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GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

May 18, 2021

Scott Muri
Superintendent
Ector County Independent School District
802 N. Sam Houston
Odessa, Texas 76761

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Ector County Independent School District and Nacero TX 1, LLC, Application 1568

Dear Superintendent Muri:

On March 25, 2021, the Comptroller issued written notice that Nacero TX 1, LLC (applicant) submitted a completed application (Application 1568) for a limitation on appraised value under the provisions of Tax Code Chapter 313.[1] This application was originally submitted on February 23, 2021, to the Ector County Independent School District (school district) by the applicant.

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

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

Determination required by 313.025(h)

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

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

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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 1568.

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 B.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

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

Determination required by 313.026(c)(2)

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

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

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

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2021.

Note that any building or improvement existing as of the application review start date of March 25, 2021, 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.

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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,

DocuSigned by:
Lisa Craven
11EA6DEF0EC441E...

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Nacero TX 1, LLC (project) applying to Ector County 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 Nacero TX 1, LLC.

Applicant	Nacero TX 1, LLC
Tax Code, 313.024 Eligibility Category	Manufacturing - Chemical
School District	Ector County ISD
2019-2020 Average Daily Attendance	29,754
County	Ector County
Proposed Total Investment in District	$4,708,395,091
Proposed Qualified Investment	$1,594,191,976
Limitation Amount	$100,000,000
Qualifying Time Period (Full Years)	2022-2023
Number of new qualifying jobs committed to by applicant	258
Number of new non-qualifying jobs estimated by applicant	78
Average weekly wage of qualifying jobs committed to by applicant	$1,558
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5) (B)	$1,558
Minimum annual wage committed to by applicant for qualified jobs	$81,000
Minimum weekly wage required for non-qualifying jobs	$1,188.75
Minimum annual wage required for non-qualifying jobs	$61,815
Investment per Qualifying Job	$18,249,593
Estimated M&O levy without any limit (15 years)	$436,577,878
Estimated M&O levy with Limitation (15 years)	$139,021,108
Estimated gross M&O tax benefit (15 years)	$297,556,770

** Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).*

Table 2 is the estimated statewide economic impact of Nacero TX 1, LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2021	45	51	96	$3,284,200	$4,015,800	$7,300,000
2022	492	520	1012	$36,542,790	$45,957,210	$82,500,000
2023	2869	3,104	5973	$217,555,506	$285,544,494	$503,100,000
2024	3439	4,266	7705	$265,920,258	$427,679,742	$693,600,000
2025	2745	4,030	6775	$215,441,229	$446,058,771	$661,500,000
2026	1565	2,962	4527	$124,500,411	$370,699,589	$495,200,000
2027	595	1,850	2445	$46,953,685	$270,446,315	$317,400,000
2028	336	1,398	1734	$25,719,570	$222,780,430	$248,500,000
2029	336	1,293	1629	$25,719,570	$207,880,430	$233,600,000
2030	336	1,285	1621	$25,719,570	$203,780,430	$229,500,000
2031	336	1,328	1664	$25,719,570	$206,980,430	$232,700,000
2032	336	1,408	1744	$25,719,570	$216,480,430	$242,200,000
2033	336	1,504	1840	$25,719,570	$231,580,430	$257,300,000
2034	336	1,504	1840	$25,719,570	$238,680,430	$264,400,000
2035	336	1,568	1904	$25,719,570	$252,080,430	$277,800,000
2036	336	1,637	1973	$25,719,570	$269,480,430	$295,200,000
2037	336	1,713	2049	$25,719,570	$288,780,430	$314,500,000

Source: CPA REMI, Nacero TX 1, 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		Ector ISD I&S Tax Levy	Ector ISD M&O Tax Levy	Ector ISD M&O and I&S Tax Levies	Ector County Tax Levy	Ector County Hospital District Tax Levy	Odessa Junior College District Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.1232**	**1.0547**		**0.3650**	**0.1500**	**0.1890**	
2021	$13,000,000	$13,000,000		$16,019	$137,111	$153,130	$47,450	$19,500	$24,565	$244,645
2022	$231,828,234	$231,828,234		$285,659	$2,445,092	$2,730,751	$846,173	$347,742	$438,074	$4,362,741
2023	$1,230,385,791	$1,230,385,791		$1,516,081	$12,976,879	$14,492,960	$4,490,908	$1,845,579	$2,324,999	$23,154,446
2024	$2,350,150,098	$2,350,150,098		$2,895,855	$24,787,033	$27,682,888	$8,578,048	$3,525,225	$4,440,961	$44,227,122
2025	$3,152,070,569	$3,152,070,569		$3,883,981	$33,244,888	$37,128,870	$11,505,058	$4,728,106	$5,956,310	$59,318,343
2026	$3,401,758,252	$3,401,758,252		$4,191,647	$35,878,344	$40,069,991	$12,416,418	$5,102,637	$6,428,132	$64,017,178
2027	$3,357,113,355	$3,357,113,355		$4,136,635	$35,407,475	$39,544,110	$12,253,464	$5,035,670	$6,343,769	$63,177,013
2028	$3,192,133,924	$3,192,133,924		$3,933,347	$33,667,436	$37,600,784	$11,651,289	$4,788,201	$6,032,016	$60,072,289
2029	$3,035,358,940	$3,035,358,940		$3,740,169	$32,013,931	$35,754,100	$11,079,060	$4,553,038	$5,735,766	$57,121,965
2030	$2,886,379,071	$2,886,379,071		$3,556,596	$30,442,640	$33,999,236	$10,535,284	$4,329,569	$5,454,246	$54,318,335
2031	$2,744,805,434	$2,744,805,434		$3,382,149	$28,949,463	$32,331,612	$10,018,540	$4,117,208	$5,186,722	$51,654,082
2032	$2,610,268,572	$2,610,268,572		$3,216,373	$27,530,503	$30,746,876	$9,527,480	$3,915,403	$4,932,494	$49,122,253
2033	$2,482,417,485	$2,482,417,485		$3,058,835	$26,182,057	$29,240,892	$9,060,824	$3,723,626	$4,690,900	$46,716,242
2034	$2,360,918,706	$2,360,918,706		$2,909,124	$24,900,610	$27,809,734	$8,617,353	$3,541,378	$4,461,310	$44,429,775
2035	$2,245,455,424	$2,245,455,424		$2,766,850	$23,682,818	$26,449,669	$8,195,912	$3,368,183	$4,243,125	$42,256,889
2036	$2,135,726,653	$2,135,726,653		$2,631,642	$22,525,509	$25,157,151	$7,795,402	$3,203,590	$4,035,776	$40,191,920
2037	$2,031,446,440	$2,031,446,440		$2,503,148	$21,425,666	$23,928,814	$7,414,780	$3,047,170	$3,838,723	$38,229,486
2038	$1,932,343,116	$1,932,343,116		$2,381,033	$20,380,423	$22,761,456	$7,053,052	$2,898,515	$3,651,452	$36,364,475
			Total	**$51,005,145**	**$436,577,878**	**$487,583,023**	**$151,086,494**	**$62,090,340**	**$78,219,341**	**$778,979,198**

