible action to approve an Erate quote for Wireless Access Points, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- S. Consider and possible action to approve the Teacher Appraisal Calendar and T-TESS Appraisers
- T. Consider and possible action to approve the District Student Code of Conduct
- U. Review Student Handbooks
- V. Consider and possible action to post Notice of Public Meeting to Discuss Budget and Proposed Tax Rate, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations

10. Reports

- A. Tax report, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- B. Current bills, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- C. Bank Statements, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations
- D. First Public - Lone Star Investment Report, Presented by Eddie Ramirez, Assistant Superintendent of Finance and Operations

11. Miscellaneous

- A. Date and time for next meeting
 - 1. Special Meeting - August 29, 2019
 - 2. Regular Meeting - September 5, 2019

12. Adjournment

If, during the course of the meeting, discussion of any item on the agenda should be held in a closed meeting, the Board will conduct a closed meeting in accordance with the Texas Open Meetings Act, Government Code, Chapter 551, Subchapters D and E. Before any closed meeting is convened, the presiding officer will publicly identify the section or sections of the Act authorizing the closed meeting. All final votes, actions, or decisions will be taken in open meeting.

Southern Delaware Basin has designed a system that supports the robust growth from the Permian for years to come. With over 800 miles of low and high pressure steel pipeline, our gas gathering and processing systems provide the reliability and redundancy required to move wellhead gas through processing facilities to various downstream markets.



East Toyan Facility

- 1,000 TPD natural gas processing capacity
- 100,000 bbl/d natural gas storage



Pecos Facility

- 1,000 TPD natural gas processing capacity
- 100,000 bbl/d natural gas storage



Pecos Bend Facility

- 1,000 TPD natural gas processing capacity
- 100,000 bbl/d natural gas storage
- 100,000 bbl/d natural gas storage
- 100,000 bbl/d natural gas storage
- 100,000 bbl/d natural gas storage