

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

TRANSPORTATION ALLIANCE, INC.



Annual Report 2015

OIL PRICES ARE DOWN BUT ENERGY IN THE PERMIAN BASIN IS STILL GROWING

The decline in oil prices during this past year has led to declines in production in most North American oil plays, according to the Energy Information Administration. From just June to July of 2015, production declined by 49,000 barrels a day in the Eagle Ford, 29,000 barrels a day in the Bakken, and 17,000 barrels a day in the Niobrara; however, during that same time, production in the Permian Basin increased by 3,000 barrels a day.

Currently, the Permian Basin has produced over 2,000,000 barrels of oil daily, levels that have not been seen since the early 1980s.

The decline in prices has had an impact on activity. However, that doesn't mean all the activity goes away. Half of the active drilling rigs in Texas and a quarter of the active drilling rigs in the U.S. are still located in the Permian Basin, and those numbers have been steady for over 25 years.

We continue to see traffic counts and population numbers rise, because even with the declines in new drilling activity, we have seen growth in the service industry related to the increased production, which has offset those declines and then some.

There are a lot of folks in our state who think if prices go down, the Permian Basin goes away, along with all the needs they were quick to recognize when prices were high and enormous revenues were being generated for the state. But what we are seeing right now clearly indicates that those needs have not gone away and are more pressing than ever.

In addition to its historic oil production and having the lion's share of wind-generated power in Texas, the Permian Basin is now set to lead Texas in solar power. Recently several solar farms have broken ground in Andrews, Dawson, and Upton Counties. The Upton County project by SunEdison reached an agreement earlier this year with Luminant to purchase 116 megawatts daily.

The facility spans nearly 800 acres with approximately 485,000 photovoltaic solar panels. That's approximately the same size as 600 football fields, with enough solar panels, arranged end to end, to reach from El Paso to Dallas. When completed, the facility's 116 megawatt daily production will be enough to power 58,000 Texas homes during normal demand or 23,200 at peak demand.

So, even with prices down and uncertainty about the future, one thing that you can be sure of is that the Permian Basin is and continues to be the dominant leader in energy for our state and our nation.

Trey Crutcher
MOTRAN Chairman



Increases in exports from Midland and Odessa Metro Areas \$4.1 BILLION IN TOTAL VALUE OF EXPORTS FOR 2014

Midland ranked #1 of 381 US metro areas for increased value of export growth from 2003-2014, according to the Brookings Institute, with Odessa coming in at #2 for the same period.

Exports from the Midland and Odessa metropolitan areas constitute 10% of GDP for the area and support 16,737 jobs.

IDENTIFYING AREA NEEDS AND MAXIMIZING THE BENEFITS OF ADDITIONAL INVESTMENT

During the past year, MOTRAN efforts related to additional infrastructure investment in the Permian Basin paid tremendous dividends. The passage of Proposition 1, along with legislative appropriations and additional funding by the Legislative Budget Board, provided more than \$150 million in increased funding for the Odessa District.

The majority of those funds went to maintenance projects or to make adjustments to existing structures, such as interstate ramps. All the while, the need for additional capacity throughout the area has continued to grow.

This year, MOTRAN requested via TXDOT Administration and the MOTOR MPO an updated traffic study for the Midland-Odessa metropolitan area to determine the current demand on transportation infrastructure and the future impact of growth in the region. The study also helps determine projects that will address those needs and provide for improved mobility and safety.

MOTRAN past chairman Drew Crutcher indicated the importance of the effort by saying, "Having a current traffic study provides local decision makers with professional engineering reports including real traffic data. By bringing some actual science to the process, they will have a better perspective of the area's transportation network and the tools necessary to make better decisions and maximize the impact of our limited funding."

TXDOT executed the contract in August to conduct the updated effort, slated to be completed in the spring of 2016. The last traffic study for the area was conducted in 2002, prior to increased area growth.

In addition to the traffic study for the metropolitan area, MOTRAN also worked with the Permian Basin Regional Planning Commission's Rural Planning Organization to start a discussion about area needs throughout the Permian Basin region. The effort led to a series of meetings between the TXDOT Odessa District and county judges in the region, as well as public hearings on rural transportation needs.