Source: CPA, Nacero TX 1, LLC
*Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Ector 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, Ector County Hospital District and Odessa Junior College District.

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		Ector ISD I&S Tax Levy	Ector ISD M&O Tax Levy	Ector ISD M&O and I&S Tax Levies	Ector County Tax Levy	Ector County Hospital District Tax Levy	Odessa Junior College District Tax Levy	Estimated Total Property Taxes
			Tax Rate*	**0.1232**	**1.0547**		**0.3650**	**0.1500**	**0.1890**	
2021	$13,000,000	$13,000,000		$16,019	$137,111	$153,130	$47,450	$19,500	$24,565	$244,645
2022	$231,828,234	$231,828,234		$285,659	$2,445,092	$2,730,751	$0	$0	$0	$2,730,751
2023	$1,230,385,791	$1,230,385,791		$1,516,081	$12,976,879	$14,492,960	$0	$0	$0	$14,492,960
2024	$2,350,150,098	$100,000,000		$2,895,855	$1,054,700	$3,950,555	$0	$0	$0	$3,950,555
2025	$3,152,070,569	$100,000,000		$3,883,981	$1,054,700	$4,938,681	$0	$0	$0	$4,938,681
2026	$3,401,758,252	$100,000,000		$4,191,647	$1,054,700	$5,246,347	$0	$0	$0	$5,246,347
2027	$3,357,113,355	$100,000,000		$4,136,635	$1,054,700	$5,191,335	$1,225,346	$0	$634,377	$7,051,058
2028	$3,192,133,924	$100,000,000		$3,933,347	$1,054,700	$4,988,047	$2,330,258	$0	$1,206,403	$8,524,708
2029	$3,035,358,940	$100,000,000		$3,740,169	$1,054,700	$4,794,869	$3,323,718	$0	$1,720,730	$9,839,317
2030	$2,886,379,071	$100,000,000		$3,556,596	$1,054,700	$4,611,296	$4,214,113	$0	$2,181,698	$11,007,108
2031	$2,744,805,434	$100,000,000		$3,382,149	$1,054,700	$4,436,849	$5,009,270	$0	$2,593,361	$12,039,480
2032	$2,610,268,572	$100,000,000		$3,216,373	$1,054,700	$4,271,073	$9,527,480	$3,915,403	$4,932,494	$22,646,450
2033	$2,482,417,485	$100,000,000		$3,058,835	$1,054,700	$4,113,535	$9,060,824	$3,723,626	$4,690,900	$21,588,885
2034	$2,360,918,706	$2,360,918,706		$2,909,124	$24,900,610	$27,809,734	$8,617,353	$3,541,378	$4,461,310	$44,429,775
2035	$2,245,455,424	$2,245,455,424		$2,766,850	$23,682,818	$26,449,669	$8,195,912	$3,368,183	$4,243,125	$42,256,889
2036	$2,135,726,653	$2,135,726,653		$2,631,642	$22,525,509	$25,157,151	$7,795,402	$3,203,590	$4,035,776	$40,191,920
2037	$2,031,446,440	$2,031,446,440		$2,503,148	$21,425,666	$23,928,814	$7,414,780	$3,047,170	$3,838,723	$38,229,486
2038	$1,932,343,116	$1,932,343,116		$2,381,033	$20,380,423	$22,761,456	$7,053,052	$2,898,515	$3,651,452	$36,364,475
			Total	**$51,005,145**	**$139,021,108**	**$190,026,252**	**$73,814,959**	**$23,717,365**	**$38,214,915**	**$325,773,491**
			Diff	**$0**	**$297,556,770**	**$297,556,770**	**$77,271,535**	**$38,372,976**	**$40,004,426**	**$453,205,707**
Assumes School Value Limitation and Tax Abatements with the County.										

