



ARB Midstream, LLC

The Private Equity Perspective on Energy Infrastructure

February 2017

ARB Midstream Background



- ARB Midstream was formed in August 2014
 - Formerly of NGL Energy Partners (NYSE:NGL)
 - Highly acquisitive, fast growing MLP
- Backed by a single family office
 - Ball Venture Natural Resources
 - Energy division of Ball Ventures, LLC.
 - Ball Ventures, LLC is a private company headquartered in Idaho Falls, Idaho, founded by Allen Ball, an Idaho businessman and entrepreneur that has helped build several successful companies, some of which operate in markets around the world
 - Under the leadership of CEO Cortney Liddiard, Ball Ventures, LLC has expanded its portfolio of real estate and private equity investments, in addition to the energy division of the company
- Initial focus on greenfield development
 - Private to public multiples arbitrage
- Pivoted to acquisition mode to capitalize on the downturn
 - ARB has reviewed over 60 acquisitions and greenfield development projects in the past 18 months, representing \$3.6B in potential capital investment
 - We currently have over \$350MM of shortlisted projects in our pipeline
- Since start up:
 - Closed on over \$130MM in midstream asset and marketing group acquisitions
 - Greenfield rail port in the Niobrara, continued development on a Permian-based rail port
 - Established borrowing base and acquisition line of credit

ARB's Development Timeline: Combination of Greenfield and Acquisition



Sept. 2014: ARB founded by Adam Bedard and Rogan McGillis along with Cortney Liddiard of Ball Ventures

May 2015: announced **Permian Gateway** rail port in Big Spring, TX

April 2016: **Niobrara Connector** in service



Nov. 2014: announced **Niobrara Connector** rail port in Evans, CO



Sept. 2015: acquired **Sunwest Energy Canada, Ltd**, established Canadian marketing desk in Calgary



Jan. 2016: acquired **InCorr Energy Group, LLC**, established US marketing desk in Denver

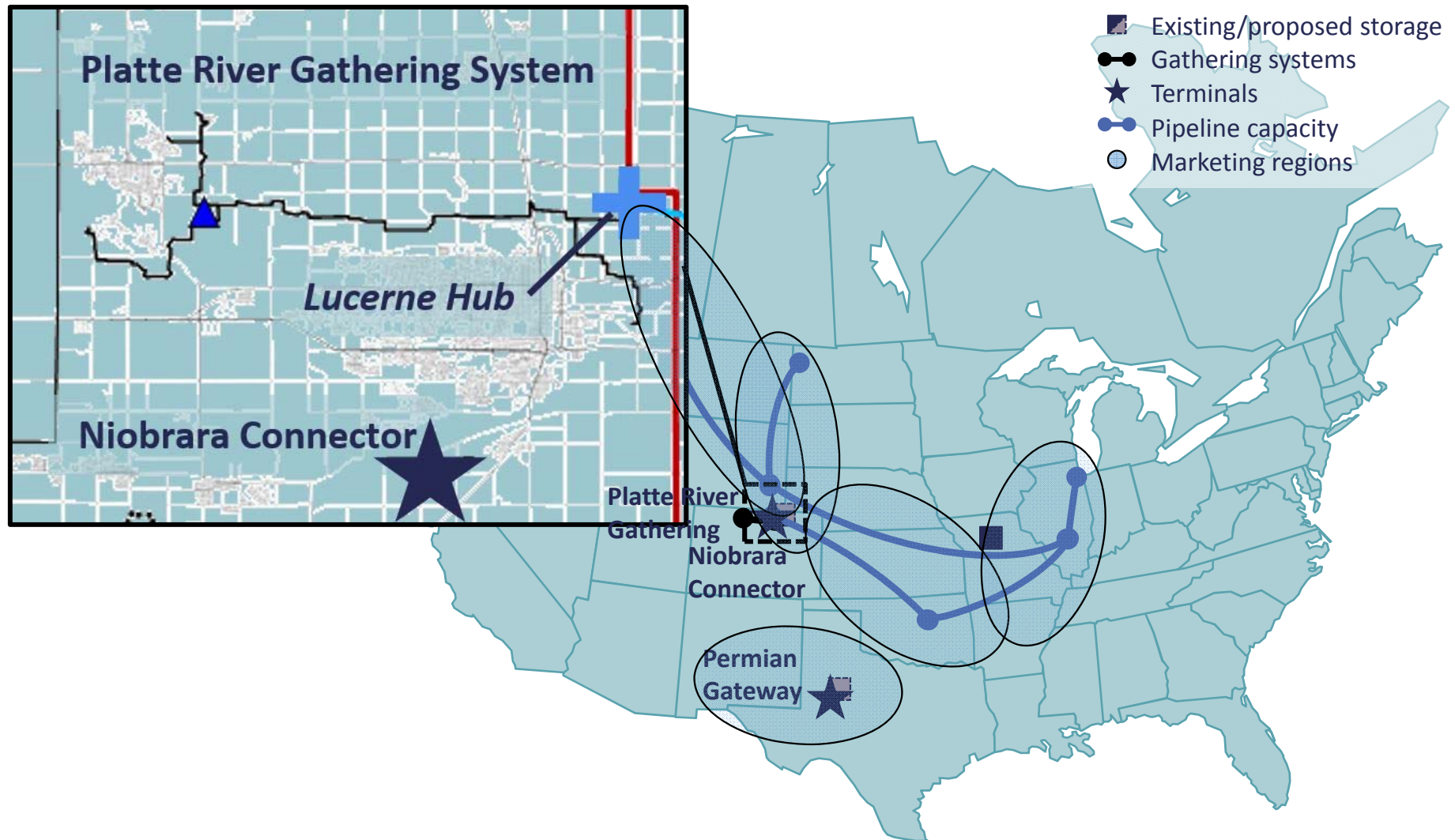
Sept. 2016: acquired **Platte River Gathering** crude oil gathering system in the DJ/Niobrara