MOTRAN RELEASES RURAL TRANSPORTATION PLAN

In 2015, MOTRAN released its Rural Transportation Plan, due in part to the Texas Legislature's call for TXDOT to review funding categories and formulas.

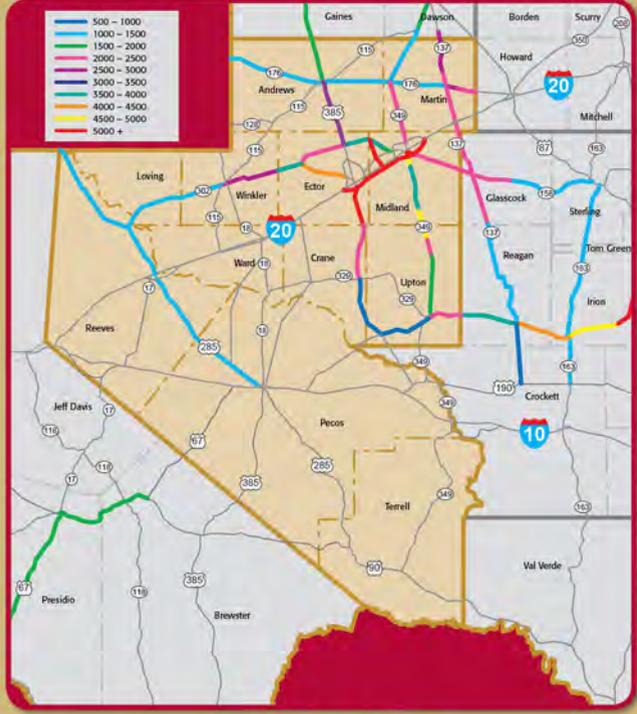
The MOTRAN plan calls for additional funding for the Texas Trunk System as well as a review of the current Trunk System roadways and reprioritization of projects based on energy impacts and population/traffic growth.

The plan also prioritizes safety improvements such as full 8-foot shoulders and rumble strips.

"While there has been an extensive call over the last decade to address congestion, we have failed to bring attention to critical safety issues," said MOTRAN President James Beauchamp. "The improvements we lay out in the MOTRAN Rural Transportation Plan have been studied and have quantified results, not just in regard to cost but also in the number of lives that can be saved. Texas is a big state with a lot of needs, but it's important that we reverse the growing trend of increased fatalities. This plan is aimed at doing just that."

MOTRAN RURAL TRANSPORTATION PLAN

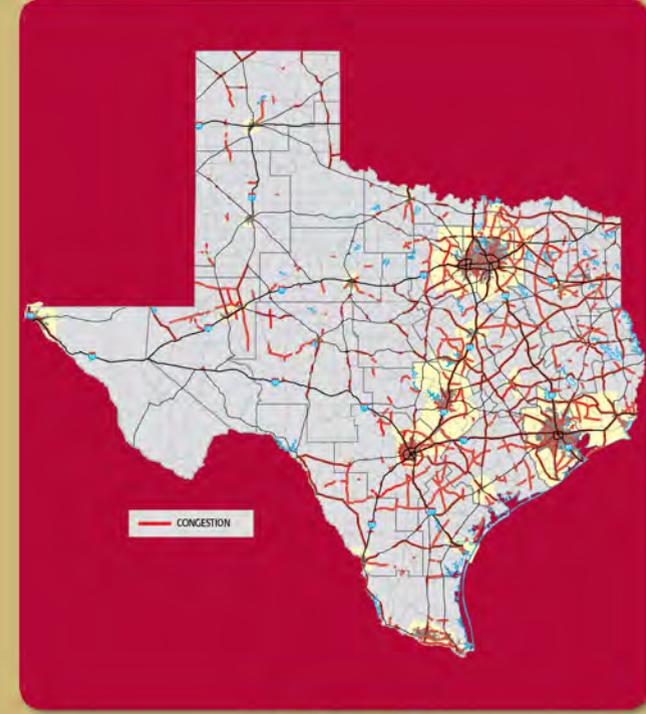
- Complete the Texas Trunk System
- Amend Trunk System to Include Energy Sector Additions from the 2030 Committee
- Improved shoulders on 2 lane rural roads
- Pave entrances and exits to high traffic facilities to prevent edging failures



