



Adam Bedard, CEO
ARB Midstream, LLC

DUG Rockies

Changing Dynamics in Rockies Oil

March 11, 2016

ARB Midstream Overview

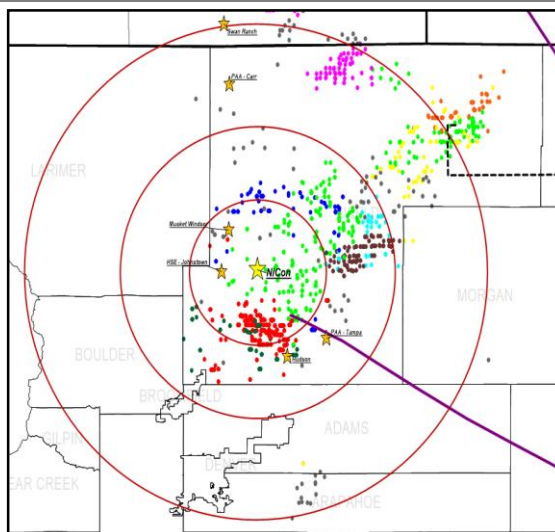
- Independent, growth-oriented company providing crude oil and gas liquids midstream and marketing/logistics solutions in North America
- Developing interconnected assets and a marketing platform
- “Analyze, Identify, Execute”
 - Quantitative analytics and deep market experience guide investment and development decisions
- Management team comprised of experts from top-tier MLP, major banks, and industry-leading consulting firms
- Marketing team includes backgrounds with major producers, large pipeline and refining companies
- Operations team has developed midstream assets throughout North America
- Current Projects/Marketing
 - Marketing ~20,000 b/d
 - DJ Basin terminal: Niobrara Connector (NiCon)
 - Midland Basin (Big Spring) terminal: Permian Gateway



Organic Projects – Energy Rail Hubs

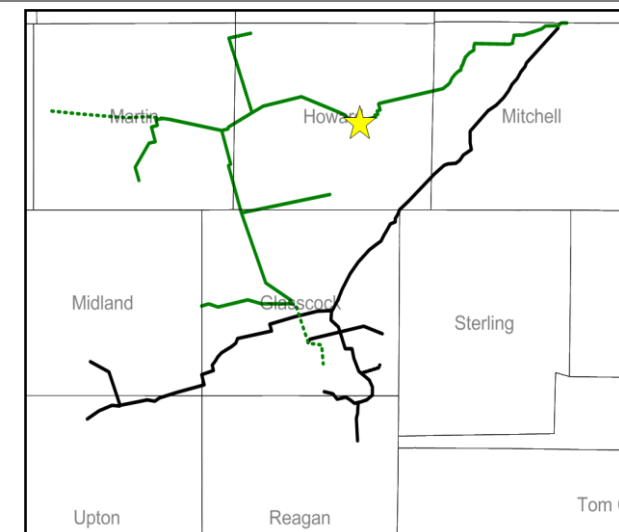
Niobrara Connector

- Located in the heart of DJ
- 230 Acres
- Phase I in service late March
- Transloading for crude oil (inbound and outbound service), drilling materials, aggregates and other commodities

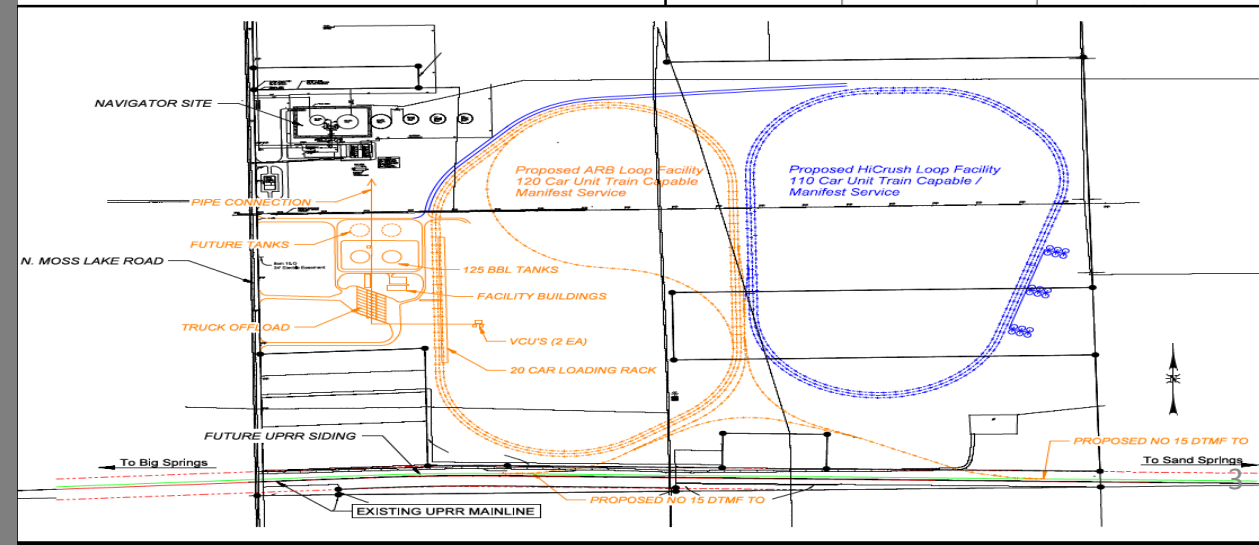


Permian Gateway

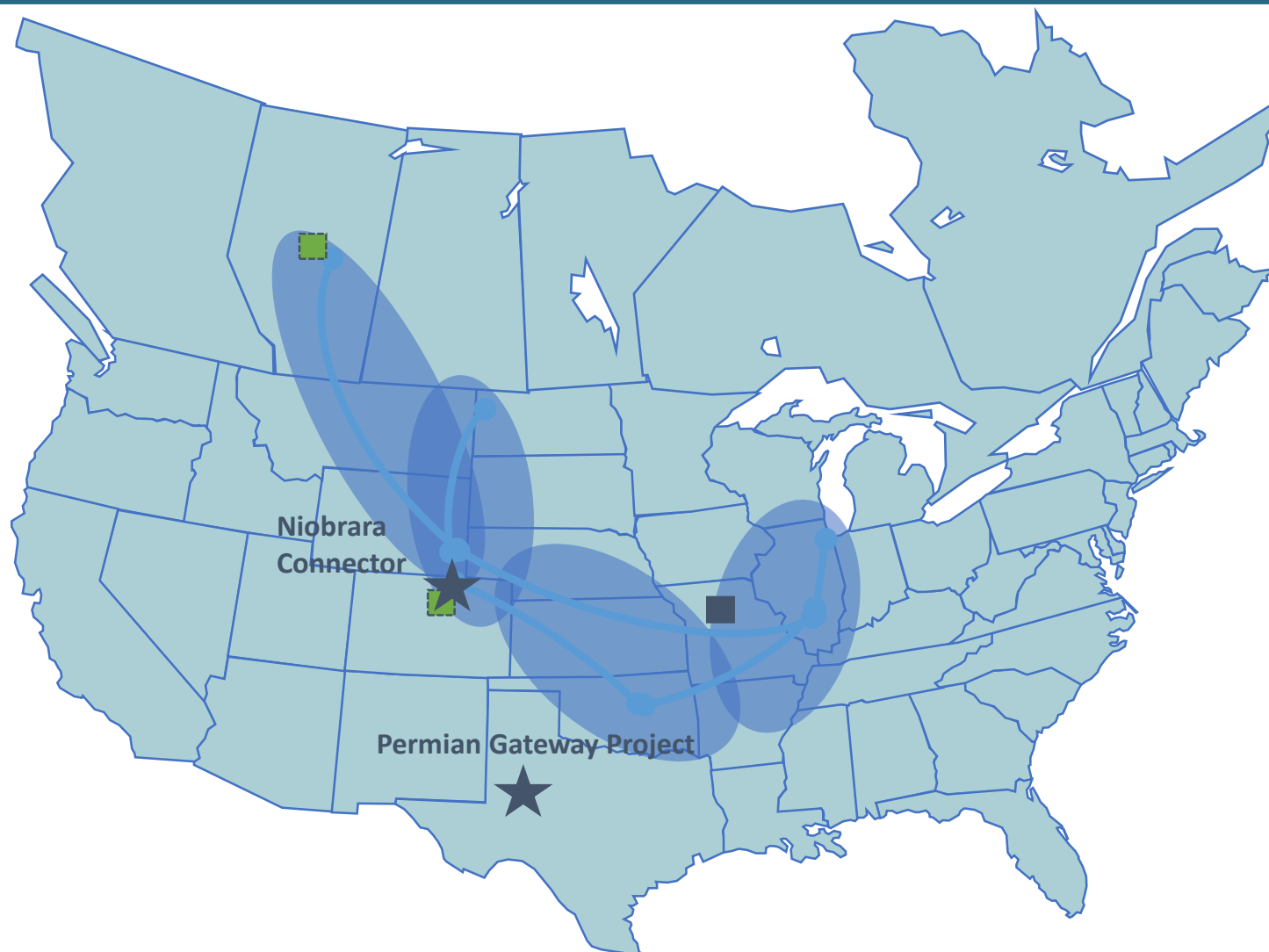
- Located in Howard County
- 350 acres
- Under construction
- Pipe connection to new gathering system
- Transloading for crude oil and drilling materials



NiCon Rail Terminal



ARB's Current "Footprint"