Creating Value in Midstream Markets



- **Analyze:** Every step in ARB's strategy is rooted in proprietary analytics that are used to understand and predict market opportunities, and to reduce risk and improve capital efficiency within individual projects. ARB's analytics are complemented by the extensive industry experience of the company's leadership team.
 - **Identify:** ARB uses proprietary, in-house research to pinpoint infrastructure bottlenecks and under-served regions that are backed by oil plays with long-term, sustainable production economics.
 - **Execute:** ARB efficiently deploys capital as an early mover in its target markets by utilizing private financial backing, an experienced management team and custom analytics.
 - **Operate:** ARB develops assets with the intent of generating long-term, sustainable returns. ARB leverages an experienced operations team to run its assets safely and efficiently.

ARB's Operational Footprint is the North American Inland Corridor.
Focus on Plays that Demonstrate the Strongest Producer Economics
and/or Demonstrate Production Growth Outstripping Current
Takeaway Capacity



ARB Operates in Three Segments



	Description	ARB Assets/Capabilities
Gathering & Transportation	<ul style="list-style-type: none">Crude oil, LPGs and refined product pipelines, and crude oil gathering systems	<ul style="list-style-type: none">157,000 bbl/d crude gathering system in the Niobrara and Wattenberg plays in Weld County, ColoradoUp to 600,000 bbl of storage planned at Lucerne Hub14,000 bbl/d truck offload capacity at Lucerne Hub with access to NGL's Grand Mesa Pipeline
Marketing & Logistics	<ul style="list-style-type: none">Marketing and logistics for crude oil, LPGs and refined products	<ul style="list-style-type: none">~7,000 crude barrels per day of lease purchasing and bulk marketing volumes in the Rockies and the MidcontinentCrude capacity on multiple pipelines and ~120,000 barrels of storage
Storage & Terminaling	<ul style="list-style-type: none">Energy logistics terminals, ports and storage facilities for crude oil, LPGs, and oilfield commodities	<ul style="list-style-type: none">6,500 bbl/d of rail-to-truck crude transload capacity in the NiobraraIncremental 145,000 bbl/d rail port capacity planned in the Midland and Delaware basins, and Niobrara