Source: CPA, Nacero TX 1, 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 Nacero TX 1, 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 and direct, indirect and induced tax effects from project employment 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	2021	$137,111	$137,111	$0	$0
	2022	$2,445,092	$2,582,203	$0	$0
	2023	$12,976,879	$15,559,082	$0	$0
Limitation Period (10 Years)	2024	$1,054,700	$16,613,782	$23,732,333	$23,732,333
	2025	$1,054,700	$17,668,482	$32,190,188	$55,922,521
	2026	$1,054,700	$18,723,182	$34,823,644	$90,746,166
	2027	$1,054,700	$19,777,882	$34,352,775	$125,098,940
	2028	$1,054,700	$20,832,582	$32,612,736	$157,711,677
	2029	$1,054,700	$21,887,282	$30,959,231	$188,670,907
	2030	$1,054,700	$22,941,982	$29,387,940	$218,058,848
	2031	$1,054,700	$23,996,682	$27,894,763	$245,953,610
	2032	$1,054,700	$25,051,382	$26,475,803	$272,429,413
	2033	$1,054,700	$26,106,082	$25,127,357	$297,556,770
Maintain Viable Presence (5 Years)	2034	$24,900,610	$51,006,692	$0	$297,556,770
	2035	$23,682,818	$74,689,510	$0	$297,556,770
	2036	$22,525,509	$97,215,019	$0	$297,556,770
	2037	$21,425,666	$118,640,685	$0	$297,556,770
	2038	$20,380,423	$139,021,108	$0	$297,556,770
Additional Years as Required by 313.026(c)(1) (10 Years)	2039	$19,387,059	$158,408,166	$0	$297,556,770
	2040	$18,442,986	$176,851,153	$0	$297,556,770
	2041	$17,545,749	$194,396,902	$0	$297,556,770
	2042	$16,693,013	$211,089,915	$0	$297,556,770
	2043	$15,882,560	$226,972,475	$0	$297,556,770
	2044	$15,112,282	$242,084,757	$0	$297,556,770
	2045	$14,380,178	$256,464,935	$0	$297,556,770
	2046	$13,736,477	$270,201,412	$0	$297,556,770
	2047	$13,145,729	$283,347,141	$0	$297,556,770
	2048	$12,607,928	$295,955,069	$0	$297,556,770
		$295,955,069	is less than	**$297,556,770**	

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?	No

Source: CPA, Nacero TX 1, LLC

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2021	45	51	96	$3,204,752	$4,115,248	$7,320,000	336000	-191000	$527,000
2022	492	518	1010	$36,024,296	$45,885,704	$81,910,000	3799000	-1816000	$5,615,000
2023	2869	3,078	5947	$212,625,570	$284,324,430	$496,950,000	22415000	-10330000	$32,745,000
2024	3439	4,184	7623	$252,351,482	$423,798,518	$676,150,000	30502000	-8965000	$39,467,000
2025	2745	3,905	6650	$194,187,140	$438,622,860	$632,810,000	28786000	-1717000	$30,503,000
2026	1565	2,816	4381	$99,591,719	$361,708,281	$461,300,000	21729000	6744000	$14,985,000
2027	595	1,708	2303	$21,727,201	$260,742,799	$282,470,000	14740000	12794000	$1,946,000
2028	336	1,264	1600	$493,086	$212,636,914	$213,130,000	12306000	14488000	-$2,182,000
2029	336	1,172	1508	$493,086	$197,746,914	$198,240,000	12039000	14488000	-$2,449,000
2030	336	1,168	1504	$493,086	$193,846,914	$194,340,000	12100000	14252000	-$2,152,000
2031	336	1,227	1563	$493,086	$198,236,914	$198,730,000	12299000	13901000	-$1,602,000
2032	336	1,312	1648	$493,086	$208,246,914	$208,740,000	12619000	13550000	-$931,000
2033	336	1,422	1758	$493,086	$223,136,914	$223,630,000	13077000	13184000	-$107,000
2034	336	1,426	1762	$493,086	$230,706,914	$231,200,000	12650000	13062000	-$412,000
2035	336	1,494	1830	$493,086	$245,846,914	$246,340,000	12985000	12825000	$160,000
2036	336	1,562	1898	$493,086	$262,446,914	$262,940,000	13298000	12596000	$702,000
2037	336	1,650	1986	$493,086	$282,956,914	$283,450,000	13916000	12474000	$1,442,000
2038	336	1,738	2074	$493,086	$306,876,914	$307,370,000	14481000	12390000	$2,091,000
2039	336	1,822	2158	$493,086	$331,536,914	$332,030,000	14938000	12306000	$2,632,000
2040	336	1,902	2238	$493,086	$357,416,914	$357,910,000	15488000	12276000	$3,212,000
2041	336	1,980	2316	$493,086	$384,026,914	$384,520,000	16174000	12321000	$3,853,000
2042	336	2,053	2389	$493,086	$413,816,914	$414,310,000	16846000	12436000	$4,410,000
2043	336	2,123	2459	$493,086	$443,356,914	$443,850,000	17456000	12581000	$4,875,000
2044	336	2,195	2531	$493,086	$476,066,914	$476,560,000	17990000	12741000	$5,249,000
2045	336	2,260	2596	$493,086	$509,276,914	$509,770,000	18600000	12939000	$5,661,000
2046	336	2,322	2658	$493,086	$544,916,914	$545,410,000	19379000	13184000	$6,195,000
						Total	**$400,948,000**	**$244,513,000**	**$156,435,000**
							$452,390,069	is greater than	**$297,556,770**

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

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 Nacero TX 1 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 Nacero TX 1 LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "The Chapter 313 limitation considerably enhances the long-term financial sustainability of selecting the Penwell site. During the initial period of the project, while managing the project financing costs, it is necessary to minimize costs and provide a return to project's investors. In a highly capital intense project, such as Penwell, property taxes represent a large portion of the operating costs and alleviating these costs enables the project to move forward."
  B. "Not receiving the Chapter 313 limitation would greatly hurt the attractiveness of the Penwell Site compared to the other competing locations. Pending the outcome of the final negotiations and due diligence, this could result in Nacero selecting an alternate location for our flagship manufacturing location."
  C. "Under Section 8, question 2, the applicant has entered into agreements, contracts, or letters of intent where the proposed project will occur. The two agreements that Nacero has signed regarding the proposed project are: 1) Option and Purchase Agreement and Joint Escrow Instructions dated October 19, 2020, between Odessa Industrial Development Corporation (OIDC) (Optionor) and Nacero TX 1 LLC (Optionee) for approx. 666 acres in unincorporated Ector County, Texas. 2) Option Agreement dated November 6, 2020 between Betty Moss Dean and C.A. Betty Moss Dean FLP (Optionors) and Nacero TX 1 LLC (Optionee) for approx. 1,869 acres in unincorporated Ector County, Texas."
- Nacero Inc. has a website available at *https://nacero.co/* and states the following:
  A. "Our first facility is planned for West Texas to serve major cities across Texas and the Southwest. Our second facility is planned for the Northeast to serve markets across the Eastern Seaboard and Mid-Atlantic. Nacero plans to add more facilities and markets to its platform over time. Stay tuned for updates on our future growth plans!"

