

**FINDINGS OF THE PECOS-BARSTOW-
TOYAH INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES
UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE
APPLICATION SUBMITTED
BY
ETC TEXAS PIPELINE, LTD (#1310)**



July 23, 2019

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PIPELINE, LTD (#1310)

STATE OF TEXAS §

COUNTY OF REEVES §

On July 23, 2019, a public meeting of the Board of Trustees of the Pecos-Barstow-Toyah Independent School District ("District") was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of ETC Texas Pipeline, LTD ("Applicant") for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. The Board of Trustees has considered the economic impact analysis and the project certification issued by the Texas Comptroller of Public Accounts. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, and after considering the relevant documentary evidence, the Board of Trustees makes the following findings with respect to application from Applicant, and the economic impact of that application:

On October 18, 2018, the Superintendent of the District, acting as agent of the Board of Trustees, and the Texas Comptroller of Public Accounts ("Comptroller") received an Application from Applicant for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Application was determined to be complete as of January 3, 2019. A copy of the Application is attached as **Attachment A**.

The Applicant, (Texas Taxpayer Id. 10505324664), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise taxpayer by the Comptroller. See **Attachment B**.

The Board of Trustees acknowledged receipt of the Application, along with the requisite application fee, established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

The Application was delivered to the Comptroller for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Reeves County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Comptroller pursuant to Texas Tax Code §313.026, and a Comptroller Certificate was issued on March 12, 2019, in which the Comptroller has determined, inter alia, that: 1) Application is subject to the provisions of Chapter 171, Texas Tax Code; 2) the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised values; 3) the proposed project is reasonably likely to generate 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 before the 25th anniversary of the beginning of the limitation period; and, 4) the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. A copy of the Certificate is attached to the findings as **Attachment C**.

The Board of Trustees has previously directed that a specific financial analysis be conducted concerning the impact of the proposed value limitation on the finances of District. A copy of the report prepared by Moak, Casey & Associates, Inc., is attached to these findings as **Attachment D**.

The Board of Trustees has confirmed that the taxable value of property in the District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment E**.

The Texas Education Agency has evaluated the impact of the project on the District's facilities. TEA's determination is to be attached to these findings as **Attachment F**.

The Board has adopted the Texas Economic Development Agreement (Form 50-826) as promulgated by the Comptroller's Office. Form 50-826 has been altered only in accordance only the provisions of the template that the Comptroller permitted. The proposed Agreement is attached to these findings as **Attachment G**.

After review of the Comptroller's Certificate and economic analysis, and in consideration of its own studies the Board finds:

Board Finding Number 1.

The Board finds that the property described in the Application meets the requirements of Tex. Tax Code §313.024 for eligibility for a limitation on appraised value.

In support of Finding 1, the Application indicates that:

ETC Texas Pipeline, LTD is requesting an appraised value limitation from Pecos-Barstow-Toyah Independent School District for Arrowhead III, a gas processing facility in Reeves County, Texas. The entirety of the project will be located within Pecos-Barstow-Toyah Independent School District.

Property used for manufacturing is eligible for a limitation under §313.024(b)(1).

Board Finding Number 2.

The project proposed by the applicant is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue, including state tax revenue, school district maintenance and operations ad valorem tax revenue attributable to the project, and any other tax revenue attributable to the effect of the project on the economy of the state, in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement (as detailed in Attachment B of the Comptroller's Certification).

Board Finding Number 3.

Based on the information certified by the Comptroller, the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state (as detailed in Attachment C of the Comptroller's Certification).

Board Finding Number 4.

The Board finds that the Application Fee received was reasonable and only in such an amount as was necessary to cover the District's costs of processing the Application under consideration.

In support of Finding 4, the Board reviewed the Application Fee payment included in the Application at Attachment A, the contract with the District's consultants and the internal costs for processing the application, if any.

Board Finding Number 5.

Based upon the Application and in the Comptroller's Economic Impact Evaluation and Certification, Attachment A, the Board finds that the number of jobs to be created and the wages to be paid comply with the requirements of statute; and, the Board further finds that the Chapter 313 Tax Limitation Agreement (Attachment G) contains all required provisions and information related to job creation requirements, to wit: the provisions set forth in Subsections 9.1C&D of such Agreement.

In its Application, the Applicant has committed to creating ten (10) new qualifying jobs. The average salary level of qualifying jobs must be at least \$60,034 per year. The review of the application by the Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with current Tex. Tax Code §313.021(5)(B) requirement that qualifying jobs must pay 110 percent of the county average manufacturing wage. As defined in Section 313.021 of the Tax Code, "Qualifying Job" means a permanent full-time job that:

- (A) requires at least 1,600 hours of work a year;
- (B) is not transferred from one area in this state to another area in this state;
- (C) is not created to replace a previous employee;
- (D) is covered by a group health benefit plan for which the business offers to pay at least 80 percent of the premiums or other charges assessed for employee-only coverage under the plan, regardless of whether an employee may voluntarily waive the coverage; and
- (E) pays at least 110 percent of the county average weekly wage for manufacturing jobs in the county where the job is located.

Board Finding Number 6.

The Applicant does not intend to create any non-qualifying jobs.

In its Application, Applicant has indicated that it does not intend to create any non-qualifying jobs. For any non-qualifying jobs the Applicant should create, the Applicant will be required to pay at least the county average wage of \$55,810 for all jobs in the county in accordance with the provisions of Tex. Tax Code §313.024(d).

Board Finding Number 7.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$95 million to the tax base that would be available for debt service purposes at the peak investment level for the 2020-21 school year. An expansion of the I&S tax base creates the potential of a benefit for the District and its taxpayers in meeting its debt-service obligations for school district bonds.

Board Finding Number 8.

The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggest little underlying enrollment growth based on the impact of the project.

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in the District as stated in **Attachment F**.

Board Finding Number 9.

The Board finds that with the adoption of District Policy CCGB (Local), implemented in conformance with both Comptroller and Texas Education Agency Rules governing Chapter 313 Agreements, it has developed a process to verify, either directly or through its consultants, the accuracy and completeness of information in annual eligibility reports and biennial progress reports regarding (1) the reported number of jobs created and (2) the reported amount invested in the property.

Board Finding Number 10.

The Board of Trustees hired consultants to review and verify the information in the Application. Based upon the consultants' review, the Board has determined that the information provided by the Applicant is true and correct.

The Board has developed a written policy CCGB (Local) which requires, upon the filing of an Application under Tax Code Chapter 313, the retention of consultants in order to verify: (1) that Applicant's information contained in the Application as to existing facts is true and correct; (2) that Applicant's information contained in the Application with respect to projections of future events are commercially reasonable and within the ability of Applicant to execute; (3) that information related to job creation is commercially reasonable and within the ability of Applicant to execute; (4) that Applicant's representations concerning and economic incentives being offered, if any, and (5) the proposed project meets eligibility requirements.

As a part of its verification process the Board notes that the Chapter 313 Application for which these Findings are being made has been submitted by the Applicant under oath. Chapter 313 Applications are governmental records under Tex. Penal Code §37.01(2)(A); as a result, all statements contained therein are representations of fact within the meaning of Tex. Penal Code § 37.01(3). Since Board action upon the adoption of these Findings and the approval of the Chapter 313 Tax Limitation Agreement (**Attachment G**) is an "official proceeding," a false statement on a Chapter 313 application constitutes perjury under Tex. Penal Code § 37.03.

The Board finds that sworn statements are routinely used as an acceptable verification method for reliance by fact finders in each of the three separate branches of government, including trials.

The consultants have prepared signed statements that the consultants have reviewed and verified the contents of the Application and have determined that the current statements of

fact contained in the Application are true and correct. (**Attachment H**) The Board finds that reliance by the Board and its consultants upon verified statements of the Applicant, especially as to Applicant's future intentions which cannot be objectively verified is reasonable and within the intent of Chapter 313, Texas Tax Code.

Board Finding Number 11.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Thirty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, § 313.054(a).

The Board finds that the Chapter 313 Tax Limitation Agreement (**Attachment G**), in accordance with Comptroller's Form 50-826, contains all required provisions and information related to the required investment amount, to wit: the amount set forth in Section 2.5 of said Agreement. According to the Texas Comptroller of Public Accounts' School and Appraisal Districts' Property Value Study 2017 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year (**Attachment E**). The total industrial value for the District is \$1.84 billion. The District is categorized as Subchapter C, which applies only to a school district that has territory in a strategic investment area, as defined under Subchapter O, Chapter 171, Tax Code or in a county: (1) that has a population of less than 50,000 and (2) in which, from 1990 to 2000, according to the federal decennial census, the population: (A) remained the same; (B) decreased; or (C) increased, but at a rate of not more than three percent per annum. The District is classified as a "rural" district due to its demographic characteristics. Given that the value of industrial property is greater than \$200 million, it is classified as a Category I district which can offer a minimum value limitation of \$30 million.

Board Finding Number 12.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G) contains all necessary provisions and information related to establishing the required investment amount, to wit: the amount set forth in Section 2.5 of said Agreement.

The Board relies on the certifications of its consultants and the Comptroller's Approval of the Agreement form to make this Finding. (**Attachment I**)

Board Finding Number 13.

The Applicant (Taxpayer No. 10505324664) is eligible for the limitation on appraised value of qualified property as an active franchise-tax paying entity.

The Applicant, (Texas Taxpayer No. 10505324664), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be an active franchise taxpayer by the Comptroller. See **Attachment B**. The Board also finds that the Chapter 313 Tax Limitation Agreement (**Attachment G**) contains all required provisions necessary for the Board to assess eligibility of any business to which an agreement is transferred.

Board Finding Number 14.

The project will be located within an area that is designated as a reinvestment zone, pursuant to Chapter 312 of the Texas Tax Code.

Board Finding Number 15.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District, and such provisions comply with the specific terms of Texas Tax Code, Chapter 313.

In support of this finding, the original finance report prepared by Moak, Casey & Associates, Inc. shows that the District will incur revenue losses over several years that the value limitation is in effect without the proposed Agreement under current law. A recent update incorporating changes made in HB 3 shows an initial limitation-year revenue loss and reduced out-year losses. With this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. The Agreement contains adequate revenue protection measures for the duration of the Agreement. In support of this Finding, the Board relies upon the recommendation of its consultants. (**Attachment H**)

Board Finding Number 16.

The Board finds that the Chapter 313 Tax Limitation Agreement (Attachment G) contains all required provisions necessary for the

Board to assess performance standards and to require periodic deliverables that will enable it to hold businesses accountable for achieving desired results, to wit: the reporting requirements set forth in Article VIII of said Agreement.

Board Finding Number 17.

The Board finds that there are no conflicts of interest at the time of considering the agreement.

The Board finds that with the adoption of District Policies BBFA and BBFB, both (Legal) and (Local), set forth at <https://pol.tasb.org/home/index/1019>, that it has taken appropriate action to ensure that all District Trustees and the Superintendent, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

In addition, at the public hearing, the Board caused the statement set forth in **Attachment J** to be read into the public record and that only Board members audibly responding that no conflict of interest existed either deliberated or voted on the Tax Limitation Agreement, these Findings or any matter relating to the Application upon which these Findings have been premised.

The Board finds that with the adoption of District Policies DBD, DGA, DH, and BBFB, both (Legal) and (Local) that it has taken appropriate action to ensure that all District employees and/or consultants, have disclosed any potential conflicts of interest, and that such disclosures will be made if any conflict of interest arises in the future, in compliance with the requirements of Texas Local Gov't Code §171.004.

The Board finds that that no non-disclosed conflicts of interest exist as to the Application for which these Findings are being made, as of the time of action on these Findings.

Board Finding Number 18.

The Board directs that a link on its Website be established to the Comptroller's Office Website where appraisal-limitation-related documents are made available to the public.

Board Finding Number 19.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

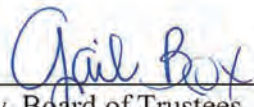
It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the District. It is further ORDERED that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting and maintained in the permanent records of the Board of Trustees of the District.

Dated the 23rd day of July 2019.

PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT

By: 
President, Board of Trustees

ATTEST:

By: 
Secretary, Board of Trustees

Attachment A

Application



KE Andrews
1900 Dalrock Road
Rowlett, Texas 75088

October 2, 2018

Jose Cervantes, Superintendent
cc. Texas Comptroller of Public Accounts
1301 South Eddy Street
Pecos, Texas 79772

Re: Application for Texas Property Tax Code Section 313 Value Limitation Agreement

Dear Superintendent Cervantes:

Please find attached an application for a Section 313 Value Limitation Agreement. On behalf of our client, ETC Texas Pipeline, LTD, and in accordance with the guidelines and principles outlined in Section 313 of the Texas Property Tax Code, it is our request that Pecos-Barstow-Toyah Independent School District consider the approval of a Section 313 Value Limitation Agreement. The approval of this agreement would undoubtedly prove beneficial to the economic development of Reeves County, as well as the viability of Arrowhead III to be located within the state of Texas.

Arrowhead III is a gas processing plant expected to have a total capacity of 200 mmsef/day (million standard cubic feet). Construction is anticipated to commence in March 2019. During February 2019, the hiring of new employees as well as the purchase of equipment and machinery will also begin. Construction is projected to be complete by December 2019, when the plant will also be fully operational.

ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 8 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas, and Louisiana.

If you have any questions, please feel free to contact me at 469-298-1594 or mike@keatax.com. We look forward to working with you.

Sincerely,

Mike Fry
469-298-1618



ETC Texas Pipeline, LTD (Arrowhead III)

Chapter 313 Application for Appraised Value Limitation to Pecos-Barstow-Toyah Independent School District

APPLICATION TAB ORDER FOR REQUESTED ATTACHMENTS

TAB	ATTACHMENT
1	Pages 1 through 11 of Application
2	Proof of Payment of Application Fee
3	Documentation of Combined Group membership under Texas Tax Code 171.0001(7), history of tax default, delinquencies and/or material litigation <i>(if applicable)</i>
4	Detailed description of the project
5	Documentation to assist in determining if limitation is a determining factor
6	Description of how project is located in more than one district, including list of percentage in each district and, if determined to be a single unified project, documentation from the Office of the Governor <i>(if applicable)</i>
7	Description of Qualified Investment
8	Description of Qualified Property
9	Description of Land
10	Description of all property not eligible to become qualified property <i>(if applicable)</i>
11	Maps that clearly show: a) Project vicinity b) Qualified investment including location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period c) Qualified property including location of new buildings or new improvements d) Existing property e) Land location within vicinity map f) Reinvestment or Enterprise Zone within vicinity map, showing the actual or proposed boundaries and size Note: Electronic maps should be high resolution files. Include map legends/markers.
12	Request for Waiver of Job Creation Requirement and supporting information <i>(if applicable)</i>
13	Calculation of three possible wage requirements with TWC documentation
14	Schedules A1, A2, B, C and D completed and signed Economic Impact <i>(if applicable)</i>
15	Economic Impact Analysis, other payments made in the state or other economic information <i>(if applicable)</i>
16	Description of Reinvestment or Enterprise Zone, including: a) evidence that the area qualifies as a enterprise zone as defined by the Governor's Office b) legal description of reinvestment zone* c) order, resolution or ordinance establishing the reinvestment zone* d) guidelines and criteria for creating the zone*
17	Signature and Certification page, signed and dated by Authorized School District Representative and Authorized Company Representative <i>(applicant)</i>



Tab 1

Pages 1-9 of the application

Application for Appraised Value Limitation on Qualified Property

(Tax Code, Chapter 313, Subchapter B or C)

INSTRUCTIONS: This application must be completed and filed with the school district. In order for an application to be processed, the governing body (school board) must elect to consider an application, but — by Comptroller rule — the school board may elect to consider the application only after the school district has received a completed application. Texas Tax Code, Section 313.025 requires that any completed application and any supplemental materials received by the school district must be forwarded within seven days to the Comptroller of Public Accounts.

If the school board elects to consider the application, the school district must:

- notify the Comptroller that the school board has elected to consider the application. This notice must include:
 - the date on which the school district received the application;
 - the date the school district determined that the application was complete;
 - the date the school board decided to consider the application; and
 - a request that the Comptroller prepare an economic impact analysis of the application;
- provide a copy of the notice to the appraisal district;
- must complete the sections of the application reserved for the school district and provide information required in the Comptroller rules located at 34 Texas Administrative Code (TAC) Section 9.1054; and
- forward the original hard copy of the completed application to the Comptroller in a three-ring binder with tabs, as indicated on page 9 of this application, separating each section of the documents, in addition to an electronic copy on CD. See 34 TAC Chapter 9, Subchapter F.

The governing body may, at its discretion, allow the applicant to supplement or amend the application after the filing date, subject to the restrictions in 34 TAC Chapter 9, Subchapter F.

When the Comptroller receives the notice and required information from the school district, the Comptroller will publish all submitted application materials on its website. The Comptroller is authorized to treat some application information as confidential and withhold it from publication on the Internet. To do so, however, the information must be segregated and comply with the other requirements set out in the Comptroller rules. For more information, see guidelines on Comptroller's website.

The Comptroller will independently determine whether the application has been completed according to the Comptroller's rules (34 TAC Chapter 9, Subchapter F). If the Comptroller finds the application is not complete, the Comptroller will request additional materials from the school district. Pursuant to 9.1053(a)(1)(C), requested information shall be provided within 20 days of the date of the request. When the Comptroller determines that the application is complete, it will send the school district a notice indicating so. The Comptroller will determine the eligibility of the project, issue a certificate for a limitation on appraised value to the school board regarding the application and prepare an economic impact evaluation by the 90th day after the Comptroller receives a complete application—as determined by the Comptroller.

The school board must approve or disapprove the application not later than the 150th day after the application review start date (the date the application is finally determined to be complete), unless an extension is granted. The Comptroller and school district are authorized to request additional information from the applicant that is reasonably necessary to issue a certificate, complete the economic impact evaluation or consider the application at any time during the application review period.

Please visit the Comptroller's website to find out more about the program at comptroller.texas.gov/economy/local/ch313/. There are links to the Chapter 313 statute, rules, guidelines and forms. Information about minimum limitation values for particular districts and wage standards may also be found at that site.

SECTION 1: School District Information

1. Authorized School District Representative

October 18, 2018

Date Application Received by District

Jose

First Name

Cervantes

Last Name

Superintendent

Title

Pecos-Barstow-Toyah ISD

School District Name

1301 South Eddy Street, Pecos, Texas 79772

Street Address

1302 South Eddy Street, Pecos, Texas 79772

Mailing Address

Pecos

City

432-447-7201

Phone Number

TX

State

432-447-7262

Fax Number

79772

ZIP

jcervantes@pbtisd.esc18.net

Email Address

Mobile Number (optional)

2. Does the district authorize the consultant to provide and obtain information related to this application?

☒ Yes☐ No

SECTION 1: School District Information *(continued)*3. Authorized School District Consultant *(If Applicable)*

Kevin O'Hanlon
First Name Last Name
Partner
Title
O'Hanlon, Demerath, & Castillo
Firm Name
512-494-9949 512-494-9919
Phone Number Fax Number
kohanlon@808west.com
Mobile Number *(optional)* Email Address

4. On what date did the district determine this application complete? October 30, 2018
5. Has the district determined that the electronic copy and hard copy are identical? ☒ Yes ☐ No

SECTION 2: Applicant Information

1. Authorized Company Representative *(Applicant)*

Megan McKavanagh
First Name Last Name
Assistant Controller Energy Transfer Partners, L.P.
Title Organization
800 E Sonterra Blvd., Suite 400 San Antonio, TX 78258-3941
Street Address
800 E Sonterra Blvd., Suite 400
Mailing Address
San Antonio TX 78258-3941
City State ZIP
210-572-0457 210-403-6664
Phone Number Fax Number
megan.mckavanagh@energytransfer.com
Mobile Number *(optional)* Business Email Address

2. Will a company official other than the authorized company representative be responsible for responding to future information requests? ☐ Yes ☒ No
- 2a. If yes, please fill out contact information for that person.

First Name Last Name
Title Organization
Street Address
Mailing Address
City State ZIP
Phone Number Fax Number
Mobile Number *(optional)* Business Email Address

3. Does the applicant authorize the consultant to provide and obtain information related to this application? ☒ Yes ☐ No

SECTION 2: Applicant Information (continued)

4. Authorized Company Consultant (If Applicable)

Mike	Fry
First Name	Last Name
Director (Energy Services)	
Title	
KE Andrews 1900 Dalrock Road; Rowlett, TX 75088	
Firm Name	
469-298-1594	469-298-1619
Phone Number	Fax Number
mike@keatax.com	
Business Email Address	

SECTION 3: Fees and Payments

1. Has an application fee been paid to the school district? ☒ Yes ☐ No

The total fee shall be paid at time of the application is submitted to the school district. Any fees not accompanying the original application shall be considered supplemental payments.

1a. If yes, attach in **Tab 2** proof of application fee paid to the school district.

For the purpose of questions 2 and 3, "payments to the school district" include any and all payments or transfers of things of value made to the school district or to any person or persons in any form if such payment or transfer of thing of value being provided is in recognition of, anticipation of, or consideration for the agreement for limitation on appraised value.

2. Will any "payments to the school district" that you may make in order to receive a property tax value limitation agreement result in payments that are not in compliance with Tax Code §313.027(i)? ☐ Yes ☒ No ☐ N/A
3. If "payments to the school district" will only be determined by a formula or methodology without a specific amount being specified, could such method result in "payments to the school district" that are not in compliance with Tax Code §313.027(i)? ☐ Yes ☒ No ☐ N/A

SECTION 4: Business Applicant Information

1. What is the legal name of the applicant under which this application is made? ETC Texas Pipeline, LTD
2. List the Texas Taxpayer I.D. number of entity subject to Tax Code, Chapter 171 (11 digits) 10505324664
3. List the NAICS code 325110
4. Is the applicant a party to any other pending or active Chapter 313 agreements? ☒ Yes ☐ No
- 4a. If yes, please list application number, name of school district and year of agreement
- #1240 Pecos-Barstow-Toyah (2019); #1080 Rankin (2016); #1044 Crockett (2016); #225 Ganado (2013)
- #379 Glasscock (2015); #1032 Glasscock (2015); #234 Kenedy (2013); #1160 Pecos-Barstow-Toyah (2018)

SECTION 5: Applicant Business Structure

1. Identify Business Organization of Applicant (corporation, limited liability corporation, etc) Texas Limited Partnership
2. Is applicant a combined group, or comprised of members of a combined group, as defined by Tax Code §171.0001(7)? ☒ Yes ☐ No
- 2a. If yes, attach in **Tab 3** a copy of Texas Comptroller Franchise Tax Form No. 05-165, No. 05-166, or any other documentation from the Franchise Tax Division to demonstrate the applicant's combined group membership and contact information.
3. Is the applicant current on all tax payments due to the State of Texas? ☒ Yes ☐ No
4. Are all applicant members of the combined group current on all tax payments due to the State of Texas? ☒ Yes ☐ No ☐ N/A
5. If the answer to question 3 or 4 is no, please explain and/or disclose any history of default, delinquencies and/or any material litigation, including litigation involving the State of Texas. (If necessary, attach explanation in **Tab 3**)

SECTION 6: Eligibility Under Tax Code Chapter 313.024

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

SECTION 7: Project Description

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

☒ Land has no existing improvements	☐ Land has existing improvements (<i>complete Section 13</i>)
☐ Expansion of existing operation on the land (<i>complete Section 13</i>)	☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

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

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

SECTION 9: Projected Timeline

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

SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located Reeves County
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Reeves County CAD
3. Will this CAD be acting on behalf of another CAD to appraise this property? ☐ Yes ☒ No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:
 County: Reeves County, .49952 (100%) City: N/A
(Name, tax rate and percent of project)
 Hospital District: Reeves Cty. Hosp., .24(100%) Water District: Reeves County WCID #2 .1193459 (100%)
(Name, tax rate and percent of project)
 Other (describe): N/A Other (describe): N/A
(Name, tax rate and percent of project)
5. Is the project located entirely within the ISD listed in Section 1? ☒ Yes ☐ No
 5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? ☐ Yes ☒ No
 6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: Investment

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

1. At the time of application, what is the estimated minimum qualified investment required for this school district? 30,000,000.00
2. What is the amount of appraised value limitation for which you are applying? 30,000,000.00
Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? ☒ Yes ☐ No
4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? ☒ Yes ☐ No

SECTION 12: Qualified Property

1. Attach a detailed description of the qualified property. [See §313.021(2)] (If qualified investment describes qualified property exactly, you may skip items a, b and c below.) The description must include:
- a specific and detailed description of the qualified property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 8**);
 - a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your qualified property (**Tab 8**); and
 - a map of the qualified property showing location of new buildings or new improvements with vicinity map (**Tab 11**).
2. Is the land upon which the new buildings or new improvements will be built part of the qualified property described by §313.021(2)(A)? ☐ Yes ☒ No
- 2a. If yes, attach complete documentation including:
- legal description of the land (**Tab 9**);
 - each existing appraisal parcel number of the land on which the new improvements will be constructed, regardless of whether or not all of the land described in the current parcel will become qualified property (**Tab 9**);
 - owner (**Tab 9**);
 - the current taxable value of the land. Attach estimate if land is part of larger parcel (**Tab 9**); and
 - a detailed map showing the location of the land with vicinity map (**Tab 11**).
3. Is the land on which you propose new construction or new improvements currently located in an area designated as a reinvestment zone under Tax Code Chapter 311 or 312 or as an enterprise zone under Government Code Chapter 2303? ☒ Yes ☐ No
- 3a. If yes, attach the applicable supporting documentation:
- evidence that the area qualifies as a enterprise zone as defined by the Governor's Office (**Tab 16**);
 - legal description of reinvestment zone (**Tab 16**);
 - order, resolution or ordinance establishing the reinvestment zone (**Tab 16**);
 - guidelines and criteria for creating the zone (**Tab 16**); and
 - a map of the reinvestment zone or enterprise zone boundaries with vicinity map (**Tab 11**).
- 3b. If no, submit detailed description of proposed reinvestment zone or enterprise zone with a map indicating the boundaries of the zone on which you propose new construction or new improvements to the Comptroller's office within 30 days of the application date. What is the anticipated date on which you will submit final proof of a reinvestment zone or enterprise zone? NA

SECTION 13: Information on Property Not Eligible to Become Qualified Property

1. In **Tab 10**, attach a specific and detailed description of all **existing property**. This includes buildings and improvements existing as of the application review start date (the date the application is determined to be complete by the Comptroller). The description must provide sufficient detail to locate all existing property on the land that will be subject to the agreement and distinguish existing property from future proposed property.
2. In **Tab 10**, attach a specific and detailed description of all **proposed new property that will not become new improvements** as defined by TAC 9.1051. This includes proposed property that: functionally replaces existing or demolished/removed property; is used to maintain, refurbish, renovate, modify or upgrade existing property; or is affixed to existing property; or is otherwise ineligible to become qualified property. The description must provide sufficient detail to distinguish existing property (question 1) and all proposed new property that cannot become qualified property from proposed qualified property that will be subject to the agreement (as described in Section 12 of this application).
3. For the property not eligible to become qualified property listed in response to questions 1 and 2 of this section, provide the following supporting information in **Tab 10**:
- maps and/or detailed site plan;
 - surveys;
 - appraisal district values and parcel numbers;
 - inventory lists;
 - existing and proposed property lists;
 - model and serial numbers of existing property; or
 - other information of sufficient detail and description.
4. Total estimated market value of existing property (that property described in response to question 1): \$ 0.00
5. In **Tab 10**, include an appraisal value by the CAD of all the buildings and improvements existing as of a date within 15 days of the date the application is received by the school district.
6. Total estimated market value of proposed property not eligible to become qualified property
(that property described in response to question 2): \$ 0.00

Note: Investment for the property listed in question 2 may count towards qualified investment in Column C of Schedules A-1 and A-2, if it meets the requirements of 313.021(1). Such property cannot become qualified property on Schedule B.

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0

2. What is the last complete calendar quarter before application review start date:
☐ First Quarter ☐ Second Quarter ☒ Third Quarter ☐ Fourth Quarter of 2018 (year)

3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).

4. What is the number of new qualifying jobs you are committing to create? 10

5. What is the number of new non-qualifying jobs you are estimating you will create? 0

6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? ☐ Yes ☒ No

6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.

7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).

a. Average weekly wage for all jobs (all industries) in the county is 1,015.75
No Data Available - See Tab 13

b. 110% of the average weekly wage for manufacturing jobs in the county is

c. 110% of the average weekly wage for manufacturing jobs in the region is 1,154.49

8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? ☐ §313.021(5)(A) or ☒ §313.021(5)(B)

9. What is the minimum required annual wage for each qualifying job based on the qualified property? 60,033.60

10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 60,033.60

11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? ☒ Yes ☐ No

12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? ☐ Yes ☒ No

12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).

13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? ☐ Yes ☒ No

13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

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



Tab 2

Proof of Payment Application Fee

Proof of payment of filing fee received by the
Comptroller of Public Accounts per TAC Rule
§9.1054 (b)(5)

*(Page Inserted by Office of Texas Comptroller of Public
Accounts)*



Tab 3

Documentation of Combined Group Membership

***Attached*

**Documentation of combined
group received by the
Texas Comptroller
of Public Accounts**



Tab 4

Detailed Description of the Project

Attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.

In compliance with the criteria and guidelines set forth in Title 3, Chapter 313 of the Texas Property Tax Code, ETC Texas Pipeline, LTD requests an appraised value limitation from Pecos-Barstow-Toyah Independent School District for Arrowhead III. ETC Texas Pipeline, LTD is proposing to construct Arrowhead III, a gas processing facility in Reeves County, Texas. The facility will be located in the eastern portion of the county. Additionally, the entirety of the project will be within Pecos-Barstow-Toyah Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

The facility itself is expected to have a total capacity of 200 mmscf/day (million standard cubic feet). Construction is anticipated to commence in March 2019. During February 2019, the hiring of new employees as well as the purchase of equipment and machinery will also begin. Construction is projected to be complete by December 2019, when the plant will also be fully operational.

ETC Texas Pipeline, LTD requests that this application includes but is not limited to the following components of this project:

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

ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. Energy Transfer currently operates over 17,500 miles of pipeline, 8 gas processing plants, 17 gas treating facilities and 10 gas conditioning plants. Locations for these operations include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas, and Louisiana.



Summary of Production Process

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

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

- Inlet Slug Catcher
- Inlet Separation and Filtration
- Amine Treating for CO₂ Removal
- TEG Dehydration for H₂O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants
- Residue Recompression Units
- Heat Medium Systems
- Flare System
- Water Systems (supply, drain, waste)
- Utilities

Natural gas, as it is used by consumers, is much different from the natural gas that is brought from underground up to the wellhead. Although the processing of natural gas is in many respects less complicated than the processing and refining of crude oil, it is equally necessary before its used by end users.

Natural gas is composed almost entirely of methane. However, natural gas found at the wellhead, although still composed primarily of methane is by no means as pure. Raw natural gas comes from three types of wells: oil wells, gas wells, and condensate wells. Natural gas that comes from oil wells is typically termed 'associated gas.' This gas can exist separate from oil in the formation (free gas), or dissolved in the crude oil (dissolved gas). Natural gas from gas and condensate wells, in which there is little or no crude oil, is termed 'non-associated gas.' Gas wells typically produce raw natural gas by itself, while condensate wells produce free natural gas along with a semi-liquid hydrocarbon condensate. Whatever the source of the natural gas, once separated from crude oil (if present) it commonly exists in mixtures with other hydrocarbons; principally ethane, propane, butane, and pentanes. In addition, raw natural gas contains water vapor, hydrogen sulfide, carbon dioxide, helium, nitrogen, and other compounds.

Natural gas processing consists of separating all the various hydrocarbons and fluids from the pure natural gas, the produce what is known as 'pipeline quality' dry natural gas. Major transportation pipelines usually impose restrictions on the make-up of the natural gas that is allowed into the pipeline. That means that before the natural gas can be transported it must be purified. While the ethane, propane, butane, and pentanes must be removed from natural gas, this does not mean they are all 'waste products.'



In fact, associated hydrocarbons, known as 'natural gas liquids' (NGLs) can be very valuable by products of natural gas processing. NGLs include ethane, propane, butane, iso-butane, and natural gasoline. These NGLs are sold separately and have a variety of different uses; including enhancing oil recovery in oil wells, providing raw materials for oil refineries or petrochemical plants, and as sources of energy.

While some of the needed processing can be accomplished at or near the wellhead (field processing), the complete processing of natural gas takes place at a processing plant, usually located in a natural gas producing region. The extracted natural gas is transported to these processing plants through a network of gathering pipelines, which are small diameter, low pressure pipes. A complex gathering system can consist of thousands of miles of pipes, interconnecting the processing plant to upwards of 100 wells in the area. According to the American Gas Association's Gas Facts 2000, there was an estimated 36,100 miles of gathering system pipeline in the U.S. in 1999.

The actual practice of processing natural gas to pipeline dry gas quality levels can be quite complex, but usually involves four main processes to remove the various impurities:

- Oil and Condensate Removal
- Water Removal
- Separation of Natural Gas Liquids
- Sulfur and Carbon Dioxide Removal

Oil and Condensate Removal

The actual process used to separate oil from natural gas, as well as the equipment that is used, can vary widely. Although dry pipeline quality natural gas is virtually identical across different geographic areas, raw natural gas from different regions may have different compositions and separation requirements. In many instances, natural gas is dissolved in oil underground primarily due to the pressure that the formation is under. When this natural gas and oil is produced, it is possible that it will separate on its own, simply due to decreased pressure. In these cases, separation of oil and gas is relatively easy, and the two hydrocarbons are sent separate ways for further processing. The most basic type of separator is known as a conventional separator. It consists of a simple closed tank, where the force of gravity serves to separate the heavier liquids like oil, and the lighter gases, like natural gas.