Midstream Market Outlook



Key Short-term Dynamics in the Crude Midstream Market



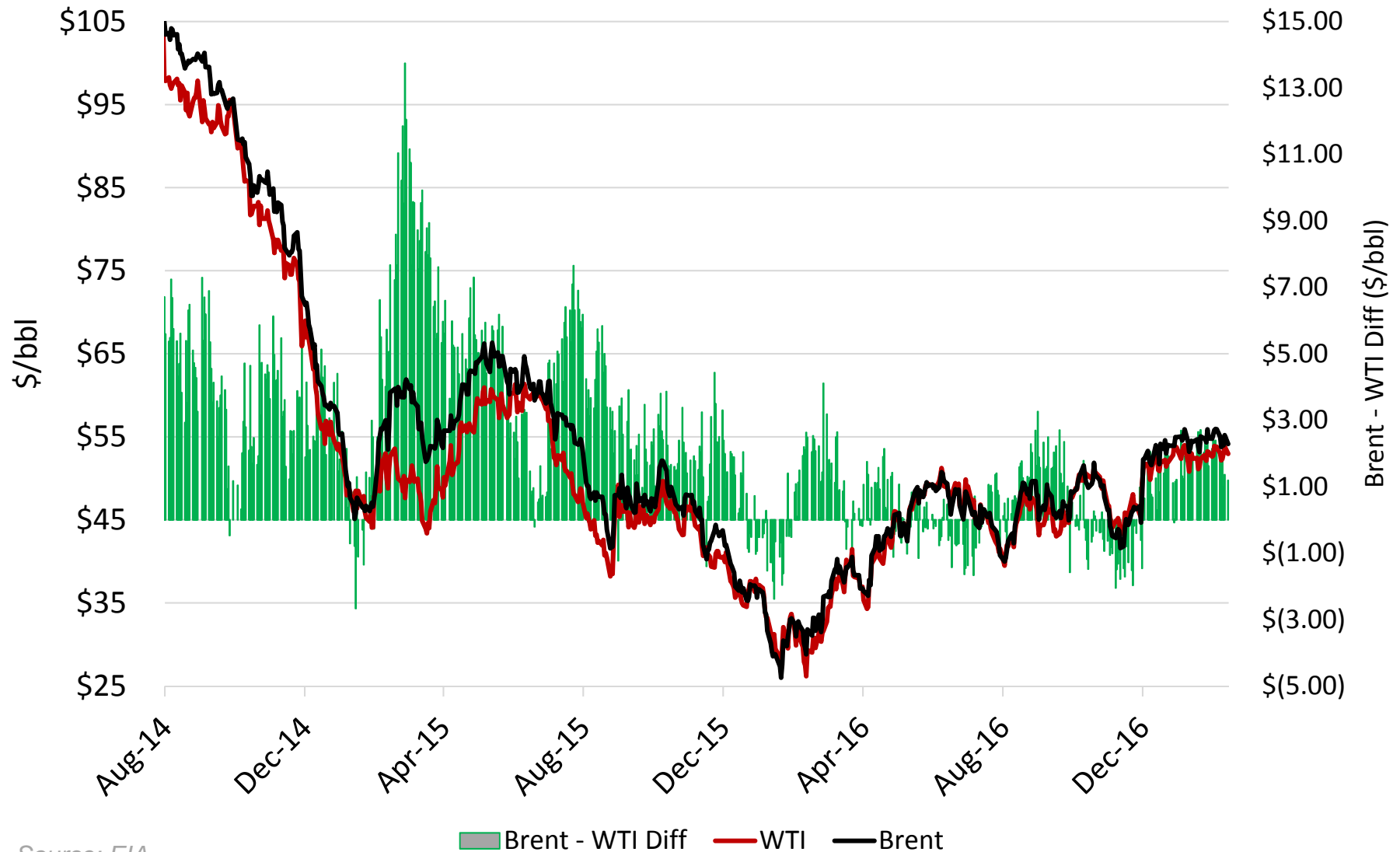
- Flat price is up, incentivizing increased rig counts
 - Rig count has nearly doubled from the low
- North American production is forecast to grow by 1.3 MM/d by the end of 2018
 - Shale more cost competitive
- Storage Levels Extremely High, Causes Concern for Rebalancing
 - Potential to go from Contango to Backwardation
 - Exports at all-time highs
- DAPL reshuffles the deck
 - More lights hit the Gulf Coast
 - Rail takes a hit, Rockies' pipes could go slack
 - Could result in increased Canadian pipe take away capacity
- Long-haul trunklines have surplus capacity in all the growing US plays in the near-term through mid-2018: DJ, Scoop/STACK and Permian
 - Benefits producer netback, but challenging margins for midstream
- Additional capacity will be needed in some plays as early as Q4 2018, with growing production