- Existing/proposed storage
- Terminals
- Pipeline capacity
- Marketing regions

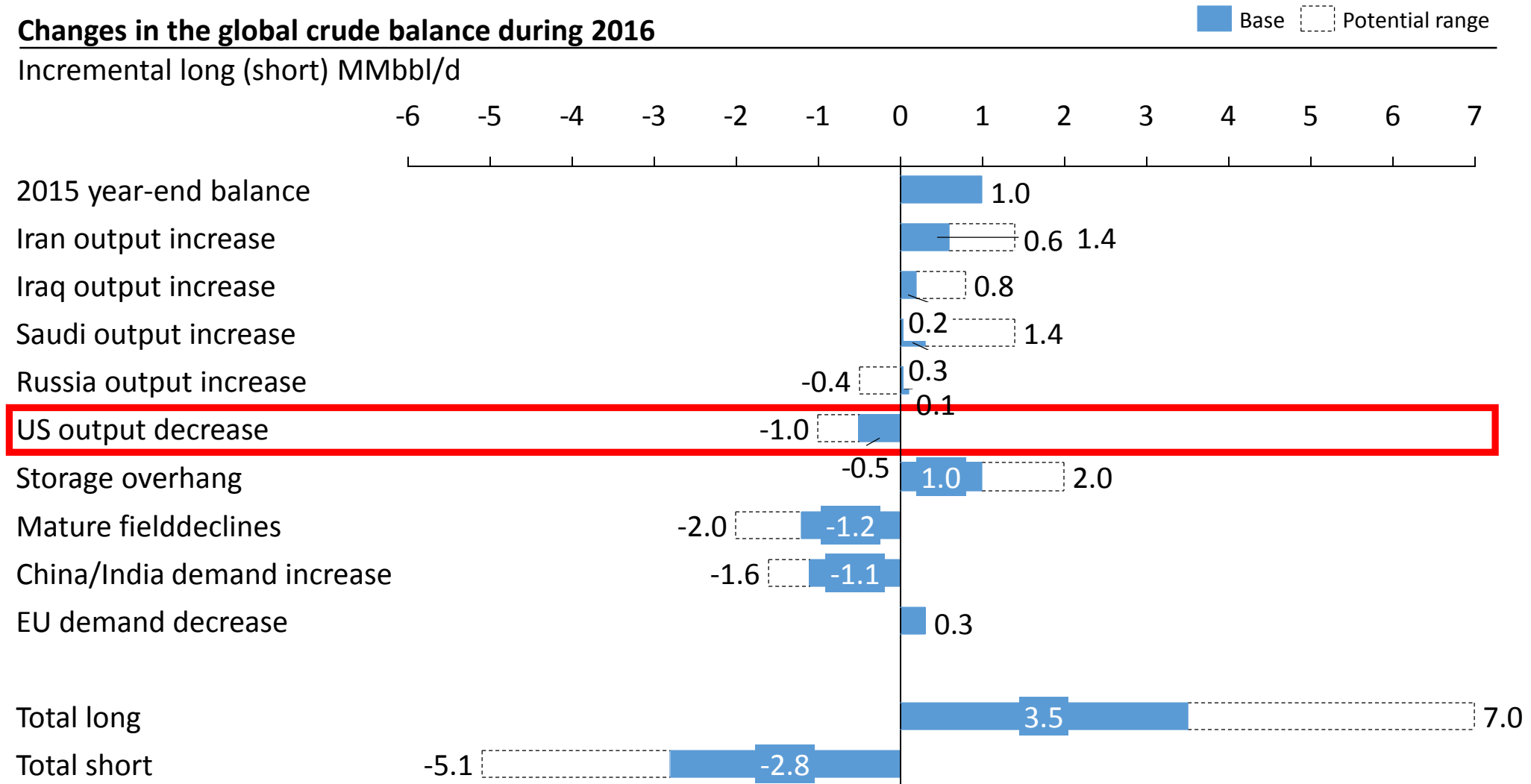
Asset / Marketing	Basin	Capacity
NiCon	DJ	6,600 b/d
Pipelines	Rockies/Midcon	1,000 b/d to 18,000 b/d
LACT	Rockies/Bakken	5,000 b/d, 4,000 b/d
Storage (leased)	MidCon	120,000
Gateway	Permian	
Marketing	Western Canada, Bakken, PRB, DJ	20,000 b/d

- Global market is long
- US production has to slow as part of the market rebalancing; what does that mean for the Rockies?
- Regional declines in the US will depend on well economics
 - Rockies IRRs fall to the right of many Permian and some Eagle Ford plays
 - Rig counts continue to fall: down 75% from Q1 2015
 - Production is on track to lead US regional declines in 2016, falling by ~115 kbd
- Supply is dropping, infrastructure is increasing, arbs are closed for now
- What next?

Global Balance Is Expected to Stay Long; US Declines Are Critical to the Crude Recovery

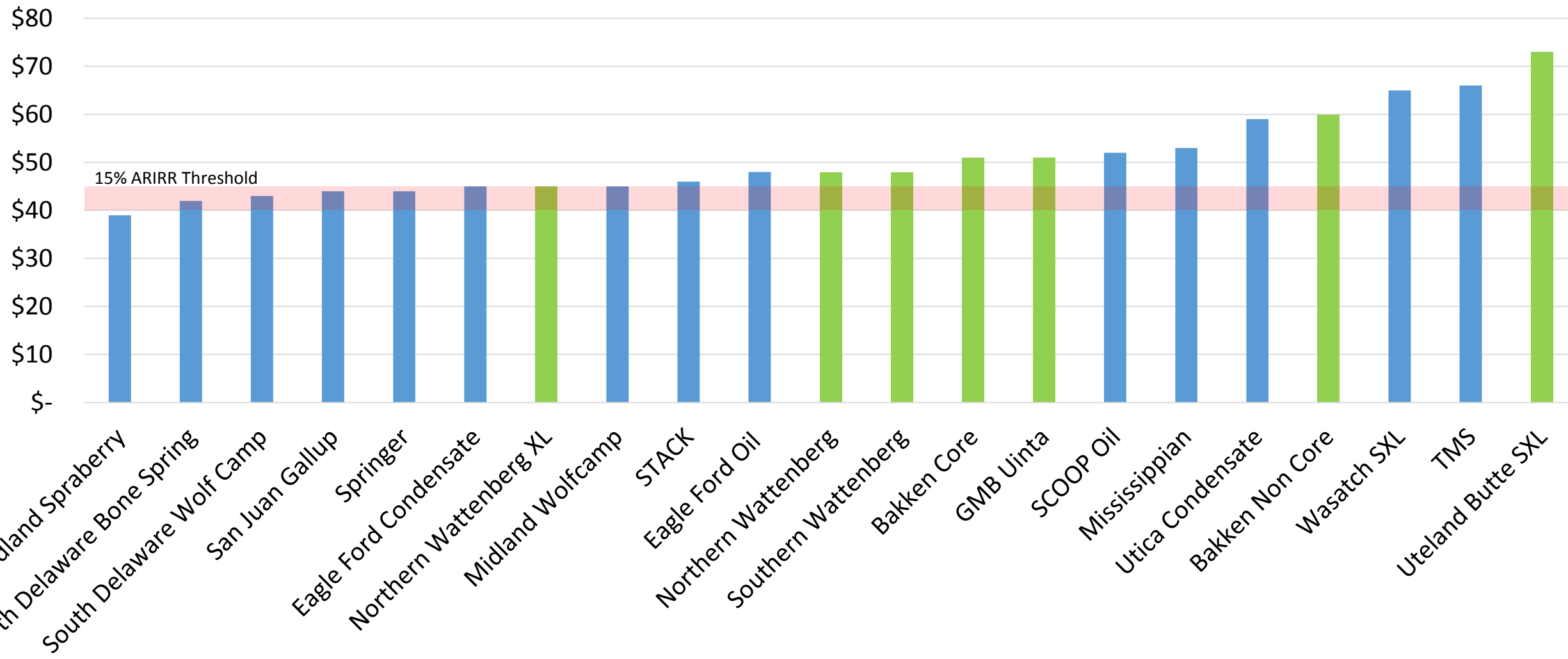
Changes in the global crude balance during 2016