Water Removal

In addition to separating oil and some condensate from the wet gas stream, it is necessary to remove most of the associated water. Most of the liquid, free water associated with extracted natural gas is removed by simple separation methods at or near the wellhead. However, the removal of the water vapor that exists in solution in natural gas requires a more complex



treatment. This treatment consists of 'dehydrating' the natural gas, which usually involves one of two processes: either absorption or adsorption.

Absorption occurs when the water vapor is taken out by a dehydrating agent.

Adsorption occurs when the water vapor is condensed and collected on the surface.

Glycol Dehydration

An example of absorption dehydration is known as Glycol Dehydration. In this process, a liquid desiccant dehydrator serves to absorb water vapor from the gas stream. Glycol, the principal agent in this process, has a chemical affinity for water. This means that, when in contact with a stream of natural gas that contains water, glycol will serve to 'steal' the water out of the gas stream. Essentially, glycol dehydration involves using a glycol solution, usually either diethylene glycol (DEG) or triethylene glycol (TEG), which is brought into contact with the wet gas stream in what is called the 'contactor'. The glycol solution will absorb water from the wet gas. Once absorbed, the glycol particles become heavier and sink to the bottom of the contactor where they are removed. The natural gas, having been stripped of most of its water content, is then transported out of the dehydrator. The glycol solution, bearing all of the water stripped from the natural gas, is put through a specialized boiler designed to vaporize only the water out of the solution. While water has a boiling point of 212 degrees Fahrenheit, glycol does not boil until 400 degrees Fahrenheit. This boiling point differential makes it relatively easy to remove water from the glycol solution, allowing it to be reused in the dehydration process. An innovation in this process has been the addition of flash tank separator condensers. As well as absorbing water from the wet gas stream, the glycol solution occasionally carries with it small amounts of methane and other compounds found in the wet gas. In the past, this methane was simply vented out of the boiler. In addition to losing a portion of the natural gas that was extracted, this venting contributes to air pollution and the greenhouse effect. To decrease the amount of methane and other compounds that are lost, flash tank separator-condensers work to remove these compounds before the glycol solution reaches the boiler. Essentially, a flash tank separator consists of a device that reduces the pressure of the glycol solution stream, allowing the methane and other hydrocarbons to vaporize ('flash'). The glycol solution then travels to the boiler, which may also be fitted with air or water-cooled condensers, which serve to capture any remaining organic compounds that may remain in the glycol solution. In practice, according to the Department of Energy's Office of Fossil Energy, these systems have been shown to recover 90 to 99 percent of methane that would otherwise be flared into the atmosphere.

Solid-Desiccant Dehydration

Solid-desiccant dehydration is the primary form of dehydrating natural gas using adsorption, and usually consists of two or more adsorption towers, which are filled



with a solid desiccant. Typical desiccants include activated alumina or a granular silica gel material. Wet natural gas is passed through these towers, from top to bottom. As the wet gas passes around the particles of desiccant material, water is retained on the surface of these desiccant particles. Passing through the entire desiccant bed, almost all of the water is adsorbed onto the desiccant material, leaving the dry gas to exit the bottom of the tower.

Separation of Natural Gas Liquids

Natural gas coming directly from a well contains many natural gas liquids that are commonly removed. In most instances, natural gas liquids (NGLs) have higher value as separate products, and it is thus economical to remove them from the gas stream. The removal of natural gas liquids usually takes place in a relatively centralized processing plant, and uses techniques like those used to dehydrate natural gas.

The Cryogenic Expansion Process

Cryogenic processes are used to extract NGLs from natural gas. Lighter hydrocarbons, such as ethane, are often more difficult to recover from the natural gas stream. In certain instances, it is economic to simply leave the lighter NGLs in the natural gas stream. However, if it is economic to extract ethane and other lighter hydrocarbons, cryogenic processes are required for high recovery rates. Essentially, cryogenic processes consist of dropping the temperature of the gas stream to around -120 degrees Fahrenheit.

There are many ways of chilling the gas to these temperatures, but one of the most effective is known as the turbo expander process. In this process, external refrigerants are used to cool the natural gas stream. Then, an expansion turbine is used to rapidly expand the chilled gases, which causes the temperature to drop significantly. This rapid temperature drop condenses ethane and other hydrocarbons in the gas stream, while maintaining methane in gaseous form. This process allows for the recovery of about 90 to 95 percent of the ethane originally in the gas stream. In addition, the expansion turbine can convert some of the energy released when the natural gas stream is expanded into recompressing the gaseous methane effluent, thus saving energy costs associated with extracting ethane. The extraction of NGLs from the natural gas stream produces both cleaner, purer natural gas, as well as the valuable hydrocarbons that are the NGLs themselves.

Sulfur and Carbon Dioxide Removal

In addition to water, oil, and NGL removal, one of the most important parts of gas processing involves the removal of sulfur and carbon dioxide. Natural gas from some wells contains significant amounts of sulfur and carbon dioxide. This natural gas, because of the rotten smell provided by its sulfur content, is commonly called 'sour gas'. Sour gas is undesirable because the sulfur compounds it contains can be extremely harmful, even lethal, to breathe. Sour gas can also be extremely

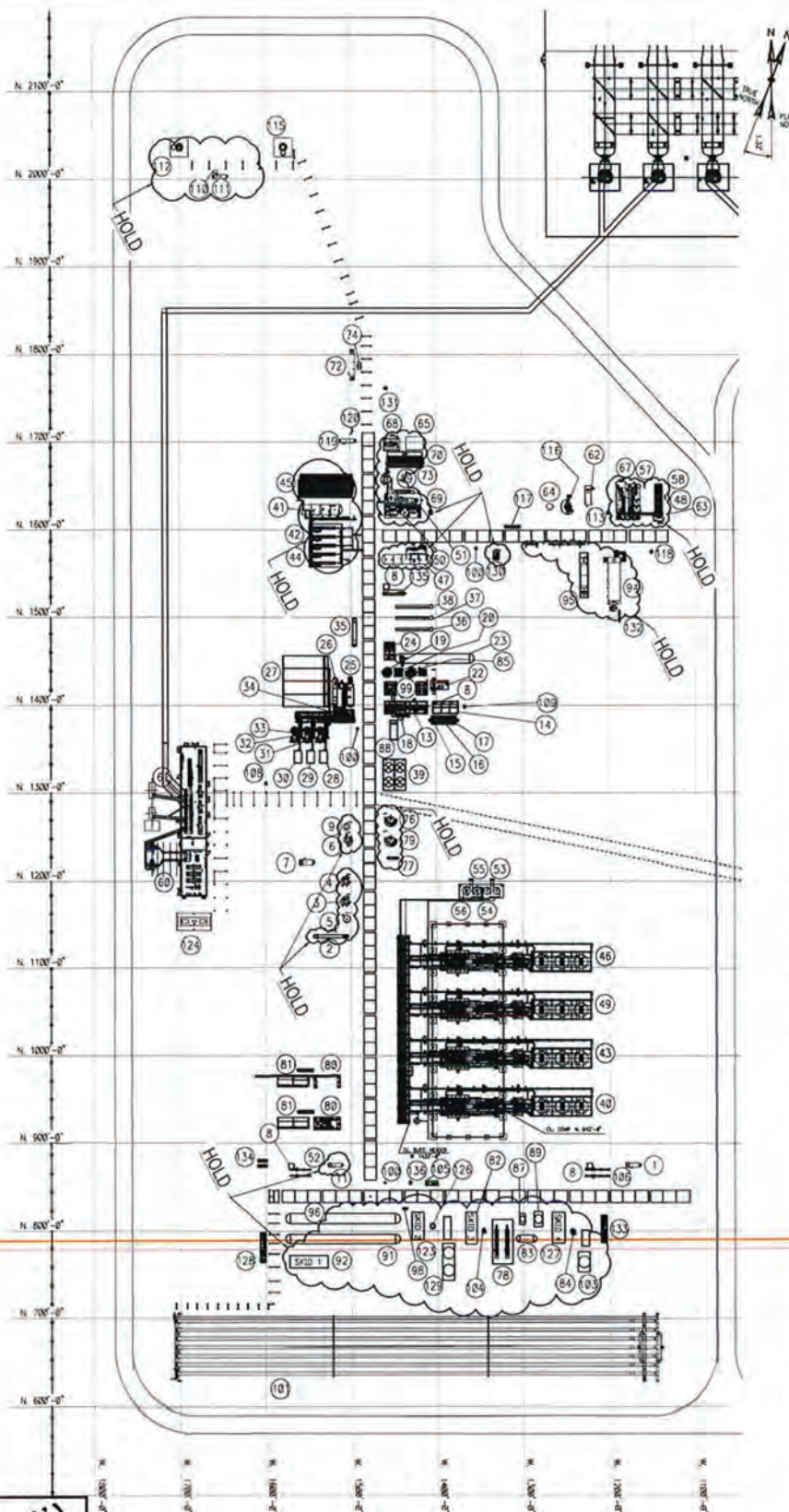


corrosive. In addition, the sulfur that exists in the natural gas stream can be extracted and marketed on its own. In fact, according to the USGS, U.S. sulfur production from gas processing plants accounts for about 15 percent of the total U.S. production of sulfur.

Sulfur exists in natural gas as hydrogen sulfide (H_2S), and the gas is usually considered sour if the hydrogen sulfide content exceeds 5.7 milligrams of H_2S per cubic meter of natural gas. The process for removing hydrogen sulfide from sour gas is commonly referred to as 'sweetening' the gas.

The primary process for sweetening sour natural gas is quite like the processes of glycol dehydration in this case, however, amine solutions are used to remove the hydrogen sulfide. This process is known simply as the 'amine process', or alternatively as the Girdler process, and is used in 95 percent of U.S. gas sweetening operations. The sour gas is run through a tower, which contains the amine solution. This solution has an affinity for sulfur, and absorbs it much like glycol absorbing water. There are two principle amine solutions used, monoethanolamine (MEA) and diethanolamine (DEA). Either of these compounds, in liquid form, will absorb sulfur compounds from natural gas as it passes through. The effluent gas is virtually free of sulfur compounds, and thus loses its sour gas status. Like the process for NGL extraction and glycol dehydration, the amine solution used can be regenerated (that is, the absorbed sulfur is removed), allowing it to be reused to treat more sour gas.

Gas processing is an instrumental piece of the natural gas value chain. It is instrumental in ensuring that the natural gas intended for use is as clean and pure as possible, making it the clean burning and environmentally sound energy choice. Once the natural gas has been fully processed, and is ready to be consumed, it must be transported from those areas that produce natural gas, to those areas that require it.



TAG NUMBER	DESCRIPTION
1-101-2	INLET FILTER COALESCE SEPARATOR
C-1330-2	INLET GAS/GAS EXCHANGER
T-1103-2	INLET GAS AMINE CONTACTOR
T-1104-2	INLET GAS AMINE CONTACTOR
V-1106-2	AMINE AFTER SCRUBBER
T-1400-2	GLYCOL CONTACTOR
T-2422-2	GLYCOL CONTACTOR INLET FILTER SEPARATOR
V-1401-2	GLYCOL AFTERSCRUBBER
F-2210-2	RESIDUE GAS FILTER/COALESCE
-	UPPER LEVEL INLET SKID #6
-	DENY SWITCHING VALVE SKID #2
V-442-2	MOL SIEVE DEHIDRATOR
V-443-2	MOL SIEVE DEHIDRATOR
V-444-2	MOL SIEVE DEHIDRATOR
-	INLET FILTER SKID #1
V-402-2	COLD SEPARATOR
E-201-2	WARM GAS/GAS EXCHANGER
EC-101-2	EXPANDER/COMPRESSOR
V-404-2	PRODUCT SURGE TANK
-	PRODUCT PUMP SKID #5
E-203-2	CHILLER
V-403-2	REFRIGERANT ACCUMULATOR
A-361-2	REFRIGERANT CONDENSER
A-161-2	LUBE OIL COOLER
A-162-2	LUBE OIL COOLER
A-163-2	LUBE OIL COOLER
C-161-2	REFRIGERANT COMPRESSOR
C-162-2	REFRIGERANT COMPRESSOR
C-163-2	REFRIGERANT COMPRESSOR
-	REFRIGERATION SKID #7
V-403-2	COLD DRAIN TANK
P-1505A-2	NGL PIPELINE PUMP
P-1505B-2	NGL PIPELINE PUMP
P-1505C-2	NGL PIPELINE PUMP
A-301-2	EXPANDER COMPRESSOR AFTERCOOLER
CR-201-2	RESIDUE GAS COMPRESSOR
V-1119-2	AMINE SURGE TANK
P-1105A/B/C-2	AMINE SOLUTION PUMPS (GAS)
CR-202-2	RESIDUE GAS COMPRESSOR
P-1504A/B-2	AMINE SOLUTION PUMPS (NGL)
AC-1111A/B-2	AMINE SOLUTION COOLERS
CR-204-2	RESIDUE GAS COMPRESSOR
V-1109-2	AMINE FLASH TANK
BCX-1415-2	BITEN CONDENSER
CR-203-2	RESIDUE GAS COMPRESSOR
-	AMINE FILTER SKID #7
-	AMINE LEAN/RIICH EXCHANGER SKID #2
FE-2210A/B-2	RESIDUE GAS METER
TK-3003-2	LUBE OIL TANK
TK-3002-2	WASTE LUBE OIL TANK
TK-3000-2	COOLANT STORAGE TANK
TK-3001-2	WASTE COOLANT STORAGE TANK
-	GLYCOL REGEN SKID #48
AC-1411-2	GLYCOL COOLER
T-1114-2	AMINE REGEN STILL
-	LOW VOLTAGE MCC
-	MEDIUM VOLTAGE MCC
H-741-2	REGEN GAS HEATER
-	BITEN BLOWER PLATFORM #4C
V-1910-2	CO2 MIST SCRUBBER
-	SULFA GUARD
-	GLYCOL REGEN SKID #4A
-	REFLUX ACCUMULATOR/PUMP SKID #3
TK-1115-2	AMINE SUMP TANK
AC-1115-2	REFLUX CONDENSER
V-1810-2	FLARE WISGKOUT DRAIN
P-1850-2	ANTI-FOAM INJECTION PUMP
P-1820A/B-2	FLARE WISGKOUT PUMP
T-1500-2	NGL AMINE CONTACTOR
F-1503-2	TREATED NGL COALESCE
-	PIPELINE PUMPS
T-1501-2	NGL AMINE CONTACTOR
C-3200A/B-2	STABILIZER OVERHEAD COMPRESSORS
AC-3200A/B-2	OVERHEAD COMPRESSOR AFTERCOOLERS
-	Y-GRADE SKID #1
-	STABILIZED NGL SURGE TANK
-	SAVBOLT STABILIZER TOWER
T-501-2	DEMETHANIZER
Y-501-2	Y-GRADE BOTTOMS COOLER
A-341-2	REGEN GAS COOLER
V-1601-2	STABILIZED NGL COOLER
-	L.P. FLASH DRAIN
H-1705-2	CONDENSATE FEED SKID #1
V-1705-2	STABILIZER HMD HEATER
-	STABILIZER HMD PUMP SKID #5
V-2510-2	CONDENSATE REHEAT TANK
P-2550-2	RE-RUN PUMP
-	PROCESS SKID #1 & #4
V-4015A/B/C-2	INSTRUMENT AIR SURGE TANK
V-100-2	SLUG CATCHER
-	SAVBOLT OVERHEAD CONDENSER
FE-1601-2	Y-GRADE STABILIZER TOWER
FE-1161A/B-2	L.P. FLASH DRAIN LIQUIDS METER SKID
TK-730-2	DILUT METER
TK-730-2	REFRIGERATION SUMP TANK
TK-750-2	CRYO SUMP TANK
P-1942-2	ACID GAS FLARE K.D. PUMP
V-1941-2	ACID GAS FLARE K.D. DRAIN
FL-1940-2	ACID GAS FLARE
TK-2424-2	GLYCOL SUMP TANK
FL-1800-2	FLARE
TO-1900-2	THERMAL OXIDIZER
-	THERMAL OXIDIZER CONTROL PACK
TK-2810-2	OPEN DRAIN SUMP TANK
V-2810-2	CLOSED DRAIN DRAIN
P-2820-2	CLOSED DRAIN OIL PUMP
-	PMP STABILIZER SKID #2
C-4000-2	INSTRUMENT AIR COMPRESSOR
-	PMP STABILIZER TOWER
-	SAVBOLT STABILIZER SKID #4
FE-1000-2	SLUG CATCHER LIQUIDS METER SKID
-	PMP OVERHEAD CONDENSER
V-1600-2	WET FUEL GAS SCRUBBER SKID #6
TK-2850-2	OPEN DRAIN SUMP
-	SKID #7 HMD FG TRAIN
FE-1502-2	Y-GRADE METER SKID
FE-2211A-2	BUY BACK METER SKID
FE-1501-2	NGL PRODUCT METER
TK-2850-2	OPEN DRAIN SUMP TANK

55070001-000-1003

ENERGY TRANSFER

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PROCESS AREA PLOT PLAN



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ENGINEERING

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Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Monahans

Proposed Site and Reinvestment Zone

Fort Stockton

Pecos

Google Earth

© 2018 Google
Image Landsat / Copernicus

20 mi



Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Proposed Site and Reinvestment Zone

Google Earth

© 2013 Google

2 mi



Potential Plant Site and Reinvestment Zone

Legend

 Proposed Site and Reinvestment Zone

 Proposed Site and Reinvestment Zone



Pecos-Barstow-Toyah ISD Map

Legend

-  Pecos-Barstow-Toyah Independent School District
-  Reinvestment Zone

Pecos-Barstow-Toyah ISD Boundary
(yellow outline)

Reinvestment
Zone Boundary
(red outline)

Google Earth

Image Landsat / Copernicus

40 mi



Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



Reinvestment Zone

Legend

 Reinvestment Zone

Reinvestment Zone
Boundary

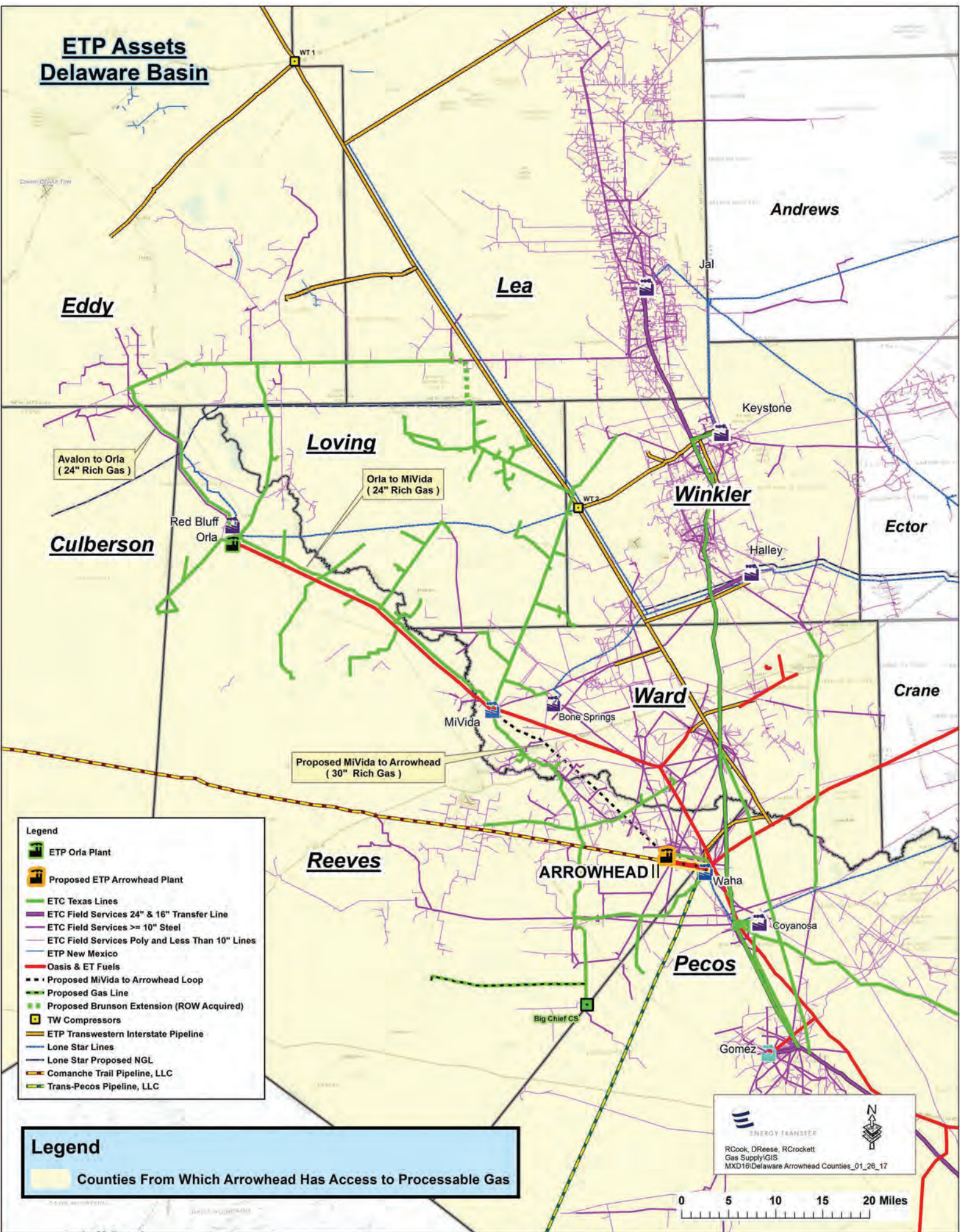
Google Earth

© 2018 Google



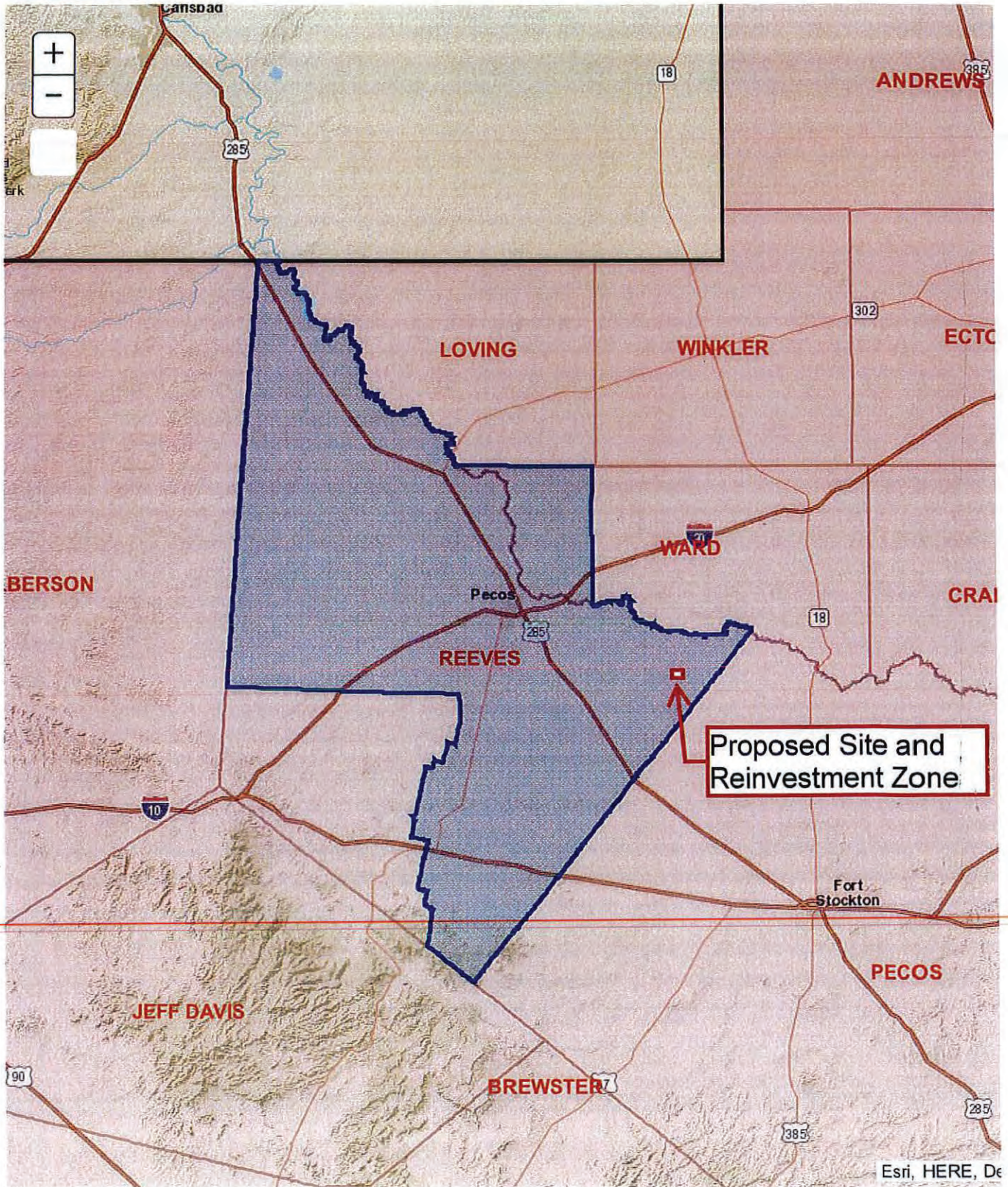
2000 ft

ETP Assets Delaware Basin





Texas School District Locator





Tab 5

Limitation as a Determining Factor

ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. In the states mentioned below, Energy Transfer currently operates over 34,050 miles of pipeline, 32 gas processing plants, 19 gas treating facilities and 3 gas conditioning plants. The states where these operations are located include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Arrowhead III Plant economics. Multiple other potential projects are presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico.

- Louisiana offers a 10-year, 100% property tax abatement under that state's Industrial Tax Exemption program as well as additional state sales tax incentives.
- New Mexico offers Industrial Revenue Bonds and Job Training incentive programs.

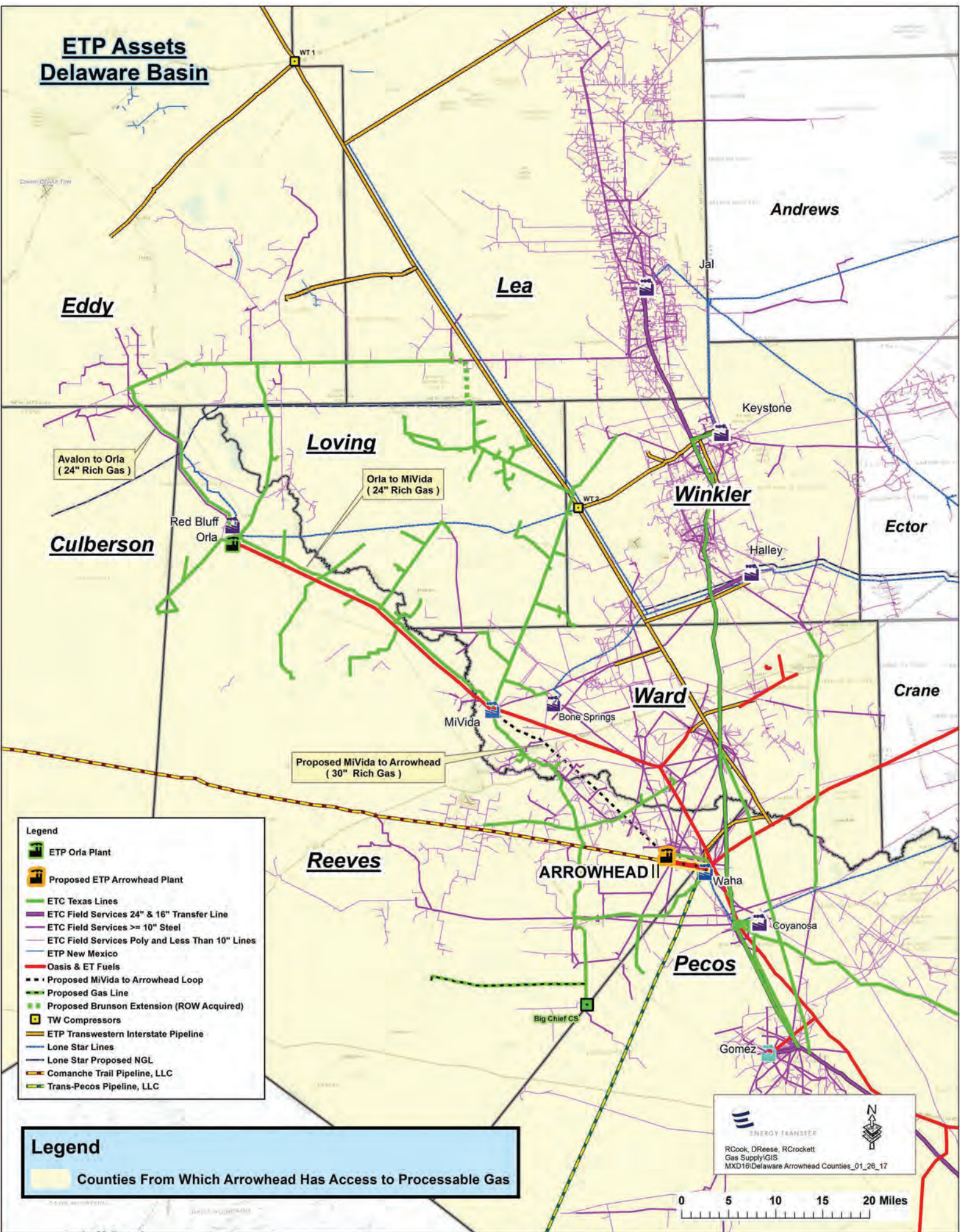
In the Delaware/Permian Basin alone, the company owns 7,820 miles of natural gas pipeline, 7 processing facilities with aggregate capacity of 815 MMcf/d (*Waha, Cayanosa, Red Bluff, Halley, Jal, Keystone, and Tippet*) and two treating facilities with aggregate capacity of 200 MMcf/d.

The Delaware/Permian Basin assets offer wellhead-to-market services to produces not only in the Texas counties, but also in the New Mexico counties of Eddy and Lee which surround Waha Hub.

Because of the proximity of the system to the Waha Hub, the syste, has a variety of market outlets for the natural gas that is gathered and processed, including several major interstate and intrastate pipelines serving California, the mid-continent region of the United States and the Texas/New Mexico natural gas markets.

Because of existing and new pipeline infrastructure that is now present in New Mexico, ETC has ample freedom to choose where the proposed project can be built. The economic differences outside of tax treatment are considered miniscule because of the Waha's proximity to the NM/TX border. Because of this, the proposed 313 is considered a major determining factor in whether or not the Arrowhead III is completed in Texas.