Since ARB started, WTI Dropped By Over 75%, But Have Doubled From the Lows a Year Ago



Source: EIA

Brent-TI Spread Widening Recently, In Support of Exports

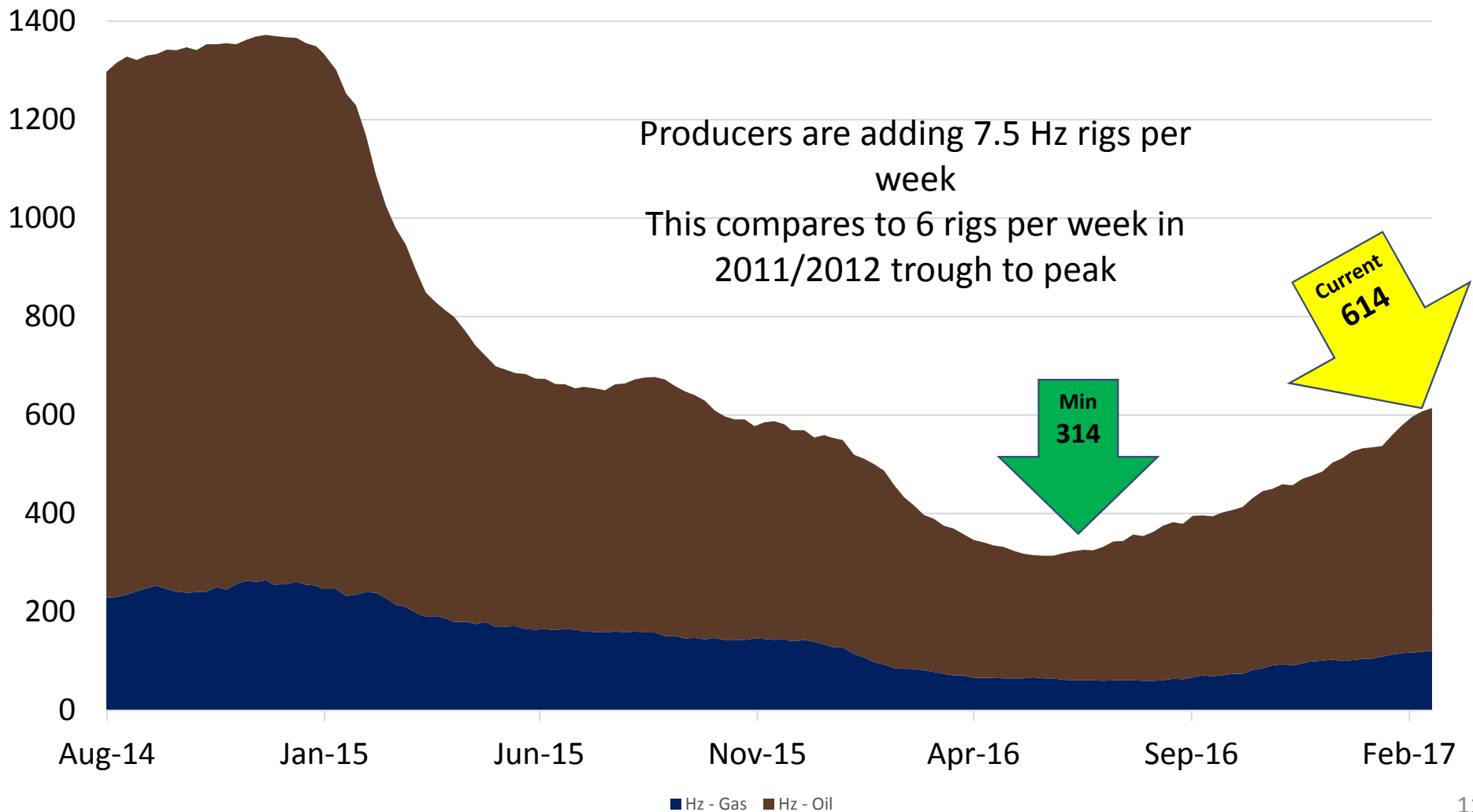


Source: EIA