- An article from *Dallas Business Journal* dated March 23, 2021 stated the following:
  A. "Nacero is looking to build facilities that process natural gas into gasoline, and it could position one such project in Ector County in West Texas, according to its tax incentive application for the project. The site is in Penwell, an unincorporated community near Odessa."
- An article from *Bic Magazine* dated April 23, 2021 stated the following:
  A. "The Odessa Development Corporation and Nacero Inc., a Houston-based company, announced plans to build a $6.5 - $7 billion lower carbon gasoline manufacturing facility at a site in Penwell, Texas, in two phases."
- An article from *cbs7.com* dated April 22, 2021 stated the following:
  A. "A multi-billion dollar gasoline manufacturing company is coming to Ector County. Nacero Inc., a company based out of Houston, announced Wednesday that it plans to build a $6.5-7 billion lower-carbon gasoline manufacturing facility at Penwell in two phases. The first phase will see the facility produce 70,000 barrels per day of gasoline. The second phase will increase the capacity to 100,000 barrels per day."
- An article from the *Oil & Gas Journal* dated April 23, 2021 stated the following:
  A. "Nacero Inc., Houston, has let a contract to Haldor Topsoe AS to license process technology for a newly proposed natural gas-to-gasoline (GTG) plant to be built in Penwell, Ector County, Texas."

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 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

NOTE: Only construction beginning after the application review start date (the date the Texas Comptroller of Public Accounts deems the application complete) can be considered qualified property and/or qualified investment.

1. Estimated school board ratification of final agreement: September 2021
2. Estimated commencement of construction: 11/01/2021
3. Beginning of qualifying time period (MM/DD/YYYY): 01/01/2022
4. First year of limitation (YYYY): 2024

4a. For the beginning of the limitation period, notate which **one of the following** will apply according to provision of 313.027(a-1)(2):

☐ A. January 1 following the application date ☑ B. January 1 following the end of QTP

☐ C. January 1 following the commencement of commercial operations

5. Commencement of commercial operations: 09/01/2024

SECTION 10: The Property

1. County or counties in which the proposed project will be located: Ector County
2. Central Appraisal District (CAD) that will be responsible for appraising the property: Ector County Appraisal District
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:

M&O (ISD): Ector ISD, $1.054700 *(Name, tax rate and percent of project)*

I&S (ISD): Ector ISD, $0.123220 *(Name, tax rate and percent of project)*

County: Ector, $0.365000 *(Name, tax rate and percent of project)*

City: n/a *(Name, tax rate and percent of project)*

Hospital District: Ector County, $0.150000 *(Name, tax rate and percent of project)*

Water District: n/a *(Name, tax rate and percent of project)*

Other *(describe)*: Odessa JC District $0.188965 *(Name, tax rate and percent of project)*

Other *(describe)*: n/a *(Name, tax rate and percent of project)*

Supporting Information

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

ATTACHMENT 5
Tab 5 – Documentation to Assist in Determining if Limitation is a Determining Factor
Penwell, Texas

REQUIREMENT:

Per 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 questions in Section 8, attach supporting information in Tab 5.

NACERO RESPONSE:

Under Section 8, question 2, the applicant has entered into agreements, contracts, or letters of intent where the proposed project will occur. The two agreements that Nacero has signed regarding the proposed project are below and are attached following this page:

- Option and Purchase Agreement and Joint Escrow Instructions dated October 19, 2020, between Odessa Industrial Development Corporation (OIDC) (Optionor) and Nacero TX 1 LLC (Optionee) for approx. 666 acres in unincorporated Ector County, Texas.

- Option Agreement dated November 6, 2020 between Betty Moss Dean and C.A. Betty Moss Dean FLP (Optionors) and Nacero TX 1 LLC (Optionee) for approx. 1,869 acres in unincorporated Ector County, Texas.

The Chapter 313 limitation considerably enhances the long-term financial sustainability of selecting the Penwell site. During the initial period of the project, while managing the project financing costs, it is necessary to minimize costs and provide a return to project’s investors. In a highly capital intense project, such as Penwell, property taxes represent a large portion of the operating costs and alleviating these costs enables the project to move forward.

Not receiving the Chapter 313 limitation would greatly hurt the attractiveness of the Penwell Site compared to the other competing locations. Pending the outcome of the final negotiations and due diligence, this could result in Nacero selecting an alternate location for our flagship manufacturing location.

1568-ectorcounty-nacero-appamend02-05072021

Submission Date: May 7, 2021

Limitation as a Determining Factor

Over the past year, the Nacero and GLS team evaluated properties across the Marcellus, Utica, and Permian regions as well as locations with large quantities of natural gas (nine total states) to identify properties with suitable natural gas feedstock and other site requirements.

Initial screening criteria included:

- Proximity to natural gas lines
- Rail infrastructure on site or in proximity
- Large site size and/or adjacent expansion opportunities

The process included:

- GLS site identification
  - Site identification resulted in identification of 130 sites and full assessment of 87 sites
- Shortlist of locations for Request for Information
- Virtual site visits
- Field site visits

As a result of this analysis, Project Watson has focused on finalist locations in Texas (Penwell Site) and Arizona.