ETP Assets Delaware Basin



Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

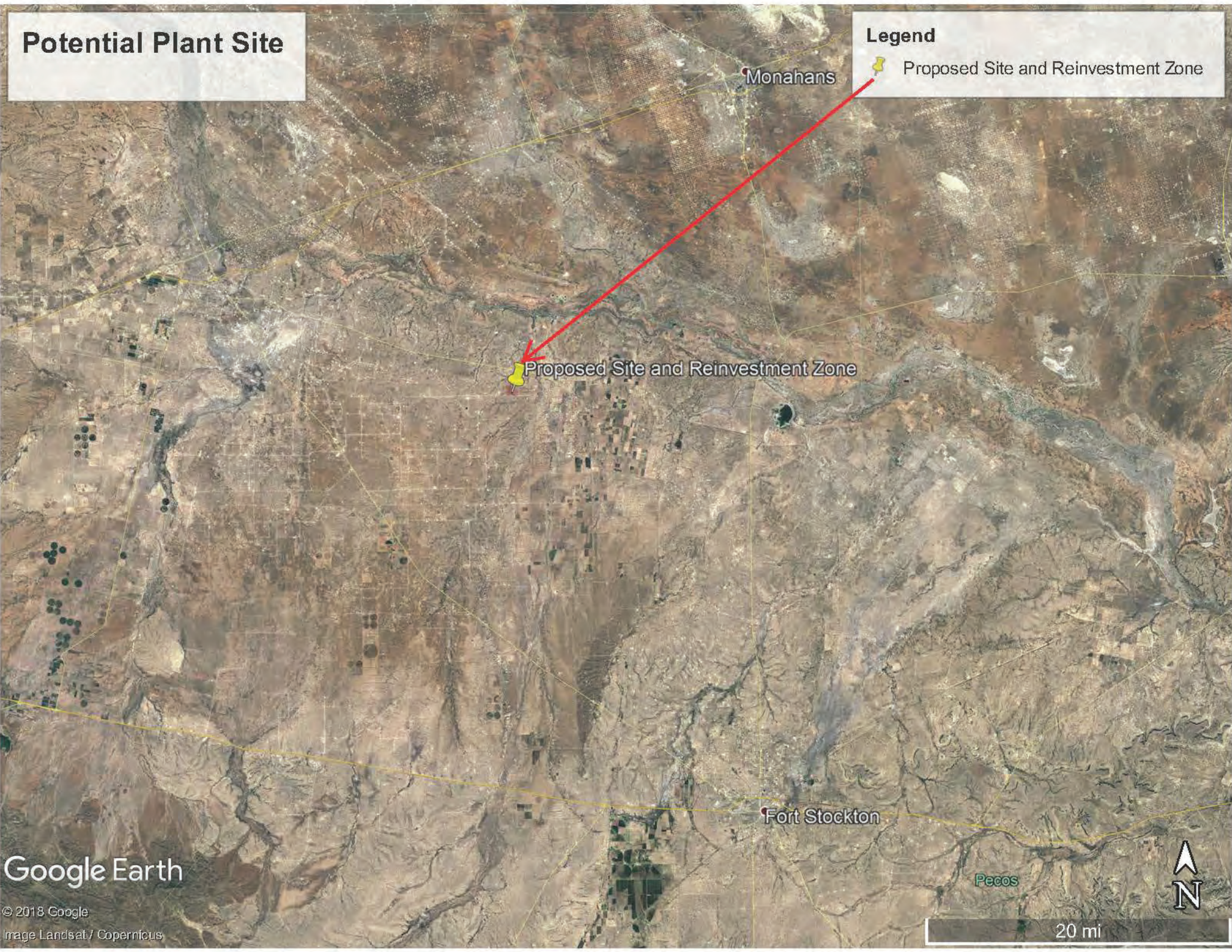
Proposed Project Location
(yellow boundary)



Potential Plant Site

Legend

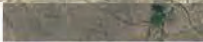
 Proposed Site and Reinvestment Zone



Google Earth

© 2018 Google
Image Landsat / Copernicus


N

 20 mi

Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Proposed Site and Reinvestment Zone

Google Earth

© 2013 Google

2 mi



Potential Plant Site and Reinvestment Zone

Legend

 Proposed Site and Reinvestment Zone

 Proposed Site and Reinvestment Zone



Pecos-Barstow-Toyah ISD Map

Legend

-  Pecos-Barstow-Toyah Independent School District
-  Reinvestment Zone

Pecos-Barstow-Toyah ISD Boundary
(yellow outline)

Reinvestment
Zone Boundary
(red outline)

Google Earth

Image Landsat / Copernicus

40 mi



Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



Reinvestment Zone

Legend

 Reinvestment Zone

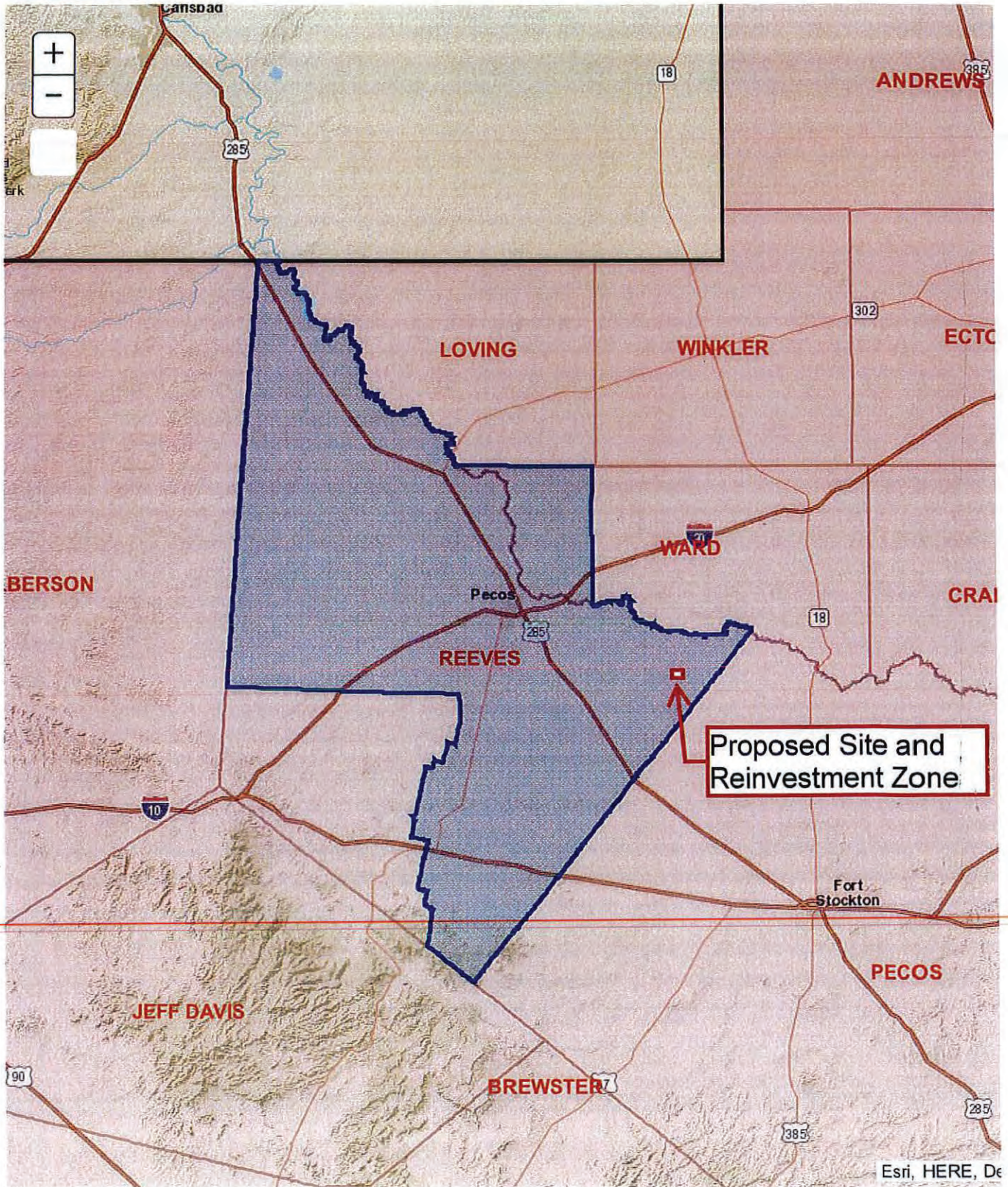
Reinvestment Zone
Boundary

Google Earth

© 2018 Google

2000 ft







Tab 6

Arrowhead III is located 100 % in Pecos-Barstow-Toyah Independent School District in Reeves County

Taxing Jurisdiction	Percentage of Project located within Jurisdiction	Tax Rate
Reeves County	100%	.49952
Reeves County WCID #2	100%	.1193459
Reeves County Hospital District	100%	.24
Pecos-Barstow-Toyah ISD	100%	.9457



Tab 7

Description of Qualified Investment

ETC Texas Pipeline, LTD is proposing to construct Arrowhead III, a gas processing facility in Reeves County, Texas. The facility will be located in the eastern portion of the county. Additionally, the entirety of the project will be within Pecos-Barstow-Toyah Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

The facility itself is expected to have a total capacity of 200 mmscf/day (million standard cubic feet). Construction is anticipated to commence in March 2019. During February 2019, the hiring of new employees as well as the purchase of equipment and machinery will also begin. Construction is projected to be complete by December 2019, when the plant will also be fully operational.

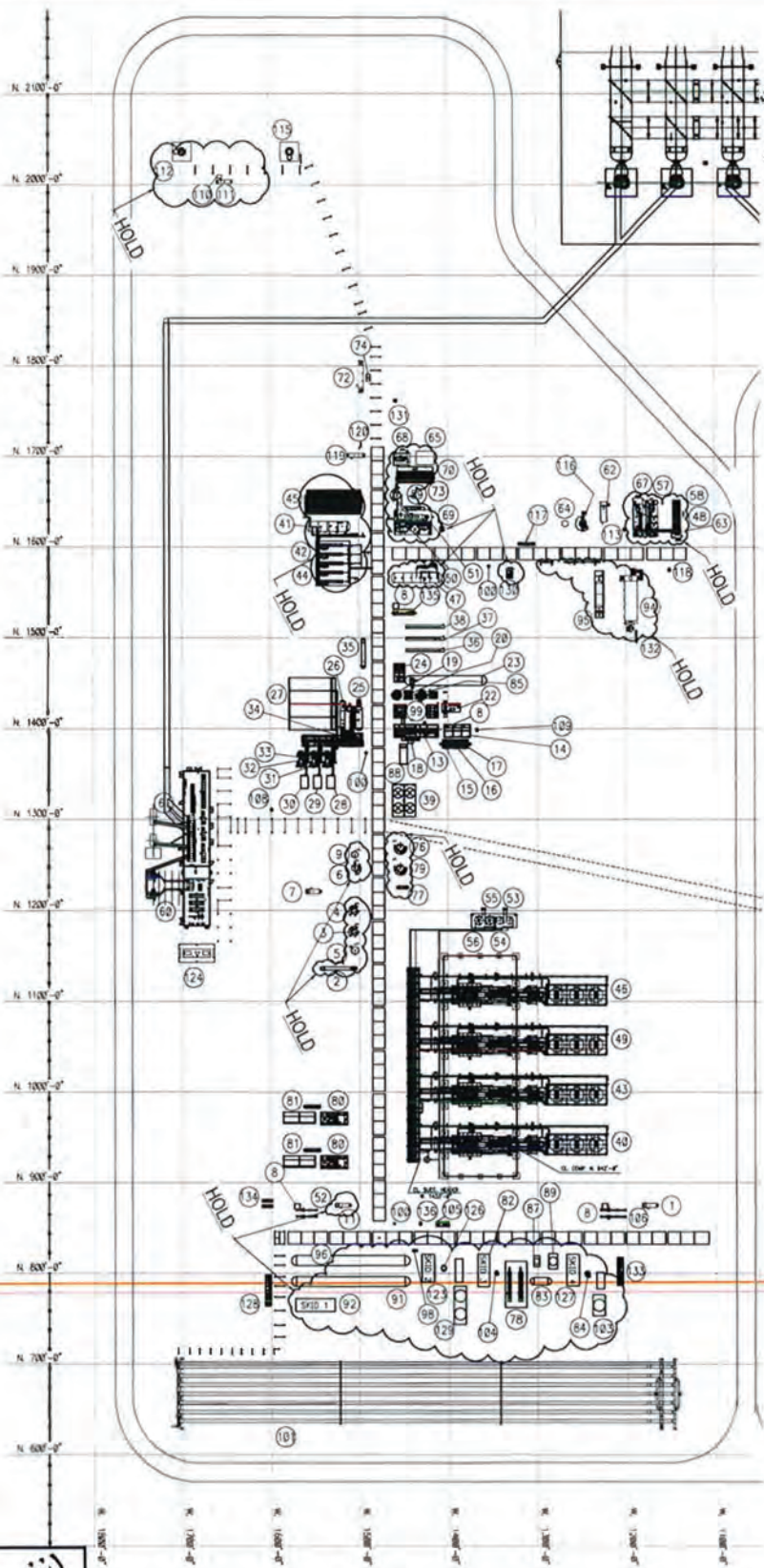
ETC Texas Pipeline, LTD requests that this application includes but is not limited to the following components of this project:

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

Summary of Production Process

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

- Inlet Slug Catcher
- Inlet Separation and Filtration
- Amine Treating for CO2 Removal
- TEG Dehydration for H2O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants
- Residue Recompression Units
- Heat Medium Systems
- Flare System
- Water Systems (supply, drain, waste)
- Utilities



TAG NUMBER	DESCRIPTION
F-1181-2	INLET FILTER COALESCER SEPARATOR
E-1330-2	INLET GAS EXCHANGER
T-1103-2	INLET GAS AMINE CONTACTOR
T-1104-2	INLET GAS AMINE CONTACTOR
V-1106-2	AMINE AFTER SCRUBBER
T-1400-2	GLYCOL CONTACTOR
F-2422-2	GLYCOL CONTACTOR INLET FILTER SEPARATOR
-	GC BUILDING (1 TOTAL)
V-1401-2	GLYCOL AFTERSCRUBBER
F-2210-2	RESIDUE GAS FILTER/COALESCER
-	UPPER LEVEL INLET SKID #6
-	DEHY SWITCHING VALVE SKID #2
V-442-2	MOL SIEVE DEDRATOR
V-443-2	MOL SIEVE DEDRATOR
V-444-2	MOL SIEVE DEDRATOR
-	INLET FILTER SKID #1
V-402-2	COLD SEPARATOR
E-201-2	WAPU GAS EXCHANGER
EC-101-2	EXPANDER/COMPRESSOR
V-404-2	PRODUCT SURGE TANK
-	PRODUCT PUMP SKID #5
E-203-2	CHILLER
V-403-2	REFRIGERANT ACCUMULATOR
A-381-2	REFRIGERANT CONDENSER
A-161-2	LUBE OIL COOLER
A-162-2	LUBE OIL COOLER
A-163-2	LUBE OIL COOLER
O-161-2	REFRIGERANT COMPRESSOR
C-162-2	REFRIGERANT COMPRESSOR
C-163-2	REFRIGERANT COMPRESSOR
-	REFRIGERATION SKID #7
V-403-2	COLD DRAIN TANK
P-1505A-2	NGL PIPELINE PUMP
P-1505B-2	NGL PIPELINE PUMP
P-1505C-2	NGL PIPELINE PUMP
A-301-2	EXPANDER COMPRESSOR AFTERCOOLER
CR-201-2	RESIDUE GAS COMPRESSOR
V-1119-2	AMINE SURGE TANK
P-1185A/B/C-2	AMINE SOLUTION PUMPS (GAS)
CR-202-2	RESIDUE GAS COMPRESSOR
P-1504A/B-2	AMINE SOLUTION PUMPS (NGL)
AC-1111A/B-2	AMINE SOLUTION COOLERS
CR-204-2	RESIDUE GAS COMPRESSOR
V-1109-2	AMINE FLASH TANK
AC-1413-2	BTEX CONDENSER
CR-203-2	RESIDUE GAS COMPRESSOR
-	AMINE FILTER SKID #1
-	AMINE LEAN/RICH EXCHANGER SKID #2
FE-2210A/B-2	RESIDUE GAS METER
TX-3003-2	LUBE OIL TANK
TX-3002-2	WASTE LUBE OIL TANK
TX-3000-2	COOLANT STORAGE TANK
TX-3001-2	WASTE COOLANT STORAGE TANK
-	GLYCOL REGEN SKID #40
AC-1411-2	GLYCOL COOLER
T-1114-2	AMINE REGEN STILL
-	LOW VOLTAGE MOC
-	MEDIUM VOLTAGE MOC
H-741-2	REGEN GAS HEATER
-	BTEX BLOWER PLATFORM #4C
V-1910-2	CO2 VENT SCRUBBER
-	SULFA GUARD
-	GLYCOL REGEN SKID #4A
-	REFLUX ACCUMULATOR/PUMP SKID #3
TX-1115-2	AMINE SUMP TANK
AC-1115-2	REFLUX CONDENSER
V-1810-2	FLARE IMMOBILIZATION PUMP
P-1810-2	FLARE IMMOBILIZATION PUMP
P-1820A/B-2	FLARE IMMOBILIZATION PUMP
T-1500-2	NGL AMINE CONTACTOR
T-1503-2	TREATED NGL COALESCER
-	PIPELINE PUMPS
T-1501-2	NGL AMINE CONTACTOR
C-3200A/B-2	STABILIZER OVERHEAD COMPRESSORS
AC-3200A/B-2	OVERHEAD COMPRESSOR AFTERCOOLERS
-	Y-GRADE SKID #1
-	STABILIZED NGL SURGE TANK
-	SAVBOLT STABILIZER TOWER
T-501-2	DEMETHANIZER
-	Y-GRADE BOTTOMS COOLER
A-341-2	REGEN GAS COOLER
-	STABILIZED HGL COOLER
V-1601-2	L.P. FLASH DRAIN
H-1706-2	CONDENSATE FEED SKID #1
-	STABILIZER HMO HEATER
-	STABILIZER HMO PUMP SKID #5
V-2530-2	CONDENSATE REFLUX TANK
P-2530-2	RE-FLUX PUMP
-	PROCESS SKID #5 & #6
V-4015A/B/C-2	INSTRUMENT AIR SURGE TANK
V-100-2	SILIC CATCHER
-	SAVBOLT OVERHEAD CONDENSER
-	Y-GRADE STABILIZER TOWER
FE-1601-2	L.P. FLASH DRAIN LIQUIDS METER SKID
FE-1161A/B-2	INLET METER
TX-730-2	REFRIGERATION SUMP TANK
TX-750-2	CRYO SUMP TANK
P-1942-2	ACID GAS FLARE W.D. PUMP
V-1941-2	ACID GAS FLARE W.D. DRAIN
FL-1940-2	ACID GAS FLARE
TX-2424-2	GLYCOL SUMP TANK
FL-1600-2	FLARE
TO-1900-2	THERMAL OXIDIZER
-	THERMAL OXIDIZER CONTROL RACK
TX-2070-2	OPEN DRAIN SUMP TANK
V-2010-2	CLOSED DRAIN DRAIN
P-2020-2	CLOSED DRAIN OIL PUMP
-	RMP STABILIZER SKID #2
C-4000-2	INSTRUMENT AIR COMPRESSOR
-	RMP STABILIZER TOWER
-	SAVBOLT STABILIZER SKID #4
FE-1000-2	SUMP CATCHER LIQUID METER SKID
-	RMP OVERHEAD CONDENSER
V-1600-2	WET FUEL GAS SCRUBBER SKID #6
TX-2850-2	OPEN DRAIN SUMP
-	SKID #7 HMO FG TRAIN
FE-1502-2	Y-GRADE METER SKID
FE-2211A-2	BNV BACK METER SKID
FE-1501-2	HGL PRODUCT METER
TX-2850-2	OPEN DRAIN SUMP TANK

55070001-000-1003

ENERGY TRANSFER

NO. 55070001

REV. C

REV	DESCRIPTION	BY	DATE	CHK'D	APP'D
D	ISSUED FOR INFORMATION (NEW SLAGCATCHER, WGL, ACID GAS FLARE)	DWS	11/15/18	DW	FWH
E	ISSUED FOR INFORMATION (REVISED STABILIZER AREA)	DWS	12/1/17	DW	FWH
F	ISSUED FOR INFORMATION (REVISED GRADE NOTE)	DWS	11/17/17	DW	FWH
G	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
H	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
I	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
J	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
K	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
L	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
M	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
N	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
O	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
P	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
Q	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
R	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
S	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
T	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
U	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
V	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
W	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
X	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
Y	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH
Z	ISSUED FOR INFORMATION (HOLD HOLD NOTE)	DWS	11/17/17	DW	FWH

PROCESS AREA PLOT PLAN

TEXAS



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Reinvestment Zone

With Proposed Project Boundary

Legend

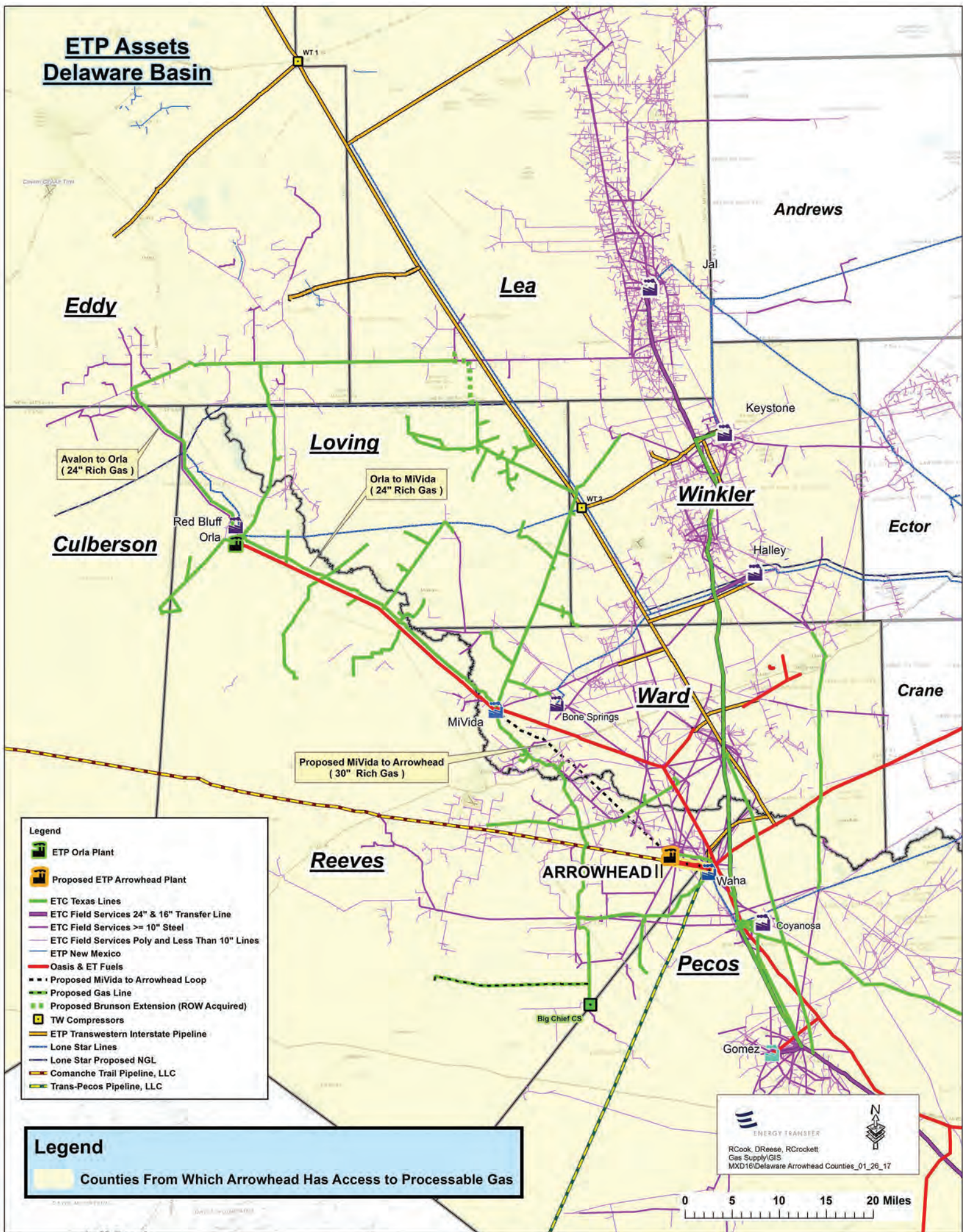
 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



ETP Assets Delaware Basin



Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Monahans

Proposed Site and Reinvestment Zone

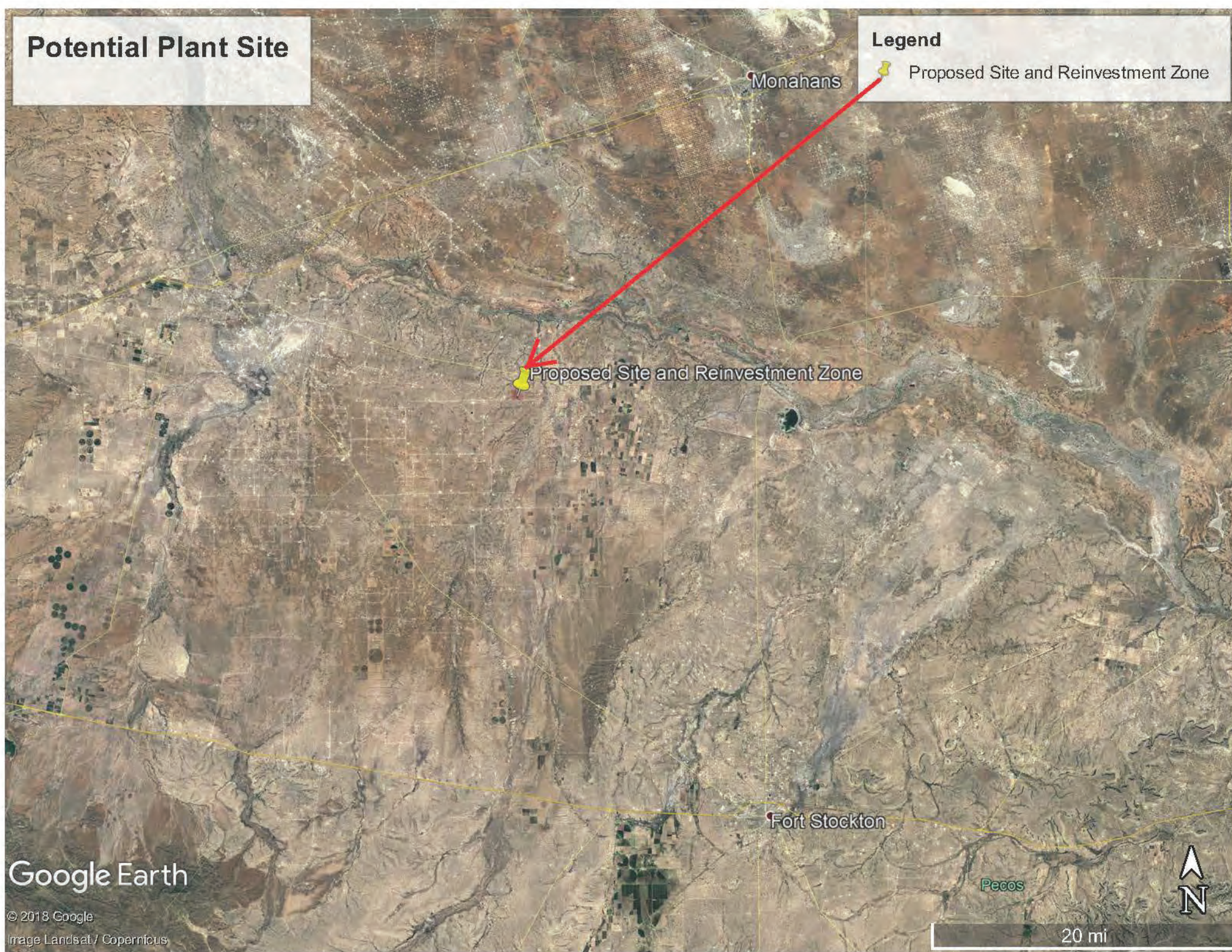
Fort Stockton

Pecos

Google Earth

© 2018 Google
Image Landsat / Copernicus

20 mi



Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Proposed Site and Reinvestment Zone

Google Earth

© 2013 Google

2 mi



Potential Plant Site and Reinvestment Zone

Legend

 Proposed Site and Reinvestment Zone

 Proposed Site and Reinvestment Zone



Pecos-Barstow-Toyah ISD Map

Legend

-  Pecos-Barstow-Toyah Independent School District
-  Reinvestment Zone

Pecos-Barstow-Toyah ISD Boundary
(yellow outline)

Reinvestment
Zone Boundary
(red outline)

Google Earth

Image Landsat / Copernicus

40 mi



Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



Reinvestment Zone

Legend

 Reinvestment Zone

Reinvestment Zone
Boundary

Google Earth

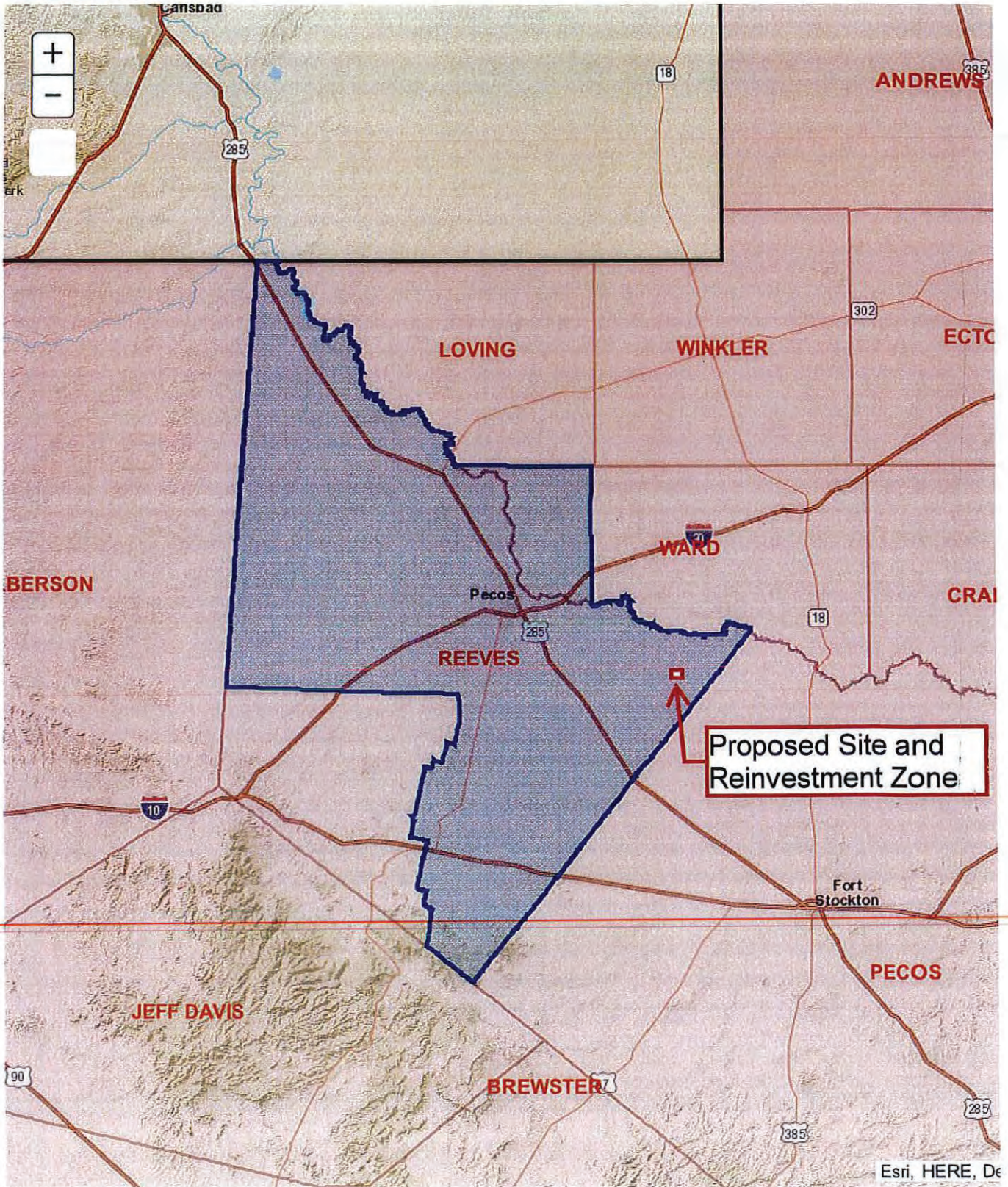
© 2018 Google

2000 ft





Texas School District Locator





Tab 8

Description of Qualified Property

ETC Texas Pipeline, LTD is proposing to construct Arrowhead III, a gas processing facility in Reeves County, Texas. The facility will be located in the eastern portion of the county. Additionally, the entirety of the project will be within Pecos-Barstow-Toyah Independent School District. Please find attached in Tab 11 maps that further define the location of the facility.