Incremental long (short) MMBbl/d

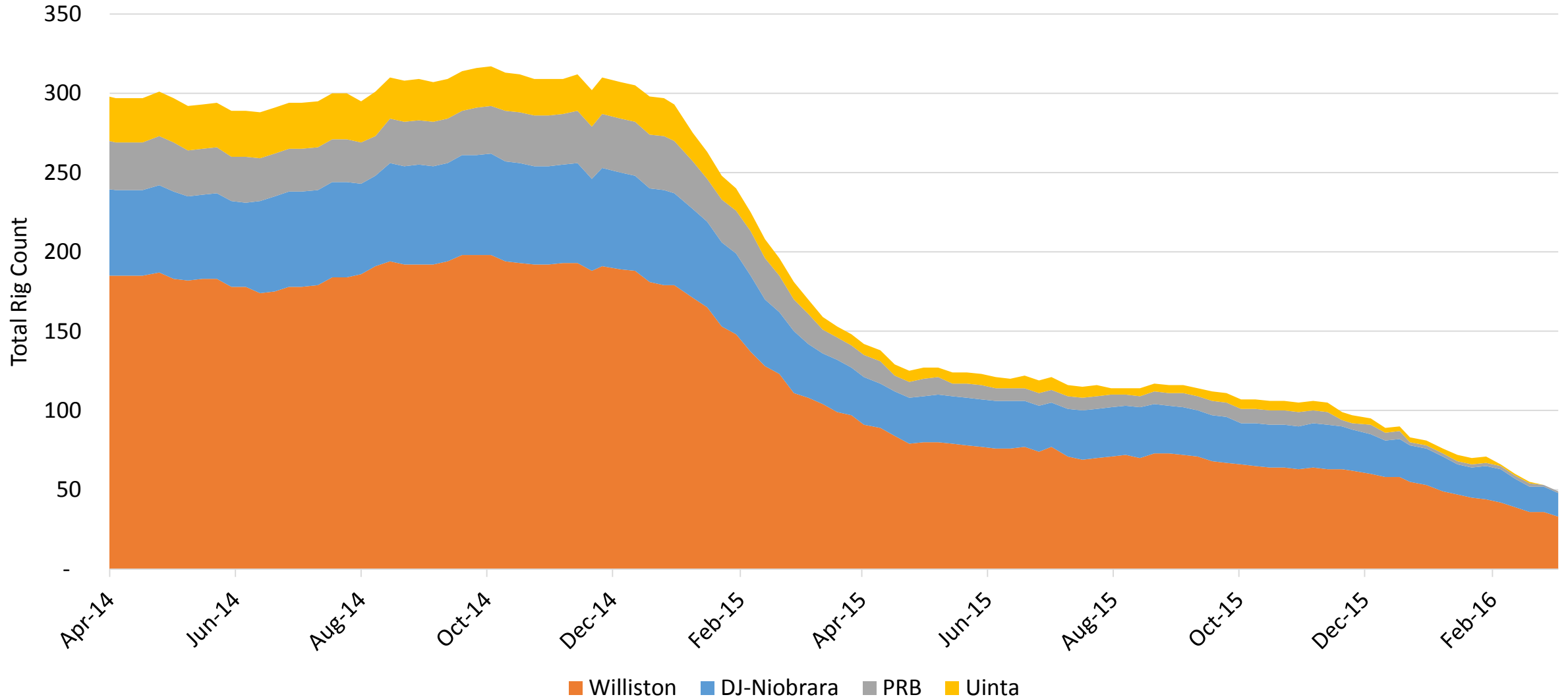


Rockies Production Less Economic than Permian

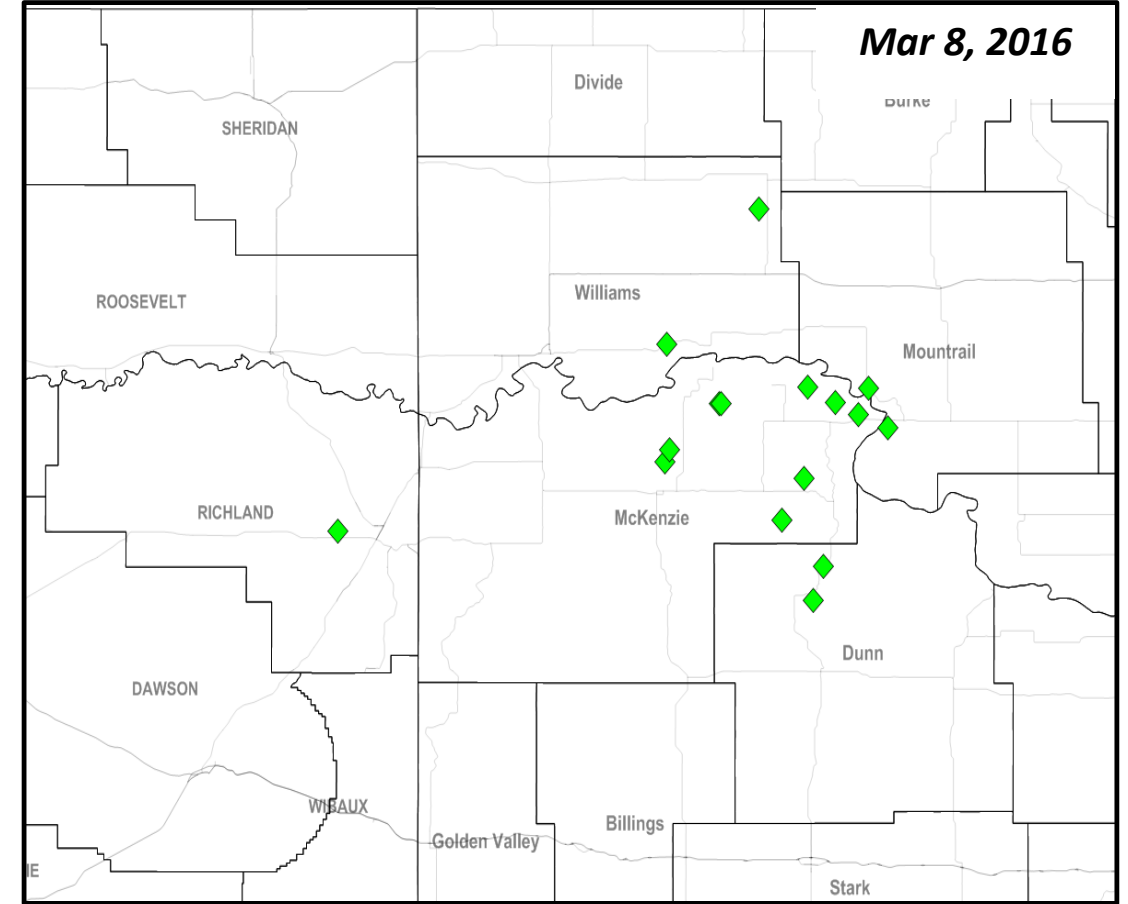
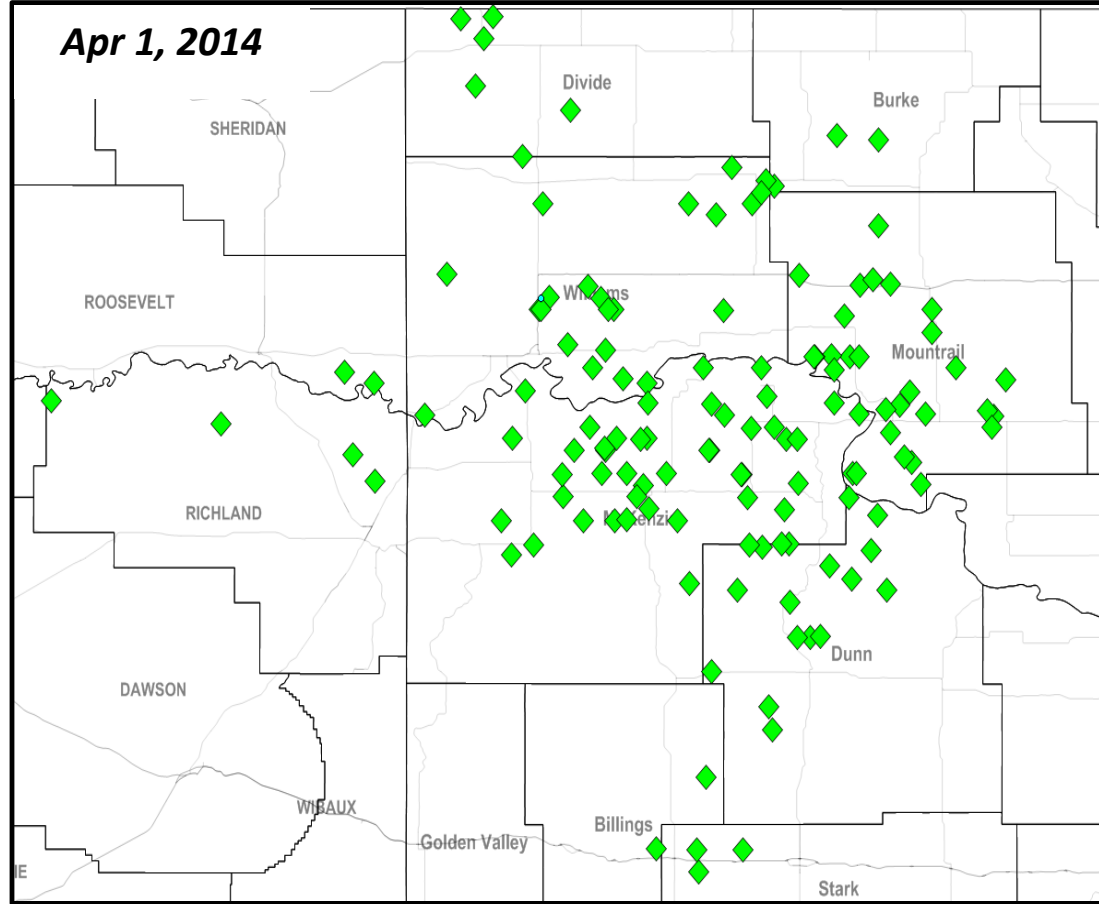
Price (WTI) Needed at the Wellhead to Generate a 15% ATIRR (incl. transport) for an Average Well



