

M I D L A N D - O D E S S A

MOTRAN

TRANSPORTATION ALLIANCE, INC.

Annual Report 2006





The Entrance to the Pacific Corridor

The Entrance to the Pacific Corridor is a state and federally designated trade corridor from Texas to Chihuahua City, Chihuahua, Mexico, and continuing to the Mexican Pacific port of Topolobampo in the Mexican state of Sinaloa. Chihuahua is one of the four largest trading partner states with the United States, and this new corridor would capture a majority of this trade for Texas. Long term, after the completion of a highway from Chihuahua City to Topolobampo, and improvement of rail facilities, it would offer Texas with long-term access to a Pacific deep water port that is approximately 500 miles closer and much less expensive than the Port of Los Angeles.

The concept of this major new trade corridor was developed jointly by MOTRAN Alliance and the Departments of Economic Development of the States of Chihuahua, Sinaloa and Durango. All four entities support the development of this corridor strongly. The concept was originally endorsed by Governor Patricio Martinez Garcia of Chihuahua, Governor Angel Sergio Guerrero Mier of Durango, and Governor Juan S. Millán Lizárraga of Sinaloa and Governor George Bush of Texas.

Trade with Chihuahua

According to data from the U.S. Department of Commerce, trade with Mexico continues to grow and provides tremendous benefits to the State of Texas. In 2002, Texas exported over \$37.6 billion in goods to Mexico. By far, the largest amount of goods, \$13.6 billion, is destined for Chihuahua. In addition, the Pacific seaport connections of La Entrada al Pacifico will enable a more direct and less congested route to take advantage of the growing Asian-Pacific markets.

Present Corridors into Western Mexico

Nearly all of the trade with Western Mexico now passes through the port of El Paso and Juarez. The bridge and port facilities at the crossings in El Paso-Juarez are already overloaded, thus motivating the construction of the Santa Teresa crossing approximately 20 miles west of El Paso, into the state of New Mexico. This crossing along with a proposed north-south interstate highway in southeast Arizona, will essentially direct all of the growth in trade with Western Mexico into Arizona and New Mexico and will totally bypass the state of Texas. A study that was done by McCray Research indicates that this trade wants to go northeast.

Economic Opportunities along La Entrada Al Pacifico Corridor

With the volume of present and future trade with Chihuahua, Durango and Sinaloa, as well as the Pacific Rim Countries, there will be enormous opportunities for warehousing, distribution, sub-assembly and assembly of imports, as well as manufacturing warehousing and distribution of exports, all in the state of Texas. Texas already has the basic infrastructure in areas along the proposed corridor to take advantage of these types of businesses. It is estimated that these businesses can result in substantial additional employment and economic impact for Texas if the corridor proposed herein is developed.

Texas Cities Which Will Benefit from this proposed corridor will be all cities in West and Central Texas. Those cities located along Interstate Highways I-20 and I-10 will benefit most in that they will then have direct access to Western Mexico and the Pacific. This includes Dallas, Fort Worth, Abilene, Midland and Odessa. If the corridor is completed north from the Midland/Odessa area, then the cities along I-27 including Lubbock, Plainview and Amarillo will also benefit heavily from this corridor.

Secondarily, all cities in West and Central Texas, which have good access to I-27, I-20 or I-10, will benefit considerably due to access to these new markets.

Updates

In late 2003, the State of Chihuahua finished the initial phase of La Entrada al Pacifico in Mexico with completion of the new highway between Chihuahua City and Ojinaga. This road cuts the driving time in half over the existing roadway, and provides an excellent roadway for transporting delicate freight materials.

Since completion of the road, commercial border crossings have increased over 300% at Presidio/Ojinaga.

Construction by Glamis, Ltd. continues on the second phase of the project, with construction of a new roadway through the Copper Canyon area between Chihuahua and Sinaloa. Governor Reyes Baeza of Chihuahua, Mexico and Governor Aguilar of Sinaloa have both committed their administrations' resources to completion of the project in Mexico in the next five years.



2006 has been a landmark year for the Midland-Odessa Transportation Alliance.

In late 2005, MOTRAN received word that our area would receive an additional \$13.5 million in Commission Strategic Funds from the Texas Transportation Commission. \$10 million was directed to be used in association with the 349 Relief Route and its associated projects, while the remaining \$3.5 million is being used to help fund the JBS Overpass projects.

Just after the first of the year, we received even more good news, with the announcement of \$1.25 million in additional federal funding for US 67 expansion, and \$810,000 in federal funding to begin the planning process for a proposed relief route in Marfa.

These funds mark a significant financial commitment to the future of the La Entrada al Pacifico corridor and a much needed investment in our regional transportation infrastructure.