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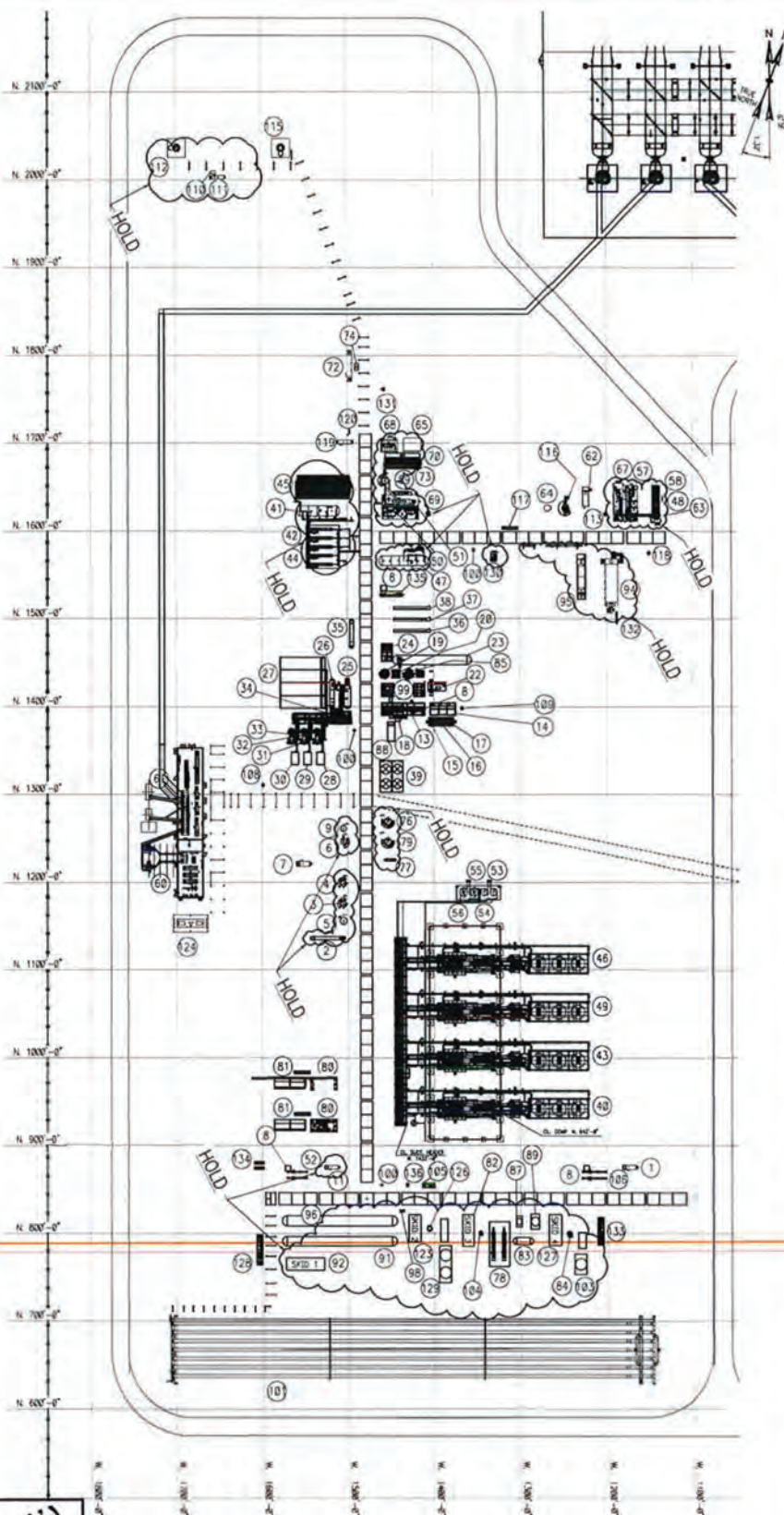
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- Boilers
- Natural Gas/Air/H2O Piping
- Dehydration Units
- Slug Catcher
- Vessels
- Liners & Containment
- SCADA (monitoring software) plus Controls
- Foundations
- Amine Unit
- Heat Exchangers
- Control Valves
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-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

Summary of Production Process

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- Inlet Separation and Filtration
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- TEG Dehydration for H2O Removal
- Thermal Oxidizers
- Molecular Sieve Dehydration
- GSP Cryogenic Gas Plants
- Residue Recompression Units
- Heat Medium Systems
- Flare System
- Water Systems (supply, drain, waste)
- Utilities



TAG NUMBER	DESCRIPTION
7-1181-2	INLET FILTER COALESCE SEPARATOR
E-1350-2	INLET GAS/GAS EXCHANGER
T-1103-2	INLET GAS AMINE CONTACTOR
T-1104-2	INLET GAS AMINE CONTACTOR
V-1106-2	AMINE AFTER SCRUBBER
T-1400-2	GLYCOL CONTACTOR
T-2422-2	GLYCOL CONTACTOR INLET FILTER SEPARATOR
Q-1401-2	GLYCOL AFTER SCRUBBER
F-2210-2	RESIDUE GAS FILTER/COALESCE
-	UPPER LEVEL INLET SKID #6
-	DEHYDRATION VALVE SKID #2
V-442-2	MOL. SIEVE DEHYDRATOR
V-443-2	MOL. SIEVE DEHYDRATOR
V-444-2	MOL. SIEVE DEHYDRATOR
-	INLET FILTER SKID #1
V-402-2	COLD SEPARATOR
E-201-2	WARM GAS/GAS EXCHANGER
EC-101-2	EXPANDER/COMPRESSOR
V-404-2	PRODUCT SURGE TANK
-	PRODUCT PUMP SKID #3
E-203-2	CHILLER
V-403-2	REFRIGERANT ACCUMULATOR
A-361-2	REFRIGERANT CONDENSER
A-161-2	LUBE OIL COOLER
A-162-2	LUBE OIL COOLER
A-163-2	LUBE OIL COOLER
C-161-2	REFRIGERANT COMPRESSOR
C-162-2	REFRIGERANT COMPRESSOR
C-163-2	REFRIGERANT COMPRESSOR
-	REFRIGERANT SKID #7
V-403-2	COLD DRAIN TANK
P-1505A-2	NGL PIPELINE PUMP
P-1505B-2	NGL PIPELINE PUMP
P-1505C-2	NGL PIPELINE PUMP
A-301-2	EXPANDER COMPRESSOR AFTERCOOLER
CR-201-2	RESIDUE GAS COMPRESSOR
V-1119-2	AMINE SURGE TANK
P-1105A/B/C-2	AMINE SOLUTION PUMPS (GAS)
CR-202-2	RESIDUE GAS COMPRESSOR
P-1504A/B-2	AMINE SOLUTION PUMPS (WGL)
AC-1111A/B-2	AMINE SOLUTION COOLERS
CR-204-2	RESIDUE GAS COMPRESSOR
V-1109-2	AMINE FLASH TANK
AC-1415-2	BITER CONDENSER
CR-203-2	RESIDUE GAS COMPRESSOR
-	AMINE FILTER SKID #1
-	AMINE LEAN/RICH EXCHANGER SKID #2
FE-2210A/B-2	RESIDUE GAS METER
TX-3003-2	LUBE OIL TANK
TX-3002-2	WASTE LUBE OIL TANK
TX-3000-2	COOLANT STORAGE TANK
TX-3001-2	WHITE COOLANT STORAGE TANK
-	GLYCOL REGEN SKID #4B
AC-1411-2	GLYCOL COOLER
T-1114-2	AMINE REGEN STILL
-	LOW VOLTAGE MCC
-	MEDIUM VOLTAGE MCC
H-741-2	BITER SOWER PLATFORM #4C
-	CO2 MOIST SCRUBBER
V-1910-2	SULFA GUARD
-	GLYCOL REGEN SKID #4A
-	REFLUX ACCUMULATOR/PUMP SKID #3
TX-1115-2	AMINE SUMP TANK
AC-1115-2	REFLUX CONDENSER
V-1810-2	FLARE PHOSPHOR DRAIN
P-1850-2	ANTI-FOAM INJECTION PUMP
P-1800A/B-2	FLARE WHOCKOUT PUMP
T-1500-2	NGL AMINE CONTACTOR
F-1503-2	TREATED NGL COALESCE
-	PIPELINE PUMPS
T-1501-2	NGL AMINE CONTACTOR
C-3200A/B-2	STABILIZER OVERHEAD COMPRESSORS
AC-3000A/B-2	OVERHEAD COMPRESSOR AFTERCOOLERS
-	Y-GRADE SKID #1
-	STABILIZED NGL SURGE TANK
-	SAYBOLT STABILIZER TOWER
T-501-2	DEHYDRATOR
-	Y-GRADE BOTTOMS COOLER
A-241-2	REGEN GAS COOLER
V-1601-2	STABILIZED NGL COOLER
-	L.P. FLASH DRAIN
H-1705-2	CONDENSATE FLEED SKID #1
-	STABILIZER HMD HEATER
V-2530-2	STABILIZER HMD PUMP SKID #5
P-2550-2	CONDENSATE REFLUX TANK
-	RE-RUN PUMP
-	PROCESS AREA #1 & #2
V-4015A/B/C-2	INSTRUMENT AIR SURGE TANK
V-100-2	SLUG CATCHER
-	SAYBOLT DRAIN CONDENSER
-	Y-GRADE STABILIZER TOWER
FE-1601-2	L.P. FLASH DRAIN LIQUIDS METER SKID
FE-1161A/B-2	INLET METER
TX-730-2	REFRIGERATION SUMP TANK
TX-750-2	CYTO SUMP TANK
P-1942-2	ACID GAS FLARE K.D. PUMP
V-1941-2	ACID GAS FLARE K.D. DRAIN
FL-1940-2	ACID GAS FLARE
TX-2424-2	GLYCOL SUMP TANK
FL-1800-2	FLARE
10-1900-2	THERMAL OXIDIZER
-	THERMAL OXIDIZER CONTROL PACK
TX-2870-2	OPEN DRAIN SUMP TANK
V-2810-2	CLOSED DRAIN DRAIN
P-2820-2	CLOSED DRAIN OIL PUMP
-	PMP STABILIZER SKID #2
C-4000-2	INSTRUMENT AIR COMPRESSOR
-	PMP STABILIZER TOWER
-	SAYBOLT STABILIZER SKID #4
FE-1000-2	SLUG CATCHER LIQUID METER SKID
-	PMP OVERHEAD CONDENSER
V-1600-2	WET FUEL GAS SCRUBBER SKID #6
TX-2850-2	OPEN DRAIN SUMP
-	SKID #7 HMD FG TANK
FE-1500-2	Y-GRADE METER SKID
FE-2211A-2	BUY BACK METER SKID
FE-1501-2	NGL PRODUCT METER
TX-2830-2	OPEN DRAIN SUMP TANK

55070001-000-1003

ENERGY TRANSFER

11/21/17

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PROCESS AREA PLOT PLAN

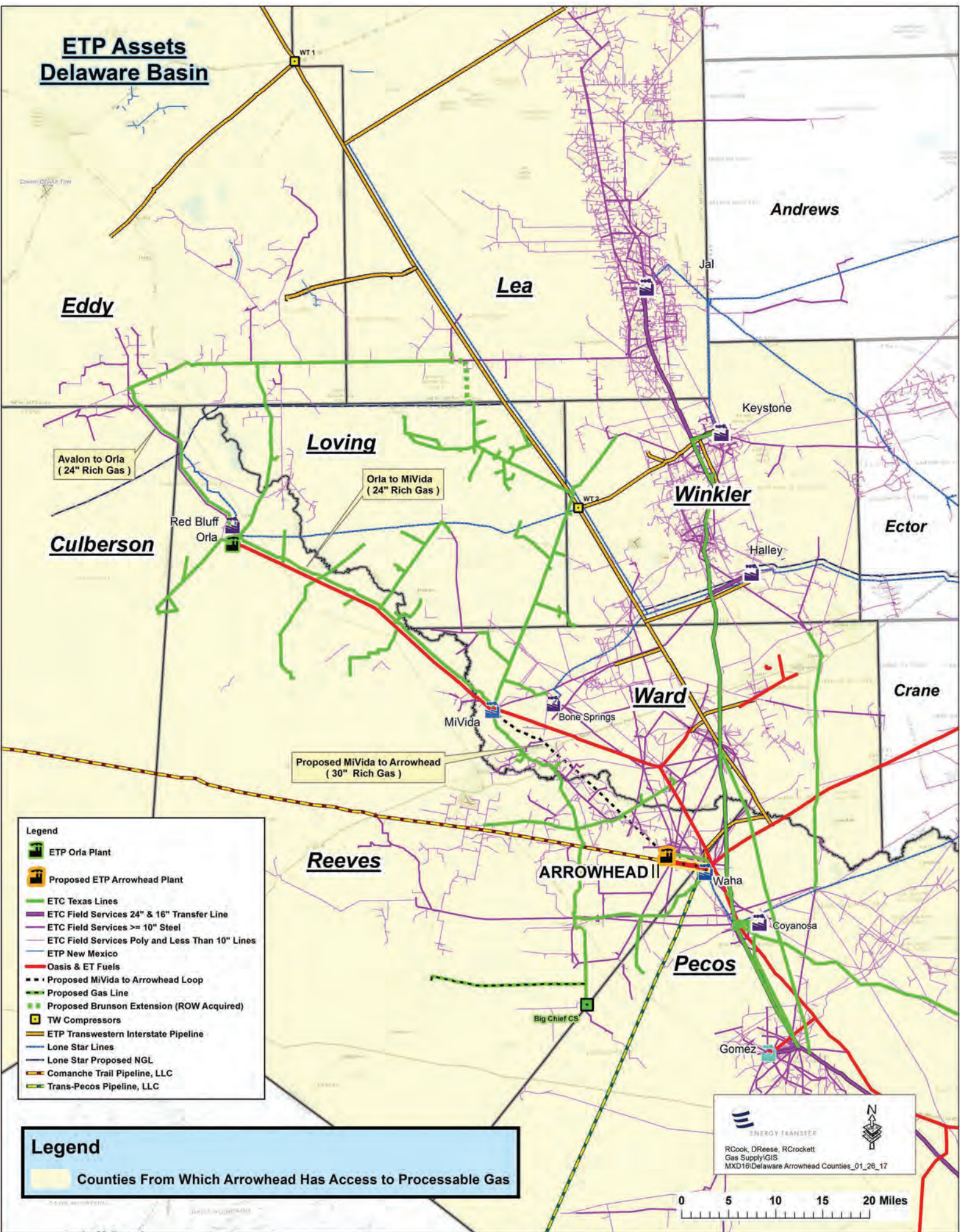


MATRIX PDM
ENGINEERING

CONFIDENTIALITY
STATEMENT

THE DESIGN OF THE NGL AND AMINE
SYSTEMS SHOWN HEREIN ARE THE
PROPERTY OF MATRIX PDM ENGINEERING, INC. AND ARE
NOT TO BE REPRODUCED, COPIED, OR
TRANSMITTED IN ANY FORM OR BY ANY
MEANS, ELECTRONIC OR MECHANICAL,
INCLUDING PHOTOCOPYING, RECORDING,
OR BY ANY INFORMATION STORAGE AND
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WRITTEN PERMISSION OF MATRIX PDM
ENGINEERING, INC.

ETP Assets Delaware Basin



Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Monahans

Proposed Site and Reinvestment Zone

Fort Stockton

Pecos

Google Earth

© 2018 Google
Image Landsat / Copernicus

20 mi



Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Proposed Site and Reinvestment Zone

Google Earth

© 2013 Google

2 mi



Potential Plant Site and Reinvestment Zone

Legend

 Proposed Site and Reinvestment Zone

 Proposed Site and Reinvestment Zone



Pecos-Barstow-Toyah ISD Map

Legend

-  Pecos-Barstow-Toyah Independent School District
-  Reinvestment Zone

Pecos-Barstow-Toyah ISD Boundary
(yellow outline)

Reinvestment
Zone Boundary
(red outline)

Google Earth

Image Landsat / Copernicus

40 mi



Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



Reinvestment Zone

Legend

 Reinvestment Zone

Reinvestment Zone
Boundary

Google Earth

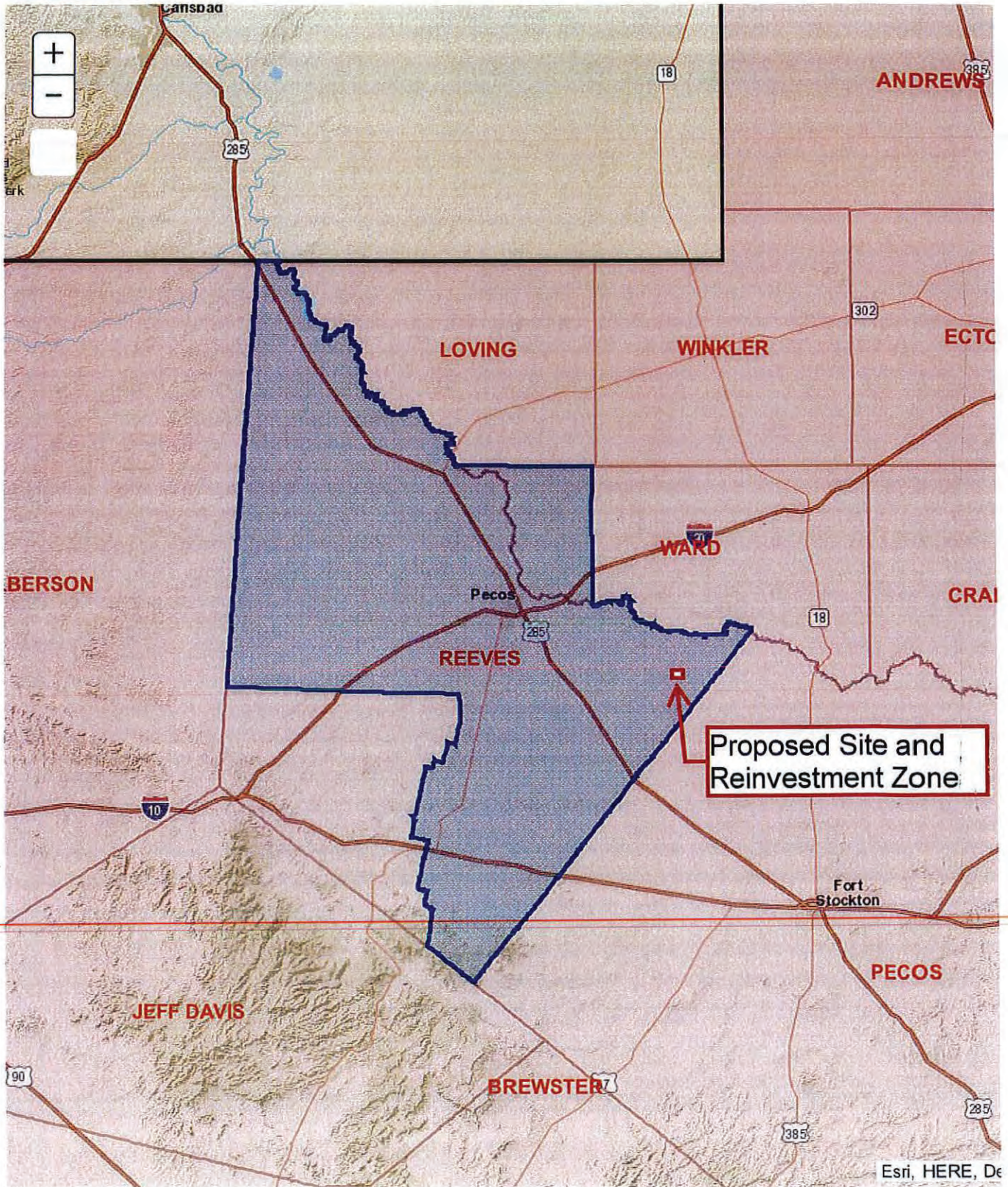
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2000 ft





Texas School District Locator





Tab 9

Description of Land: the proceeding chart is a description of the parcels for Arrowhead III.

Parcel ID	Size (approximate acreage)	Owner	Property Address
R000011828	379.22	Wolf Bone Ranch Partners, LLC	BLK C-3, Tract 13, AB 1294 BLK C-3 SEC 13 PSL
R000011829	379.22	Wolf Bone Ranch Partners, LLC	BLK C-3, Tract 14, AB 1293 BLK C-3 SEC 14PSL

Reeves CAD Property Search

Property ID: R000011828 For Year 2018

Property Details

Account	
Property ID:	R000011828
Legal Description:	Acres 379.220, Blk C-3, Tract 13, AB 1294 BLK C-3 SEC 13PSL
Geographic ID:	01150-00140-000000-000000
Agent Code:	
Type:	Real
Location	
Address:	
Map ID:	
Neighborhood CD:	R11828
Owner	
Owner ID:	GMNI20170329092733080
Name:	WOLF BONE RANCH PARTNERS LLC
Mailing Address:	110 W Louisiana Ave Ste 500 Midland, TX 79701-3414
% Ownership:	100.0%
Exemptions:	For privacy reasons not all exemptions are shown online.

Property Values

Improvement Homesite Value:	\$0
Improvement Non-Homesite Value:	\$0
Land Homesite Value:	\$0
Land Non-Homesite Value:	\$0
Agricultural Market Valuation:	\$17,070
Market Value:	\$17,070
Ag Use Value:	\$1,140
Appraised Value:	\$17,070
Homestead Cap Loss: 	\$0
Assessed Value:	\$1,140

Information provided for research purposes only. Legal descriptions and acreage amounts are for appraisal district use only and should be verified prior to using for legal purpose and or documents. Please contact the Appraisal District to verify all information for accuracy.

Property Taxing Jurisdiction

Entity	Description	Tax Rate	Market Value	Taxable Value	Estimated Tax	Freeze Ceiling
00	REEVES CO APPR DIST	0.000000	\$17,070	\$1,140	\$0.00	
01	REEVES COUNTY	0.499520	\$17,070	\$1,140	\$5.69	
15	RCGWCD	0.004000	\$17,070	\$1,140	\$0.05	
30	P-B-T I.S.D	1.125000	\$17,070	\$1,140	\$12.83	
65	REEVES CO HOSP DIST	0.240000	\$17,070	\$1,140	\$2.74	

Total Tax Rate: 1.868520 Estimated Taxes With Exemptions: \$21.30 Estimated Taxes Without Exemptions: \$318.96

Property Improvement - Building

Property Land

Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
RG4		379.22	16,518,823.00	0.00	0.00	\$17,065	\$1,138

Reeves CAD Property Search

Property ID: R000011829 For Year 2018

Property Details

Account	
Property ID:	R000011829
Legal Description:	Acres 379.220, Blk C-3, Tract 14, AB 1293 BLK C-3 SEC 14PSL
Geographic ID:	01150-00150-00000-000000
Agent Code:	
Type:	Real
Location	
Address:	
Map ID:	
Neighborhood CD:	R11829
Owner	
Owner ID:	GMNI20170329092733080
Name:	WOLF BONE RANCH PARTNERS LLC
Mailing Address:	110 W Louisiana Ave Ste 500 Midland, TX 79701-3414
% Ownership:	100.0%
Exemptions:	For privacy reasons not all exemptions are shown online.

Property Values

Improvement Homesite Value:	\$0
Improvement Non-Homesite Value:	\$0
Land Homesite Value:	\$0
Land Non-Homesite Value:	\$0
Agricultural Market Valuation:	\$17,070
Market Value:	\$17,070
Ag Use Value:	\$1,140
Appraised Value:	\$17,070
Homestead Cap Loss: ⓘ	\$0
Assessed Value:	\$1,140

Information provided for research purposes only. Legal descriptions and acreage amounts are for appraisal district use only and should be verified prior to using for legal purpose and or documents. Please contact the Appraisal District to verify all information for accuracy.

Property Taxing Jurisdiction

Entity	Description	Tax Rate	Market Value	Taxable Value	Estimated Tax	Freeze Ceiling
00	REEVES CO APPR DIST	0.000000	\$17,070	\$1,140	\$0.00	
01	REEVES COUNTY	0.499520	\$17,070	\$1,140	\$5.69	
15	RCGWCD	0.004000	\$17,070	\$1,140	\$0.05	
30	P-B-T I.S.D	1.125000	\$17,070	\$1,140	\$12.83	
65	REEVES CO HOSP DIST	0.240000	\$17,070	\$1,140	\$2.74	

Total Tax Rate: 1.868520 Estimated Taxes With Exemptions: \$21.30 Estimated Taxes Without Exemptions: \$318.96

Property Improvement - Building

Property Land

Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
RG4		379.22	16,518,823.00	0.00	0.00	\$17,065	\$1,138

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

STATE OF TEXAS)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF REEVES)

THAT, WOLF BONE RANCH PARTNERS LLC, (herein referred to as "Grantor"), whose address is 110 W. Louisiana, Suite 500, Midland, Texas 79701, for and in consideration of the sum of Ten and no/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has GRANTED, SOLD AND CONVEYED, and by these presents does GRANT, SELL AND CONVEY to ETC TEXAS PIPELINE, LTD (herein referred to as "Grantee"), whose address is 1300 Main, Houston, Texas 77002, the following described property:

The surface estate only of 260.778 acre tract of land located in Section(s) 13 and 14, Block C-3, Public School Lands Survey, Reeves County, Texas, which tract is more particularly described in Exhibit "A" attached hereto (the "Land") and made a part hereof by reference for all purposes, together with all of the rights, privileges and appurtenances related thereto (all of said property and interest being collectively referred to herein as the "Property");

Subject, however, to the exceptions to title (the "Permitted Exceptions") more particularly set forth in Exhibit "B" attached hereto and fully made a part hereof by reference for all purposes, and to the other qualifications described in this deed (the "Qualifications").

1. Qualifications. This conveyance is made and accepted subject to the following Qualifications:

a. Exceptions. Grantee assumes the obligations of Grantor under the Permitted Exceptions but only to the extent that they are still in effect and shown of record in Reeves County, Texas on the date hereof.

b. Easements. Visible and apparent, but unrecorded easements, if any.

c. Laws and Regulations. Application of all laws and regulations affecting the Property after the delivery of this deed, including environmental laws and municipal and governmental ordinances and regulations, relating to the Property.

d. Taxes. The liens for all governmental assessments, standby fees and ad valorem taxes for the year 2015; subsequent assessments for that and prior years due to the sale evidenced by this deed or by change in land usage by Grantee after the delivery of this deed; the payment of which is hereby assumed by Grantee.

e. Reserved Interests. For Grantor and Grantor's heirs, successors, and assigns, all rights, title and interest in all oil, gas and other minerals in, on and under the Property that are owned by Grantor and that may be produced from the Property, all of which are hereby reserved to Grantor. If the mineral estate is subject to existing production or an existing lease, this reservation includes the production, the lease, and all benefits from it.

The term "oil, gas and other minerals," as used herein, shall mean oil, gas, casinghead gas, and all other liquid or gaseous hydrocarbons, and any constituent elements or byproducts thereof, and all geothermal sources, helium, uranium, and other fissionable minerals and materials, coal, lignite, iron, silver, gold, vanadium, molybdenum, and other materials and ores, whether or not such minerals are or may be mined or extracted by methods which result in material damage to or destruction of the surface estate and shall include all working and royalty interests and any associated royalties, all easements and rights owned or held by any lessee or mineral owner on, over, or across the Property for the purposes of producing or transporting any of said oil, gas and other minerals thereon and therefrom.

There is also reserved from this Special Warranty Deed all rights of ingress and egress, either express or implied, across any lands GRANTOR may own, whether contiguous to the Land or otherwise, unless expressly granted by separate easement document. GRANTOR agrees to grant a renewable term easement across its lands, including the Land, to GRANTEE on GRANTOR'S standard road easement form, and for the consideration as set out in the most recently published Rate and Damage Schedule of the University of Texas System, University Lands.

Grantor hereby expressly reserves all retained rights of the Grantor concerning those certain agreements further described on Exhibit "C" attached hereto, including but not limited to the right to renew and extend the estates created thereby and receive payment for any such renewal and extension..

f. As Is, Where, Is. Grantee accepts the Property in its "AS IS", "WHERE IS" condition with all faults. Grantee agrees that Grantor shall not be liable for any latent or patent defects in the Property. Grantee acknowledges that neither Grantor nor any of the employees, agents or attorneys of Grantor ("Grantor Exculpated Parties") has made any verbal or written representations or warranties whatsoever to Grantee, whether express, implied, statutory, or by operation of law, and in particular, that no such representations and warranties have been made with respect to the physical or environmental condition or operation of the Property, environmental, and other laws, regulations and rules applicable to the Property, or the compliance of the Property therewith, other matter or thing affecting or relating to the Property or the transactions contemplated hereby. GRANTEE HEREBY WAIVES, RELINQUISHES, AND RELEASES GRANTOR AND GRANTOR'S EXCULPATED PARTIES FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION [INCLUDING, WITHOUT LIMITATION, CAUSES OF ACTION IN TORT, LOSSES, DAMAGES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COURT COSTS)] OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, THAT GRANTEE MIGHT HAVE ASSERTED OR ALLEGED AGAINST GRANTOR AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT DEFECTS OR PHYSICAL CONDITIONS

(INCLUDING, WITHOUT LIMITATION, ADVERSE ENVIRONMENTAL CONDITIONS), VIOLATIONS OF ANY APPLICABLE LAWS (INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL LAWS) AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES, OR MATTERS REGARDING THE PROPERTY.

g. This Special Warranty Deed is expressly made subject to that certain Caliche Use Agreement dated October 21, 2015 between Grantor and Grantee. Said Caliche Use Agreement confers additional burdens on the Lands and Property. Copies of such Agreement are held at the offices of both Grantor and Grantee.

TO HAVE AND TO HOLD the above-described Property, subject to the Permitted Exceptions and Qualifications, together with all and singular the rights and appurtenances thereto in any wise belonging to Grantor, unto the said Grantee, its successors and assigns FOREVER, and Grantor does hereby bind itself and its successors and assigns to WARRANT AND FOREVER DEFEND all and singular the Property unto the said Grantee, its successors and assigns, against every person whomsoever, lawfully claiming or to claim the same or any part thereof, by, through or under Grantor but not otherwise.

IN WITNESS WHEREOF, the parties herein named have hereunto set their hands and seal to be effective this 16th day of October, 2015.

-----Signature and Acknowledgement Page to Follow-----

GRANTOR:

Wolf Bone Ranch Partners LLC

By: _____

Name: Benjamin A. Strickling, III

Title: President

ACKNOWLEDGEMENT

STATE OF TEXAS)

)

COUNTY OF MIDLAND)

This instrument was executed before me on the 21st day of October, 2015, by Benjamin A. Strickling, III, the President of Wolf Bone Ranch Partners LLC.



Jordan W. Davis
Notary for the State of Texas

My commission Expires: _____

Signature and acknowledgment page to that certain Special Warranty Deed, dated effective October 16, 2015, between Wolf Bone Ranch Partners LLC and ETC Pipeline, LTD.

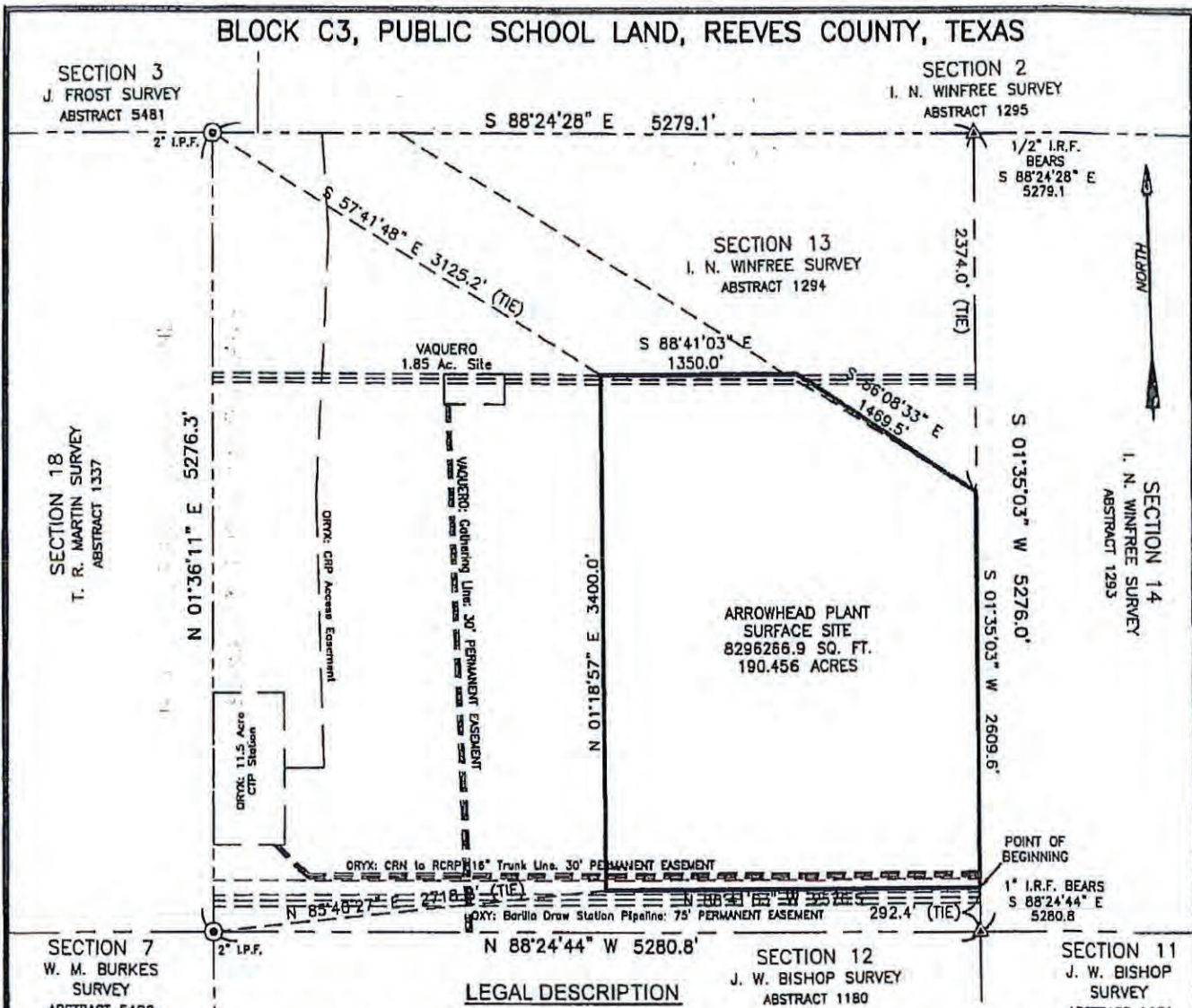
EXHIBIT "A"

Attached to and made a part of the Special Warranty Deed, Effective the 16th day of October, 2015, by and between Wolf Bone Ranch Partners LLC and ETC Texas Pipeline, LTD.

This is a two page exhibit consisting of a survey plat and metes and bounds description of the 260.778 acre tract.

EXHIBIT "A"

BLOCK C3, PUBLIC SCHOOL LAND, REEVES COUNTY, TEXAS



LEGAL DESCRIPTION

SURFACE SITE SURVEY LOCATED IN SECTION 13, BLOCK C3, PUBLIC SCHOOL LAND, REEVES COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF THE SURFACE SITE, IN THE EAST LINE OF SECTION 13, WHICH BEARS NORTH 01° 35' 03" EAST, ALONG THE EAST LINE OF SECTION 13, A DISTANCE OF 292.4 FEET, FROM THE SOUTHEAST CORNER OF SECTION 13,

THENCE NORTH 88° 41' 03" WEST, A DISTANCE OF 2576.6 FEET, TO THE SOUTHWEST CORNER OF THE SURFACE SITE, WHICH BEARS NORTH 85° 40' 27" EAST, A DISTANCE OF 2718.8 FEET FROM THE SOUTHWEST CORNER OF SECTION 13, THENCE NORTH 01° 18' 57" EAST, A DISTANCE OF 3400.0 FEET, TO NORTHWEST CORNER OF THE SURFACE SITE, WHICH BEARS S 57° 41' 48" EAST, A DISTANCE OF 3125.2 FEET, FROM THE NORTHWEST CORNER OF SECTION 13, THENCE SOUTH 88° 41' 03" EAST, A DISTANCE OF 1350.0 FEET, TO A NORTHERLY CORNER OF THE SURFACE SITE, THENCE SOUTH 55° 08' 33" EAST, A DISTANCE OF 1469.5 FEET, TO THE NORTHEAST CORNER OF THE SURFACE SITE, IN THE EAST LINE OF SECTION 13, WHICH BEARS SOUTH 01° 35' 03" WEST, ALONG THE EAST LINE OF SECTION 13, A DISTANCE OF 2374.0 FEET FROM THE SOUTHEAST CORNER OF SECTION 13,

THENCE SOUTH 01° 35' 03" WEST, ALONG THE EAST LINE OF SECTION 13, A DISTANCE OF 2609.6 FEET TO THE POINT OF BEGINNING, AND THE END OF THIS SURVEY

CAUTIONARY NOTE: LINE CROSSINGS AND OTHER FEATURES SHOWN HEREON WERE LOCATED BY VISUAL INSPECTION ONLY. NO MECHANICAL NOR ELECTRONIC METHODS WERE USED. OTHER UNDERGROUND OR SURFACE OBSTRUCTIONS MAY EXIST.