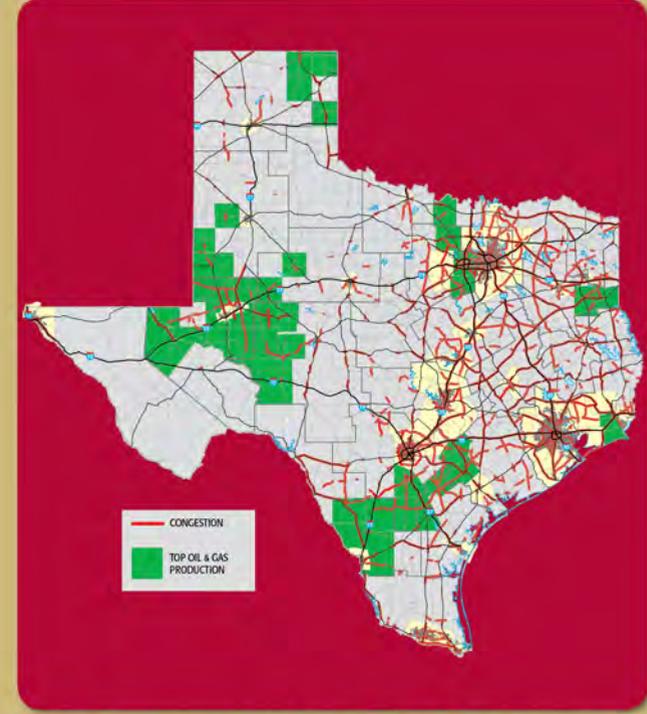
Increase in AADT



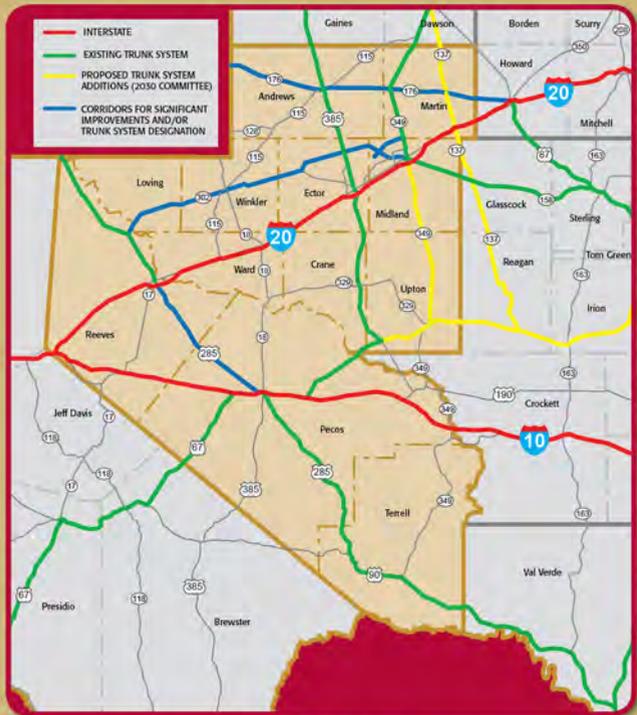
Total AADT



2012 Congestion



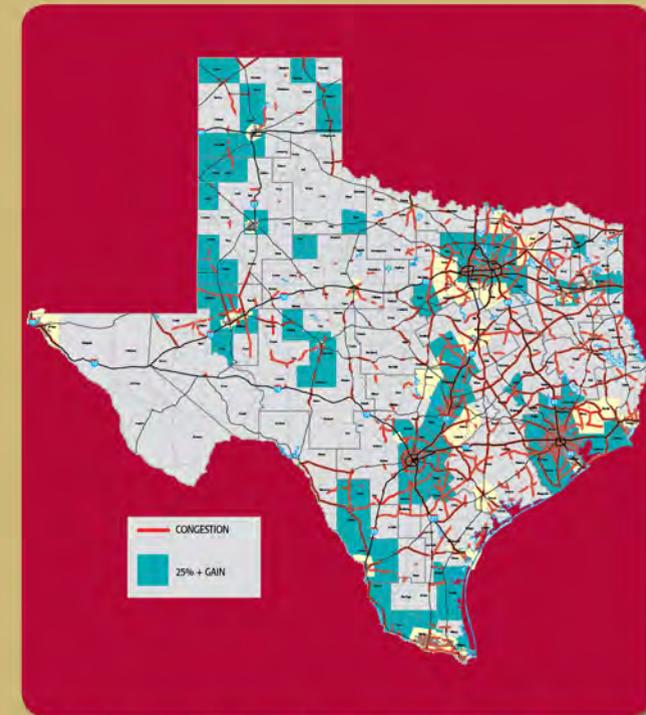
2012 Congestion with Top Oil And Gas Production