Horizontal Rig Count Is Nearly Double What it Was 8 Months Ago, and Growing At a Faster Rate Per Week than in the \$100+/bbl Oil Days



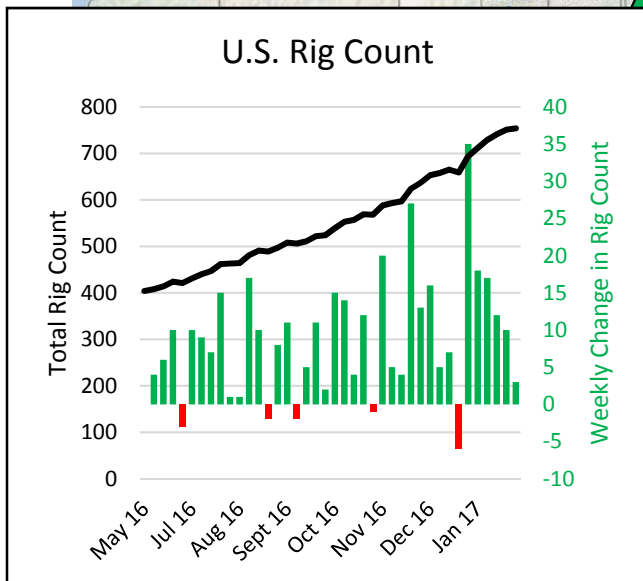
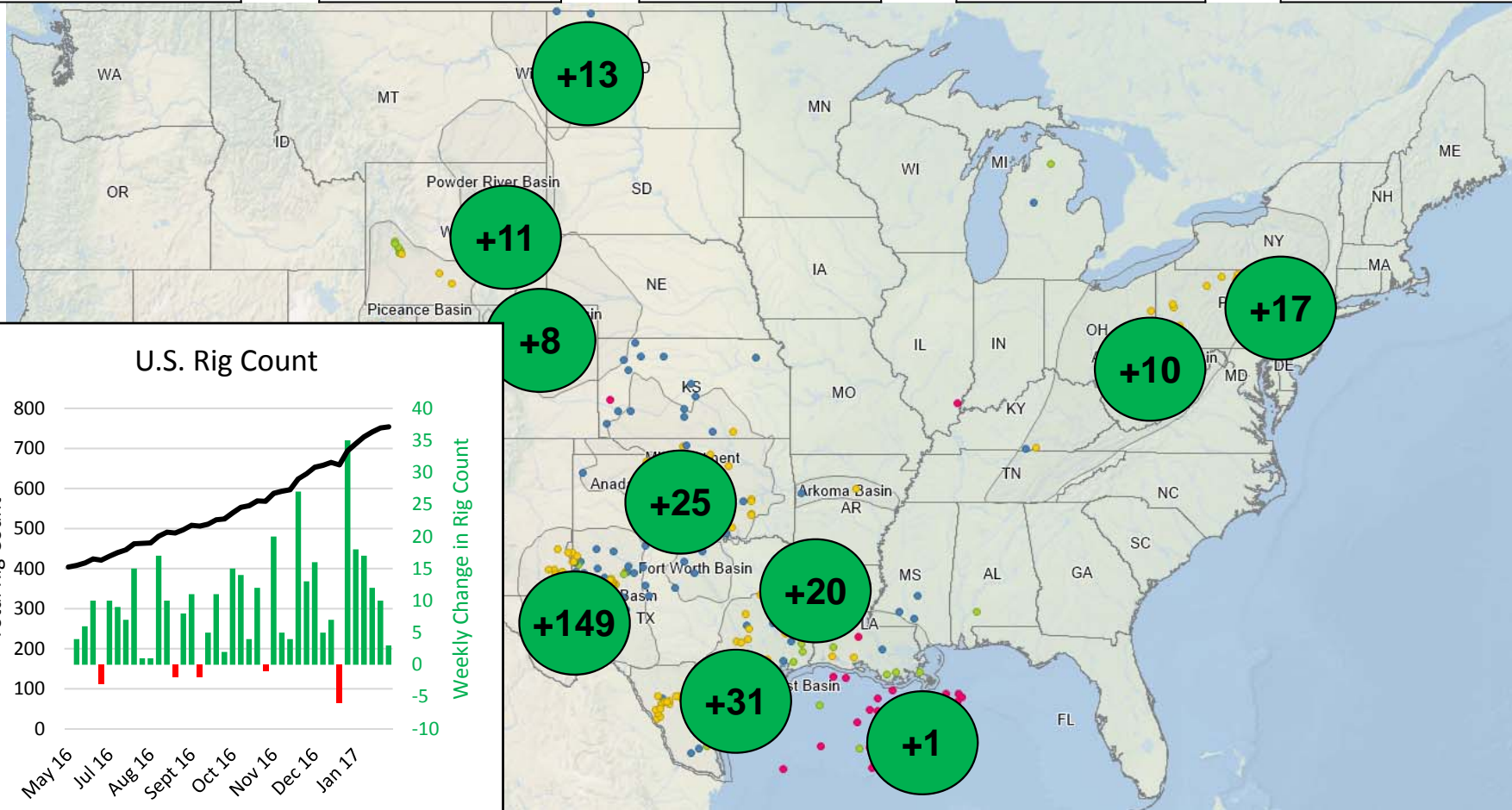
US Horizontal Rig Count