Bearings and Coordinates conform to the Texas State Plane Coordinate System, Central Zone (4203), NAD83, Derived from OPUS Solution. Distances and Stationing are horizontal (GRID) values in U.S. Survey Feet. To obtain surface values multiply distances by a factor of 1.00022613.

SURVEYED ON THE GROUND, 13 AUGUST 2015

Robert W. Johnston
ROBERT W. JOHNSTON, TEXAS RPLS No 5579
DRJ SURVEYING LLC P O BOX 581 THORNDALE TX 76577



BTJ Services, LLC
505 Sioux Trail
Leander, TX 78641
1-855-667-3818

ENERGY TRANSFER

ARROWHEAD PLANT SITE

SURFACE SITE SURVEY

SECTION 13, BLOCK C3, PUBLIC SCHOOL LAND
REEVES COUNTY, TEXAS

SCALE: 1" = 1000'	AFE: 100000001137
DRAFTED BY: WLJ	DATE: 19 AUGUST 2015
SHEET: 1 OF 2	QUAD: UGON RANCH, TEXAS
W.O. NO.: 15-308	FILE: 120-2015-84

BLOCK C3, PUBLIC SCHOOL LAND, REEVES COUNTY, TEXAS

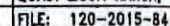


EXHIBIT "B"

Attached to and made a part of the Special Warranty Deed, Effective the 16th day of October, 2015, by and between Wolf Bone Ranch Partners LLC and ETC Texas Pipeline, LTD.

PERMITTED EXCEPTIONS

Any lease, grant, exception or reservation of minerals or mineral rights associated with the Property.

Any portion of the Property lying within the boundaries of dedicated or existing pipeline easements and roadways or any other visible easements.

Rights of parties in possession.

All matters reflected of record in Reeves County, Texas, affecting the Property.

EXHIBIT "C"

Attached to and made a part of the Special Warranty Deed, Effective the 16th day of October, 2015, by and between Wolf Bone Ranch Partners LLC and ETC Texas Pipeline, LTD.

1. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Advantage Pipeline, LLC dated February 13, 2013, recorded Volume 987, Page 606, Official Public Records of Real Property, Reeves County, Texas.
2. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Roadrunner Gas Transmission, LLC dated August 18, 2015, recorded Volume 1192, Page 573, Official Public Records of Real Property, Reeves County, Texas.
3. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Vaquero Permian Gathering, LLC dated August 19, 2015, recorded Volume 1196, Page 321, Official Public Records of Real Property, Reeves County, Texas.
4. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Vaquero Permian Gathering, LLC dated August 19, 2015, recorded Volume 1196, Page 333, Official Public Records of Real Property, Reeves County, Texas.
5. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Oxy Permian Gathering, LLC, said Agreement is unrecorded but reflected on Exhibit A attached hereto.
6. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Oryx Southern Delaware Oil Gathering and Transport LLC, said Agreement is unrecorded but reflected on Exhibit A attached hereto.



Tab 10

Description of Existing Improvement

**There are no existing improvements related to the project at the proposed site.



Tab 11

Maps

Reinvestment Zone

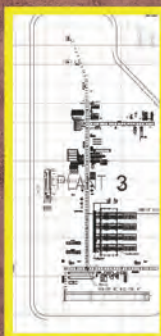
With Proposed Project Boundary

Legend

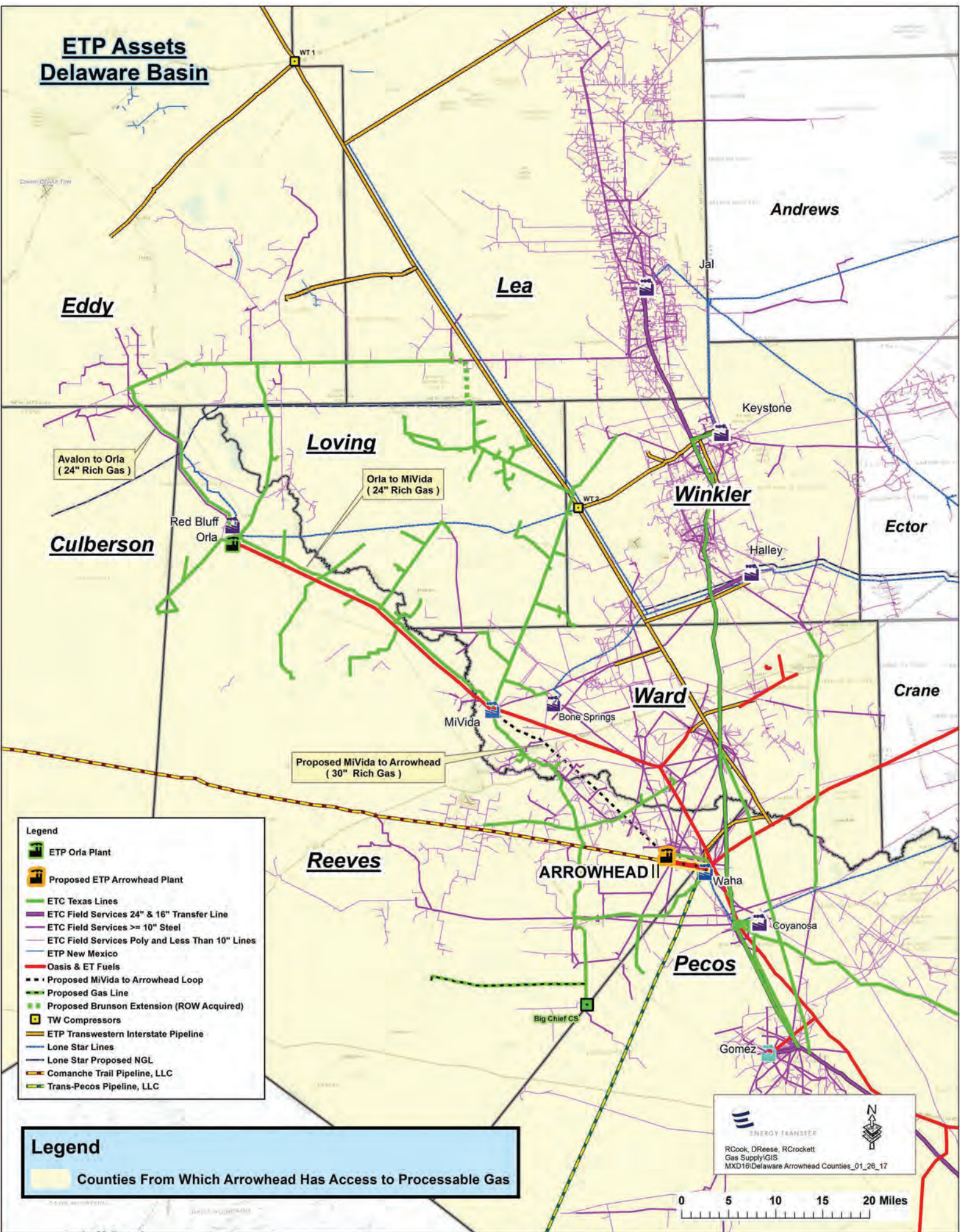
 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



ETP Assets Delaware Basin



Potential Plant Site

Legend

 Proposed Site and Reinvestment Zone

Monahans

 Proposed Site and Reinvestment Zone

Fort Stockton

Pecos

Google Earth

© 2018 Google
Image Landsat / Copernicus

20 mi



Potential Plant Site

Legend

Proposed Site and Reinvestment Zone

Proposed Site and Reinvestment Zone

Google Earth

© 2013 Google

2 mi



Potential Plant Site and Reinvestment Zone

Legend

 Proposed Site and Reinvestment Zone

 Proposed Site and Reinvestment Zone



Pecos-Barstow-Toyah ISD Map

Legend

-  Pecos-Barstow-Toyah Independent School District
-  Reinvestment Zone

Pecos-Barstow-Toyah ISD Boundary
(yellow outline)

Reinvestment
Zone Boundary
(red outline)

Google Earth

Image Landsat / Copernicus

40 mi



Reinvestment Zone

With Proposed Project Boundary

Legend

 Reinvestment Zone

Reinvestment Zone
(red boundary)

Proposed Project Location
(yellow boundary)



Reinvestment Zone

Legend

 Reinvestment Zone

Reinvestment Zone
Boundary

Google Earth

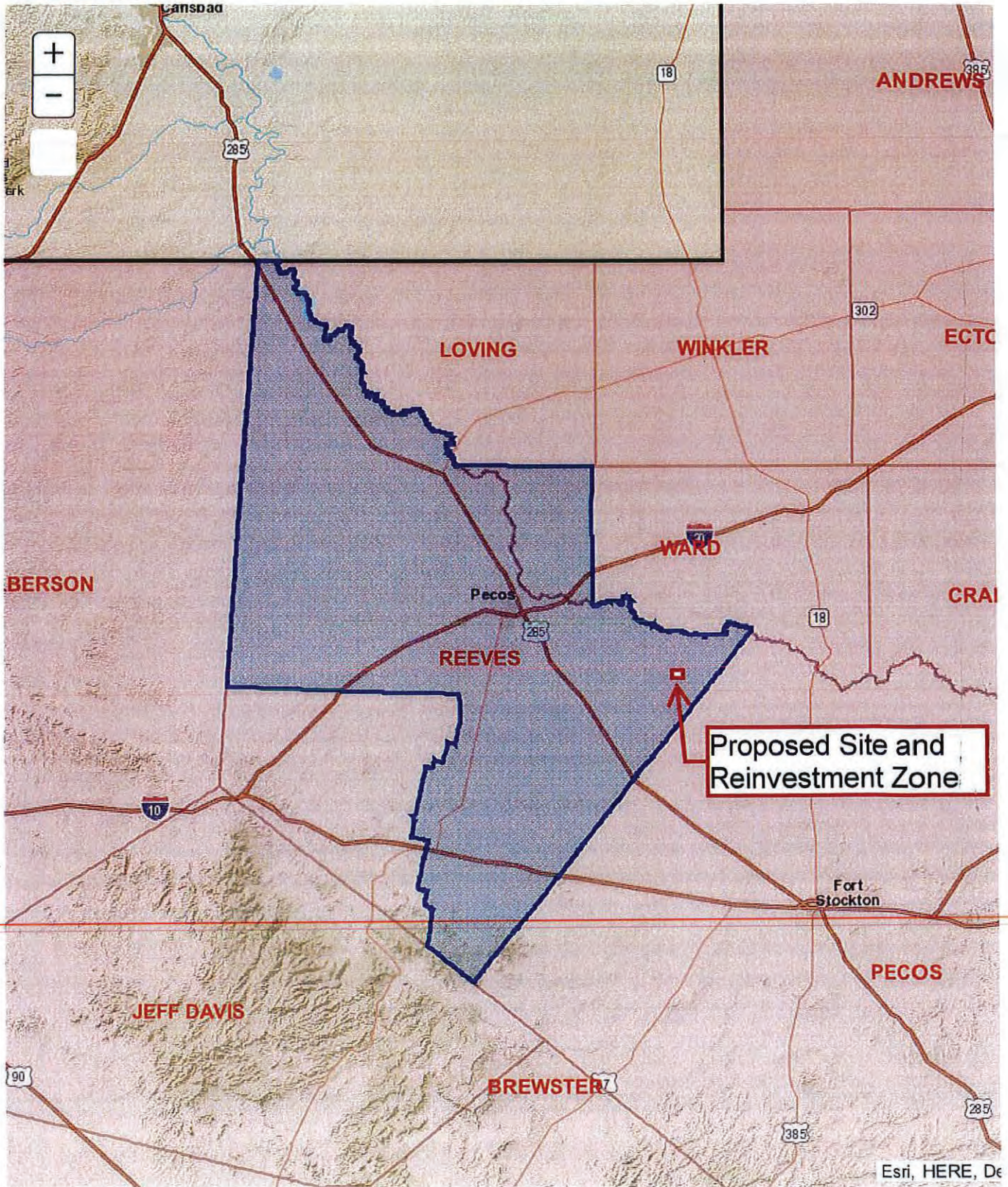
© 2018 Google



2000 ft



Texas School District Locator





Tab 12

Request for Waiver of Job Requirements-N/A

Arrowhead III meets the minimum job requirements.



Tab 13

Calculation of Wage Requirements

U.S. Department of Labor—Bureau of Labor Statistics

The proceeding calculations are for the following wage requirements:

Calculation A: Reeves County Average Weekly Wage

Calculation B: 110% of Reeves County Average for Manufacturing Jobs - ***N/A: Data does not meet BLS or State Agency Disclosure Standards***

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

Calculation A: Reeves County Average Weekly Wage for all Jobs

Year	Quarter	Average Weekly Wage
2017	Q2	\$902
2017	Q3	\$929
2017	Q4	\$1072
2018	Q1	\$1160
2017	Q Average	\$1015.75

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

Quarterly Average Calculation:

Step 1: $\$902.00 + \$929.00 + \$1072 + \$1160 = \$4063.00$

Step 2: $\$4063.00 / 4 =$ **\$1015.75**



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

2017 Permian Basin Regional Planning Commission Annual Manufacturing Wage: \$54,576.00

110 % of 2017 Permian Basin Regional Planning Commission Annual Manufacturing Wage: \$60,033.60 annually or \$1,154.49 weekly

In order to calculate 110% of the 2017 **Permian Basin Regional Planning Commission Annual Manufacturing Wage** the following calculations were completed:

Step 1: $\$54,576.00 \times 1.10 = \$60,033.60$

Step 2: $\$60,033.60 / 52 = \$1,154.49$

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

**Quarterly Census of Employment and Wages
Original Data Value**

Series Id: ENU4838940010
Series Title: Average Weekly Wage in Total Covered Total, all industries for All establishment sizes in Reeves County, Texas, NSA
State: Texas
Area: Reeves County, Texas
Industry: Total, all industries
Owner: Total Covered
Size: All establishment sizes
Type: Average Weekly Wage
Years: 2008 to 2018

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2008	561	593	577	630	590
2009	587	600	582	632	600
2010	644	658	633	682	654
2011	642	666	668	674	662
2012	681	665	664	727	684
2013	706	699	741	743	722
2014	760	731	796	814	776
2015	817	742	769	778	777
2016	776	743	809	829	789
2017	857	902	929	1072	947
2018	1160				

Source: Bureau of Labor Statistics

Generated on: October 2, 2018 (3:19:51 PM)



**2017 Manufacturing Average Wages by Council of Government Region
Wages for All Occupations**

COG	Wages	
	Hourly	Annual
Texas	\$26.24	\$54,587
1. Panhandle Regional Planning Commission	\$23.65	\$49,190
2. South Plains Association of Governments	\$19.36	\$40,262
3. NORTEX Regional Planning Commission	\$23.46	\$48,789
4. North Central Texas Council of Governments	\$26.80	\$55,747
5. Ark-Tex Council of Governments	\$18.59	\$38,663
6. East Texas Council of Governments	\$21.07	\$43,827
7. West Central Texas Council of Governments	\$21.24	\$44,178
8. Rio Grande Council of Governments	\$18.44	\$38,351
9. Permian Basin Regional Planning Commission	\$26.24	\$54,576
10. Concho Valley Council of Governments	\$19.67	\$40,924
11. Heart of Texas Council of Governments	\$21.53	\$44,781
12. Capital Area Council of Governments	\$31.49	\$65,497
13. Brazos Valley Council of Governments	\$17.76	\$39,931
14. Deep East Texas Council of Governments	\$17.99	\$37,428
15. South East Texas Regional Planning Commission	\$34.98	\$72,755
16. Houston-Galveston Area Council	\$28.94	\$60,202
17. Golden Crescent Regional Planning Commission	\$26.94	\$56,042
18. Alamo Area Council of Governments	\$22.05	\$48,869
19. South Texas Development Council	\$15.07	\$31,343
20. Coastal Bend Council of Governments	\$28.98	\$60,276
21. Lower Rio Grande Valley Development Council	\$17.86	\$37,152
22. Texoma Council of Governments	\$21.18	\$44,060
23. Central Texas Council of Governments	\$19.30	\$40,146
24. Middle Rio Grande Development Council	\$24.07	\$50,058

Source: Texas Occupational Employment and Wages

Data published: July 2018

Data published annually, next update will be July 31, 2019

Note: Data is not supported by the Bureau of Labor Statistics (BLS).

Wage data is produced from Texas OES data, and is not to be compared to BLS estimates.

Data intended for TAC 313 purposes only.



Tab 14

Schedules A1-D

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

Date 10/3/2018
Applicant Name ETC Texas Pipeline, LTD
ISD Name Pecos-Barstow-Toyah ISD

Form 50-296A
Revised May 2014

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Other new investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Other new investment made during this year that may become Qualified Property [SEE NOTE]	Total Investment (Sum of Columns A+B+C+D)
Investment made before filing complete application with district		2018-2019	2018	Not eligible to become Qualified Property			[The only other investment made before filing complete application with district that may become Qualified Property is land.]	
Investment made after filing complete application with district, but before final board approval of application								
Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period								
	Year preceding the first complete tax year of the qualifying time period (assuming no deferrals of qualifying time period)	2019-2020	2019	\$ 105,000,000.00				\$ 105,000,000.00
Complete tax years of qualifying time period	QTP1	2020-2021	2020					
	QTP2	2021-2022	2021					
Total Investment through Qualifying Time Period [ENTER this row in Schedule A2]				\$ 105,000,000.00				\$ 105,000,000.00
				Enter amounts from TOTAL row above in Schedule A2				
Total Qualified Investment (sum of green cells)				\$ 105,000,000.00				

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

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

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

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

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

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

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

Date 10/3/2018
Applicant Name ETC Texas Pipeline, LTD
ISD Name Pecos-Barstow-Toyah ISD

Schedule A2: Total Investment for Economic Impact (including Qualified Property and other investments)

Form 50-296A
Revised May 2014

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Other investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Other investment made during this year that will become Qualified Property [SEE NOTE]	Total Investment (A+B+C+D)
Total Investment from Schedule A1*	--	TOTALS FROM SCHEDULE A1		\$ 105,000,000.00				
Each year prior to start of value limitation period**	0	2018-2019	2018					
Each year prior to start of value limitation period**	0	2019-2020	2019	\$ 105,000,000.00				
Value limitation period***	1	2020-2021	2020					
	2	2021-2022	2021					
	3	2022-2023	2022					
	4	2023-2024	2023					
	5	2024-2025	2024					
	6	2025-2026	2025					
	7	2026-2027	2026					
	8	2027-2028	2027					
	9	2028-2029	2028					
	10	2029-2030	2029					
Total Investment made through limitation				\$ 105,000,000.00				
Continue to maintain viable presence	11	2030-2031	2030					
	12	2031-2032	2031					
	13	2032-2033	2032					
	14	2033-2034	2033					
	15	2034-2035	2034					
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035					
	17	2036-2037	2036					
	18	2037-2038	2037					
	19	2038-2039	2038					
	20	2039-2040	2039					
	21	2040-2041	2040					
	22	2041-2042	2041					
	23	2042-2043	2042					
	24	2043-2044	2043					
	25	2044-2045	2044					

* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the **first row**.

** Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

*** If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were **not** captured on Schedule A1.

For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.

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

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

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

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

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

Schedule B: Estimated Market And Taxable Value (of Qualified Property Only)

Date 10/3/2018
 Applicant Name ETC Texas Pipeline, LTD
 ISD Name Pecos-Barstow-Toyah ISD

Form 50-296A

Revised May 2014

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Estimated Taxable Value		
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new buildings or "in or on the new improvements"	Market Value less any exemptions (such as pollution control) and before limitation	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2018-2019	2018	\$ -	\$ -				
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2019-2020	2019	\$ -	\$ -				
Value Limitation Period	1	2020-2021	2020	\$ -	\$ -	\$ 95,000,000.00	\$ 95,000,000.00	\$ 95,000,000.00	\$ 30,000,000.00
	2	2021-2022	2021	\$ -	\$ -	\$ 91,200,000.00	\$ 91,200,000.00	\$ 91,200,000.00	\$ 30,000,000.00
	3	2022-2023	2022	\$ -	\$ -	\$ 87,400,000.00	\$ 87,400,000.00	\$ 87,400,000.00	\$ 30,000,000.00
	4	2023-2024	2023	\$ -	\$ -	\$ 83,600,000.00	\$ 83,600,000.00	\$ 83,600,000.00	\$ 30,000,000.00
	5	2024-2025	2024	\$ -	\$ -	\$ 79,800,000.00	\$ 79,800,000.00	\$ 79,800,000.00	\$ 30,000,000.00
	6	2025-2026	2025	\$ -	\$ -	\$ 76,000,000.00	\$ 76,000,000.00	\$ 76,000,000.00	\$ 30,000,000.00
	7	2026-2027	2026	\$ -	\$ -	\$ 72,200,000.00	\$ 72,200,000.00	\$ 72,200,000.00	\$ 30,000,000.00
	8	2027-2028	2027	\$ -	\$ -	\$ 68,400,000.00	\$ 68,400,000.00	\$ 68,400,000.00	\$ 30,000,000.00
	9	2028-2029	2028	\$ -	\$ -	\$ 64,600,000.00	\$ 64,600,000.00	\$ 64,600,000.00	\$ 30,000,000.00
	10	2029-2030	2029	\$ -	\$ -	\$ 60,800,000.00	\$ 60,800,000.00	\$ 60,800,000.00	\$ 30,000,000.00
Continue to maintain viable presence	11	2030-2031	2030	\$ -	\$ -	\$ 57,000,000.00	\$ 57,000,000.00	\$ 57,000,000.00	\$ 57,000,000.00
	12	2031-2032	2031	\$ -	\$ -	\$ 53,200,000.00	\$ 53,200,000.00	\$ 53,200,000.00	\$ 53,200,000.00
	13	2032-2033	2032	\$ -	\$ -	\$ 49,400,000.00	\$ 49,400,000.00	\$ 49,400,000.00	\$ 49,400,000.00
	14	2033-2034	2033	\$ -	\$ -	\$ 45,600,000.00	\$ 45,600,000.00	\$ 45,600,000.00	\$ 45,600,000.00
	15	2034-2035	2034	\$ -	\$ -	\$ 41,800,000.00	\$ 41,800,000.00	\$ 41,800,000.00	\$ 41,800,000.00
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035	\$ -	\$ -	\$ 38,000,000.00	\$ 38,000,000.00	\$ 38,000,000.00	\$ 38,000,000.00
	17	2036-2037	2036	\$ -	\$ -	\$ 34,200,000.00	\$ 34,200,000.00	\$ 34,200,000.00	\$ 34,200,000.00
	18	2037-2038	2037	\$ -	\$ -	\$ 30,400,000.00	\$ 30,400,000.00	\$ 30,400,000.00	\$ 30,400,000.00
	19	2038-2039	2038	\$ -	\$ -	\$ 26,600,000.00	\$ 26,600,000.00	\$ 26,600,000.00	\$ 26,600,000.00
	20	2039-2040	2039	\$ -	\$ -	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00
	21	2040-2041	2040	\$ -	\$ -	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00
	22	2041-2042	2041	\$ -	\$ -	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00
	23	2042-2043	2042	\$ -	\$ -	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00
	24	2043-2044	2043	\$ -	\$ -	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00
	25	2044-2045	2044	\$ -	\$ -	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00	\$ 23,750,000.00

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

Only include market value for eligible property on this schedule.

Schedule C: Employment Information

Date 10/3/2018
Applicant Name ETC Texas Pipeline, LTD
ISD Name Pecos-Barstow-Toyah ISD

Form 50-296A

Revised May 2014

				Construction		Non-Qualifying Jobs	Qualifying Jobs	
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Actual tax year) YYYY	Number of Construction FTE's or man-hours (specify)	Average annual wage rates for construction workers	Number of non-qualifying jobs applicant estimates it will create (cumulative)	Number of new qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Average annual wage of new qualifying jobs
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2018-2019	2018			N/A		
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2019-2020	2019	175 FTE	\$ 60,033.60	N/A		
Value Limitation Period <i>The qualifying time period could overlap the value limitation period.</i>	1	2020-2021	2020	0	0	N/A	10	\$60,033.60
	2	2021-2022	2021	0	0	N/A	10	\$60,033.60
	3	2022-2023	2022	0	0	N/A	10	\$60,033.60
	4	2023-2024	2023	0	0	N/A	10	\$60,033.60
	5	2024-2025	2024	0	0	N/A	10	\$60,033.60
	6	2025-2026	2025	0	0	N/A	10	\$60,033.60
	7	2026-2027	2026	0	0	N/A	10	\$60,033.60
	8	2027-2028	2027	0	0	N/A	10	\$60,033.60
	9	2028-2029	2028	0	0	N/A	10	\$60,033.60
	10	2029-2030	2029	0	0	N/A	10	\$60,033.60
Years Following Value Limitation Period	11 through 25	2030-2045	2030-2045	0	0	N/A	10	\$60,033.60

Notes: See TAC 9.1051 for definition of non-qualifying jobs.
Only include jobs on the project site in this school district.

- C1.** Are the cumulative number of qualifying jobs listed in Column D less than the number of qualifying jobs required by statute? (25 ☐ Yes ☒ No
qualifying jobs in Subchapter B districts, 10 qualifying jobs in Subchapter C districts)
If yes, answer the following two questions:
- C1a.** Will the applicant request a job waiver, as provided under 313.025(f-1)? ☐ Yes ☒ No
- C1b.** Will the applicant avail itself of the provision in 313.021(3)(F)? ☐ Yes ☒ No

Schedule D: Other Incentives (Estimated)

Date 10/3/2018
 Applicant Name ETC Texas Pipeline, LTD
 ISD Name Pecos-Barstow-Toyah ISD

Form 50-296A
 Revised May 2014

State and Local Incentives for which the Applicant intends to apply (Estimated)						
Incentive Description	Taxing Entity (as applicable)	Beginning Year of Benefit	Duration of Benefit	Annual Tax Levy without Incentive	Annual Incentive	Annual Net Tax Levy
Tax Code Chapter 311	County:					
	City:					
	Other:					
Tax Code Chapter 312	County: Reeves County	2020	2020-2024	\$ 444,581.00	Average 50% Per Year	\$ 222,290.50
	City:					
	Other:					
Local Government Code Chapters 380/381	County:					
	City:					
	Other:					
Freeport Exemptions						
Non-Annexation Agreements						
Enterprise Zone/Project						
Economic Development Corporation						
Texas Enterprise Fund						
Employee Recruitment						
Skills Development Fund						
Training Facility Space and Equipment						
Infrastructure Incentives						
Permitting Assistance						
Other:						
Other:						
Other:						
Other:						
TOTAL				\$ 444,581.00	Average 50% Per Year	\$ 222,290.50

Additional information on incentives for this project:



Tab 15

Economic Impact Study-N/A



Tab 16

Description of Reinvestment Zone

**** Attached**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE
PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT**

A RESOLUTION DESIGNATING A CERTAIN AREA AS A REINVESTMENT ZONE IN CONNECTION WITH AN ECONOMIC DEVELOPMENT AGREEMENT UNDER CHAPTER 313 OF THE TEXAS LOCAL GOVERNMENT CODE, SUCH REINVESTMENT ZONE LOCATED WITHIN THE GEOGRAPHIC BOUNDARIES OF THE PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT, REEVES COUNTY, TEXAS, TO BE KNOWN AS THE "ETC REINVESTMENT ZONE"; ESTABLISHING THE BOUNDARIES THEREOF IN CONNECTION WITH AN APPLICATION FOR VALUE LIMITATION AGREEMENT FOR SCHOOL DISTRICT MAINTENANCE AND OPERATIONS TAXES UNDER CHAPTER 313 OF THE TEXAS TAX CODE SUBMITTED BY ETC TEXAS PIPELINE, LTD (TAXPAYER I.D. 10505324664), COMPTROLLER'S APPLICATION NO. 1160:

WHEREAS, the Pecos-Bartow-Toyah Independent School District, Texas, (the "District") desires to promote the development or redevelopment of a certain contiguous geographic area within its jurisdiction by the creation of a reinvestment zone as authorized by the Property Redevelopment and Tax Abatement Act, as amended (TEXAS TAX CODE § 312.0025), for the purpose of authorizing Value Limitation Agreement on School District Maintenance and Operations Taxes, as authorized by Chapter 313 of the TEXAS TAX CODE; and,

WHEREAS, the District desires to contribute to the expansion of primary employment in the reinvestment zone and attract major investment in the reinvestment zone that will be a benefit to property in the reinvestment zone and to the school district and contribute to the economic development of the region of this state in which the school district is located; and

WHEREAS, on May 18, 2017, the District's Board of Trustees held a hearing, such date being at least seven (7) days after the date of publication of the notice of such public hearing, and the delivery of written notice to the respective presiding officers of each taxing entity which includes within its boundaries real property that is to be included in the proposed reinvestment zone as described on ATTACHMENT 1 appended hereto; and,

WHEREAS, the District's Board of Trustees at such public hearing invited any interested person to appear and speak for or against: (1) the creation of the reinvestment zone, and whether all or part of the territory described should be included in the proposed reinvestment zone; and (2) ~~approval of a Chapter 313 Agreement for Value Limitation for School District Maintenance and Operations Taxes with ETC Texas Pipeline, LTD (Texas Taxpayer I.D. No. 10505324664);~~

WHEREAS, the proponents of the reinvestment zone offered evidence, both oral and documentary, in favor of all of the foregoing matters relating to the creation of the reinvestment zone and opponents, if any, of the reinvestment zone appeared to contest the creation of the reinvestment zone;

WHEREAS, the District wishes to create a reinvestment zone consisting of the same real property as described on ATTACHMENT 1 to be known as the "ETC Reinvestment Zone";

NOW THEREFORE, BE IT RESOLVED BY THE PECOS-BARSTOW-TOYAH INDEPENDENT SCHOOL DISTRICT:

SECTION 1. That the facts and recitations contained in the preamble of this Resolution are hereby found and declared to be true and correct and are incorporated into this Resolution as findings of fact.

SECTION 2. That the Board of Trustees of the District, after conducting such hearing and having heard such evidence and testimony, has made the following findings and determinations based on the evidence and testimony presented to it:

- (a) That the public hearing on the adoption of the "ETC Reinvestment Zone" has been properly called, held, and conducted, and that notices of such hearing have been published as required by law and mailed to the respective presiding officers of the governing bodies of all taxing units overlapping the territory inside the proposed reinvestment zone;
- (b) That the boundaries of the "ETC Reinvestment Zone" be and, by the adoption of this Resolution, are declared and certified to be, the area as described in the description attached hereto as "ATTACHMENT 1";
- (c) That creation of the "ETC Reinvestment Zone" boundaries as described in "ATTACHMENT 1" will contribute to the expansion of primary employment in the reinvestment zone and attract major investment in the reinvestment zone that will be a benefit to property in the reinvestment zone and to the school district and contribute to the economic development of the region of this state in which the school district is located;
- (e) That the "ETC Reinvestment Zone" described in "ATTACHMENT 1" meets the criteria set forth in TEXAS TAX CODE §312.0025 for the creation of a reinvestment zone as set forth in the Property Redevelopment and Tax Abatement Act, as amended, in that it is reasonably likely that the designation will contribute to the retention or expansion of primary employment, and/or will attract major investment in the zone that will be a benefit to the property to be included in the reinvestment zone and would contribute to the economic development of the region of this state in which the school district is located.

SECTION 3. That pursuant to the Property Redevelopment and Tax Abatement Act, as amended, the District hereby creates a reinvestment zone under the provisions of TEXAS TAX CODE § 312.0025, encompassing the area described by the descriptions in "ATTACHMENT 1," and such reinvestment zone is hereby designated and shall hereafter be referred to as the "ETC Reinvestment Zone".

SECTION 4. That the "ETC Reinvestment Zone" shall take effect upon adoption of this Resolution by the District Board of Trustees and shall remain designated as a commercial-industrial reinvestment zone for the period provided by Chapter 212 of the Property Tax Code.

SECTION 5. That it is hereby found, determined, and declared that a sufficient notice of the date, hour, place, and subject of the meeting of the District's Board of Trustees, at which this resolution was adopted, was posted at a place convenient and readily accessible at all times, as required by the Texas Open Government Act, TEXAS GOVERNMENT CODE, Chapter 551, as amended; and that a public hearing was held prior to the designation of such reinvestment zone, and that proper notice of the hearing was published in newspapers of general circulation in the Pecos-Barstow-Toyah Independent School District, Reeves County, Texas; and that, furthermore, such notice was in fact delivered to the presiding officer of any affected taxing entity as prescribed by the Property Redevelopment and Tax Abatement Act

PASSED, APPROVED AND ADOPTED on this 18th day of May, 2017.

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

By: _____
Gail Box, President
Board of Trustees

ATTEST:

By: _____
Bertha Natividad
Secretary, Board of Trustees

ATTACHMENT 1

LEGAL DESCRIPTION OF THE "ETC REINVESTMENT ZONE"

That 260.778 acre tract of land located in Section(s) 13 and 14, Block C-3, Public School Lands Survey, Reeves County, Texas, which tract is more particularly described in Exhibit "A" attached hereto (the "Land") and made a part hereof for all purposes.