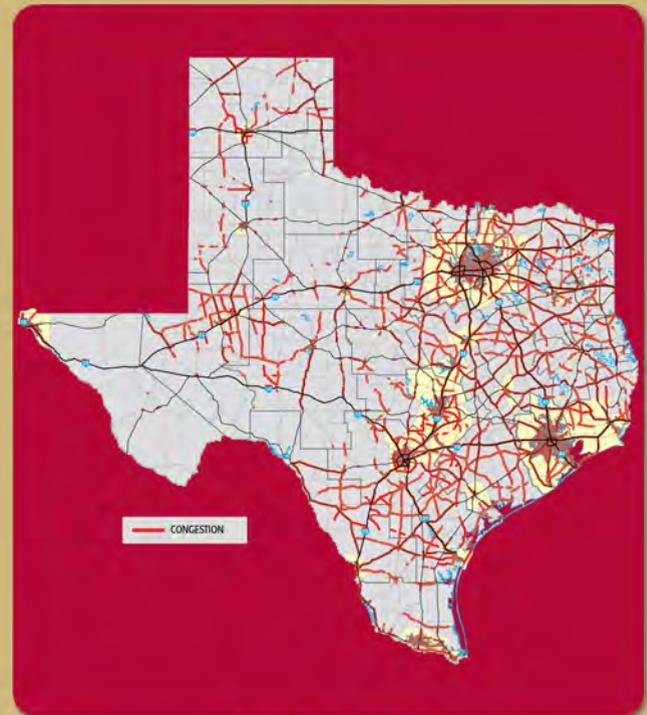
Odessa District Rural Corridor Improvements

MOTRAN AREA TRANSPORTATION RECOMMENDATIONS

- Complete US 385 between Crane and I-10 to Trunk System Standards
- Improve SH 349 South of Midland to US 67 and US 67 from McCamey to San Angelo as 4 lane highways (inclusion in TX Trunk System)
- Improve SH 302 from Ector County Line to Kermit and SH 176 from NM State line to Andrews as 4 lane highways
- Add US 285 from I-20 to I-10 to Texas Trunk System
- Complete Loops 250 and 338 in Midland and Odessa