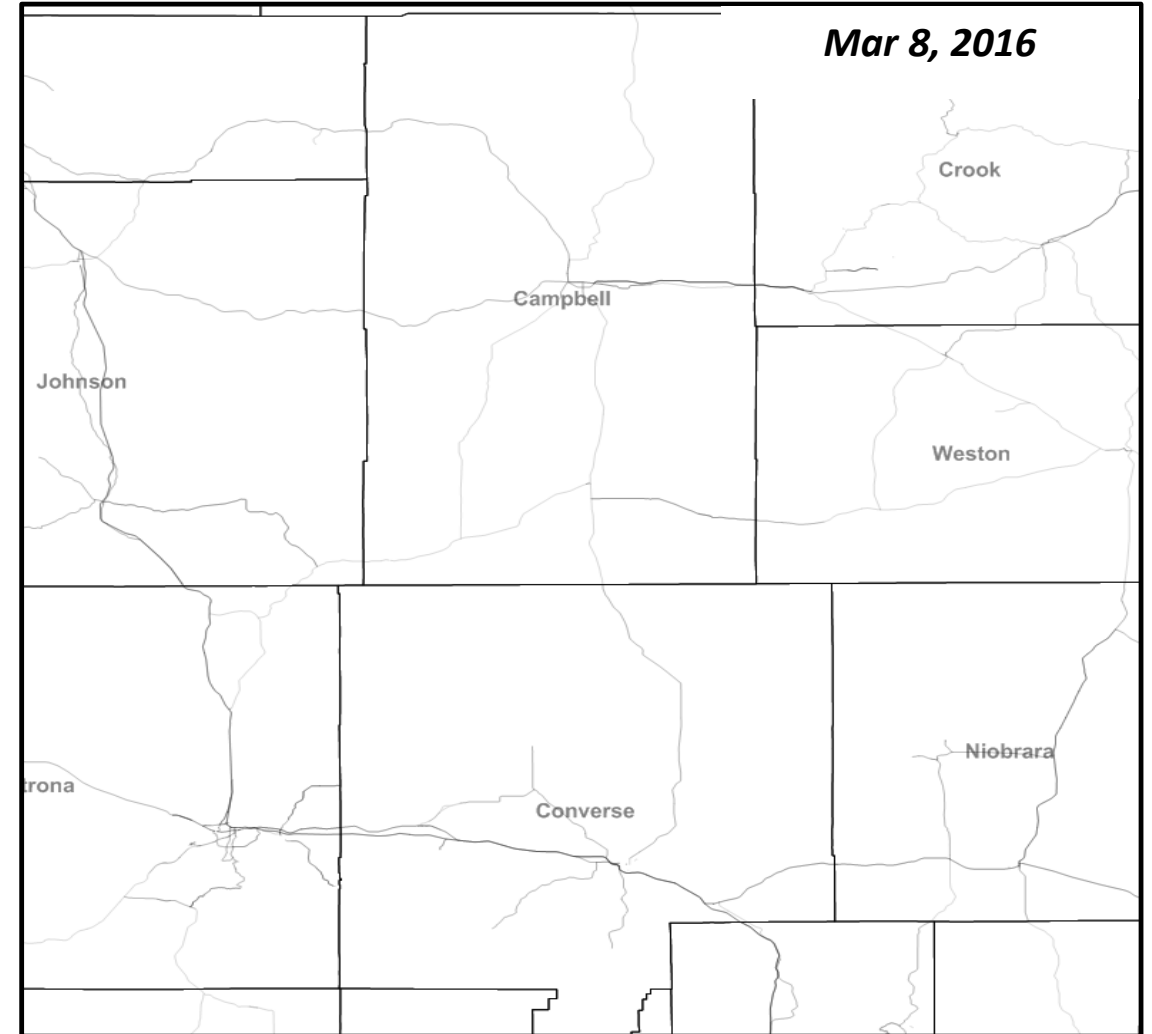
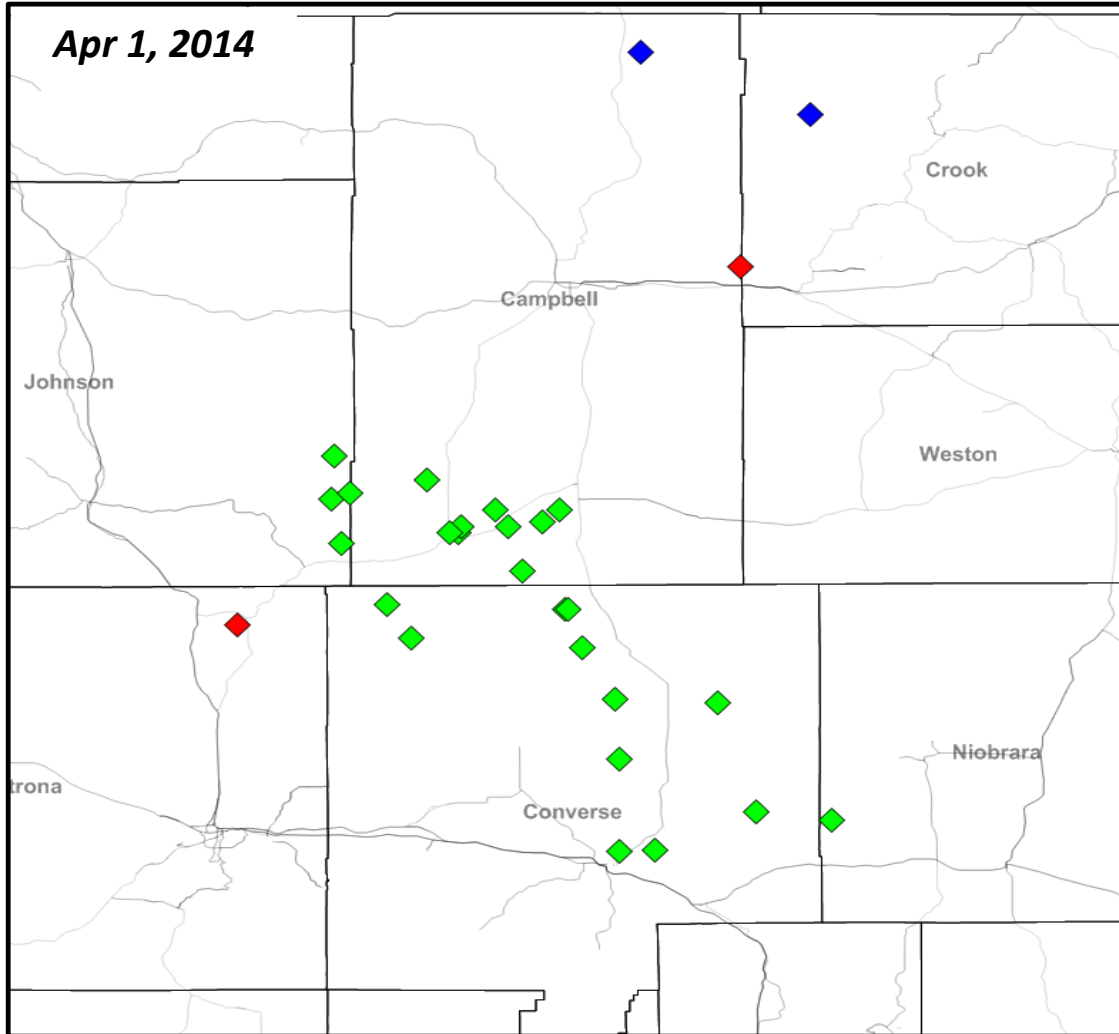
Rockies Rig Count Down from 200 to 50 (75%) YoY



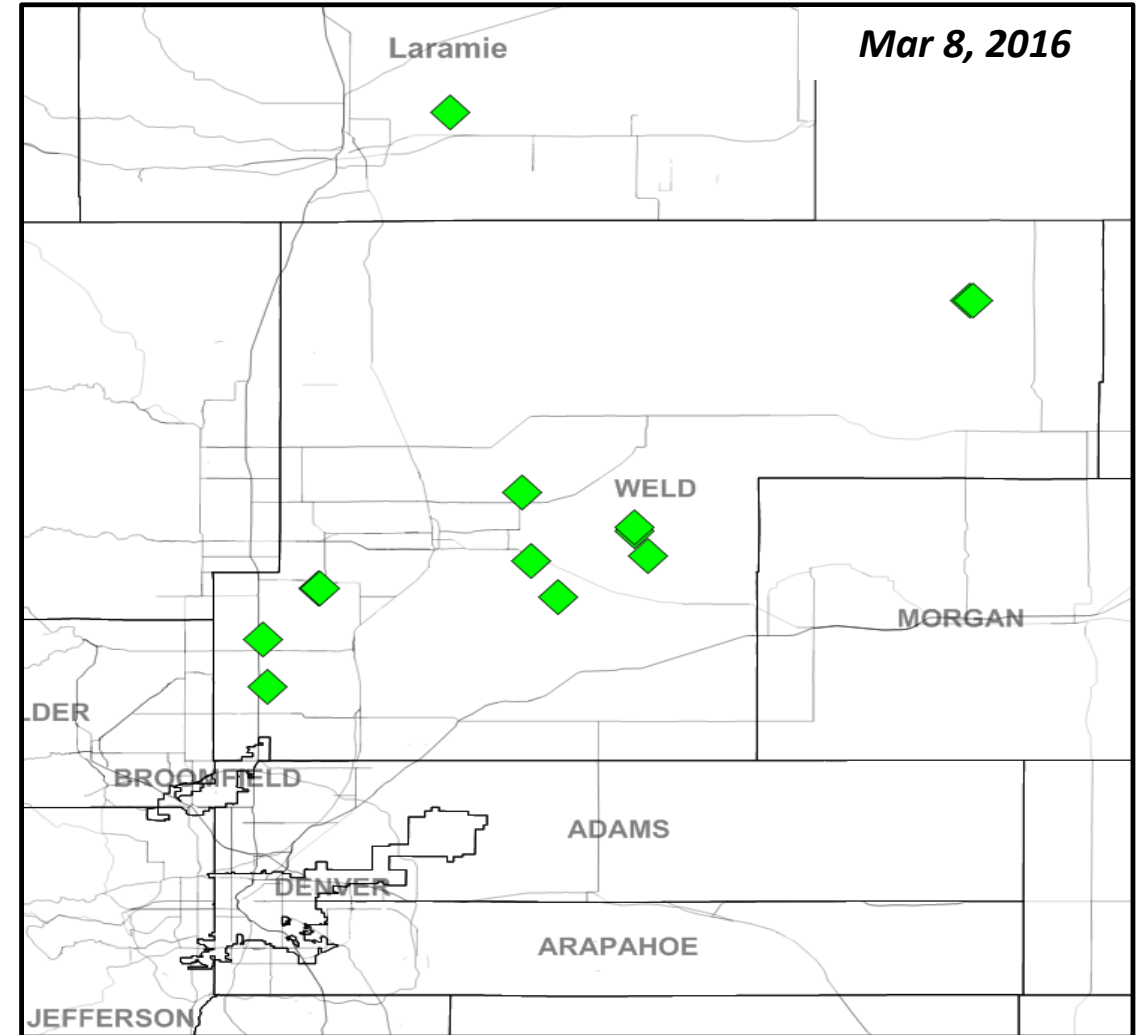
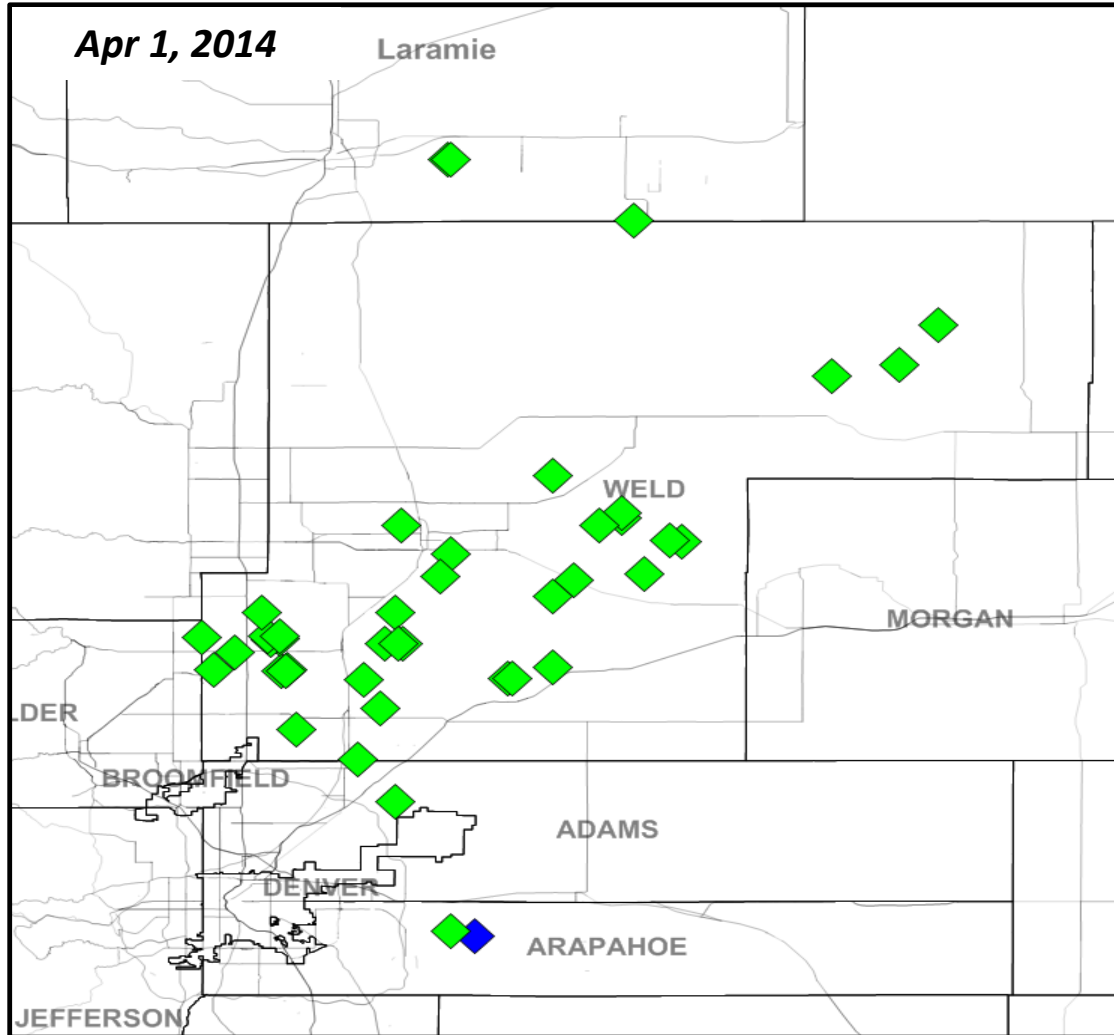
Bakken Rig Count Down By 153 rigs, or 82% Over the Past 2 Years