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

STATE OF TEXAS)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF REEVES)

THAT, WOLF BONE RANCH PARTNERS LLC, (herein referred to as "Grantor"), whose address is 110 W. Louisiana, Suite 500, Midland, Texas 79701, for and in consideration of the sum of Ten and no/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has GRANTED, SOLD AND CONVEYED, and by these presents does GRANT, SELL AND CONVEY to ETC TEXAS PIPELINE, LTD (herein referred to as "Grantee"), whose address is 1300 Main, Houston, Texas 77002, the following described property:

The surface estate only of 260.778 acre tract of land located in Section(s) 13 and 14, Block C-3, Public School Lands Survey, Reeves County, Texas, which tract is more particularly described in Exhibit "A" attached hereto (the "Land") and made a part hereof by reference for all purposes, together with all of the rights, privileges and appurtenances related thereto (all of said property and interest being collectively referred to herein as the "Property");

Subject, however, to the exceptions to title (the "Permitted Exceptions") more particularly set forth in Exhibit "B" attached hereto and fully made a part hereof by reference for all purposes, and to the other qualifications described in this deed (the "Qualifications").

1. Qualifications. This conveyance is made and accepted subject to the following Qualifications:

a. Exceptions. Grantee assumes the obligations of Grantor under the Permitted Exceptions but only to the extent that they are still in effect and shown of record in Reeves County, Texas on the date hereof.

b. Easements. Visible and apparent, but unrecorded easements, if any.

c. Laws and Regulations. Application of all laws and regulations affecting the Property after the delivery of this deed, including environmental laws and municipal and governmental ordinances and regulations, relating to the Property.

d. Taxes. The liens for all governmental assessments, standby fees and ad valorem taxes for the year 2015; subsequent assessments for that and prior years due to the sale evidenced by this deed or by change in land usage by Grantee after the delivery of this deed; the payment of which is hereby assumed by Grantee.

e. Reserved Interests. For Grantor and Grantor's heirs, successors, and assigns, all rights, title and interest in all oil, gas and other minerals in, on and under the Property that are owned by Grantor and that may be produced from the Property, all of which are hereby reserved to Grantor. If the mineral estate is subject to existing production or an existing lease, this reservation includes the production, the lease, and all benefits from it.

The term "oil, gas and other minerals," as used herein, shall mean oil, gas, casinghead gas, and all other liquid or gaseous hydrocarbons, and any constituent elements or byproducts thereof, and all geothermal sources, helium, uranium, and other fissionable minerals and materials, coal, lignite, iron, silver, gold, vanadium, molybdenum, and other materials and ores, whether or not such minerals are or may be mined or extracted by methods which result in material damage to or destruction of the surface estate and shall include all working and royalty interests and any associated royalties, all easements and rights owned or held by any lessee or mineral owner on, over, or across the Property for the purposes of producing or transporting any of said oil, gas and other minerals thereon and there from.

There is also reserved from this Special Warranty Deed all rights of ingress and egress, either express or implied, across any lands GRANTOR may own, whether contiguous to the Land or otherwise, unless expressly granted by separate easement document. GRANTOR agrees to grant a renewable term easement across its lands, including the Land, to GRANTEE on GRANTOR'S standard road easement form, and for the consideration as set out in the most recently published Rate and Damage Schedule of the University of Texas System, University Lands.

Grantor hereby expressly reserves all retained rights of the Grantor concerning those certain agreements further described on Exhibit "C" attached hereto, including but not limited to the right to renew and extend the estates created thereby and receive payment for any such renewal and extension..

f. As Is, Where, Is. Grantee accepts the Property in its "AS IS", "WHERE IS" condition with all faults. Grantee agrees that Grantor shall not be liable for any latent or patent defects in the Property. Grantee acknowledges that neither Grantor nor any of the employees, agents or attorneys of Grantor ("Grantor Exculpated Parties") has made any verbal or written representations or warranties whatsoever to Grantee, whether express, implied, statutory, or by operation of law, and in particular, that no such representations and warranties have been made with respect to the physical or environmental condition or operation of the Property, environmental, and other laws, regulations and rules applicable to the Property, or the compliance of the Property therewith, other matter or thing affecting or relating to the Property or the transactions contemplated hereby. GRANTEE HEREBY WAIVES, RELINQUISHES, AND RELEASES GRANTOR AND GRANTOR'S EXCULPATED PARTIES FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION [INCLUDING, WITHOUT LIMITATION, CAUSES OF ACTION IN TORT, LOSSES, DAMAGES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COURT COSTS)] OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, THAT GRANTEE MIGHT HAVE ASSERTED OR ALLEGED AGAINST GRANTOR AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT DEFECTS OR PHYSICAL CONDITIONS

(INCLUDING, WITHOUT LIMITATION, ADVERSE ENVIRONMENTAL CONDITIONS), VIOLATIONS OF ANY APPLICABLE LAWS (INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL LAWS) AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES, OR MATTERS REGARDING THE PROPERTY.

g. This Special Warranty Deed is expressly made subject to that certain Caliche Use Agreement dated October 21, 2015 between Grantor and Grantee. Said Caliche Use Agreement confers additional burdens on the Lands and Property. Copies of such Agreement are held at the offices of both Grantor and Grantee.

TO HAVE AND TO HOLD the above-described Property, subject to the Permitted Exceptions and Qualifications, together with all and singular the rights and appurtenances thereto in any wise belonging to Grantor, unto the said Grantee, its successors and assigns FOREVER, and Grantor does hereby bind itself and its successors and assigns to WARRANT AND FOREVER DEFEND all and singular the Property unto the said Grantee, its successors and assigns, against every person whomsoever, lawfully claiming or to claim the same or any part thereof, by, through or under Grantor but not otherwise.

IN WITNESS WHEREOF, the parties herein named have hereunto set their hands and seal to be effective this 16th day of October, 2015.

-----Signature and Acknowledgement Page to Follow-----

GRANTOR:

Wolf Bone Ranch Partners LLC

By: _____

Name: Benjamin A. Strickling, III

Title: President

ACKNOWLEDGEMENT

STATE OF TEXAS)

)

COUNTY OF MIDLAND)

This instrument was executed before me on the 21st day of October, 2015, by Benjamin A. Strickling, III, the President of Wolf Bone Ranch Partners LLC.



Jordan W. Davis
Notary for the State of Texas

My commission Expires: _____

Signature and acknowledgment page to that certain Special Warranty Deed, dated effective October 16, 2015, between Wolf Bone Ranch Partners LLC and ETC Pipeline, LTD.

EXHIBIT "A"

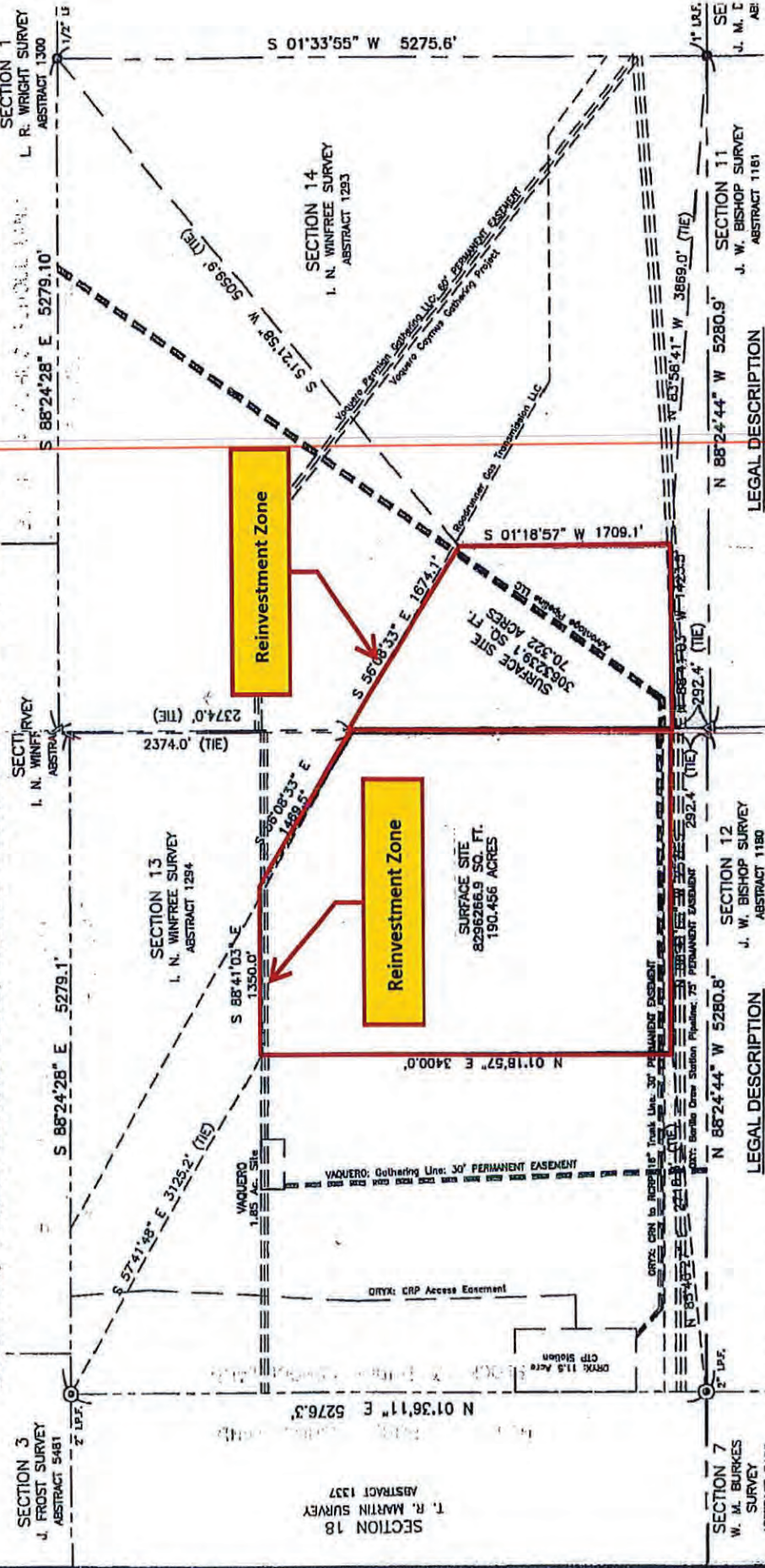
Attached to and made a part of the Special Warranty Deed, Effective the 16th day of October, 2015, by and between Wolf Bone Ranch Partners LLC and ETC Texas Pipeline, LTD.

This is a two page exhibit consisting of a survey plat and metes and bounds description of the 260.778 acre tract.

EXHIBIT "A"

EXHIBIT "A"

BLOCK C3, PUBLIC SCHOOL LAND, REEVES COUNTY, TEXAS



SURFACE SITE SURVEY LOCATED IN SECTION 13, BLOCK C3, PUBLIC SCHOOL LAND, REEVES COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:
 BEGINNING AT THE SOUTHEAST CORNER OF THE SURFACE SITE, IN THE EAST LINE OF SECTION 13, WHICH BEARS NORTH 01° 35' 03\"

THENCE NORTH 88° 41' 03\"

THENCE SOUTH 01° 35' 03\"

CAUTIONARY NOTE: LINE CROSSINGS AND OTHER FEATURES HEREON WERE LOCATED BY VISUAL INSPECTION ONLY. †

EXHIBIT "B"

Attached to and made a part of the Special Warranty Deed, Effective the 16th day of October, 2015, by and between Wolf Bone Ranch Partners LLC and ETC Texas Pipeline, LTD.

PERMITTED EXCEPTIONS

Any lease, grant, exception or reservation of minerals or mineral rights associated with the Property.

Any portion of the Property lying within the boundaries of dedicated or existing pipeline easements and roadways or any other visible easements.

Rights of parties in possession.

All matters reflected of record in Reeves County, Texas, affecting the Property.

EXHIBIT "C"

Attached to and made a part of the Special Warranty Deed, Effective the 16th day of October, 2015, by and between Wolf Bone Ranch Partners LLC and ETC Texas Pipeline, LTD.

1. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Advantage Pipeline, LLC dated February 13, 2013, recorded Volume 987, Page 606, Official Public Records of Real Property, Reeves County, Texas.
2. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Roadrunner Gas Transmission, LLC dated August 18, 2015, recorded Volume 1192, Page 573, Official Public Records of Real Property, Reeves County, Texas.
3. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Vaquero Permian Gathering, LLC dated August 19, 2015, recorded Volume 1196, Page 321, Official Public Records of Real Property, Reeves County, Texas.
4. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Vaquero Permian Gathering, LLC dated August 19, 2015, recorded Volume 1196, Page 333, Official Public Records of Real Property, Reeves County, Texas.
5. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Oxy Permian Gathering, LLC, said Agreement is unrecorded but reflected on Exhibit A attached hereto.
6. Pipeline Easement Agreement from Wolf Bone Ranch Partners LLC to Oryx Southern Delaware Oil Gathering and Transport LLC, said Agreement is unrecorded but reflected on Exhibit A attached hereto.



Tab 17

Signatures and Certification

SECTION 16: Authorized Signatures and Applicant Certification

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

1. Authorized School District Representative Signature

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

print here ➔ Dr. Jose A. Cervantes
Print Name (Authorized School District Representative)

Superintendent
Title

sign here ➔ Dr. J. A. Cervantes
Signature (Authorized School District Representative)

10/24/18
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

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

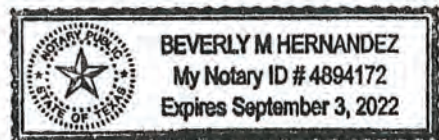
I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print here ➔ Megan McKavanagh
Print Name (Authorized Company Representative (Applicant))

Sr Mgr Property Tax
Title

sign here ➔ Megan McKavanagh
Signature (Authorized Company Representative (Applicant))

Oct. 16, 2018
Date



(Notary Seal)

GIVEN under my hand and seal of office this, the

16 day of October, 2018

Beverly M. Hernandez
Notary Public in and for the State of Texas

My Commission expires: 9.3.2022

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

O'HANLON, DEMERATH & CASTILLO

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
FACSIMILE: (512) 494-9919

December 5, 2018

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

RE: Amendment001 to the Pecos-Barstow-Toyah Independent School District from ETC
Texas Pipeline, LTD

To the Local Government Assistance & Economic Analysis Division:

Enclosed is Amendment001 to Pecos-Barstow-Toyah ISD from ETC Texas Pipeline, LTD. The following changes have been made:

1. Updated Transmittal Letter
2. Updated Tab 5 describing ETC to Arrowhead III
3. Updated Section 9 Question 1
4. Updated Schedule A2
5. Updated Wages
6. Updated Vicinity Map

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

Sincerely,



Kevin O'Hanlon
School District Consultant

Cc: Reeves County Appraisal District
ETC Texas Pipeline, LTD

O'HANLON, DEMERATH & CASTILLO

ATTORNEYS AND COUNSELORS AT LAW

808 WEST AVENUE
AUSTIN, TEXAS 78701
TELEPHONE: (512) 494-9949
FACSIMILE: (512) 494-9919

October 30, 2018

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

RE: Application to the Pecos-Barstow-Toyah Independent School District from ETC Texas Pipeline, LTD

To the Local Government Assistance & Economic Analysis Division:

By copy of this letter transmitting the application for review to the Comptroller's Office, the Pecos-Barstow-Toyah Independent School District is notifying ETC Texas Pipeline, LTD of its intent to consider the application for appraised value limitation on qualified property should a positive certificate be issued by the Comptroller. Please prepare the Economic Impact Report.

The Applicant submitted the Application to the school district on October 18, 2018. The Board voted to accept the application on October 18, 2018. The application has been determined complete as of October 30, 2018. The Applicant has provided the schedules in both electronic format and paper copies. The electronic copy is identical to the hard copy that will be hand delivered.

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

Sincerely,



Kevin O'Hanlon
School District Consultant

Cc: Reeves County Appraisal District
ETC Texas Pipeline, LTD

Texas Comptroller of Public Accounts

SECTION 9: Projected Timeline

1. Application approval by school board October 18, 2018
2. Commencement of construction March 2019
3. Beginning of qualifying time period January 2, 2019
4. First year of limitation January 2020
5. Begin hiring new employees February 2019
6. Commencement of commercial operations December 2019
7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? ☐ Yes ☒ No
Note: Improvements made before that time may not be considered qualified property.
8. When do you anticipate the new buildings or improvements will be placed in service? December 2019

SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located Reeves County
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Reeves County CAD
3. Will this CAD be acting on behalf of another CAD to appraise this property? ☐ Yes ☒ No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:
 County: Reeves County, .49952 (100%) City: N/A
(Name, tax rate and percent of project)
 Hospital District: Reeves Cty. Hosp., .24(100%) Water District: Reeves County WCID #2 .1193459 (100%)
(Name, tax rate and percent of project)
 Other (describe): N/A Other (describe): N/A
(Name, tax rate and percent of project)
5. Is the project located entirely within the ISD listed in Section 1? ☒ Yes ☐ No
 5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? ☐ Yes ☒ No
 6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: Investment

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

1. At the time of application, what is the estimated minimum qualified investment required for this school district? 30,000,000.00
2. What is the amount of appraised value limitation for which you are applying? 30,000,000.00
Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? ☒ Yes ☐ No
4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? ☒ Yes ☐ No

Texas Comptroller of Public Accounts

SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0
2. What is the last complete calendar quarter before application review start date:
☐ First Quarter ☐ Second Quarter ☒ Third Quarter ☐ Fourth Quarter of 2018
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? 10
5. What is the number of new non-qualifying jobs you are estimating you will create? 0
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? ☐ Yes ☒ No
 - 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
 - a. Average weekly wage for all jobs (all industries) in the county is 1,073.25
 - b. 110% of the average weekly wage for manufacturing jobs in the county is 0.00
No Data Available - See Tab 13
 - c. 110% of the average weekly wage for manufacturing jobs in the region is 1,154.49
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? ☐ §313.021(5)(A) or ☒ §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? 60,033.60
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 60,033.60
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? ☒ Yes ☐ No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? ☐ Yes ☒ No
 - 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? ☐ Yes ☒ No
 - 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

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

Tab 5

Limitation as a Determining Factor

Arrowhead III will be owned and operated by ETC Texas Pipeline, LTD. ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. In the states mentioned below, Energy Transfer currently operates over 34,050 miles of pipeline, 32 gas processing plants, 19 gas treating facilities and 3 gas conditioning plants. The states where these operations are located include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Arrowhead III Plant economics. Multiple other potential projects are presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico.

- Louisiana offers a 10-year, 100% property tax abatement under that state's Industrial Tax Exemption program as well as additional state sales tax incentives.
- New Mexico offers Industrial Revenue Bonds and Job Training incentive programs.

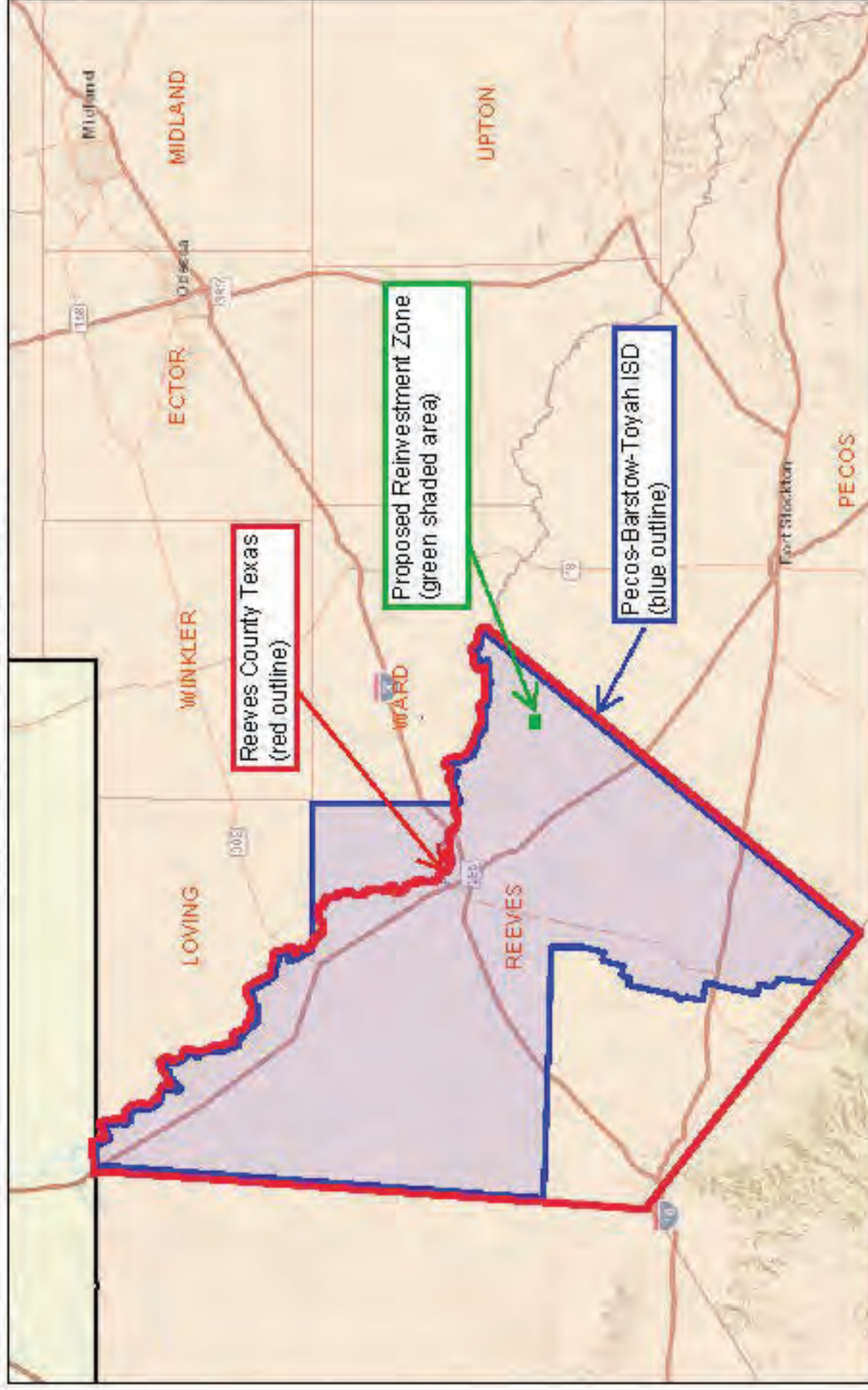
In the Delaware/Permian Basin alone, the company owns 7,820 miles of natural gas pipeline, 7 processing facilities with aggregate capacity of 815 MMcf/d (*Waha, Cayanosa, Red Bluff, Halley, Jal, Keystone, and Tippet*) and two treating facilities with aggregate capacity of 200 MMcf/d.

The Delaware/Permian Basin assets offer wellhead-to-market services to produces not only in the Texas counties, but also in the New Mexico counties of Eddy and Lee which surround Waha Hub.

Because of the proximity of the system to the Waha Hub, the system has a variety of market outlets for the natural gas that is gathered and processed, including several major interstate and intrastate pipelines serving California, the mid-continent region of the United States and the Texas/New Mexico natural gas markets.

Because of existing and new pipeline infrastructure that is now present in New Mexico, ETC has ample freedom to choose where the proposed project can be built. The economic differences outside of tax treatment are considered miniscule because of the Waha's proximity to the NM/TX border. Because of this, the proposed 313 is considered a major determining factor in whether or not the Arrowhead III is completed in Texas.

Pecos-Barstow-Toyah ISD



LEGEND

- Texas_Outline
- Counties
- Reeves County Outline
- Pecos-Barstow-Toyah ISD Outline
- Proposed Reinvestment Zone Outline

Tab 13

Calculation of Wage Requirements

U.S. Department of Labor—Bureau of Labor Statistics

The proceeding calculations are for the following wage requirements:

Calculation A: Reeves County Average Weekly Wage

Calculation B: 110% of Reeves County Average for Manufacturing Jobs - ***N/A: Data does not meet BLS or State Agency Disclosure Standards***

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

Calculation A: Reeves County Average Weekly Wage for all Jobs

Year	Quarter	Average Weekly Wage
2018	Q2	\$1,132
2017	Q3	\$929
2017	Q4	\$1,072
2018	Q1	\$1,160
	Q Average	\$1,073.25

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

Quarterly Average Calculation:

Step 1: $\$1132 + \$929.00 + \$1072 + \$1160 = \$4293$

Step 2: $\$4293.00 / 4 =$ **\$1073.25**

Quarterly Employment and Wages (QCEW)

Back

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2018	1st Qtr	Reeves County	Total All	00	0	10	Total, all Industries	\$1,160
2018	2nd Qtr	Reeves County	Total All	00	0	10	Total, all Industries	\$1,132

Quarterly Employment and Wages (QCEW)

Back

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2017	3rd Qtr	Reeves County	Total All	00	0	10	Total, all Industries	\$929
2017	4th Qtr	Reeves County	Total All	00	0	10	Total, all Industries	\$1,072

Page 1 of 1 (40 results/page)

Date 10/3/2018
Applicant Name ETC Texas Pipeline, LTD
ISD Name Pecos-Barstow-Toyah ISD

Schedule A2: Total Investment for Economic Impact (including Qualified Property and other investments)

1310-pbtisd-etc-amendment001
December 4, 2018
Form 50-296A
Revised May 2014

PROPERTY INVESTMENT AMOUNTS								
(Estimated Investment in each year. Do not put cumulative totals.)								
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	New investment (original cost) in tangible personal property placed in service during this year that will become Qualified Property	New investment made during this year in buildings or permanent nonremovable components of buildings that will become Qualified Property	Other investment made during this year that will <u>not</u> become Qualified Property [SEE NOTE]	Other investment made during this year that will become Qualified Property [SEE NOTE]	Total Investment (A+B+C+D)
Total Investment from Schedule A1*	--	TOTALS FROM SCHEDULE A1		Enter amounts from TOTAL row in Schedule A1 in the row below				
				\$ 105,000,000.00				\$ 105,000,000.00
Each year prior to start of value limitation period**	0	2018-2019	2018					
Each year prior to start of value limitation period**	0	2019-2020	2019	\$ 105,000,000.00				\$ 105,000,000.00
Value limitation period***	1	2020-2021	2020					
	2	2021-2022	2021					
	3	2022-2023	2022					
	4	2023-2024	2023					
	5	2024-2025	2024					
	6	2025-2026	2025					
	7	2026-2027	2026					
	8	2027-2028	2027					
	9	2028-2029	2028					
	10	2029-2030	2029					
Total Investment made through limitation				\$ 105,000,000.00				\$ 105,000,000.00
Continue to maintain viable presence	11	2030-2031	2030					
	12	2031-2032	2031					
	13	2032-2033	2032					
	14	2033-2034	2033					
	15	2034-2035	2034					
Additional years for 25 year economic impact as required by 313.026(c)(1)	16	2035-2036	2035					
	17	2036-2037	2036					
	18	2037-2038	2037					
	19	2038-2039	2038					
	20	2039-2040	2039					
	21	2040-2041	2040					
	22	2041-2042	2041					
	23	2042-2043	2042					
	24	2043-2044	2043					
	25	2044-2045	2044					

* All investments made through the qualifying time period are captured and totaled on Schedule A1 [blue box] and incorporated into this schedule in the **first row**.

** Only investment made during deferrals of the start of the limitation (after the end of qualifying time period but before the start of the Value Limitation Period) should be included in the "year prior to start of value limitation period" row(s). If the limitation starts at the end of the qualifying time period or the qualifying time period overlaps the limitation, no investment should be included on this line.

*** If your qualifying time period will overlap your value limitation period, do not also include investment made during the qualifying time period in years 1 and/or 2 of the value limitation period, depending on the overlap. Only include investments/years that were **not** captured on Schedule A1.

For All Columns: List amount invested each year, not cumulative totals. Only include investments in the remaining rows of Schedule A2 that were not captured on Schedule A1.

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

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

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

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

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

Texas Comptroller of Public Accounts

State of Texas
Comptroller of Public Accounts
Form 50-200-A

SECTION 16: Authorized Signatures and Applicant Certification

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

1. Authorized School District Representative Signature

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

print here Dr. Jose A. Cervantes
Print Name (Authorized School District Representative)

Superintendent
Title

sign here [Signature]
Signature (Authorized School District Representative)

12/4/18
Date

2. Authorized Company Representative (Applicant) Signature and Notarization

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

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

print here Megan McKavanagh
Print Name (Authorized Company Representative (Applicant))

Sr. Mgr. Property Tax
Title

sign here [Signature]
Signature (Authorized Company Representative (Applicant))

Nov. 20, 2018
Date



(Notary Seal)

GIVEN under my hand and seal of office this, the

20 day of November, 2018

Beverly M. Hernandez
Notary Public in and for the State of Texas

My Commission expires 9.3.2022

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

Attachment B

Franchise Tax Account Status



Franchise Tax Account Status

As of : 07/17/2019 16:03:44

This Page is Not Sufficient for Filings with the Secretary of State

ETC TEXAS PIPELINE, LTD.

Texas Taxpayer Number 10505324664

Mailing Address 800 E SONTERRA BLVD STE 400 SAN
ANTONIO, TX 78258-3941

Right to Transact Business in Texas ACTIVE

State of Formation TX

Effective SOS Registration Date 09/24/2002

Texas SOS File Number 0800126082

Registered Agent Name CORPORATION SERVICE COMPANY D/B/A
CSC-LAWYERS INCO

Registered Office Street Address 211 E. 7TH STREET SUITE 620 AUSTIN, TX
78701

Attachment C

State Comptroller's Certification



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O.Box 13528 • Austin, TX 78711-3528

March 12, 2019

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 ETC Texas Pipeline, LTD, Application 1310

Dear Superintendent Cervantes:

On January 3, 2019, the Comptroller issued written notice that ETC Texas Pipeline, LTD (applicant) submitted a completed application (Application 1310) for a limitation on appraised value under the provisions of Tax Code Chapter 313.¹ This application was originally submitted on October 18, 2018, 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 1310.

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 by December 31, 2019.

Note that any building or improvement existing as of the application review start date of January 3, 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 fluid and cursive, with the first name "Lisa" and last name "Craven" clearly distinguishable.

Lisa Craven
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of ETC Texas Pipeline, LTD (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 ETC Texas Pipeline, LTD.