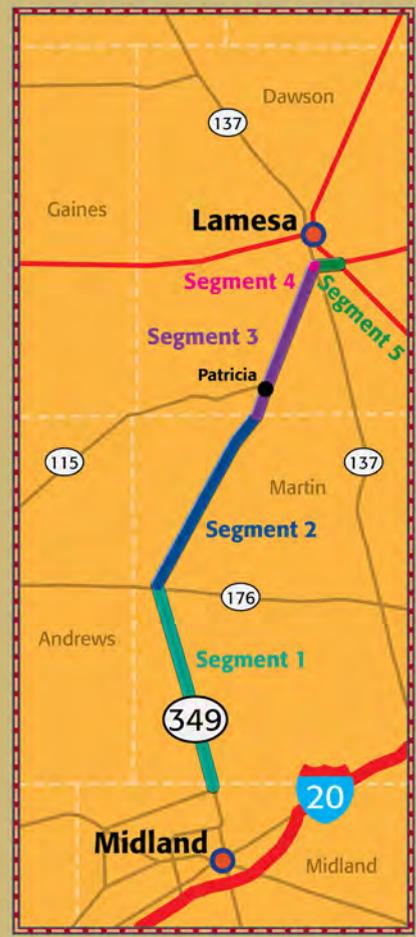


2012 Congestion with 2030 Population Increase



2032 Congestion

SH 349 UPDATE



TOTAL INFRASTRUCTURE INVESTMENT
\$56,921,270

- Segment 1: Martin County (Rehab & Expand to 4 Lane)**
 Midland to SH 176
 Bid Received: September 2012
 Bid Price: \$15,156,095.44
 Construction Began: 2012-13 (Complete)
 Estimated Completion: End of summer in 2015
- Segment 2: Martin County (Rehab & Expand to 4 Lane)**
 Dawson County Line to 5 miles south
 Bid Received: September 2012
 Bid Price: \$6,450,782.01
 Construction Began: 2012-13 (33% Complete)
 Estimated Completion: ?
- Segment 3: Dawson County (Rehab & Expand to 4 Lane)**
 Dawson County Line to SH 137
 Bid Received: August 2013
 Bid Price: \$18,313,515
 Construction Underway
 Estimated Completion: Spring 2017
- Segment 4: SH 349 Extension (Southern Cross)**
 New Connector for SH 349, SH 137, and FM 2052
 Cost Estimate: \$22,000,000
 Tentative Letting Date: May 2016
 Estimated Completion Date: Summer 2018
- Segment 5: FM 2052**
 Rehab and Widen FM 2052 to provide direct access to US 87 from SH 349 South of Lamesa
 Cost Estimate: \$1,422,000
 Tentative Letting Date: October 2016
 Estimated Completion Date: Spring 2018

SH 158 UPDATE



TOTAL INFRASTRUCTURE INVESTMENT
\$66,458,487



- Segment 1: Midland County (Rehab)**
 4 miles south of Interstate 20 to Glasscock County Line
 Bid Received: October 2013
 Bid Price: \$10,798,004
 Expected Construction Start: February 2015 (95% Complete)
 Estimated Completion: 10 months
- Segment 2: Glasscock County (Rehab & Expand to 4 Lanes)**
 Midland County Line to Garden City
 Bid Received: June 2013
 Bid Price: \$13,812,177
 Construction Began: October 2013 (53% Complete)
 Estimated Completion: 21 months
- Segment 3: Glasscock County (Rehab & Expand to 4 Lanes)**
 Garden City to Sterling County Line
 Bid Received: October 2013
 Low Bid: \$19,242,153
 Construction Underway
 Estimated Completion: June 2016
- Segment 4: Sterling County (Rehab & Expand to 4 Lanes)**
 Sterling County Line to US 87
 Bid Received: October 2013
 Low Bid: \$22,606,153
 Construction Underway
 Estimated Completion: August 2016



TRYON LEWIS APPOINTED TO THE TEXAS TRANSPORTATION COMMISSION

On February 13, 2015, Texas Governor Greg Abbott appointed Tryon Lewis of Odessa to the Texas Transportation Commission, and in March of this year, Abbott went on to name Lewis as chairman of the commission.

In his statement, Governor Abbott said, "Reliable transportation infrastructure is vital to the economic growth and success of the state of Texas. Bruce Bugg and Tryon Lewis will be effective voices for accelerating economic expansion, growing jobs, and improving infrastructure without raising taxes, fees, or tolls. I look forward to working with them in providing permanent solutions to our state's transportation challenges."

Lewis is a former state representative from Texas' 81st District, serving from 2008 to 2015. Prior to serving in the Texas Legislature, Lewis practiced law in Odessa from 1973 to 1984. In 1985, Lewis took office as a state district judge, serving in that capacity until February 2006, after which he returned to practicing law. During Lewis' legislative career, he served as the chairman of the Judiciary and Civil Jurisprudence Committee from 2013 to 2015 and was the co-chair of the Joint House Senate Committee on Judicial Selection in 2014. Lewis is currently a partner at Atkins, Hollman, Jones, Peacock, Lewis & Lyon law firm.



The appointment of Tryon Lewis to the Texas Transportation Commission marks only the third time since the inception of the commission in 1917 that a Midland-Odessa resident has been tapped to serve on the commission. Previous commissioners were Fred Wemple of Midland (1947-1953) and Ray Stoker Jr. of Odessa (1985-1993).