PRB Rig Count Down to Zero, a Decline of 30 Rigs Over the Past 2 Years

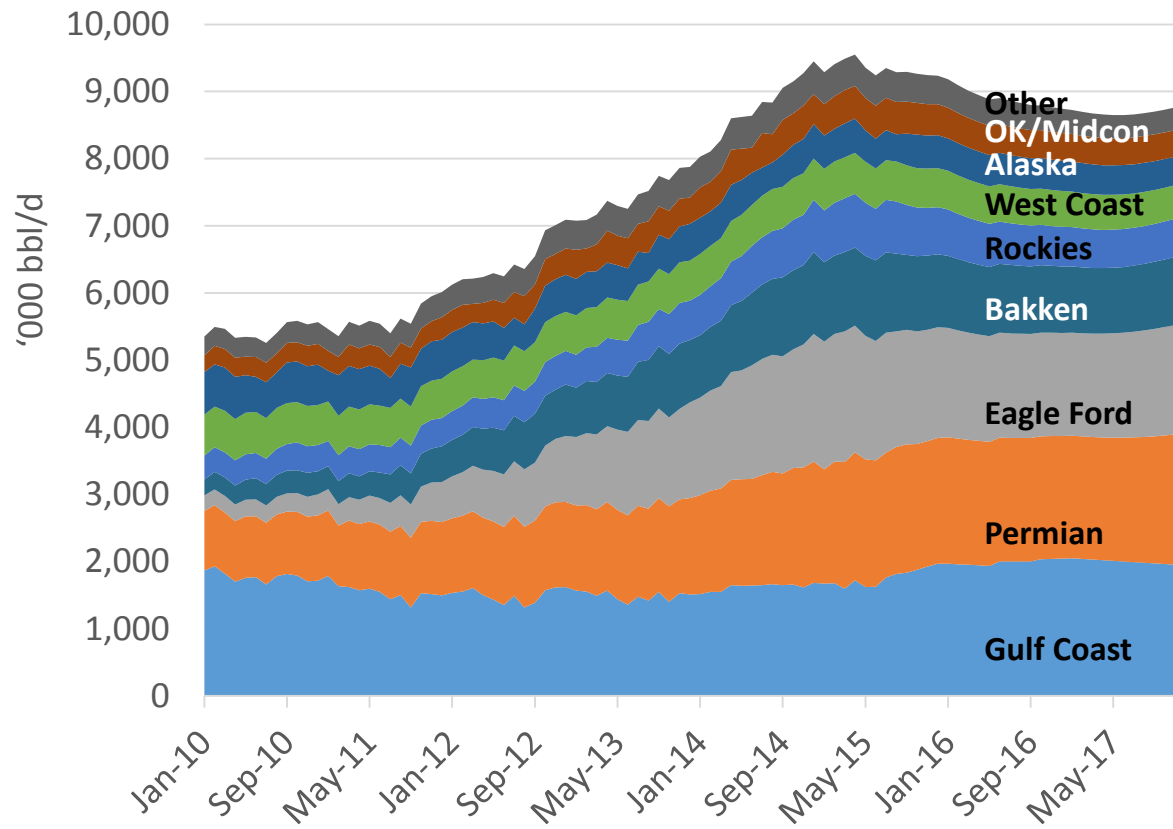


DJ Basin Rig Count Dropped 72% During the Past 2 Years, from 54 to 13

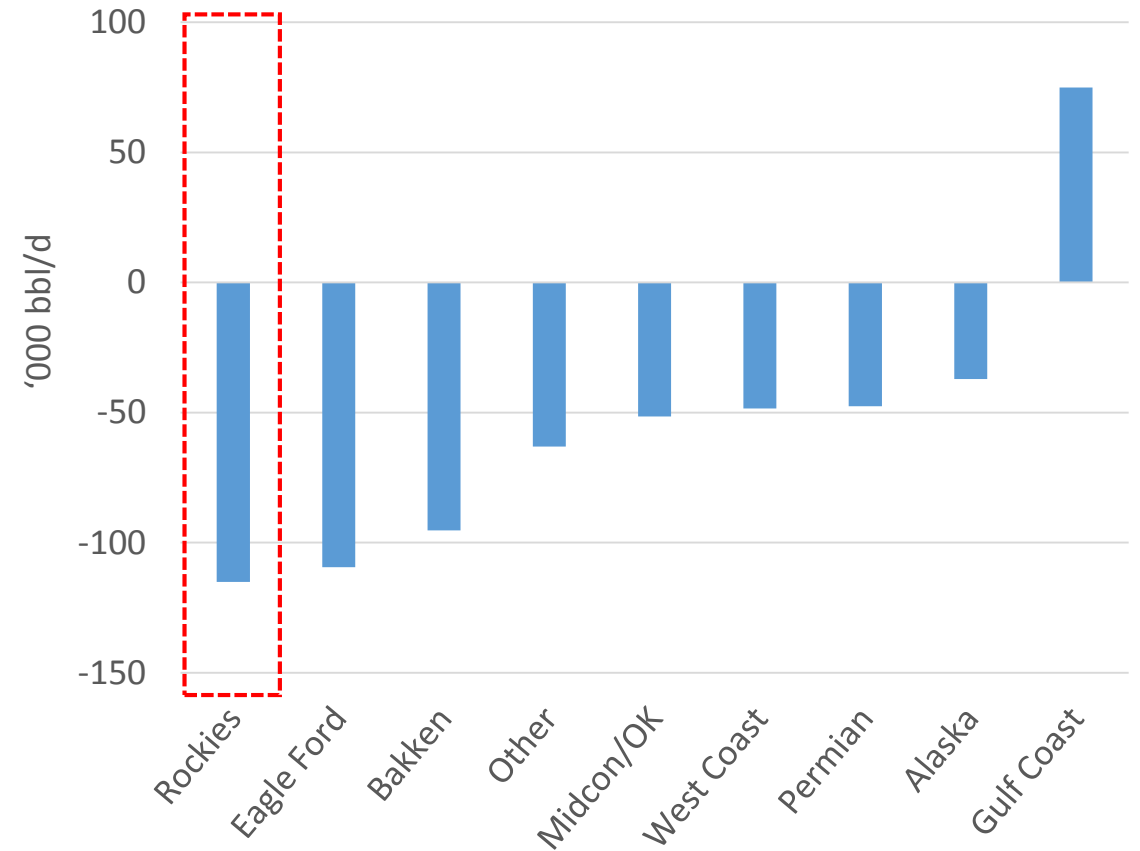


The Rockies Are on Track to Lead Production Declines in 2016

US Crude and Condensate Production ('000 bbl/d)¹



2016 Dec-to-Dec Decline (Total US = -493 kbd)

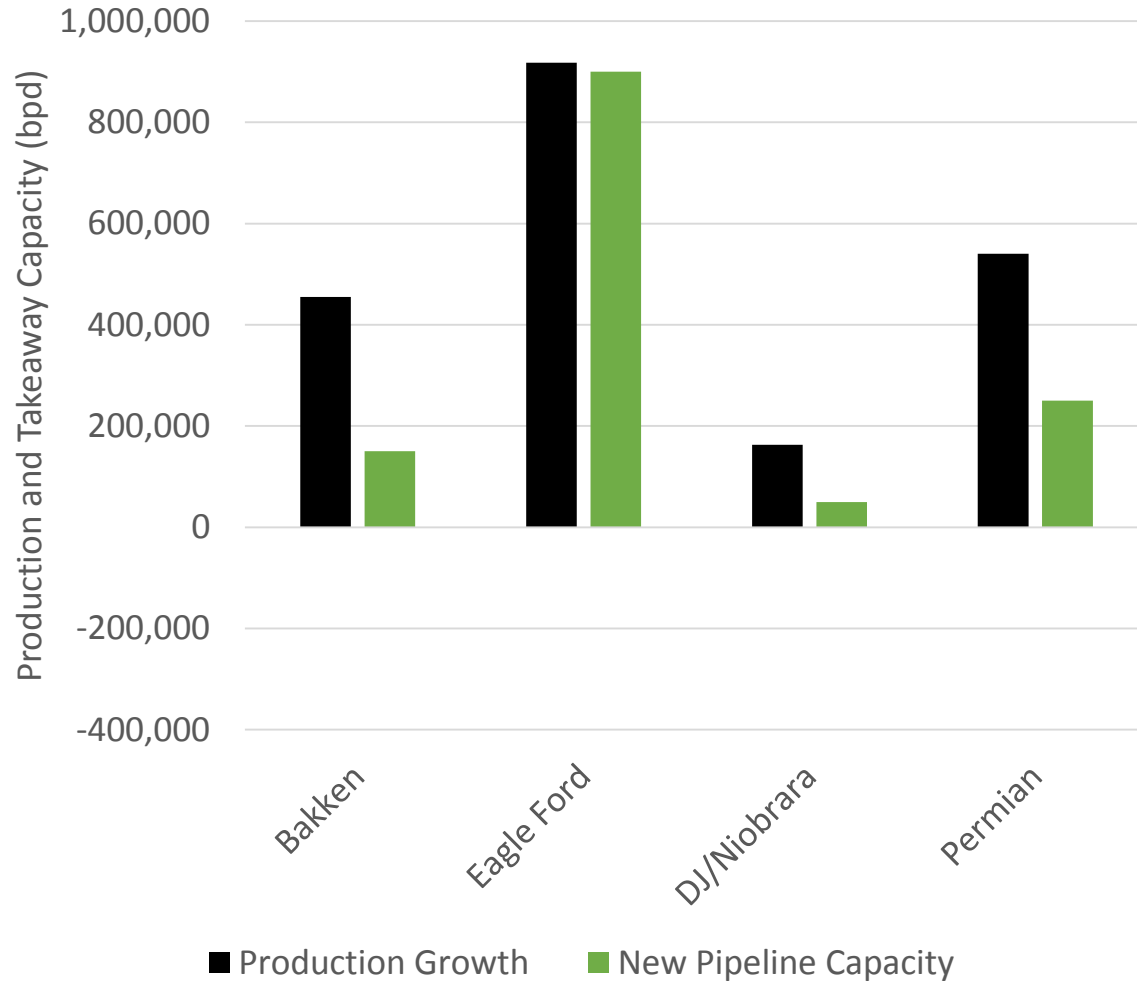


¹ At February 2016 rig counts, holding drilling efficiency constant, and not completing "intentional" DUC wells in inventory