The Chapter 313 limitation considerably enhances the long-term financial sustainability of selecting the Penwell site. During the initial period of the project, while managing the project financing costs, it is necessary to minimize costs and provide a return to project's investors. In a highly capital intense project, such as Penwell, property taxes represent a large portion of the operating costs and alleviating these costs enables the project to move forward.

Not receiving the Chapter 313 limitation would greatly hurt the attractiveness of the Penwell Site compared to the other competing locations. Pending the outcome of the final negotiations and due diligence, this could result in Nacero selecting an alternate location for our flagship manufacturing location.

The Chapter 313 has been key to the company's economic evaluation of the Penwell location throughout the entire site selection process, continues to be vital, and will always be integral to a decision to locate in Penwell and any future growth.

GLS

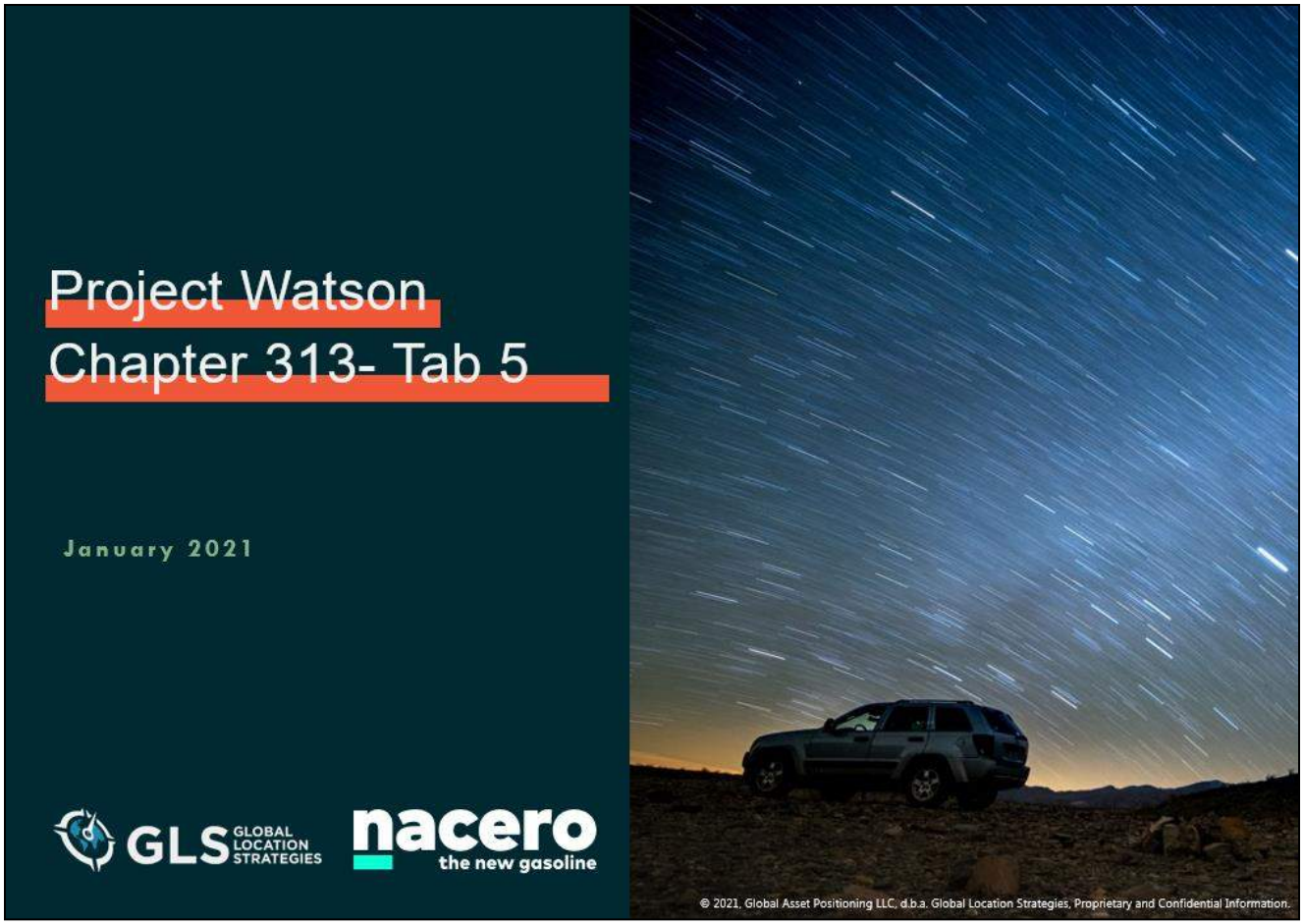
ATTACHMENT 5
Tab 5 – Documentation to Assist in Determining if Limitation is a Determining Factor
Penwell, Texas

Under Section 8, question 6, the applicant has received commitments for state or local incentives for activities at the proposed project Site.

- OIDC has given Nacero an option to buy the above land for $1,000, subject to reversion rights if we do not meet certain deadlines in the development of the land.

Under Section 8, question 7, “Is the applicant evaluating other locations not in Texas for the proposed Project?”

- Yes, over the past year Nacero and the Global Location Strategies (GLS) team have been conducting evaluations on other properties outside of Texas. With availability of abundant natural gas as a primary driver, shortlisted locations include sites in Arizona, Nevada, New Mexico, Oklahoma, Pennsylvania, West Virginia, Ohio, and Texas (Penwell).



Activity Summary

Over the past year, the Nacero and GLS team evaluated properties across the Marcellus, Utica, and Permian regions as well as locations with large quantities of natural gas (nine total states) to identify properties with suitable natural gas feedstock and other site requirements.

Initial screening criteria included:

- Proximity to natural gas lines
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The process included:

- GLS site identification
  - Site identification resulted in identification of 130 sites and full assessment of 87 sites
- Shortlist of locations for Request for Information
- Virtual site visits
- Field site visits

As a result of this analysis, Project Watson has focused on finalist locations in Texas (Penwell Site) and Arizona.