"It is a historic occasion for Midland-Odessa and the Permian Basin," said MOTRAN Chairman Trey Crutcher. "We are excited about having a highway commissioner from our area, but we also understand that in his new position he won't just represent the Permian Basin, but rather our entire state. The cornerstone of his career as an attorney, district judge and state representative has been his commitment to fairness, and I believe the entire state, as well as the Permian Basin, will benefit tremendously from his leadership."

SOME IMPROVEMENTS DON'T REQUIRE ASPHALT

- According to MOTRAN President James Beauchamp, currently the Presidio/Ojinaga Port of Entry is losing out on approximately 5921 cargo loads due to a lack of necessary infrastructure.
- A little over 1100 of those loads can be brought back with our improved port facilities in Mexico and expanded international bridge. However, around 4800 of those loads are due to the lack of USDA Inspection Services at the port.
- Even without a single speck of asphalt, providing that basic inspection service in Presidio will help bring back a lot of business to Presidio and the State of Texas.
- Beauchamp estimated the economic benefit of additional agricultural inspection services to save businesses well over \$2 million in reduced transportation fees and would provide more than 100 additional jobs.

NEW FACES ON THE MOTRAN BOARD



Jay Isaacs

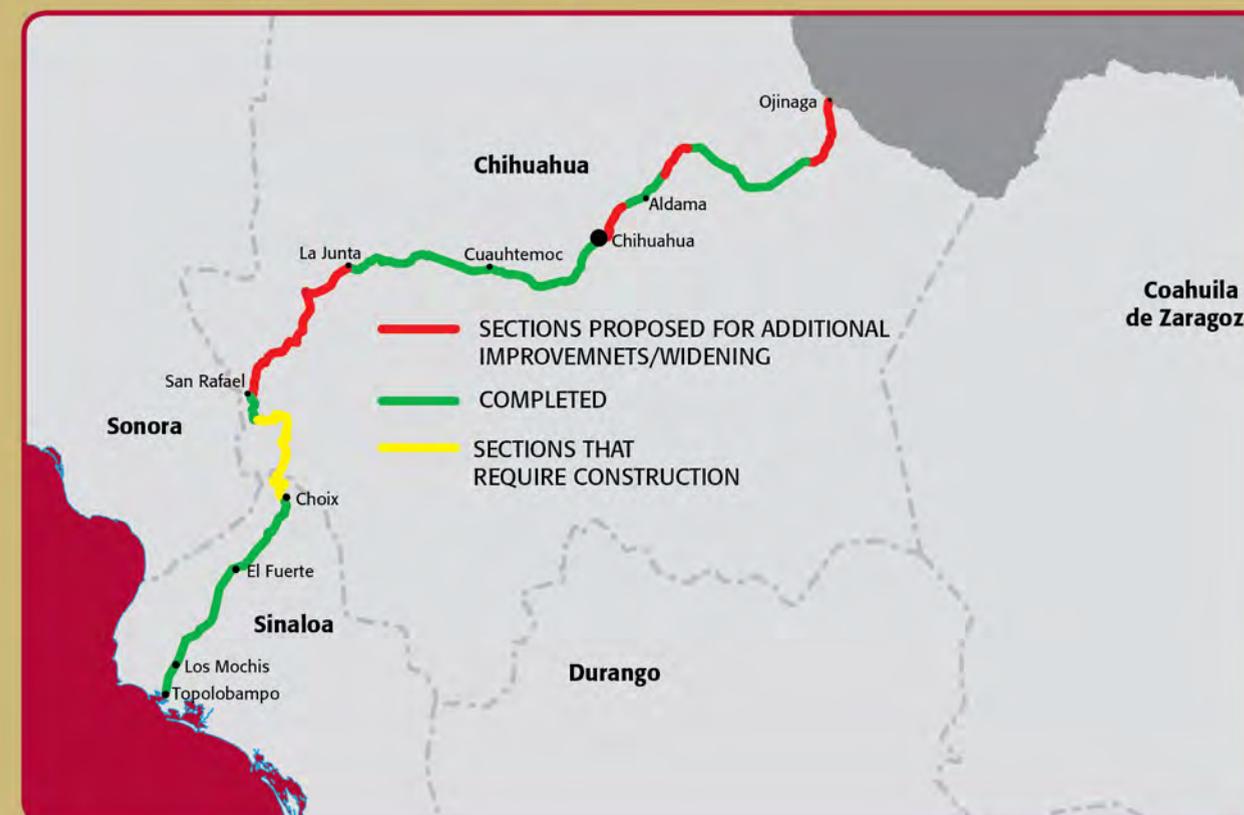
Jay Isaacs is the new director for the Midland Chamber of Commerce on the MOTRAN Board. Jay has been in the banking business for more than 36 years and currently serves as director and president of FirstCapital Bank. He is a graduate of the New Mexico Military Institute and New Mexico State University. He also serves as a member of the Midland Independent School District. Jay and his wife, Nancy, have two children and four grandchildren.