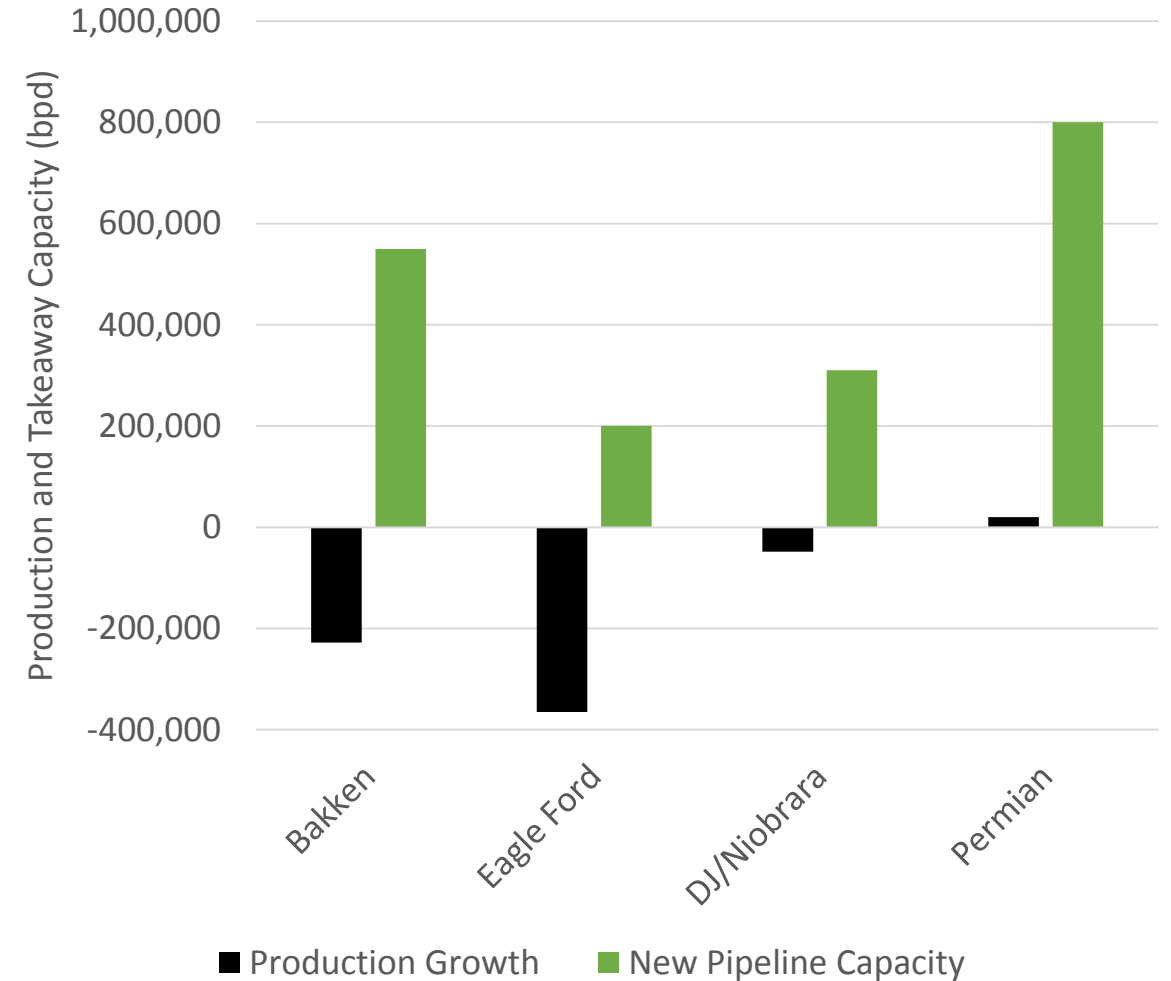
Source: ARB analytics

Transportation Capacity Planned in 2013 and 2014 Is Overshooting Declining Production