Please note that these specs have been more fine-tuned through the process, but this was the initial evaluation criteria.

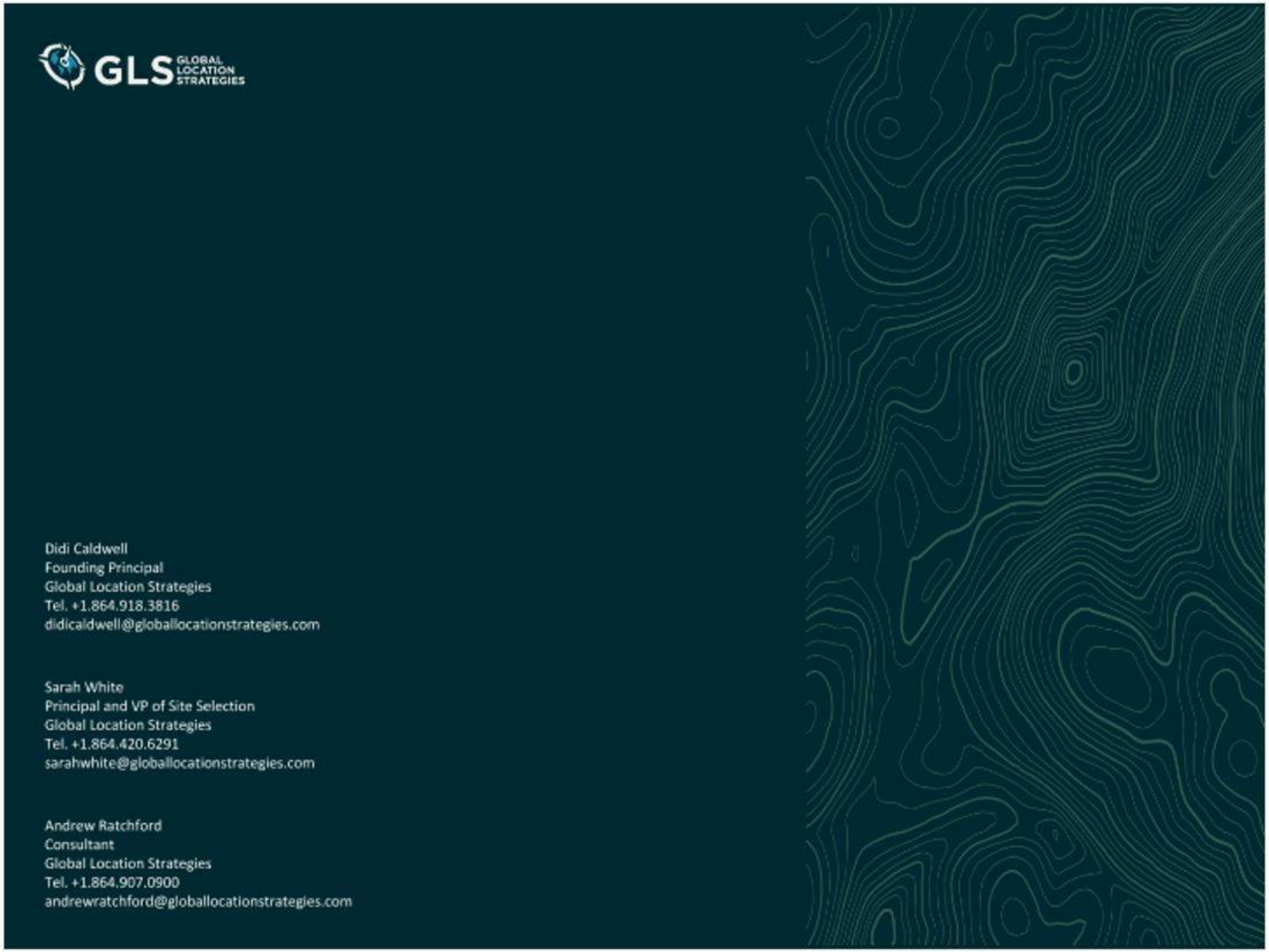
Project Specs

Below outlines the project specifications that the properties were being evaluated against.

	2-Train	4-Train	6-Train
Capital Investment	$3.5 billion	$6.5 billion	$9.5 billion
Jobs	250	380	510
Size	**2-Train**	**4-Train**	**6-Train**
Acreage	300+	450+	600+
Transportation	**2-Train**	**4-Train**	**6-Train**
Truck	Interstate access for heavy trucks (80-160 trucks per day)	Interstate access for heavy trucks (160-330 trucks per day)	Interstate access for heavy trucks (240-500 trucks per day)
Rail	Required (40-64 cars per day) Unit trains and manifest loads	Required (80-128 cars per day) Unit trains and manifest loads	Required (120-192 cars per day) Unit trains and manifest loads
Utilities	**2-Train**	**4-Train**	**6-Train**
Electric *-Solar will make up some of this usage depending on the available acreage*	175 MW	350 MW	525 MW
Process Makeup Water	1.16 mgd	2.3 mgd	3.4 million mgd
Potable Water	Required for operation support	Required for operation support	Required for operation support
Wastewater	Sanitary only	Sanitary only	Sanitary only

GLS 3

ATTACHMENT 5
Tab 5 – Documentation to Assist in Determining if Limitation is a Determining Factor
Penwell, Texas



Supporting Information

Additional information provided by the Applicant or located by the Comptroller

nacero

Facilities

Where are your facilities located and what markets do you plan to serve?

Our first facility is planned for West Texas to serve major cities across Texas and the Southwest. Our second facility is planned for the Northeast to serve markets across the Eastern Seaboard and Mid-Atlantic. Nacero plans to add more facilities and markets to its platform over time. Stay tuned for updates on our future growth plans!