This year, we mark the 50th Anniversary of the United States Interstate Highway System, which has proved to be an invaluable transportation and economic tool for our entire nation. The Interstate system was not about meeting current demands, but rather a bold plan for the needs of future generations.

La Entrada al Pacifico is also about a vision for our future, much as the Interstate Highway System must have seemed during the 1950's. We appreciate your support for that vision and for the future generations who will benefit from your foresight.

Murray A. "Drew" Crutcher
Chairman, 2005-2006



Mexican Road Construction

Governor Jose Reyes Baeza Terrazas has announced the State of Chihuahua will be upgrading 3.5 kilometers of roadway in Ojinaga that serves as the gateway to La Entrada in Mexico.

The improvements will provide a more direct route between the Port of Ojinaga and the new road to Chihuahua City. The project will provide a 6-lane freeway with a projected cost of close to \$45 million (US dollars) and is scheduled to begin in late 2006.

In addition, the State of Chihuahua is currently working on and expects to complete improvements this year on the road to Manuel Benavides. The roadway provides a connection between the agrarian based community and La Entrada al Pacifico, as well as, improved access to the Port of Ojinaga.

Construction is also underway and scheduled to be completed in early 2007 on 15 kilometers of La Entrada al Pacifico between Cuauhtemoc and La Junta, south of Chihuahua. The roadway is being expanded to four lanes at a cost of \$15.5 million (US dollars) being funded by the federal government in Mexico. In Chihuahua City, work is also being completed on the northern section of the industrial loop. When completed, the project will provide expanded lanes for direct access to the city's many industrial parks for commercial traffic.

In the State of Sinaloa, Governor Jesus Alberto Aguilar Padilla has been moving forward on La Entrada al Pacifico projects as well.

Roadway through El Fuerte has been expanded to four lanes to provide a commercial gateway through the community at a cost of \$3 million (US dollars).

In addition, 15.5 kilometers of roadway between El Fuerte and San Blas, has been expanded to a 40-foot width, providing two 12-foot wide lanes for traffic and ten foot shoulders. The project will be finished in late 2006 at a cost of \$10 million (US dollars).

Five kilometers of roadway from El Fuerte to Choix will also be expanded to a 40-foot width beginning next year at a projected cost of \$3 million (US dollars).

These projects are part of Governor Jesus Alberto Aguilar Padilla's commitment to have expanded roadway all the way to Choix by the end of his term of office, and the 40-foot width will allow for easy expansion of this roadway to 4-lane as traffic increases.



Benefits of La Entrada al Pacifico

Savings on trucking cost	\$309
Savings in drive time	3 hours
Savings in port crossing time	3 hours

*Based on one way commercial freight shipment between Chihuahua City and the DFW Metroplex.
Source: Alderete and Associate Consulting

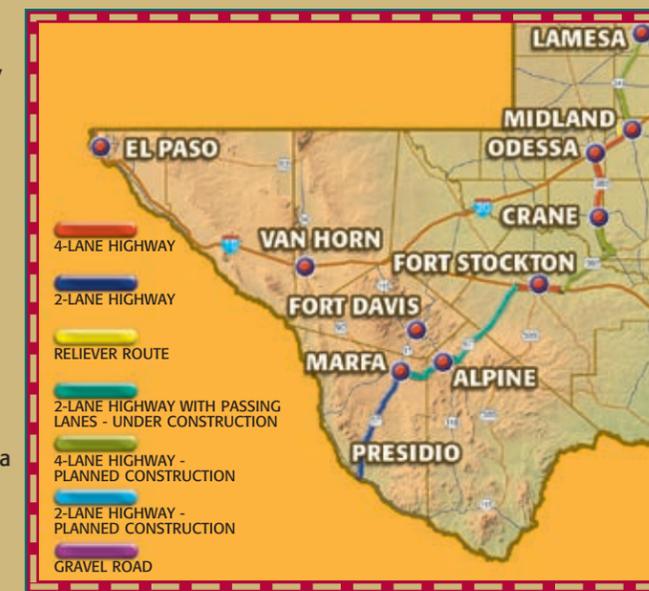
Road Construction in Texas

Construction is underway on two projects to add passing lanes along the portion of US 67 that comprises part of La Entrada al Pacifico headed by the TXDOT El Paso District office. The first project is over 13 miles of US 67 from State Highway 17 to the Presidio County line at a total cost of \$12.2 million. This project was started in late 2006 and is expected to be complete in late 2007.

The other project along US 67 stretches 20 miles from east of Alpine towards the Brewster and Pecos County line at a cost of \$7.7 million. This project was let in June of 2006 and is also expected to be completed in late 2007.

Additional work is planned along US 67 in Pecos County under the supervision of the TXDOT Odessa District office. However, as of yet designs are not complete for this portion of work for US 67.