Shale Plays Continue to Ramp Up Rig Count

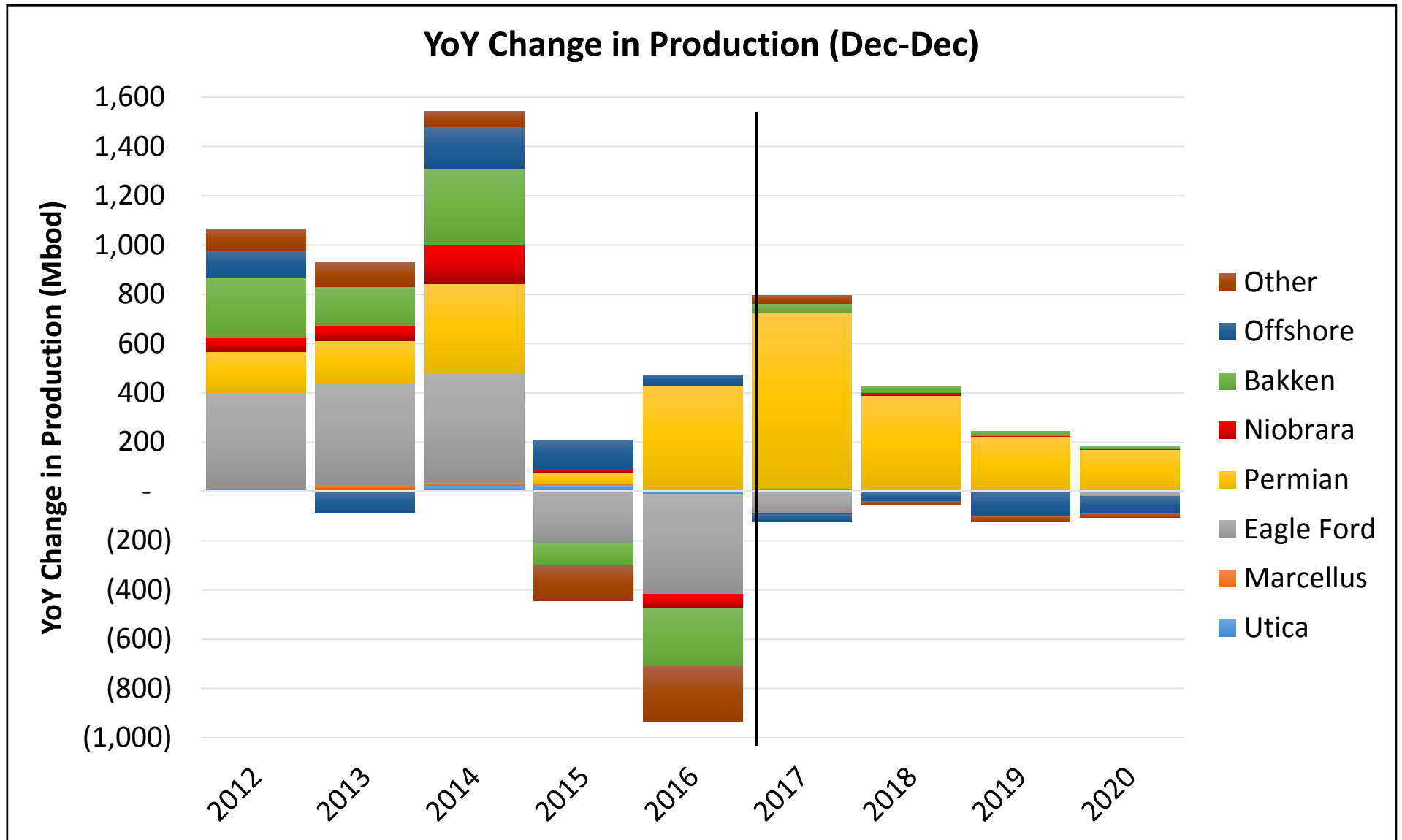