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nacero

Penwell, TX

Nacero's Penwell facility will lead America's energy transition.

Houston company eyes $4.7B gasoline plant in Texas, could create more than 250 jobs

Joshua Mann
413 words
23 March 2021
Dallas Business Journal
DLBJ
English
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Houston-based **Nacero** Inc. is considering a $4.71 billion investment in a new Texas facility.

Nacero is looking to build facilities that process natural gas into gasoline, and it could position one such project in Ector County in West Texas, according to its tax incentive application for the project. The site is in Penwell, an unincorporated community near Odessa.

If the Penwell project moves forward as described in the incentive application, the project would start construction in November and begin commercial operations in the final quarter of 2024. Construction would require a peak of 3,263 workers, and the project would create at least 258 new jobs when it enters service, each paying at least $81,000 a year.

The proposed facility would convert natural gas to methanol and then the methanol into gasoline. When it's complete, it would have a capacity of 90,000 barrels per day from six production units, also called trains. The first phase of the project would consist of four trains, with the remaining two to follow if the first four find commercial success.

The tax incentive the company is seeking would come via Chapter 313 of the Texas Tax Code. Chapter 313 allows school districts to reach agreements with the companies behind certain industrial projects — including manufacturing facilities — limiting value of those projects on which the school district can levy property taxes. All Chapter 313 agreements must be approved by the Texas comptroller, who must decide that the incentives are a determining factor for the project.

Because of the way the Texas school funding formula works, school districts generally don't face individual financial risk for accepting Chapter 313 deals, whether or not the project would have been built otherwise. That risk is spread out among the broader state education funding instead.

In this case, Ector Independent School District would agree to limit the taxable value of the facility to $100 million over the 10-year life of the deal, according to the application.

A year ago, **Nacero** said it was planning a $3 billion investment in a similar project in Casa Grande, Arizona. However, the Associated Press reported in November that the company reworked the order it plans to build its projects, putting the Casa Grande project on the back burner.

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Nacero plans $7 billion gasoline plant in Texas

APRIL 23, 2021 8:18 AM

The Odessa Development Corporation and Nacero Inc., a Houston-based company, announced plans to build a $6.5 - $7 billion lower carbon gasoline manufacturing facility at a site in Penwell, Texas, in two phases.

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Phase one will produce 70,000 barrels per day of gasoline component (ready for blending). Phase two will increase that capacity to 100,000 barrels per day. The gasoline produced at the facility will contain no sulfur and have half the lifecycle carbon footprint of traditional gasoline. The gasoline will be made from a combination of natural gas, captured bio-methane and mitigated flare gas.

The Odessa Development Corporation and the Economic Development Department of the Odessa Chamber of Commerce led the negotiations that resulted in Penwell being chosen for this important facility.

Nacero gasoline will be useable in today's cars and trucks without modification, will be sold locally in addition to being distributed widely, and will be cost competitive with traditional gasoline. Construction of the Penwell facility will employ a peak of 3,500 skilled workers during the four years of phase one construction. When fully operational, the plant will employ 350 full time operators and maintenance personnel in three shifts with a forecast annual salary of approximately $85,000 per person.

All of the plant's electricity will come from renewable sources, much of which will be produced on-site from solar panels co-located with the manufacturing facilities on Nacero's 2,600 acre site. The plant will be the first in the US to make gasoline from natural gas and the first in the world to do so with carbon capture and sequestration. Sequestered CO2will be transported via an existing on-site pipeline.

Nacero plans to actively engage with the local community and local educational and training institutions. The facility will include a visitors' center with interactive educational displays.

"Ector County is the ideal location for us," said Nacero President and Chief Executive Officer Jay McKenna. "From a geographic and logistics standpoint you can't beat it. We will be a major new market and beneficial home for the natural gas that is currently flared in the Permian Basin. Our zero-sulfur gasoline will reduce

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ground level ozone in cities across Texas and the Southwest, which is causing illness and limiting economic growth."

Nacero's Chief Operating Officer Hal Bouknight credited the overwhelming enthusiasm and support of the Odessa Development Corporation, Odessa's business leaders and taxing entities, and its local residents as a key factor in Nacero's decision to locate in Penwell. "I'd always heard that Odessa's citizens have a "can-do spirit," but I was really impressed by just how hard people were willing to work to help bring us to the area," states Bouknight.

Odessa Development Corporation Chairman Tim Edgmon said, "This project proves once again that West Texas in general, and Odessa in particular, leads the nation in energy innovation and production."

Odessa Chamber of Commerce Economic Development Director Wesley Burnett described Nacero as a perfect fit for Ector County. "The regional economic impact of this single facility will be in the tens of billions of dollars. I thank my staff and all those who worked with them for their hard work in bringing this incredible opportunity here," states Burnett.

State Representative Brooks Landgraf said he is thrilled to welcome Nacero to West Texas. "This world-class, innovative company will use 100% American resources to make 100% American affordable gasoline for everyday American drivers. Nacero will diversify our economy and remind the world of Ector County's leadership in the oil and gas industry."

Nacero is on a mission to prove that cleaner energy doesn't have to cost more. Nacero is planning additional facilities in Pennsylvania and Arizona.

Construction is slated to begin in Penwell before the end of this year.

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Multi-billion dollar gasoline manufacturing facility coming to Ector County

A rendering of the facility in Penwell, Texas. (Nacero Inc.)

Published: Apr. 22, 2021 at 8:35 AM UTC

PENWELL, Texas (KOSA) - A multi-billion dollar gasoline manufacturing company is coming to Ector County.

Nacero Inc., a company based out of Houston, announced Wednesday that it plans to build a $6.5-7 billion lower-carbon gasoline manufacturing facility at Penwell in two phases.

The first phase will see the facility produce 70,000 barrels per day of gasoline. The second phase will increase the capacity to 100,000 barrels per day.