Stephen Robertson

Stephen Robertson is the executive vice president of the Permian Basin Petroleum Association in Midland, representing the interests of over 1,000 Permian Basin energy sector businesses. Stephen is a graduate of the University of Texas and Texas Tech University School of Law. He previously served as an attorney representing oil and gas and land title clients. He and his wife, Leah, are the proud parents of two children.

Work Continuing on Mexican Roadways



STATE AND FEDERAL DIGNITARIES MAKE HISTORIC VISITS TO PRESIDIO AND PORT OF ENTRY



Presidio, Texas, and its port of entry have played host to several dignitaries this year in an effort to better inform state and federal officials about the issues faced by Texas' only state-owned international bridge and border crossing.

This summer, TXDOT Executive Director, General Joe Weber, headed the first delegation to take a look at the existing bridge, proposed bridge expansion, and the South Orient Rail bridge.

Weber was joined by other dignitaries, including State Representative Poncho Nevarez and State Senator José Rodríguez, as well as U.S. Representative Will Hurd and U.S. Senator John Cornyn.

The group also included representatives of Cattlemen's Associations from the U.S. and Mexico, who expressed their support for improving the necessary infrastructure to allow cattle imports and exports at the Presidio/Ojinaga crossing. Previously, the area had seen nearly 290,000 head of cattle cross via the Presidio Port annually.

In September of this year, U.S. Representative Will Hurd and members of his staff also made the trip to Presidio to see first hand the existing and proposed infrastructure and visit with residents and port officials regarding needed improvements.

Representative Hurd also took time to visit with local Presidio students and teachers, and he crossed the border for a historic meeting with Ojinaga's Municipal President Miguel Carreon Rohana.

Rep. Hurd, a former CIA operative, commented, "I spent a lot of time on the border and I spent time in really scary places. This is not a scary place. One of the things I'm trying to do is this: I'm trying to bring some of my colleagues down to the border and see it for themselves. If you live in Alabama and have never been to the border, you shouldn't be talking about something you haven't seen with your own eyes."

Rep. Hurd went on to say, "My understanding of the region is now far greater than it was eight months ago when we first started working on these bills."



ROADS, RAIL, AND PIPELINES

While much of the efforts geared toward the development of the La Entrada Al Pacifico trade corridor have historically revolved around road and railway projects, this year's construction progress of the Trans-Pecos pipeline has been a shot in the arm to both Mexico and U.S. partners.

The pipeline from the Wahu hub to the Presidio-Ojinaga area has provided the hope of natural gas service to neighboring homes and businesses. While this service is commonplace for others, the ability to access the line for residential and commercial purposes means homeowners in this area will no longer have to rely on propane tanks. This has already spurred the development of a chile processing plant for Ojinaga that will provide jobs and a stable market for farmers in the region.

In a broader sense, the connection to partnering pipeline projects in Mexico will allow the conversion of coal-burning electric plants to natural gas, cutting emissions in the Big Bend area and providing a projected 60% reduction in electric rates for citizens and businesses in Mexico.

The project also provides access to the deep-water port of Topolobampo to provide export capabilities for American gas producers. This access provides market stability and preserves energy industry jobs in Texas.

"While the ultimate goal of the corridor is to help diversify our economy," said MOTRAN President James Beauchamp, "this project will strengthen our existing economy and provide a huge step forward in the development of the corridor and future economic opportunities."



MOTRAN ALLIANCE, INC. BOARD OF DIRECTORS

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Judge Ron Eckert
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A Special Thank You to Our 2015 MOTRAN Business Members!

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