The State Highway 349 Relief Route is also scheduled tentatively to begin sometime in 2007. The project has been estimated at \$35 million and will provide 16 miles of new roadway to provide a direct connection for La Entrada al Pacifico between Midland and Ector Counties.



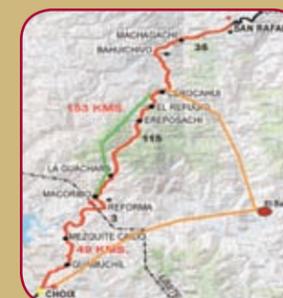
Regional Rail Initiatives



MOTRAN and the La Entrada al Pacifico Rural Rail Transportation District (LEAP) continue to work together on several items concerning local rail service. This year, both groups have joined with TXDOT and communities from West Texas and the Panhandle to form the West Texas Freight Rail Study Group and are currently working with consultants on a study of current demands and constraints within the West Texas freight system, as well as areas that need to be improved to ensure continued service for the future.

In addition, MOTRAN and LEAP are leading the effort to study the economic feasibility of a north-south line connecting the Midland-Odessa area to other area rail systems to provide competitive service and increased rail shipping opportunities for current businesses and future economic prospects.

International Planning Efforts



The La Entrada al Pacifico Study being conducted by TXDOT was recently awarded to HDR and Parkhill, Smith, and Cooper Engineering. The \$1.5 million dollar transportation planning study will take place over the 2006-07 fiscal year and provide valuable data to help determine needed projects, as well as, prioritize those improvements to aid in planning for roadway enhancements in Texas.

In addition, the State of Chihuahua recently completed a study contracted to the firm of Alderete and Associates, an industrial and business consulting firm in Mexico.

The study determined that businesses using La Entrada al Pacifico, as opposed to current routes through Juarez and El Paso, stood to reduce mileage by 134 miles and save \$309 in trucking costs on a one-way trip from Chihuahua, Mexico to Dallas, Texas. In addition, the study indicated a savings of 3 hours in drive time, as well as a savings of 3 hours at the border crossing, providing for commodities arriving at their destination a total of 6 hours sooner.

The study by Aldrete and Associates also urges a more direct roadway through the Copper Canyon, as opposed to a portion built by the Glamis Gold Company (shown in orange). The proposed road from Cerocahui to Macoribo (shown in green) would provide a more direct path for commercial freight and tourists.

MOTRAN Secures Additional State and Federal Funding

During 2006, MOTRAN worked with members of the US House and Senate to secure additional transportation infrastructure dollars for the La Entrada al Pacifico corridor. In the federal appropriations process, MOTRAN worked with United States Senator John Cornyn to obtain an additional \$1.25 million dollars towards the expansion of US 67 between Presidio and Fort Stockton.

In addition, US Congressman Henry Bonilla was able to obtain \$810,000 for use on a Marfa Relief Route for US 67. These funds complimented the previous \$14.7 million in funding awarded during the Transportation Reauthorization Process at the end of 2005.

In addition, MOTRAN worked closely with the Texas Transportation Commission and House Speaker Tom Craddick for an additional \$13.5 million in Commission Strategic funding. The funding included \$10 million for the SH 349 Relief Route and \$3.5 million for the JBS Parkway interchanges at I-20 and BI-20 in Odessa.

Motran President James Beauchamp also praised the hard work of Congressman Mike Conaway. "We have been blessed by the addition of Congressman Conaway. He has been a true advocate for the Midland and Odessa area, and we look forward to working with him for many years to come."



TXDOT Appreciation Event at the Ballpark

MOTRAN had its second TxDOT appreciation event at the Citibank Ballpark this year. The event was open for all TxDOT employees and their families.

Over 300 people participated in this year's event, including TxDOT Executive Director Mike Behrens and Steve Simmons, Amadeo Saenz, Coby Chase, Cody North, and Shawna Russell from the TxDOT Division office in Austin.

This year's special guest was TxDOT Commissioner Hope Andrade.



MOTRAN Welcomes New Board Members



MOTRAN welcomed Midland member, Steve Castle, as the new board chairman for the 2006-2007 fiscal year. Castle is a former chair of the Midland Chamber of Commerce. He replaces outgoing 2005-06 MOTRAN Chairman Drew Crutcher from Odessa.

New board members include Susie Hitchcock-Hall, owner of Susie's South Forty and past chair of the Midland Chamber of Commerce. New Odessa members include David Boutin of Western National Bank, and chair-elect of the Odessa Chamber of Commerce and Leldon Hensley, past chair of the Odessa Development Corporation.

2005-06 Chairman Drew Crutcher noted, "We have a tremendous group of new board members this year who will bring a great deal of energy and enthusiasm to the board. These are folks who understand and have committed themselves professionally and personally to building a brighter future for Midland and Odessa together."