Applicant	ETC Texas Pipeline, LTD
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	\$105,000,000
Proposed Qualified Investment	\$105,000,000
Limitation Amount	\$30,000,000
Qualifying Time Period (Full Years)	2020-2021
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	\$1,154
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	\$1,154
Minimum annual wage committed to by applicant for qualified jobs	\$60,034
Minimum weekly wage required for non-qualifying jobs	\$1,073
Minimum annual wage required for non-qualifying jobs	\$55,810
Investment per Qualifying Job	\$10,500,000
Estimated M&O levy without any limit (15 years)	\$8,830,782
Estimated M&O levy with Limitation (15 years)	\$4,708,029
Estimated gross M&O tax benefit (15 years)	\$4,122,753

Table 2 is the estimated statewide economic impact of ETC Texas Pipeline, LTD (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2019	175	242	417	\$10,505,880	\$20,494,120	\$31,000,000
2020	10	31	41	\$600,336	\$4,399,664	\$5,000,000
2021	10	27	37	\$600,336	\$3,399,664	\$4,000,000
2022	10	17	27	\$600,336	\$2,399,664	\$3,000,000
2023	10	11	21	\$600,336	\$2,399,664	\$3,000,000
2024	10	9	19	\$600,336	\$1,399,664	\$2,000,000
2025	10	9	19	\$600,336	\$1,399,664	\$2,000,000
2026	10	10	20	\$600,336	\$1,399,664	\$2,000,000
2027	10	11	21	\$600,336	\$1,399,664	\$2,000,000
2028	10	13	23	\$600,336	\$1,399,664	\$2,000,000
2029	10	14	24	\$600,336	\$2,399,664	\$3,000,000
2030	10	14	24	\$600,336	\$2,399,664	\$3,000,000
2031	10	15	25	\$600,336	\$2,399,664	\$3,000,000
2032	10	16	26	\$600,336	\$2,399,664	\$3,000,000
2033	10	16	26	\$600,336	\$2,399,664	\$3,000,000
2034	10	16	26	\$600,336	\$2,399,664	\$3,000,000

Source: CPA REMI, ETC Texas Pipeline, LTD

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		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 Tax Levy	Reeves County WCID #2 Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0850	0.8607		0.4995	0.2400	0.1193	
2020	\$95,000,000	\$95,000,000		\$80,750	\$817,665	\$898,415	\$474,544	\$228,000	\$113,379	\$1,714,338
2021	\$91,200,000	\$91,200,000		\$77,520	\$784,958	\$862,478	\$455,562	\$218,880	\$108,843	\$1,645,764
2022	\$87,400,000	\$87,400,000		\$74,290	\$752,252	\$826,542	\$436,580	\$209,760	\$104,308	\$1,577,191
2023	\$83,600,000	\$83,600,000		\$71,060	\$719,545	\$790,605	\$417,599	\$200,640	\$99,773	\$1,508,617
2024	\$79,800,000	\$79,800,000		\$67,830	\$686,839	\$754,669	\$398,617	\$191,520	\$95,238	\$1,440,044
2025	\$76,000,000	\$76,000,000		\$64,600	\$654,132	\$718,732	\$379,635	\$182,400	\$90,703	\$1,371,470
2026	\$72,200,000	\$72,200,000		\$61,370	\$621,425	\$682,795	\$360,653	\$173,280	\$86,168	\$1,302,897
2027	\$68,400,000	\$68,400,000		\$58,140	\$588,719	\$646,859	\$341,672	\$164,160	\$81,633	\$1,234,323
2028	\$64,600,000	\$64,600,000		\$54,910	\$556,012	\$610,922	\$322,690	\$155,040	\$77,097	\$1,165,750
2029	\$60,800,000	\$60,800,000		\$51,680	\$523,306	\$574,986	\$303,708	\$145,920	\$72,562	\$1,097,176
2030	\$57,000,000	\$57,000,000		\$48,450	\$490,599	\$539,049	\$284,726	\$136,800	\$68,027	\$1,028,603
2031	\$53,200,000	\$53,200,000		\$45,220	\$457,892	\$503,112	\$265,745	\$127,680	\$63,492	\$960,029
2032	\$49,400,000	\$49,400,000		\$41,990	\$425,186	\$467,176	\$246,763	\$118,560	\$58,957	\$891,456
2033	\$45,600,000	\$45,600,000		\$38,760	\$392,479	\$431,239	\$227,781	\$109,440	\$54,422	\$822,882
2034	\$41,800,000	\$41,800,000		\$35,530	\$359,773	\$395,303	\$208,799	\$100,320	\$49,887	\$754,309
			Total	\$872,100	\$8,830,782	\$9,702,882	\$5,125,075	\$2,462,400	\$1,224,489	\$18,514,846

Source: CPA, ETC Texas Pipeline, LTD

*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		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 Tax Levy	Reeves County WCID #2 Tax Levy	Estimated Total Property Taxes
			Tax Rate*	0.0850	0.8607		0.4995	0.2400	0.1193	
2020	\$95,000,000	\$30,000,000		\$80,750	\$258,210	\$338,960	\$237,272	\$228,000	\$113,379	\$917,611
2021	\$91,200,000	\$30,000,000		\$77,520	\$258,210	\$335,730	\$227,781	\$218,880	\$108,843	\$891,235
2022	\$87,400,000	\$30,000,000		\$74,290	\$258,210	\$332,500	\$218,290	\$209,760	\$104,308	\$864,859
2023	\$83,600,000	\$30,000,000		\$71,060	\$258,210	\$329,270	\$208,799	\$200,640	\$99,773	\$838,483
2024	\$79,800,000	\$30,000,000		\$67,830	\$258,210	\$326,040	\$199,308	\$191,520	\$95,238	\$812,107
2025	\$76,000,000	\$30,000,000		\$64,600	\$258,210	\$322,810	\$379,635	\$182,400	\$90,703	\$975,548
2026	\$72,200,000	\$30,000,000		\$61,370	\$258,210	\$319,580	\$360,653	\$173,280	\$86,168	\$939,681
2027	\$68,400,000	\$30,000,000		\$58,140	\$258,210	\$316,350	\$341,672	\$164,160	\$81,633	\$903,814
2028	\$64,600,000	\$30,000,000		\$54,910	\$258,210	\$313,120	\$322,690	\$155,040	\$77,097	\$867,947
2029	\$60,800,000	\$30,000,000		\$51,680	\$258,210	\$309,890	\$303,708	\$145,920	\$72,562	\$832,080
2030	\$57,000,000	\$30,000,000		\$48,450	\$258,210	\$306,660	\$284,726	\$136,800	\$68,027	\$802,613
2031	\$53,200,000	\$30,000,000		\$45,220	\$258,210	\$303,430	\$265,745	\$127,680	\$63,492	\$760,029
2032	\$49,400,000	\$30,000,000		\$41,990	\$258,210	\$299,200	\$246,763	\$118,560	\$58,957	\$719,670
2033	\$45,600,000	\$30,000,000		\$38,760	\$258,210	\$295,970	\$227,781	\$109,440	\$54,422	\$677,873
2034	\$41,800,000	\$30,000,000		\$35,530	\$258,210	\$292,740	\$208,799	\$100,320	\$49,887	\$631,936
			Total	\$872,100	\$4,708,029	\$5,580,129	\$4,033,624	\$2,462,400	\$1,224,489	\$13,300,642
			Diff	\$0	\$4,122,753	\$4,122,753	\$1,091,451	\$0	\$0	\$5,214,204

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, ETC Texas Pipeline, LTD

*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 ETC Texas Pipeline, LTD (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	2017	\$0	\$0	\$0	\$0
	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
Limitation Period (10 Years)	2020	\$258,210	\$258,210	\$559,455	\$559,455
	2021	\$258,210	\$516,420	\$526,748	\$1,086,203
	2022	\$258,210	\$774,630	\$494,042	\$1,580,245
	2023	\$258,210	\$1,032,840	\$461,335	\$2,041,580
	2024	\$258,210	\$1,291,050	\$428,629	\$2,470,209
	2025	\$258,210	\$1,549,260	\$395,922	\$2,866,131
	2026	\$258,210	\$1,807,470	\$363,215	\$3,229,346
	2027	\$258,210	\$2,065,680	\$330,509	\$3,559,855
	2028	\$258,210	\$2,323,890	\$297,802	\$3,857,657
	2029	\$258,210	\$2,582,100	\$265,096	\$4,122,753
Maintain Viable Presence (5 Years)	2030	\$490,599	\$3,072,699	\$0	\$4,122,753
	2031	\$457,892	\$3,530,591	\$0	\$4,122,753
	2032	\$425,186	\$3,955,777	\$0	\$4,122,753
	2033	\$392,479	\$4,348,256	\$0	\$4,122,753
	2034	\$359,773	\$4,708,029	\$0	\$4,122,753
Additional Years as Required by 313.026(c)(1) (10 Years)	2035	\$327,066	\$5,035,095	\$0	\$4,122,753
	2036	\$294,359	\$5,329,454	\$0	\$4,122,753
	2037	\$261,653	\$5,591,107	\$0	\$4,122,753
	2038	\$228,946	\$5,820,053	\$0	\$4,122,753
	2039	\$204,416	\$6,024,470	\$0	\$4,122,753
	2040	\$204,416	\$6,228,886	\$0	\$4,122,753
	2041	\$204,416	\$6,433,302	\$0	\$4,122,753
	2042	\$204,416	\$6,637,718	\$0	\$4,122,753
	2043	\$204,416	\$6,842,135	\$0	\$4,122,753
	2044	\$204,416	\$7,046,551	\$0	\$4,122,753

\$7,046,551

is greater than

\$4,122,753

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

Source: CPA, ETC Texas Pipeline, LTD

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 ETC Texas Pipeline, LTD'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 ETC Texas Pipeline, LTD in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. “Arrowhead III will be owned and operated by ETC Texas Pipeline, LTD. ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. In the states mentioned below, Energy Transfer currently operates over 34,050 miles of pipeline, 32 gas processing plants, 19 gas treating facilities and 3 gas conditioning plants. The states where these operations are located include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.”
 - B. “As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Arrowhead III Plant economics. Multiple other potential projects are presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico.”
 - C. “Because of existing and new pipeline infrastructure that is now present in New Mexico, ETC has ample freedom to choose where the proposed project can be built. The economic differences outside of tax treatment are considered miniscule because of the Waha's proximity to the NM/TX border. Because of this, the proposed 313 is considered a major determining factor in whether or not the Arrowhead III is completed in Texas.”
- Per Comptroller Research
 - A. Per the Energy Transfer website, Energy Transfer Company is the operator of ETC Texas Pipeline, Ltd assets.
 - B. On a May 30, 2018 *Seeking Alpha* reported that “volumes are booming in the Permian... consequently, new processing plants have to be constructed in order to take away volumes. ETP (Energy Transfer Partners) confirmed by saying 'due to continued strong demand in the Permian, we are nearing capacity in both the Delaware and Midland Basin. As a result, we are

building a second 200 million cubic foot per day cryogenic processing plant near our existing Arrowhead plant.”

- C. On November 13, 2017 *Natural Gas Intelligence* reported that during a conference call, COO of Energy Transfer Partners LP (ETP), Marshall McCrea stated “We’re probably more well positioned than anybody. There’s not a lot of capacity out of West Texas. Really, the only way out other than west is through our pipe in Mexico, which we still believe will be some time down the road before they’re fully ramping up. So, getting volume growth out of there is going to depend on either a new project or existing capacity, of which we have. So we’re extremely optimistic over the next 12-14 months that the basis will blow out, probably blow out materially. We’re well positioned to take advantage of that...We continue to be believers, the industry does, the producers do... if you look at what’s happened to oil prices and everything that’s going on in the Middle East, it points to nothing but significant volume growth out of the Permian Basin and a more significant need to move those volumes out... We’ll continue to evaluate that, and we do believe we’ll pay a part of that growth on the expansion out of the Waha area. But in the meantime, we’re pretty excited about what’s going to happen as far as basis spread and how it benefits our assets over the next couple of years.”
- D. Per Energy Transfer 2017 and 2018 Conference’s Arrowhead and Arrowhead II are both a 200 MMcf/d cryogenic processing plant located within the Permian Basin Infrastructure. ETP stated in 2018 “is nearing capacity in both the Delaware and Midland Basins due to continued demand and strong growth outlook in the Permian. As a result of this demand, ETP has continued to buildout its Permian Infrastructure.” Arrowhead III will also be a 200 MMcf/d located in the “eastern portion of the county”, Reeves County.
- E. Per ET 2019 UBS Conference, Energy Transfer stated “Recently approved construction of another 200 MMcf/d processing plant in the Delaware Basin. Expected to add one to two new processing plants per year in the Midland and Delaware Basins over the next few years as demand remains strong.”
- F. The qualified property for the Arrowhead III Plant (Application #1310) will be placed adjacent to the qualified property of both the Arrowhead II Plant (Application #1240) and the Arrowhead Plant (Application #1160). Commercial operations for Application #1160 began in 2017. Commercial operations for Application #1240 is estimated to begin in early 2019.

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:

☒ Land has no existing improvements	☐ Land has existing improvements (<i>complete Section 13</i>)
☐ Expansion of existing operation on the land (<i>complete Section 13</i>)	☐ 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

Arrowhead III will be owned and operated by ETC Texas Pipeline, LTD. ETC Texas Pipeline, LTD is a leading midstream energy company whose primary activities include gathering, treating, processing, and transporting natural gas and natural gas liquids to a variety of markets and states. In the states mentioned below, Energy Transfer currently operates over 34,050 miles of pipeline, 32 gas processing plants, 19 gas treating facilities and 3 gas conditioning plants. The states where these operations are located include Arizona, New Mexico, Utah, Colorado, Kansas, Oklahoma, Texas, Arkansas and Louisiana.

As the primary available property tax incentive in Texas, a 313 agreement is vital to the proposed Arrowhead III Plant economics. Multiple other potential projects are presently competing for the same capital expenditures by the company, including possible plants in Louisiana and in New Mexico.

- Louisiana offers a 10-year, 100% property tax abatement under that state's Industrial Tax Exemption program as well as additional state sales tax incentives.
- New Mexico offers Industrial Revenue Bonds and Job Training incentive programs.

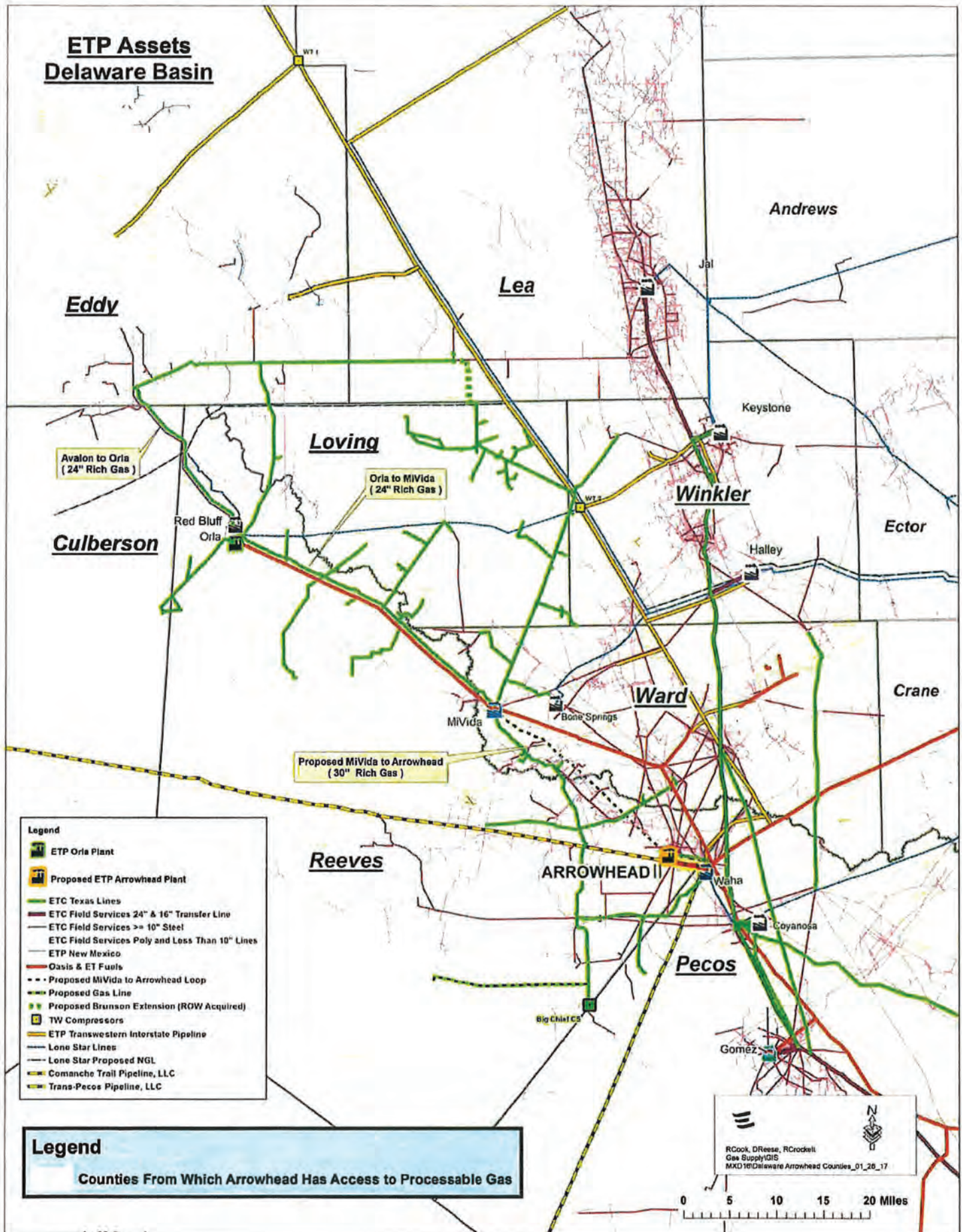
In the Delaware/Permian Basin alone, the company owns 7,820 miles of natural gas pipeline, 7 processing facilities with aggregate capacity of 815 MMcf/d (*Waha, Cayanosa, Red Bluff, Halley, Jal, Keystone, and Tippet*) and two treating facilities with aggregate capacity of 200 MMcf/d.

The Delaware/Permian Basin assets offer wellhead-to-market services to produces not only in the Texas counties, but also in the New Mexico counties of Eddy and Lee which surround Waha Hub.

Because of the proximity of the system to the Waha Hub, the system has a variety of market outlets for the natural gas that is gathered and processed, including several major interstate and intrastate pipelines serving California, the mid-continent region of the United States and the Texas/New Mexico natural gas markets.

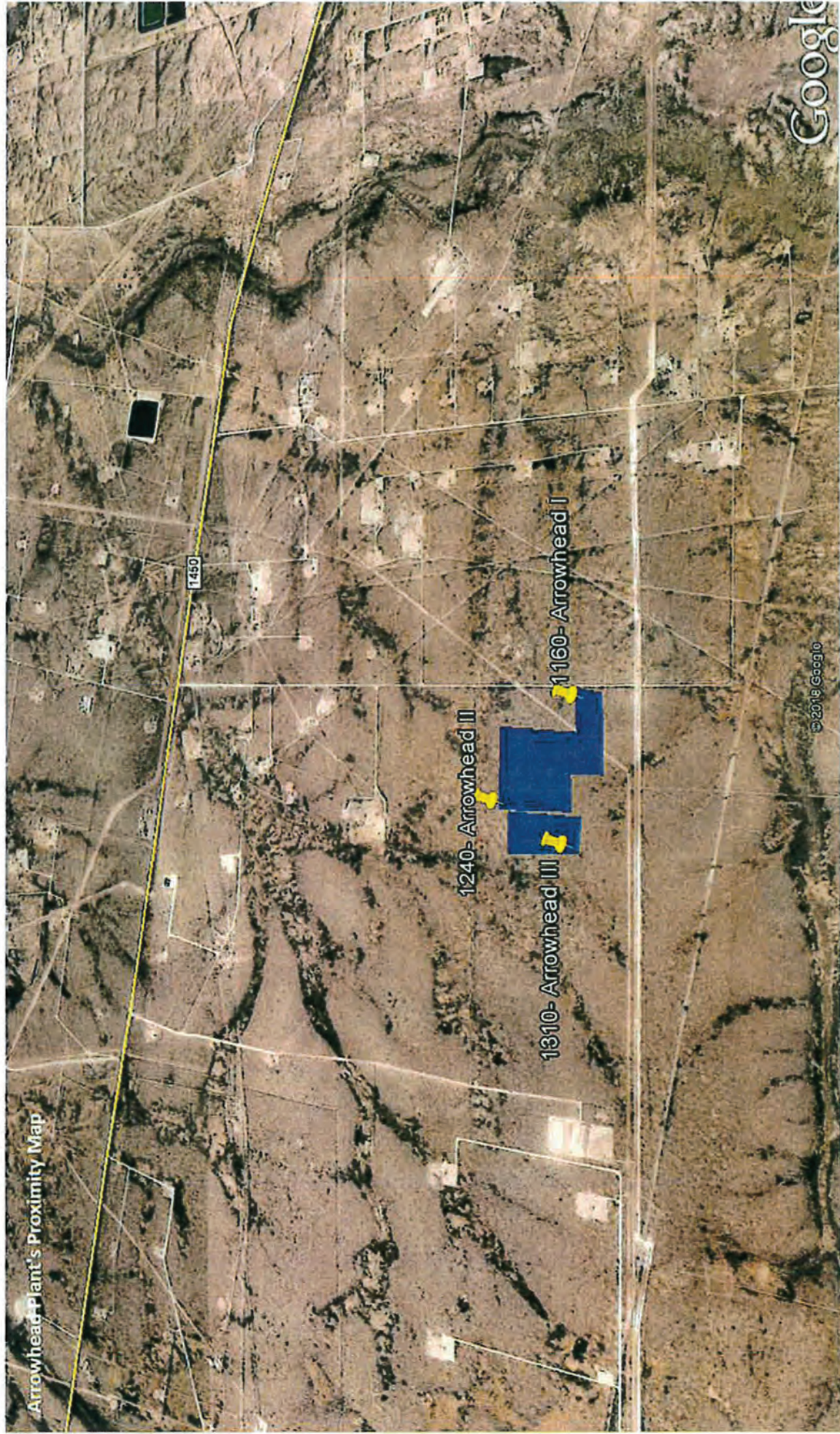
Because of existing and new pipeline infrastructure that is now present in New Mexico, ETC has ample freedom to choose where the proposed project can be built. The economic differences outside of tax treatment are considered miniscule because of the Waha's proximity to the NM/TX border. Because of this, the proposed 313 is considered a major determining factor in whether or not the Arrowhead III is completed in Texas.

ETP Assets Delaware Basin



Supporting Information

Additional information
provided by the Applicant or
located by the Comptroller



Arrowhead Plant's Proximity Map



8111 Westchester Drive,
Suite 600
Dallas, TX 75225
Main 214.981.0700
Fax 469.646.1559
www.energytransfer.com

IMPORTANT NOTICE TO OUR VALUED CONTRACT PARTIES

Re: Merger of ETC Field Services LLC with and into ETC Texas Pipeline, Ltd.

As you may know, Regency Field Services LLC name was changed to ETC Field Services LLC on November 1, 2015 after merging earlier that year with its parent company, Energy Transfer Partners, LP ("Energy Transfer").

Energy Transfer is pleased to announce that effective June 4, 2018 ETC Field Services LLC has successfully merged with ETC Texas Pipeline, Ltd. ("ETX"). The Secretary of State documents and W-9 forms associated with the merger can be accessed online at: https://www.energytransfer.com/customer_activities.aspx. The documents are under the heading "For Intrastate and Gathering Users".

Much of the information below regarding ETC Field Services LLC did not change. Information listed in **bold** below show changes in effect on July 1, 2018.

Bank Account Information	Account Name: ETC Texas Pipeline, Ltd. Depository Bank Name: Wells Fargo Bank, N. A. (San Francisco) Depository Bank ABA Number for wire transfers: 121000248 Depository Bank ABA Number for Check and ACH transfers: 053101561 Account Number: 207990-0565328
Lockbox	ETC Texas Pipeline, Ltd., PO Box 951439, Dallas, Texas 75395-1439
Federal Tax ID Number	73-1493906
DUNS Number	148-97-8856
Texas P-5 Number	ETC Texas Pipeline, Ltd. 255104 / Energy Transfer Co 25017
Texas Purchaser System Code	0001
Texas Comptroller Purchaser Taxpayer Number	10505324664
ETX State Tax Sales/Use Taxpayer Nos.	NM (03-0350353-00-2); OK (SVU1035034802); TX (10505324664); LA (TBD)

If you have a gathering, processing or purchase contract in the state of Texas you may see a Texas gross receipts tax reimbursement to Gatherer on your statement beginning with your July production settlement statements.

An Automatic P-4 has/will be filed with the Railroad Commission of Texas transferring all of the purchaser designations previously under ETC Field Services LLC to ETC Texas Pipeline, Ltd., and all of the gatherer designations to Energy Transfer Company, as the operator of the ETC Texas Pipeline, Ltd., assets. If you have any questions or require additional information about regulatory reporting in any of the states in which we operate, please contact Claire Jimenez at 214-840-5815 or Claire.Johnson@energytransfer.com.

Energy Transfer values its business with you and we look forward to continuing that relationship. **It is important to note that your contacts at Energy Transfer did not change as a result of this merge.** If you have any questions about this company merge, please contact the Contract Administration manager for your area listed below.

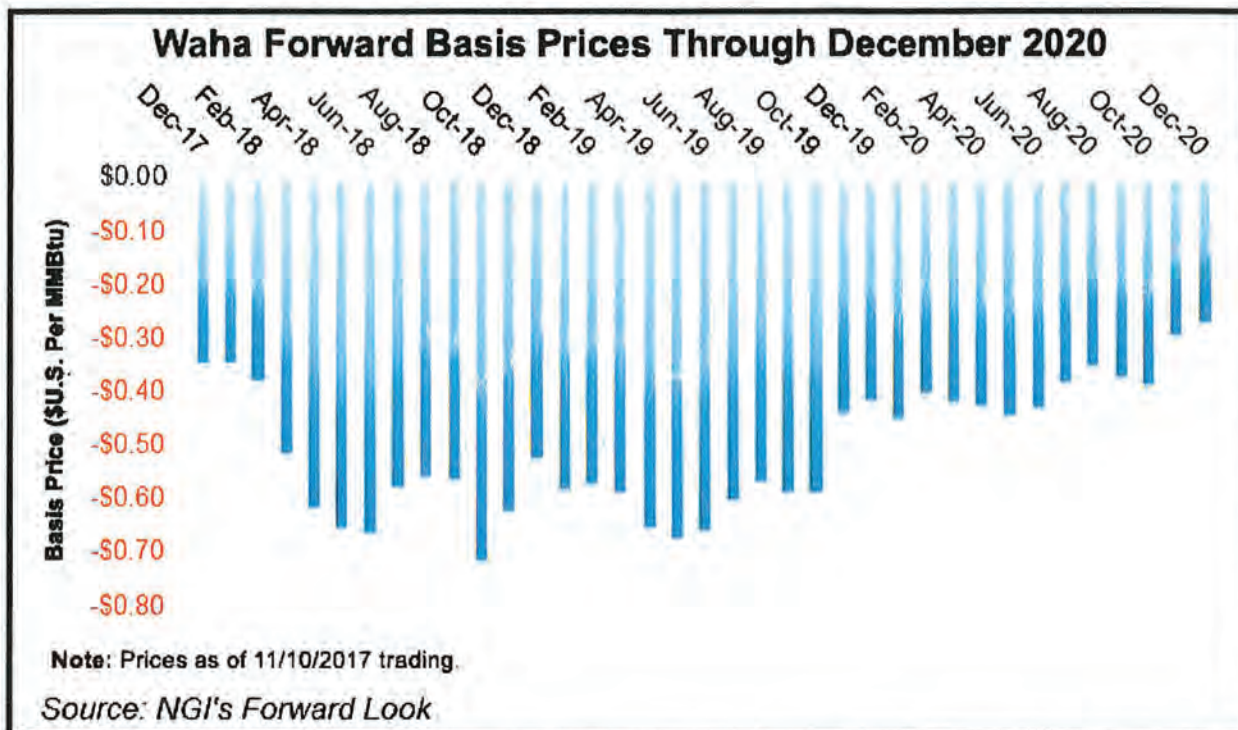
Midcon:	Carol Harding	469-646-1530
West Texas / Louisiana:	Tanya T. Graham	469-646-1520
South Texas / Brookeland:	Melissa Branch	210-403-7487

Sincerely,

ETC TEXAS PIPELINE, LTD.

Ken English

Vice President – Contract Administration

www.naturalgasintel.com/articles/112428-energy-transfer-well-positioned-for-potential-waha-basis-blowout


Energy Transfer Well-Positioned For Potential Waha Basis Blowout

[Jeremiah Shelor](#)

November 13, 2017

Basis differentials at the Waha Hub, situated at the heart of the Permian Basin, could "blow out materially" over the next year or two, and Energy Transfer Partners LP (ETP) is poised to take advantage, management said.

During a conference call last week to discuss 3Q2017 results, COO Marshall McCrea said the Dallas-based midstreamer sees opportunities to capture value as all signs point to a continued increase in associated natural gas volumes from the Permian and potential constraints at [Waha](#), which is located in Pecos County, TX.

"We're probably more well-positioned than anybody," McCrea said. "There's not a lot of capacity out of West Texas. Really, the only way out other than west is through our [pipe to Mexico](#), which we still believe will be some time down the road before they're fully ramping up. So, getting volume growth out of there is going to depend on either a new project or existing capacity, of which we have.

"So, we're extremely optimistic over the next 12-14 months that the basis will blow out, probably blow out materially. We're well-positioned to take advantage of that. We're actually going to be feeding that with a lot of these projects that we're bringing on and ramping up with our processing plants and with our Red Bluff upstream intrastate."

ETP placed its 200 MMcf/d Arrowhead processing plant in Reeves County, TX, online during the third quarter to serve the Delaware sub-basin, management said, with the 200 MMcf/d Rebel II processing plant serving the Midland sub-basin scheduled for service in 2Q2018.

"Including the Panther Plant, which came online in December of last year, Rebel II is our third plant in the Midland Basin," CFO Thomas Long said. "We're nearing capacity in the Permian, and we'll need Rebel II as soon as possible to meet growing producer demand in the region."

The proposed Red Bluff pipeline is an 80-mile, 30- to 42-inch diameter pipe that would travel through the Delaware. The pipe would carry 1.4 Bcf/d from ETP's Red Bluff and Orla plants, as well as multiple third-party plants, to Waha. That project, which has an anchor shipping commitment from Anadarko Petroleum Corp., is expected to cost \$300 million and come online in 2Q2018, management said.

"We continue to be believers, the industry does, the producers do," McCrea said. "If you look at what's happened to oil prices and everything that's going on in the Middle East, it points to nothing but significant volume growth out of the Permian Basin and a more significant need to move those volumes out."

"We certainly continue to evaluate other ways to more efficiently and inexpensively move volumes out by expanding systems that we have or using systems that we have in different manners," he said. "We'll continue to evaluate that, and we do believe we'll play a part of that growth on the expansion out of the Waha area. But in the meantime, we're pretty excited about what's going to happen as far as basis spread and how it benefits our assets over the next couple of years."

In the interstate segment of its business, ETP confirmed that the next phase of its 3.25 Bcf/d Rover Pipeline remains on track for completion by the end of the year.

"For Phase 1B, drilling operations on our remaining" horizontal directional drills (HDD) "are nearly complete," Long said. "We expect this phase will be in service and that we will be collecting demand fees on all of Phase 1 before the end of this year. In addition, construction of Phase 2 continues, and we feel confident the entire pipeline will be in service by the end of the first quarter of 2018."

Following a moratorium on HDD activities issued earlier this year, FERC recently provided ETP with several reports from third-party technical advisor J.D. Hair & Associates covering "the remaining HDDs on Rover, which should allow us to resume construction on these drills in short order. Both of these developments provide us with more certainty in meeting our projected in-service dates," Long said.

Rover, which has been flowing about 1 Bcf/d east-to-west through Ohio, is designed to deliver Marcellus and Utica shale gas to markets in the Midwest, Gulf Coast and Canada.

By segment, ETP saw third quarter interstate natural gas transportation volumes increase to 6,074,783 MMBtu/d from 5,385,679 MMBtu/d in the year-ago quarter. Management attributed the increase this quarter to Rover, as well as to increased backhaul deliveries on its Trunkline pipeline, increases on the Tiger pipeline due to higher Haynesville Shale production and increases on the Transwestern pipeline due to demand in the west and "opportunities in the Texas intrastate market."

"We continue to expect earnings in this segment to pick up once the remaining sections of Rover are in service and we are able to efficiently provide end-user customers with Marcellus and Utica gas," Long said. "In addition, we will also be receiving significant revenues from our backhaul capabilities on Panhandle and Trunkline."

Intrastate natural gas volumes also increased during the quarter to 8,942,066 MMBtu/d from 8,289,826 MMBtu/d, with higher exports to Mexico and new pipe additions partially offsetting lower production from the Barnett Shale, management said.

In the midstream segment, gathered volumes increased to 11,090,285 MMBtu/d from 9,675,003 MMBtu/d, while natural gas liquids (NGL) production moved higher to 449,454 b/d versus 420,877 b/d in the year-ago quarter.

NGL transportation volumes increased to 836,000 b/d versus 766,000 b/d a year ago.

ETP reported quarterly revenues of \$6.97 billion versus \$5.53 billion in 3Q2016. Revenues for general partner Energy Transfer Equity LP (ETE) totaled \$9.47 billion for the third quarter, up from \$7.71 billion in the year-ago period.

ETP reported net income for the quarter of \$761 million (33 cents/unit) versus net income of \$138 million (minus 33 cents/unit) in the year-ago period.

ETE reported quarterly net income attributable to partners of \$252 million (22 cents/unit) versus \$209 million (20 cents/unit) in the year-ago quarter.



Markets Editor | Dulles, VA

Jeremiah Shelor joined NGI in 2015 after covering business and politics for The Exponent Telegram in Clarksburg, WV. He holds a Master of Fine Arts in Literary Nonfiction from West Virginia University and a Bachelor of Arts in English from Virginia Tech.

jeremiah.shelor@naturalgasintel.com

Seeking Alpha^α

Long Ideas | Basic Materials

Last Stop For Energy Transfer Partners Before Takeoff

May 30, 2018 3:18 PM ET 114 comments | 33 Likes

by: Todd Akin

Summary

- ETP has multiple catalysts working in its favor, including booming Permian volumes from increased short cycle investments, new facilities opening, and a strong technical setup forming.
- Balance sheet and liquidity position remain strong.
- How to play ETP's current setup through common stock will be discussed further below.

Energy Transfer Partners (ETP) is one of the most undervalued names I can find in the energy sector. The midstream giant is yielding over a 10% dividend, has multiple catalysts working in its favor, and maintains a strong balance sheet.

So, I have added ETP to the portfolio for residual income every quarter as well as strong stock price appreciation potential. Here's how to play Energy Transfer Partners.

Business is Booming

With all of the worries about shale oversupply in the U.S., someone surely has to benefit. We already discussed some of the biggest beneficiaries being the frac sand players. But, midstream players are in an enviable position, as well, when it comes to capitalizing on short cycle plays.

Volumes are booming in the Permian, for example, from all of the short cycle fracking taking place there. Consequently, new processing plants have to be constructed in order to take away the volumes. ETP confirmed this trend saying, "due to continued strong demand in the Permian, we are nearing capacity in both the Delaware and Midland Basin. As a result, we are building a second 200 million cubic foot per day cryogenic processing plant near our existing Arrowhead plant".

Unlike other upstream or downstream players, midstream companies, like ETP, benefit

1/29/2019

Last Stop For Energy Transfer Partners Before Takeoff - Energy Transfer LP (NYSE:ET) | Seeking Alpha

from business scaling up. Instead of costs rising in order to scale up business, ETP's business model acts much like a tollbooth for transporting oil and gas volumes. Sure, initial costs for construction of these new plants are quite large.