2013-2014: Production Growth vs. Pipeline Capacity Growth

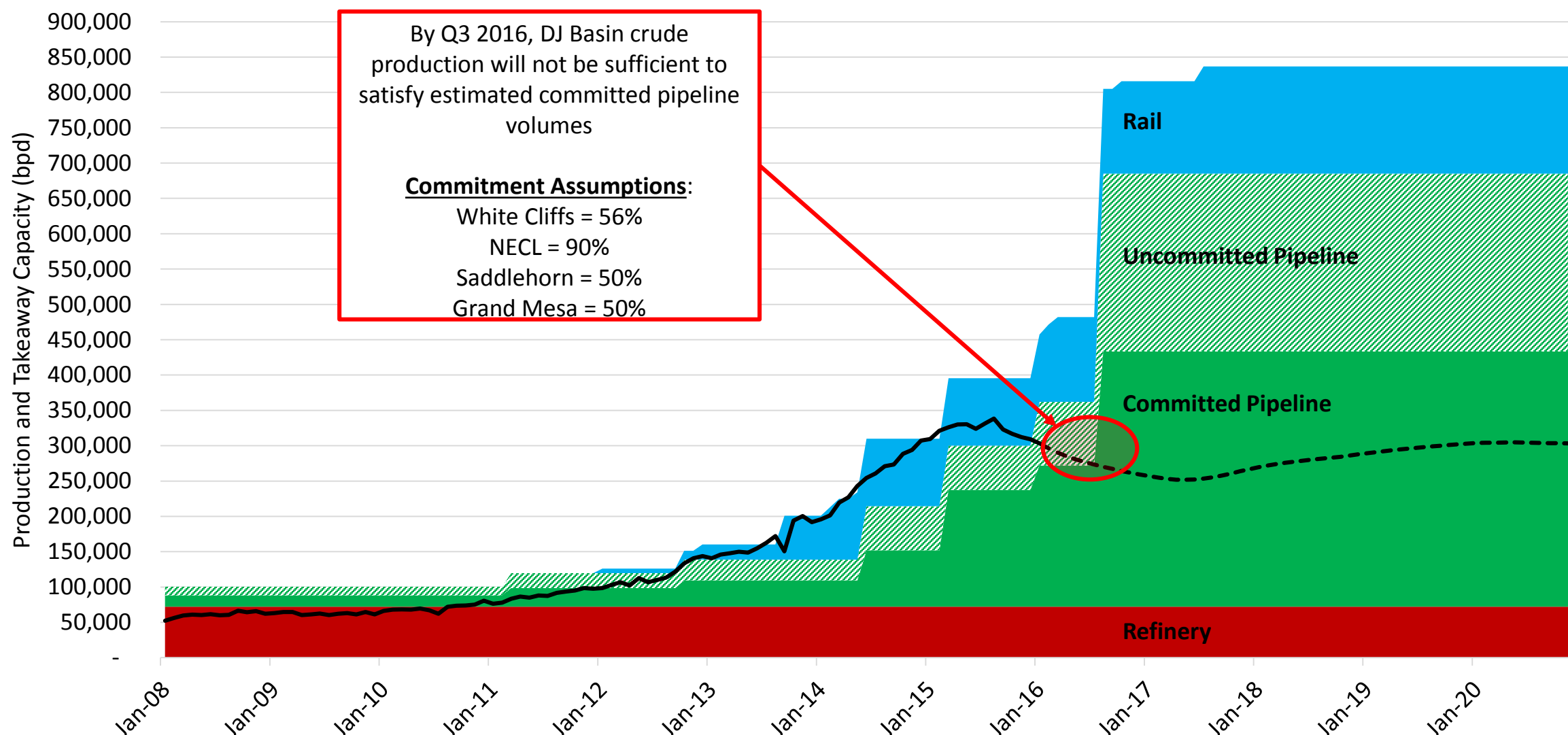


2015-2016: Production Growth vs. Pipeline Capacity Growth

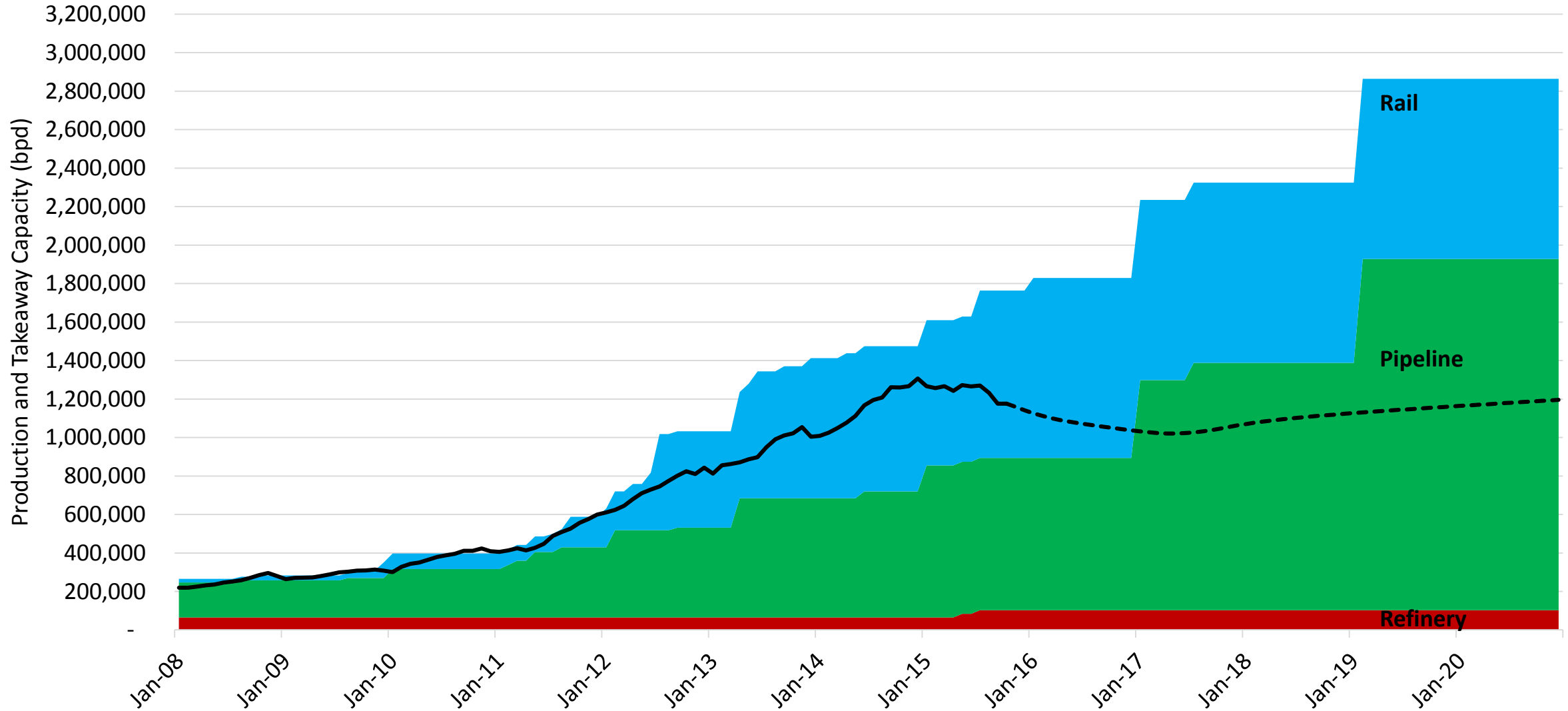


Source: ARB analytics; press search; bank reports

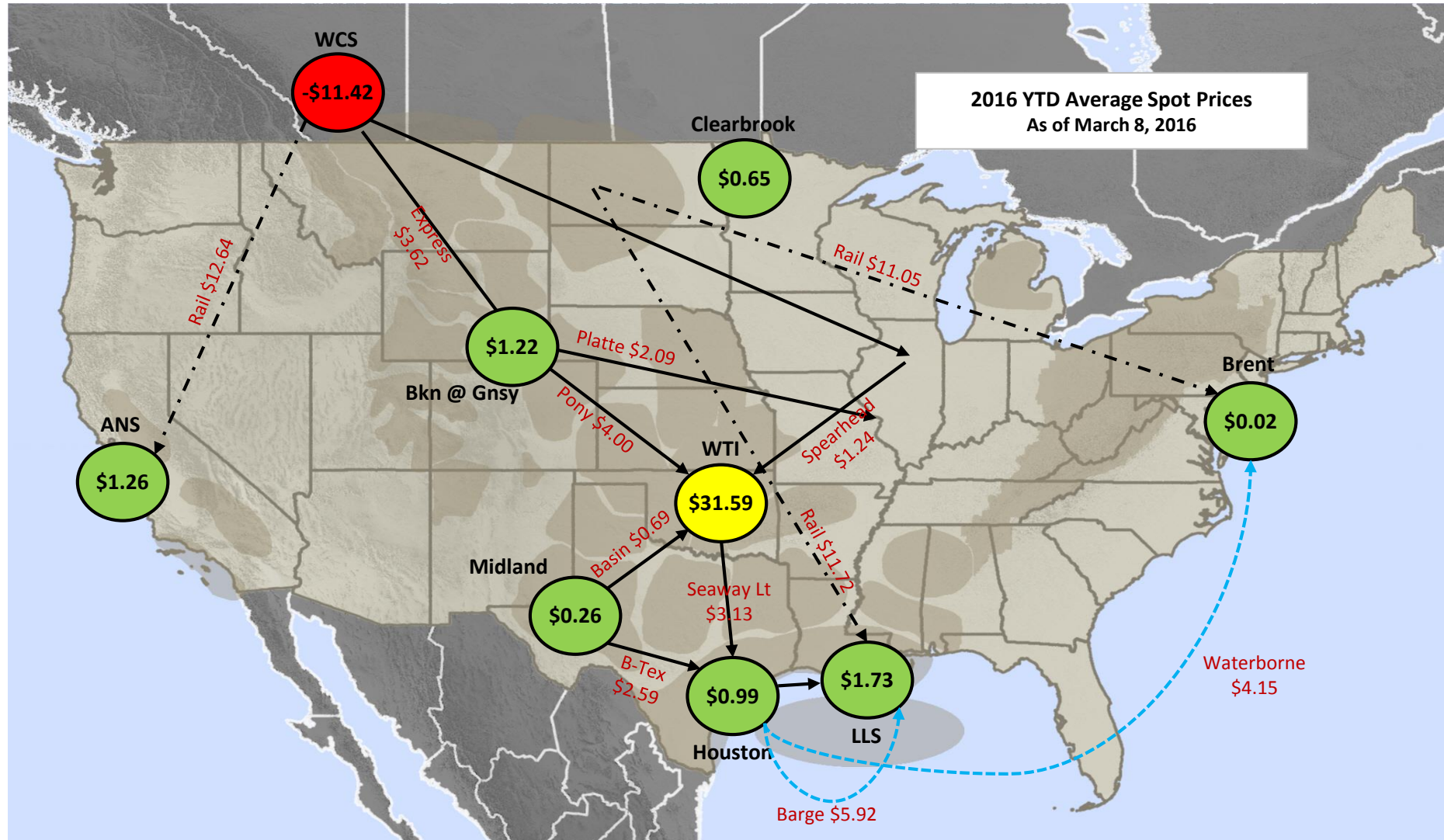
DJ Demand + Committed Capacity Will Exceed Production by Q3 2016