MOTRAN Participates in First Annual Texas Transportation Forum



MOTRAN was invited to participate in TXDOT's 1st Annual Texas Transportation Forum. The event was attended by approximately 1500 people representing various communities and interests from around the State of Texas.

La Entrada al Pacifico was one of 4 corridors from the State of Texas to be showcased at the event for their partnership with TXDOT. Presentations focused on efforts to integrate these corridors with TXDOT initiatives and planning.

Other corridors highlighted at the conference included I-35, I-69, and the Ports to Plains Corridor.

United States Senator Kay Bailey Hutchison was the recent recipient of the 2006 MOTRAN Milemarker Award.

During the event hosted by MOTRAN, Senator Hutchison noted her appreciation for the cooperative venture between Midland and Odessa and her support for the La Entrada al Pacifico trade corridor. 2006 MOTRAN Chairman Drew Crutcher presented the Senator with the Milemarker Award and expressed MOTRAN's appreciation to the Senator for the vital role she plays in the Senate and her support of the Permian Basin and West Texas.



Special guest speakers included United States Congressman Mike Conaway and Texas Railroad Commission Chair Elizabeth Ames Jones.

MOTRAN ALLIANCE, INC. BOARD OF DIRECTORS

FOUNDING DIRECTORS

Drew Crutcher
Odessa Chamber

Steve Castle
Midland Chamber

Richard Morton
City of Odessa

Marcus Johnston
City of Midland

Commissioner Freddie Gardner
Ector County

Commissioner Jimmy Smith
Midland County

FOUNDING ORGANIZATIONS

Judge Jerry D. Caddel
Ector County

Judge William C. Morrow
Midland County

Mayor Larry Melton
City of Odessa

Mayor Mike J. Canon
City of Midland

Mike George
Odessa Chamber of Commerce

John Breier
Midland Chamber of Commerce

DIRECTORS AT LARGE

Dewey Bryant
Robert R. Donnelly

J.T. Herd
Rick Carlton

Austin R. Keith
Terry Bryant

PAST CHAIRPERSONS

Charles R. Perry
Buddy Sipes

Bob Barnes
Don Wood
Kyle Womack

Betsy Triplett-Hurt
Danny Jones

MOTRAN ALLIANCE, INC. 2006 BUSINESS CONTRIBUTORS

Platinum:
DEW Investments
Don Wood

Capitol Aggregates
Larry Quinney

Gold:
Huntsman
Bob Squires

Silver:
Agri-Empressa
Steve Goree
Atmos Energy Corporation
Dan Alderson

Chase Bank (Bank One)
Thomas Blackstone

Jane Hext

Jones Brothers
Terry Bryant

Parkhill, Smith & Cooper, Inc.
Kyle Womack

Raba-Kistner Infrastructure
Gary W. Raba

Reece Albert, Inc.
John Campbell

Schlotsky's, Ltd.
Bob Barnes

Seminole EDC
Donna Johnson

Warren Equipment Co.
Richard Folger

Western National Bank
Jack Wood

Supporting:
AT&T
Linda Foster

CEMEX, Inc.
Suzanne Berglund

City of Lamesa
Fred Vera

Freedom Pontiac
Buick GMC Truck
Jo Hooker

Lakewest, Ltd.
Sam Holloman

Landgraf, Crutcher &
Assoc., Inc.
Drew Crutcher

Lone Star Abstract & Title
Jack Campbell

Perry Management, Inc.
Charles R. Perry

Pinkie's, Inc.
Austin R. Keith

R. C. Slack
Richard C. Slack

SBC, LP
Douglas B. Henson

SouthWest Bank
Dewey Bryant

State National Bank
Brent Beakley &
Shonna Estep

The Eastland Oil Company
Robert R. Donnelly

TXU Electric Delivery
Mike Nieto

Wagner & Brown
Grant Billingsley

West Texas State Bank
La Doyce Lambert

Standard:
Briley Construction
Jeff Briley

Chisos Operating
Buddy Sipes

City of McCamey
Sherry Phillips

Community National Bank
John L. West

Complex Community Federal
Credit Union
Bob Crenshaw

James B. Goates, DDS

E. L. Farmer & Company
Carlton Koym

Elms, Faris & Company
Tracy K. Elms

Fasken Oil and Ranch, Ltd.
Chuck Hedges

First National Bank
of Midland
Ken Burgess

G. William Fowler, P.C.
G. William Fowler

Holt Cattle Corp.
Robert B. Holt

MacLondon Companies
Kirk Edwards

Midland Reporter-Telegram
Charles A. Spence

Mims & Stephens
David Mims

Noël Investments
Grace King

Presidio County
Jerry C. Agan

Z-Bar Cattle Company
Buzz & Betsy-Triplett Hurt

Other:
Churchill Management
Louis Rochester