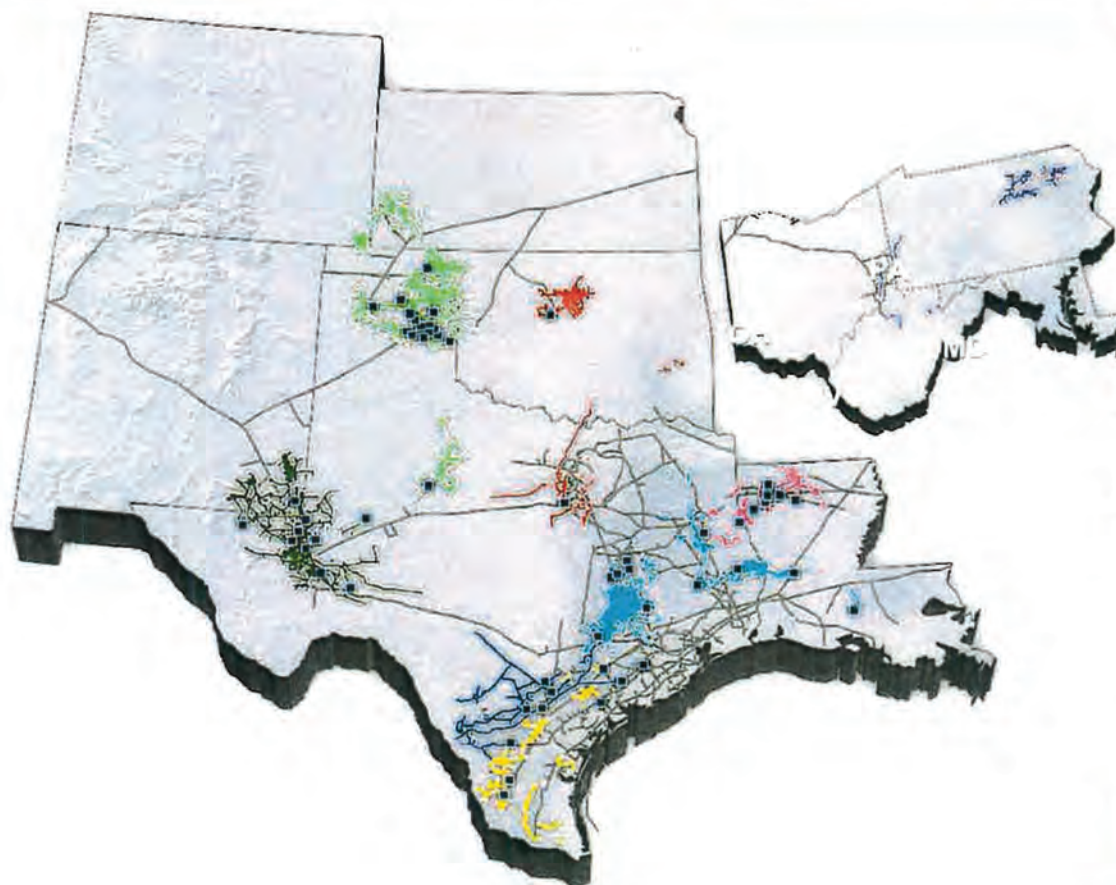
But, once operations are in place, the business essentially becomes a cash cow, which allows for attractive distributions to be paid each quarter. ETP has already reported, "our earnings are seeing a significant increase as a result of demand fees we are collecting. Q1 volumes continue to average over 400,000 barrels per day, and we have already seen solid growth in the beginning of the second quarter, with peak volumes transported now reaching over 500,000 barrels per day".

JOIN THE CONVERSATION



MIDSTREAM ASSETS

Midstream Asset Map



Midstream Highlights

- Q1 2017 gathered volumes averaged ~10.2 million mmbtu/d, and NGLs produced were approx. 445,000 bbls/d, both up slightly over Q1 2016
- Utica Ohio River volumes continued to grow in the first quarter in the Northeast
- New 200 MMcf/d Panther processing plant in the Midland Basin came online in January 2017, and volumes will ramp up throughout the year
- New 200 MMcf/d Arrowhead processing plant expected to come online Q3 2017
- Due to continued strong demand in the Permian, announced new 200 MMcf/d Rebel II processing plant, which is expected online in Q2 2018

Current Operating Statistics

Processing Capacity
(Bcf/d)

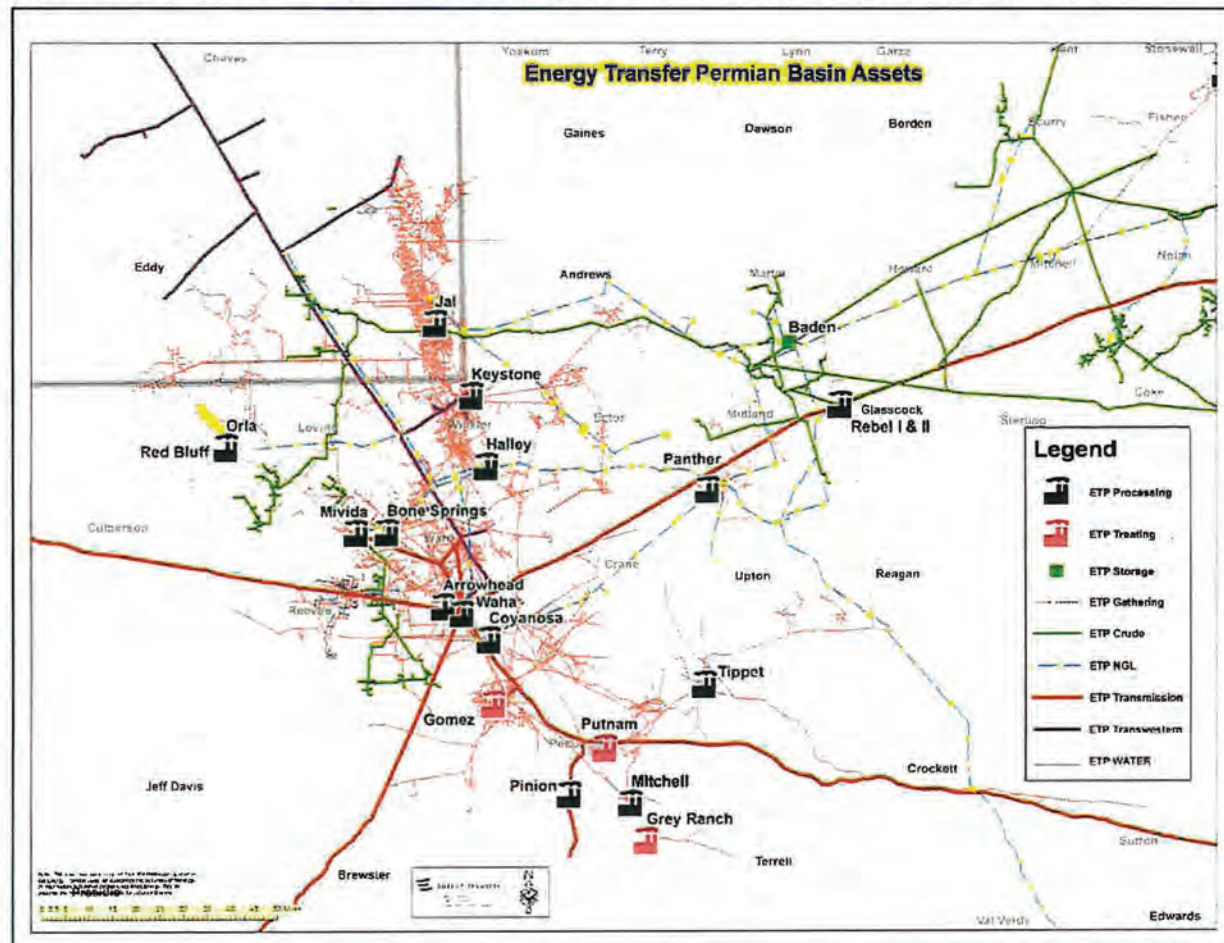
Basins Served

Permian	1.7	Permian, Midland, Delaware
MidContinent/Panhandle	0.9	Granite Wash, Cleveland
North Texas	0.7	Barnett, Woodford
South Texas	1.9	Eagle Ford
North Louisiana	1.0	Haynesville, Cotton Valley
Southeast Texas	0.4	Eagle Ford, Eaglebine
Eastern	-	Marcellus, Utica

More than 33,000 miles of gathering pipelines with ~ 6.7 Bcf/d of processing capacity

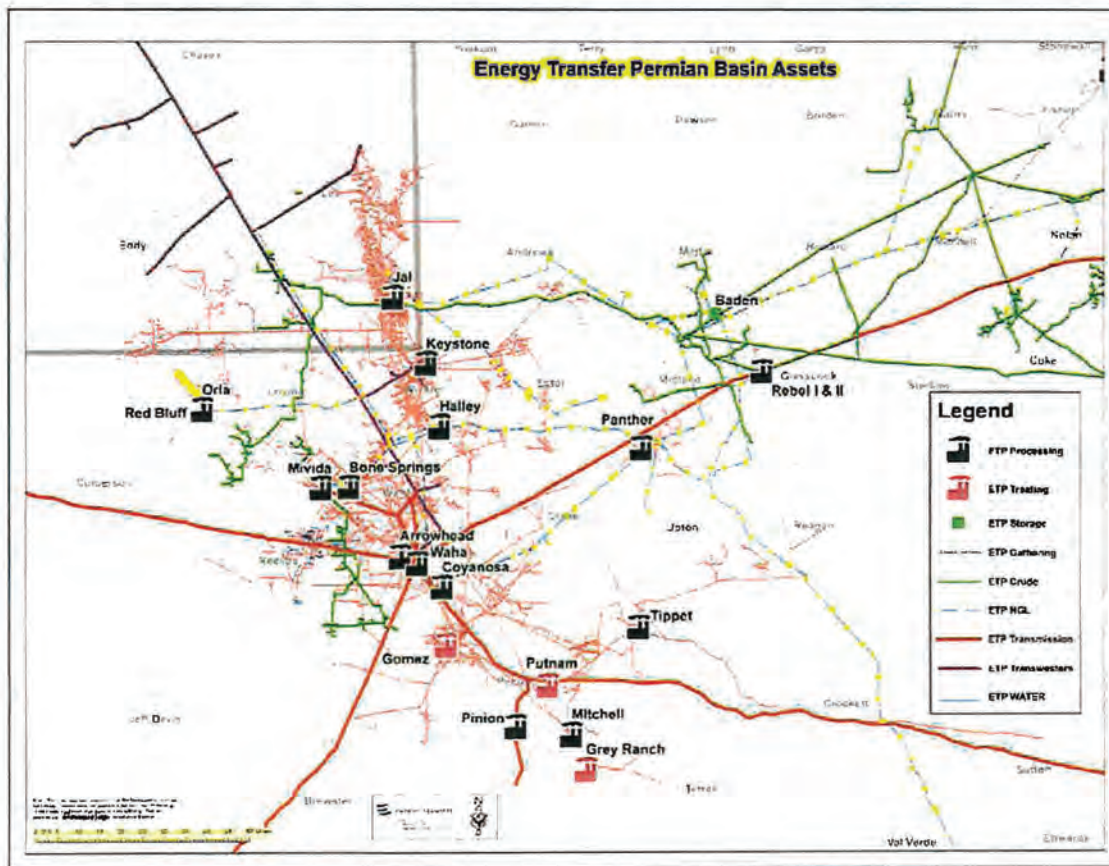
MIDSTREAM SEGMENT: PERMIAN BASIN INFRASTRUCTURE BUILDOUT

- ETP is nearing capacity in both the Delaware and Midland Basins due to continued producer demand and strong growth outlook in the Permian
- As a result of this demand, ETP has continued to buildout its Permian infrastructure
 - Brought 600 mmcf/d of processing capacity online in 2016 and 2017
 - Brought 200 mmcf/d Rebel II processing plant online at the end of April 2018
 - Expect 200 mmcf/d Arrowhead II processing plant to be placed into service in Q4 2018



MIDSTREAM SEGMENT – PERMIAN BASIN INFRASTRUCTURE BUILDOUT

- ET is nearing capacity in both the Delaware and Midland Basins due to continued producer demand and strong growth outlook in the Permian
- As a result of this demand, ET has continued to build out its Permian infrastructure



Processing Expansions

- 600 mmcf/d of processing capacity online in 2016 and 2017
- 200 mmcf/d Rebel II processing plant went into service at the end of April 2018; expected full by year-end
- 200 mmcf/d Arrowhead II processing plant went into service at end of October 2018; expected full by end of Q1 2019
- Recently approved construction of another 200 MMcf/d processing plant in the Delaware Basin
- Expect to add one to two new processing plants per year in the Midland and Delaware Basins over the next few years as demand remains strong

Red Bluff Express Pipeline

- 1.4 Bcf/d natural gas pipeline through heart of the Delaware Basin
- Connects Orla plant, as well as 3rd party plants, to Waha/Oasis header
- Went into service May 2018
- 25-mile expansion expected in service 2H 2019

Attachment D

Summary of Financial Impact

**CHAPTER 313 PROPERTY VALUE LIMITATION
FINANCIAL IMPACT OF THE PROPOSED ETC TEXAS
PIPELINE LTD PROJECT IN THE PECOS-BARSTOW-
TOYAH INDEPENDENT SCHOOL DISTRICT
(PROJECT # 1310)**

PREPARED BY



APRIL 21, 2019

Executive Summary

ETC Texas Pipeline LTD (Company) has requested that the Pecos-Barstow-Toyah Independent School District (PBT-ISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to PBT-ISD on October 18, 2018, the Company plans to invest \$95 million in additional taxable value to construct a natural gas processing facility. Moak, Casey & Associates (MCA) has been retained to prepare an analysis of this value limitation and help the district navigate the overall application and agreement process.

The ETC Texas project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, PBT-ISD may offer a minimum value limitation of \$30 million. This value limitation, under the proposed application, will begin in the 2020-21 school year and remain at that level of taxable value for Maintenance and Operations (M&O) tax purposes for ten years. The entire project value will remain taxable for I&S or debt service purposes for the term of the agreement.

MCA's initial school finance analysis is detailed in this report, incorporating the major legislative changes adopted in 2017. The overall conclusions are as follows, but please read all of the subsequent details in the report below for more information.

Total Revenue Loss Payment owed to PBT-ISD	\$0.57 million
Total Savings to Company after Revenue Loss Payment. (This does not include any supplemental benefit payments to the district.)	\$4.4 million

Application Process

After the school district has submitted an application to the Comptroller's Office (Comptroller), the Comptroller begins reviewing the application for completeness. The purpose of this review is to ensure all necessary information and attachments are included in the application before moving forward with the formal review process. The Completeness Letter for this project was issued on January 3, 2019.

The issuance of a Completeness Letter is important because it sets the timeline for the rest of process. From the date of issuance, the Comptroller has 90 days to conduct its full review of the project and provide its certificate for a limitation on appraised value. The Certificate for this project is dated March 12, 2019.

After the Comptroller's certificate was received, O'Hanlon, Demerath & Castillo contacted the school district to discuss the value limitation agreement and began negotiations of the supplemental benefit payment with the Company. A final version of the agreement must be submitted to the Comptroller's Office for review prior to final adoption by the school district's board of trustees.

Prior to final board meeting, O'Hanlon, Demerath & Castillo will provide the district with the necessary agenda language and any additional action items. The school board will review the Value Limitation Agreement and Findings of Fact that detail the project's conformance with state law.

How the 313 Agreement Interacts with Texas School Finance

M&O funding for Texas schools relies on two methods of finance: local school district property taxes and state aid. State aid consists of two components: Tier I (based on ADA, special student populations and M&O taxes at the compressed tax rate) and Tier II (based on weighted ADA for each penny of tax effort above a specified level). (For more detailed information on the school finance funding system, please review the Texas Education Agency's website [\(Manuals and Presentations\)](#) or [\(School Finance-One Page Descriptions\)](#).

Because the general school finance formula system calculates state aid entitlements using the Comptroller's certified property value for the preceding year, the first year is often problematic financially. The implementation of the value limitation often results in an M&O revenue loss to the school district in the first year of the limitation that would not be reimbursed by the state but require some type of compensation from the Company under the revenue protection provisions of the agreement. **If the full value of the project increases significantly during the value limitation period, the revenue losses may be greater than originally estimated.**

A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 1-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter).

Future legislative action on school funding could potentially affect the impact of the value limitation on the school district's finances and result in revenue-loss estimates that differ from the estimates presented in this report.

Underlying School District Data Assumptions

The agreement between the school district and the applicant calls for a calculation of the revenue impact of the value limitation in years 1-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. The Basic Allotment remained at \$5,140 and the Tier II Austin yield increased to \$106.28 for 2018-19, which is maintained for future years.

Static school district enrollment and property values are used to isolate the effects of the value limitation under the school finance system. Any previously-approved Chapter 313

projects are also factored into the M&O tax bases used. The impact of the Chapter 313 project value returning to the total tax roll for M&O funding purposes is beyond the scope of this revenue report. The current school year information is shown below:

ADA: 2,403
Local Tax Base: \$5.58 billion
M&O Tax Rate: \$1.04 per \$100
I&S Tax Rate: \$0.085 per \$100
Wealth per WADA: \$1.51 million

Table 1 summarizes the enrollment and property value assumptions for the 15 years that are the subject of this analysis.

Table 1 – Base District Information with ETC Texas Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
QTP0	2019-20	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,635,616,737	\$5,635,616,737	\$12,146,877,782	\$12,146,877,782	\$3,542,826	\$3,542,826
QTP1/VL1	2020-21	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,760,616,737	\$5,695,616,737	\$12,206,877,782	\$12,206,877,782	\$3,560,326	\$3,560,326
VL2	2021-22	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,756,816,737	\$5,695,616,737	\$12,331,877,782	\$12,266,877,782	\$3,596,784	\$3,577,826
VL3	2022-23	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,881,836,270	\$5,824,436,270	\$12,328,077,782	\$12,266,877,782	\$3,595,676	\$3,577,826
VL4	2023-24	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,873,871,684	\$5,820,271,684	\$12,453,097,315	\$12,395,697,315	\$3,632,140	\$3,615,398
VL5	2024-25	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,866,032,035	\$5,816,232,035	\$12,445,132,729	\$12,391,532,729	\$3,629,817	\$3,614,184
VL6	2025-26	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,862,232,035	\$5,816,232,035	\$12,437,293,080	\$12,387,493,080	\$3,627,531	\$3,613,006
VL7	2026-27	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,977,327,316	\$5,935,127,316	\$12,433,493,080	\$12,387,493,080	\$3,626,422	\$3,613,006
VL8	2027-28	2,403.50	3,428.58	\$1.0400	\$0.0850	\$5,969,210,457	\$5,930,810,457	\$12,548,588,361	\$12,506,388,361	\$3,659,992	\$3,647,683
VL9	2028-29	2,403.50	3,428.58	\$1.0400	\$0.0850	\$6,296,923,021	\$6,262,323,021	\$12,540,471,502	\$12,502,071,502	\$3,657,624	\$3,646,424
VL10	2029-30	2,403.50	3,428.58	\$1.0400	\$0.0850	\$7,007,634,603	\$6,976,834,603	\$12,868,184,066	\$12,833,584,066	\$3,753,207	\$3,743,115
VP1	2030-31	2,403.50	3,428.58	\$1.0400	\$0.0850	\$6,991,713,710	\$6,991,713,710	\$13,578,895,648	\$13,548,095,648	\$3,960,497	\$3,951,513
VP2	2031-32	2,403.50	3,428.58	\$1.0400	\$0.0850	\$6,946,102,547	\$6,946,102,547	\$13,562,974,755	\$13,562,974,755	\$3,955,853	\$3,955,853
VP3	2032-33	2,403.50	3,428.58	\$1.0400	\$0.0850	\$6,901,301,124	\$6,901,301,124	\$13,517,363,592	\$13,517,363,592	\$3,942,550	\$3,942,550
VP4	2033-34	2,403.50	3,428.58	\$1.0400	\$0.0850	\$6,858,138,444	\$6,858,138,444	\$13,472,562,169	\$13,472,562,169	\$3,929,483	\$3,929,483
VP5	2034-35	2,403.50	3,428.58	\$1.0400	\$0.0850	\$6,816,530,041	\$6,816,530,041	\$13,429,399,489	\$13,429,399,489	\$3,916,894	\$3,916,894

*Basic Allotment: \$5,140; AISD Yield: \$106.28; Equalized Wealth: \$514,000 per WADA

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

M&O Impact of the ETC Texas project on PBT-ISD

A model is established to make a calculation of the "Baseline Revenue Model" (Table 2) by adding the total value of the project to the model, without assuming a value limitation is approved. A separate model is established to make a calculation of the "Value Limitation Revenue Model" (Table 3) by adding the project's limited value of \$30 million to the model. The difference between the two models (Table 4) indicates there will be a total revenue loss of \$572,243 over the course of the Agreement. Nearly all reduction in M&O taxes under the limitation agreement is offset through a reduction in recapture costs owed to the state under current law.

Table 2-- "Baseline Revenue Model" --Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate		State Aid	Recapture Costs	Additional Local M&O Collections	State Aid from Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Homestead Hold Harmless	Other State Aid	Total General Fund
QTP1	2019-20	\$55,494,922	\$662,383		-\$47,100,755	\$2,219,797	\$0	\$0	\$3,799	\$81,042	\$11,361,189
QTP2/VL1	2020-21	\$56,732,922	\$1,031,161		-\$48,199,600	\$2,269,317	\$0	\$0	\$3,865	\$81,042	\$11,918,706
VL2	2021-22	\$56,694,922	\$662,383		-\$48,250,052	\$2,267,797	\$0	\$0	\$3,823	\$81,042	\$11,459,915
VL3	2022-23	\$57,919,353	\$1,031,161		-\$49,296,954	\$2,316,774	\$0	\$0	\$3,907	\$81,042	\$12,055,283
VL4	2023-24	\$57,840,540	\$662,383		-\$49,312,414	\$2,313,622	\$0	\$0	\$3,863	\$81,042	\$11,589,035
VL5	2024-25	\$57,762,952	\$1,031,161		-\$49,240,575	\$2,310,518	\$0	\$0	\$3,860	\$81,042	\$11,948,958
VL6	2025-26	\$57,724,952	\$662,383		-\$49,202,803	\$2,308,998	\$0	\$0	\$3,860	\$81,042	\$11,578,431
VL7	2026-27	\$58,852,126	\$1,031,161		-\$50,167,715	\$2,354,085	\$0	\$0	\$3,936	\$81,042	\$12,154,635
VL8	2027-28	\$58,771,820	\$662,383		-\$50,175,195	\$2,350,873	\$0	\$0	\$3,895	\$81,042	\$11,694,818
VL9	2028-29	\$61,982,643	\$1,031,161		-\$52,929,464	\$2,479,306	\$0	\$0	\$4,110	\$81,042	\$12,648,798
VL10	2029-30	\$68,946,857	\$662,383		-\$59,161,757	\$2,757,874	\$0	\$0	\$4,456	\$81,042	\$13,290,855
VP1	2030-31	\$68,784,672	\$1,031,161		-\$59,514,822	\$2,751,387	\$0	\$0	\$4,213	\$81,042	\$13,137,652
VP2	2031-32	\$68,337,683	\$662,383		-\$59,115,433	\$2,733,507	\$0	\$0	\$4,190	\$81,042	\$12,703,372
VP3	2032-33	\$67,898,629	\$1,031,161		-\$58,703,658	\$2,715,945	\$0	\$0	\$4,177	\$81,042	\$13,027,296
VP4	2033-34	\$67,475,635	\$662,383		-\$58,306,558	\$2,699,025	\$0	\$0	\$4,165	\$81,042	\$12,615,692
VP5	2034-35	\$67,067,872	\$1,031,161		-\$57,923,936	\$2,682,715	\$0	\$0	\$4,153	\$81,042	\$12,943,007

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

Table 3-- "Value Limitation Revenue Model" --Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate		State Aid	Recapture Costs	Additional Local M&O Collections	State Aid from Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Homestead Hold Harmless	Other State Aid	Total General Fund
QTP1	2019-20	\$55,494,922	\$662,383		-\$47,100,755	\$2,219,797	\$0	\$0	\$3,799	\$81,042	\$11,361,189
QTP2/VL1	2020-21	\$56,082,922	\$1,031,161		-\$47,643,440	\$2,243,317	\$0	\$0	\$3,821	\$81,042	\$11,798,822
VL2	2021-22	\$56,082,922	\$662,383		-\$47,683,042	\$2,243,317	\$0	\$0	\$3,802	\$81,042	\$11,390,423
VL3	2022-23	\$57,345,353	\$1,031,161		-\$48,764,109	\$2,293,814	\$0	\$0	\$3,888	\$81,042	\$11,991,148
VL4	2023-24	\$57,304,540	\$662,383		-\$48,814,714	\$2,292,182	\$0	\$0	\$3,844	\$81,042	\$11,529,277
VL5	2024-25	\$57,264,952	\$1,031,161		-\$48,778,018	\$2,290,598	\$0	\$0	\$3,843	\$81,042	\$11,893,578
VL6	2025-26	\$57,264,952	\$662,383		-\$48,775,362	\$2,290,598	\$0	\$0	\$3,844	\$81,042	\$11,527,457
VL7	2026-27	\$58,430,126	\$1,031,161		-\$49,774,774	\$2,337,205	\$0	\$0	\$3,923	\$81,042	\$12,108,682
VL8	2027-28	\$58,387,820	\$662,383		-\$49,817,455	\$2,335,513	\$0	\$0	\$3,882	\$81,042	\$11,653,186
VL9	2028-29	\$61,636,643	\$1,031,161		-\$52,605,483	\$2,465,466	\$0	\$0	\$4,100	\$81,042	\$12,612,929
VL10	2029-30	\$68,638,857	\$662,383		-\$58,870,594	\$2,745,554	\$0	\$0	\$4,448	\$81,042	\$13,261,689
VP1	2030-31	\$68,784,672	\$1,031,161		-\$59,494,527	\$2,751,387	\$0	\$0	\$4,222	\$81,042	\$13,157,956
VP2	2031-32	\$68,337,683	\$662,383		-\$59,115,433	\$2,733,507	\$0	\$0	\$4,190	\$81,042	\$12,703,372
VP3	2032-33	\$67,898,629	\$1,031,161		-\$58,703,658	\$2,715,945	\$0	\$0	\$4,177	\$81,042	\$13,027,296
VP4	2033-34	\$67,475,635	\$662,383		-\$58,306,558	\$2,699,025	\$0	\$0	\$4,165	\$81,042	\$12,615,692
VP5	2034-35	\$67,067,872	\$1,031,161		-\$57,923,936	\$2,682,715	\$0	\$0	\$4,153	\$81,042	\$12,943,007

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Recapture Costs	Additional Local M&O Collections	State Aid from Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Homestead Hold Harmless	Other State Aid	Total General Fund
QTP1	2019-20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
QTP2/VL1	2020-21	-\$650,000	\$0	\$556,160	-\$26,000	\$0	\$0	-\$44	\$0	-\$119,884
VL2	2021-22	-\$612,000	\$0	\$567,010	-\$24,480	\$0	\$0	-\$21	\$0	-\$69,492
VL3	2022-23	-\$574,000	\$0	\$532,845	-\$22,960	\$0	\$0	-\$19	\$0	-\$64,135
VL4	2023-24	-\$536,000	\$0	\$497,700	-\$21,440	\$0	\$0	-\$18	\$0	-\$59,758
VL5	2024-25	-\$498,000	\$0	\$462,556	-\$19,920	\$0	\$0	-\$17	\$0	-\$55,380
VL6	2025-26	-\$460,000	\$0	\$427,441	-\$18,400	\$0	\$0	-\$15	\$0	-\$50,974
VL7	2026-27	-\$422,000	\$0	\$392,940	-\$16,880	\$0	\$0	-\$14	\$0	-\$45,953
VL8	2027-28	-\$384,000	\$0	\$357,741	-\$15,360	\$0	\$0	-\$12	\$0	-\$41,632
VL9	2028-29	-\$346,000	\$0	\$323,982	-\$13,840	\$0	\$0	-\$10	\$0	-\$35,869
VL10	2029-30	-\$308,000	\$0	\$291,163	-\$12,320	\$0	\$0	-\$8	\$0	-\$29,165
VP1	2030-31	\$0	\$0	\$20,294	\$0	\$0	\$0	\$10	\$0	\$20,304
VP2	2031-32	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP3	2032-33	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP4	2033-34	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VP5	2034-35	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

QTP= Qualifying Time Period
 VL= Value Limitation
 VP= Viable Presence

M&O Impact on the Taxpayer

Under the assumptions used here, the potential tax savings from the value limitation total \$5.0 million over the life of the agreement. The PBT-ISD revenue losses are expected to total approximately \$0.57 million over the course of the agreement. In total, the potential net tax benefits (after hold-harmless payments are made) are estimated to reach \$4.4 million, prior to any negotiations with ETC Texas Pipeline on supplemental payments.

I&S Funding Impact on School District

The project remains fully taxable for debt services taxes, with PBT-ISD currently levying a \$0.085 per \$100 I&S rate. The project is not expected to affect school district enrollment and is expected to depreciate over the life of the agreement and beyond. Local taxpayers should benefit from the addition of the ETC Texas Pipeline project to the local I&S tax roll. Continued expansion of the project and related development could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

**Table 5 - Estimated Financial Impact of the ETC Texas Project Property Value Limitation Request
Submitted to PBT-ISD at \$1.04 per \$100 M&O Tax Rate**

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	School District Revenue Losses	Estimated Net Tax Benefits
QTP0	2019-20	\$0	\$0	\$0	\$1.040	\$0	\$0	\$0	\$0	\$0
QTP1/VL1	2020-21	\$95,000,000	\$30,000,000	\$65,000,000	\$1.040	\$988,000	\$312,000	\$676,000	-\$119,884	\$556,116
QTP2/VL2	2021-22	\$91,200,000	\$30,000,000	\$61,200,000	\$1.040	\$948,480	\$312,000	\$636,480	-\$69,492	\$566,988
VL3	2022-23	\$87,400,000	\$30,000,000	\$57,400,000	\$1.040	\$908,960	\$312,000	\$596,960	-\$64,135	\$532,825
VL4	2023-24	\$83,600,000	\$30,000,000	\$53,600,000	\$1.040	\$869,440	\$312,000	\$557,440	-\$59,758	\$497,682
VL5	2024-25	\$79,800,000	\$30,000,000	\$49,800,000	\$1.040	\$829,920	\$312,000	\$517,920	-\$55,380	\$462,540
VL6	2025-26	\$76,000,000	\$30,000,000	\$46,000,000	\$1.040	\$790,400	\$312,000	\$478,400	-\$50,974	\$427,426
VL7	2026-27	\$72,200,000	\$30,000,000	\$42,200,000	\$1.040	\$750,880	\$312,000	\$438,880	-\$45,953	\$392,927
VL8	2027-28	\$68,400,000	\$30,000,000	\$38,400,000	\$1.040	\$711,360	\$312,000	\$399,360	-\$41,632	\$357,728
VL9	2028-29	\$64,600,000	\$30,000,000	\$34,600,000	\$1.040	\$671,840	\$312,000	\$359,840	-\$35,869	\$323,971
VL10	2029-30	\$60,800,000	\$30,000,000	\$30,800,000	\$1.040	\$632,320	\$312,000	\$320,320	-\$29,165	\$291,155
VP1	2030-31	\$57,000,000	\$57,000,000	\$0	\$1.040	\$592,800	\$592,800	\$0	\$0	\$0
VP2	2031-32	\$53,200,000	\$53,200,000	\$0	\$1.040	\$553,280	\$553,280	\$0	\$0	\$0
VP3	2032-33	\$49,400,000	\$49,400,000	\$0	\$1.040	\$513,760	\$513,760	\$0	\$0	\$0
VP4	2033-34	\$45,600,000	\$45,600,000	\$0	\$1.040	\$474,240	\$474,240	\$0	\$0	\$0
VP5	2034-35	\$41,800,000	\$41,800,000	\$0	\$1.040	\$434,720	\$434,720	\$0	\$0	\$0
						\$10,670,400	\$5,688,800	\$4,981,600	-\$572,243	\$4,409,357

QTP= Qualifying Time Period
VL= Value Limitation
VP= Viable Presence

Note: School district revenue-loss estimates are subject to change based on numerous factors, including:

- Legislative and Texas Education Agency administrative changes to the underlying school finance formulas used in these calculations.
- Legislative changes addressing property value appraisals and exemptions.
- Year-to-year appraisals of project values and district taxable values.
- Changes in school district tax rates and student enrollment.

Attachment E

Taxable Value of Property

195-901/Pecos-Barstow-Toyah ISD

Category	Local Tax Roll Value	2017 WTD Mean Ratio	2017 PTAD Value Estimate	2017 Value Assigned
A. Single-Family Residences	245,375,469	N/A	245,375,469	245,375,469
B. Multi-Family Residences	9,587,820	N/A	9,587,820	9,587,820
C1. Vacant Lots	22,153,680	N/A	22,153,680	22,153,680
C2. Colonia Lots	0	N/A	0	0
D1. Rural Real(Taxable)	9,635,350	N/A	9,635,350	9,635,350
D2. Real Prop Farm & Ranch	7,891,100	N/A	7,891,100	7,891,100
E. Real Prop NonQual Acres	43,607,720	N/A	43,607,720	43,607,720
F1. Commercial Real	139,477,553	N/A	139,477,553	139,477,553
F2. Industrial Real	809,715,789	N/A	809,715,789	809,715,789
G. Oil, Gas, Minerals	2,562,758,610	N/A	2,562,758,610	2,562,758,610
J. Utilities	693,428,720	N/A	693,428,720	693,428,720
L1. Commercial Personal	49,141,391	N/A	49,141,391	49,141,391
L2. Industrial Personal	1,025,804,310	N/A	1,025,804,310	1,025,804,310
M. Other Personal	16,313,570	N/A	16,313,570	16,313,570
N. Intangible Personal Prop	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	0	N/A	0	0
Subtotal	5,634,891,082		5,634,891,082	5,634,891,082
Less Total Deductions	456,378,602		456,378,602	456,378,602
Total Taxable Value	5,178,512,480		5,178,512,480	5,178,512,480 T2

Comptroller Of Public Accounts - Property Tax Division

2017 ISD Summary Worksheet

195-901/Pecos-Barstow-Toyah ISD

Final Values Worksheet

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T4 will be the same as T7 through T10.

Value Taxable For M&O Purposes

T1	T2	T3	T4
5,198,856,395	5,178,512,480	5,198,856,395	5,178,512,480

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
20,343,915	0

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10
5,492,161,655	5,471,817,740	5,492,161,655	5,471,817,740

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

Attachment F

TEA's Facilities Value