The Bakken Will Have Excess Pipeline Takeaway Capacity by Year-end 2016



Differs Are Not Set By Transportation Costs in This Over-piped Market



Source: ARB analytics

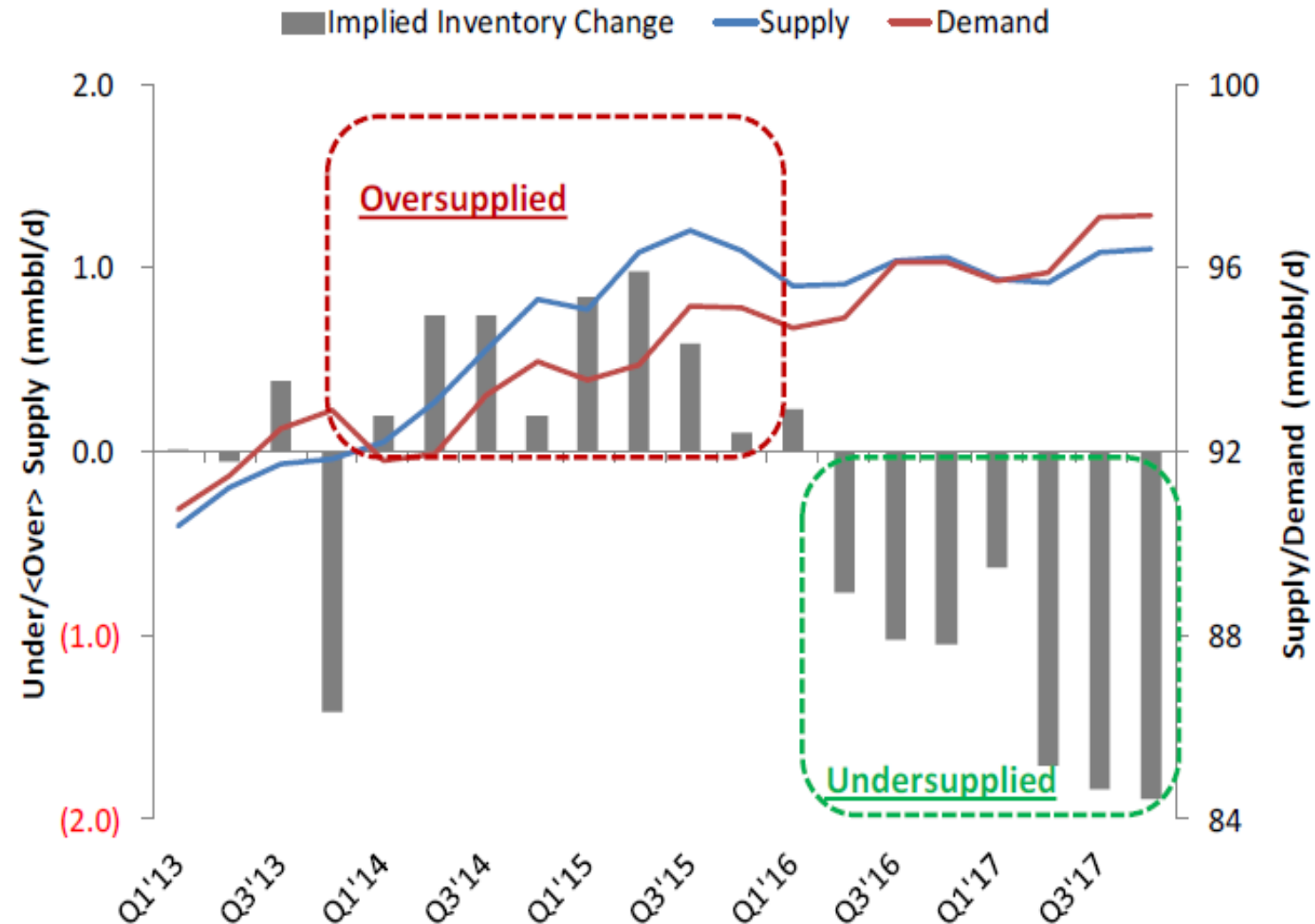
Most 'Arbs' Are Closed in This Market

Transport Cost Assumptions (\$/bbl)										
Movement	Origin	Destination	Trans Cost	Lt/Hvy	Buy Market	2016 YTD AvgBuy \$	Sell Market	2016 YTD Avg Sell \$	Arb Open?	PnL (\$/bbl)
Barge	Corpus Christi	St. James	\$ 5.92	Light	CC	\$ 33.53	LLS	\$ 31.12	Closed	\$ (8.33)
Waterborne	Corpus Christi	Delaware Bay	\$ 4.15	Light	CC	\$ 33.53	Brent	\$ 31.64	Closed	\$ (6.04)
Basin	Midland	Cushing	\$ 0.69	Light	WTI @ MID	\$ 29.67	WTI @ CSH	\$ 29.44	Closed	\$ (0.91)
BridgeTex	Midland	Houston	\$ 2.59	Light	WTI @ MID	\$ 29.67	HLS	\$ 30.49	Closed	\$ (1.77)
Express/Platte	Hardisty	Patoka	\$ 5.25	Heavy	WCS	\$ 19.98	WCS @ Pat	\$ 22.52	Closed	\$ (2.72)
Spearhead	Flanagan	Cushing	\$ 1.24	Heavy	WCS @ Pat	\$ 22.52	WCS @ CSH	\$ 22.78	Closed	\$ (0.98)
HoHo	Houston	Houma	\$ 2.59	Light	HLS	\$ 30.49	LLS	\$ 31.12	Closed	\$ (1.97)
Keystone	Hardisty	Patoka	\$ 6.35	Heavy	WCS	\$ 19.98	WCS @ CSH	\$ 22.78	Closed	\$ (3.55)
Longhorn	Midland	Houston	\$ 3.75	Light	WTI @ MID	\$ 29.67	HLS	\$ 30.49	Closed	\$ (2.93)
Pony Exp	Guernsey	Cushing	\$ 4.00	Light	Bkn @ Gnsy	\$ 37.72	WTI @ CSH	\$ 29.44	Closed	\$ (12.28)
Rail - Unit	Edmonton	Stockton	\$ 12.64	Heavy	WCS	\$ 19.98	Mid Sun	\$ 30.95	Closed	\$ (1.67)
Rail - Unit	Bakken	St. James	\$ 11.72	Light	Alexander	\$ 33.72	LLS	\$ 31.12	Closed	\$ (14.33)
Rail - Unit	Bakken	East Coast	\$ 11.05	Light	Alexander	\$ 33.72	Brent	\$ 31.64	Closed	\$ (13.13)
Rail - Unit	Bakken	West Coast	\$ 11.00	Light	Alexander	\$ 33.72	ANS	\$ 32.27	Closed	\$ (12.45)
Seaway PL	Cushing	Houston	\$ 3.69	Heavy	WCS @ CSH	\$ 22.78	Maya	\$ 24.36	Closed	\$ (2.11)
Seaway PL	Cushing	Houston	\$ 3.13	Light	WTI @ CSH	\$ 29.44	HLS	\$ 30.49	Closed	\$ (2.08)

Longer Term, the Global Market Will Swing From Oversupplied to Undersupplied

Key takeaways

- Demand is growing by ~1MMb/d per year.
- Meanwhile supply growth is slowing, and CapEx reductions today will delay future supply growth
- ARB is positioning itself today for the rebound. It's not a question of "if" but "when"



End

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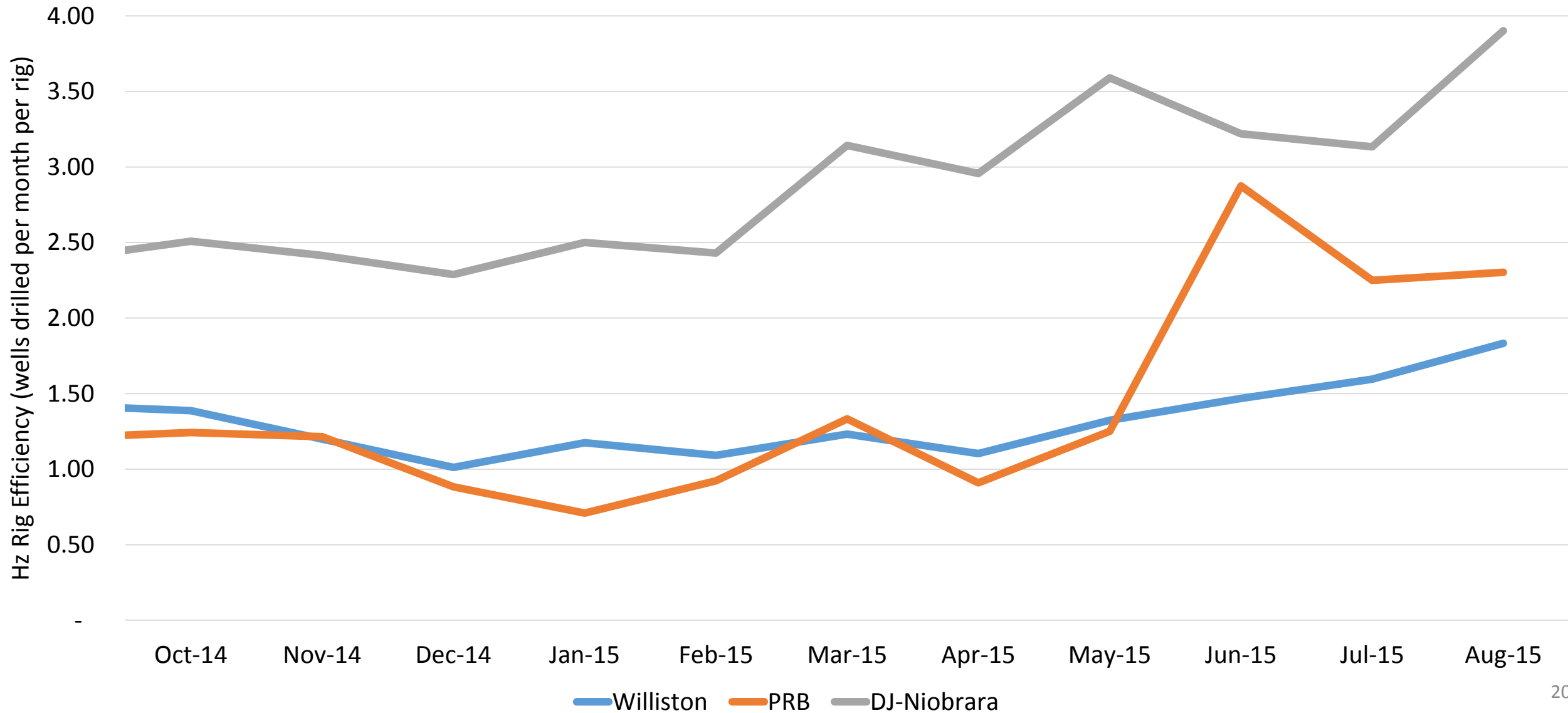


Rigs Are Drilling 35% More Wells/Month Today Compared to a Year Ago

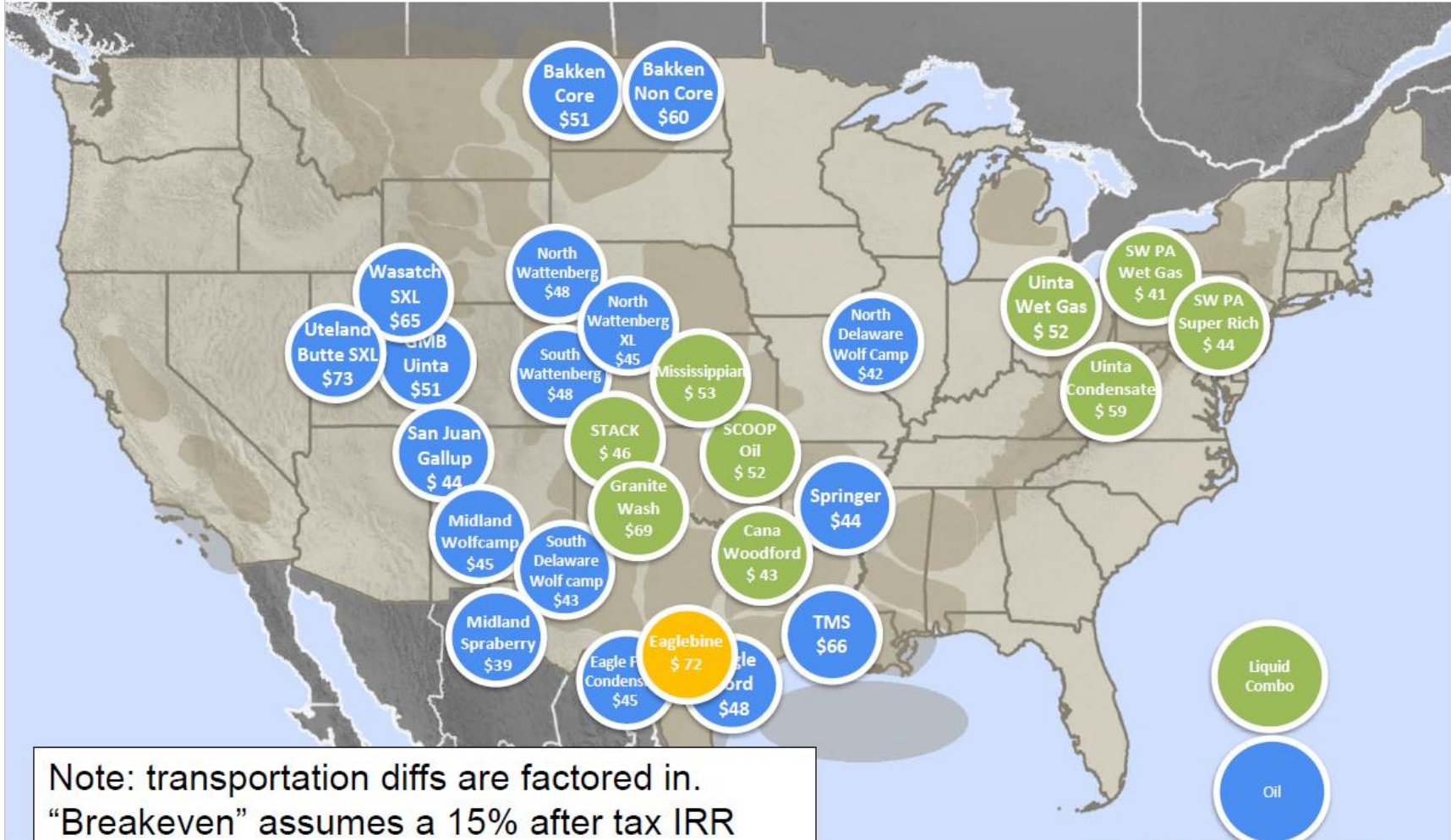
DJ: 24 today = 37 a year ago

Bakken: 62 today = 81 a year ago

PRB: 10 today = 19 a year ago



WTI needed to Breakeven for Select Plays – Eaglebine is on the high end of the cost curve



Note: transportation diffs are factored in.
 “Breakeven” assumes a 15% after tax IRR
 Based on well-level economics