According to a release, the gasoline produced at this facility will not contain sulfur and will have half the lifecycle carbon footprint of traditional gasoline. The gasoline will be made from a combination of natural gas, captured bio-methane and mitigated flare gas.

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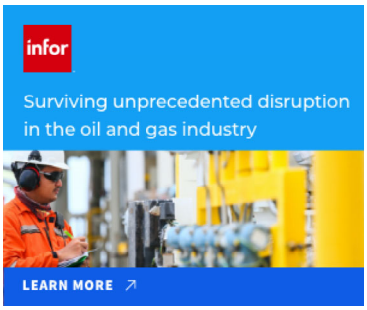

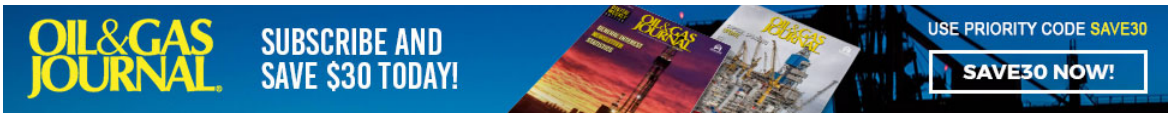

Nacero lets contract for proposed Texas GTG plant

Nacero Inc., Houston, has let a contract to Haldor Topsoe AS to license process technology for a newly proposed natural gas-to-gasoline (GTG) plant to be built in Penwell, Ector County, Tex.

Author — Robert Brelsford

Apr 23rd, 2021

Rendering of a newly proposed natural gas-to-gasoline (GTG) plant to be built in Penwell, Ector County, Tex.

Photo from Haldor Topsoe AS.

Nacero Inc., Houston, has let a contract to Haldor Topsoe AS to license process technology for a newly proposed natural gas-to-gasoline (GTG) plant to be built in Penwell, Ector County, Tex.

As part of the contract, Haldor Topsoe will deliver licensing of its Topsoe Improved Gasoline Synthesis (Tigas) GTG technology, basic engineering,

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design, catalysts, and proprietary hardware for a Tigas upgrading unit at the Penwell plant that, once in operation, will use a feedstock of low-cost natural gasoline, biomethane captured from farms and landfills, and mitigated flared gas from the Permian basin to produce 100,000 b/d of finished gasoline component ready for blending to US commercial grades, the service provider said on Apr. 22.

The Tigas unit at Penwell—which will incorporate six Topsoe proprietary SynCOR Methanol autothermal reforming units—also will enable the planned GTG plant to produce more than 30,000 tonnes/day of methanol for further processing into zero-sulfur, cost-competitive gasoline, leaving the operator only a byproduct of purified water that, in turn, will be recovered and used to supply 80% of the plant's makeup water, according to Topsoe.

Nacero—which selected Tigas primarily for its proven results in an identical unit of scale operating since 2019 at state-owned Turkmengaz's GTG complex at Ovadan-Depe near Ashgabad, Turkmenistan—said the technology will enable the GTG plant to cut both the production cost and lifecycle carbon footprint of everyday transportation fuel by 50% compared to traditional, petroleum-derived fuel, as well as eliminate 1 billion tonnes of carbon dioxide (CO_2) emissions into the atmosphere during its first 30 years of operation (OGJ Online, Jan. 14, 2020).

The contract award follows a separate Apr. 22 release from Nacero and Odessa Development Corp. announcing the proposed $6.5-7.5-billion Penwell GTG plant that, once in operation, will be the first in the US to produce gasoline from natural gas, as well as the first in the world to incorporate carbon capture and sequestration.

The plant's sequestered CO_2 will be transported via an existing on-site pipeline for use in enhanced oil recovery, Nacero said.

Alongside gasoline, the Penwell GTC plant also will produce blue hydrogen (see accompanying box) and will receive all of its electricity from renewable sources, much of which will be produced on-site from solar panels colocated with the processing and production installations on the 2,600-acre site, according to the operator.

Nacero—which will build the plant in two phases—said construction on the Penwell GTC project is slated to begin by yearend.

The operator, however, did not disclose a definitive timeframe for startup of either Phase 1's 70,000-b/d capacity or Phase 2's 30,000-b/d capacity.

Topsoe and Nacero have already entered an agreement under which Topsoe will supply its technology and catalysts for Nacero's other US GTC

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Robert Brelsford Feb 18th, 2021

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Keyera commissions Pipestone gas plant
Robert Brelsford Oct 13th, 2020

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Apr 26th, 2021

plants, which currently include proposed projects in Arizona and the Marcellus Region of Pennsylvania (OGJ Online, Mar. 26, 2020).

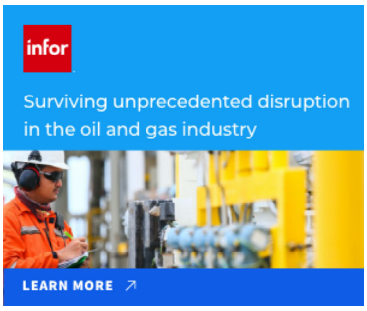
US EIA Categories of Hydrogen

Hydrogen producers, marketers, government agencies, and other organizations often categorize or define hydrogen according to the energy sources for its production. These categories often are referred to by color.

The US Energy Information Administration (EIA) offers the following guide to hydrogen color categories:

- Hydrogen produced using renewable energy might be referred to as renewable hydrogen or green hydrogen.
- Hydrogen produced from coal may be called brown hydrogen, and hydrogen produced from natural gas or petroleum might be referred to as grey hydrogen.
- Brown or grey hydrogen production combined with carbon capture, use, storage-sequestration (CCS) might be referred to as blue hydrogen.

Source: EIA, "Hydrogen explained," Jan. 7, 2021 (https://www.eia.gov/energyexplained/hydrogen/production-of-hydrogen.php)



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