All Rig Count	Hz Rigs	Ver Rigs	Dir Rigs	Mthly Total Δ
754	624	71	59	+42

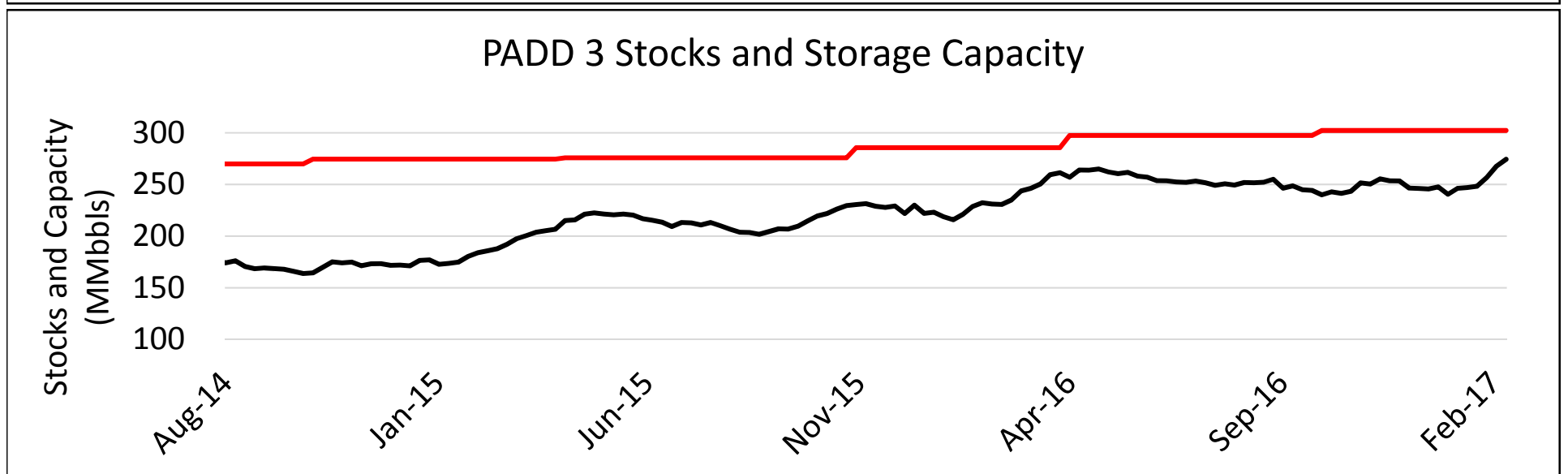
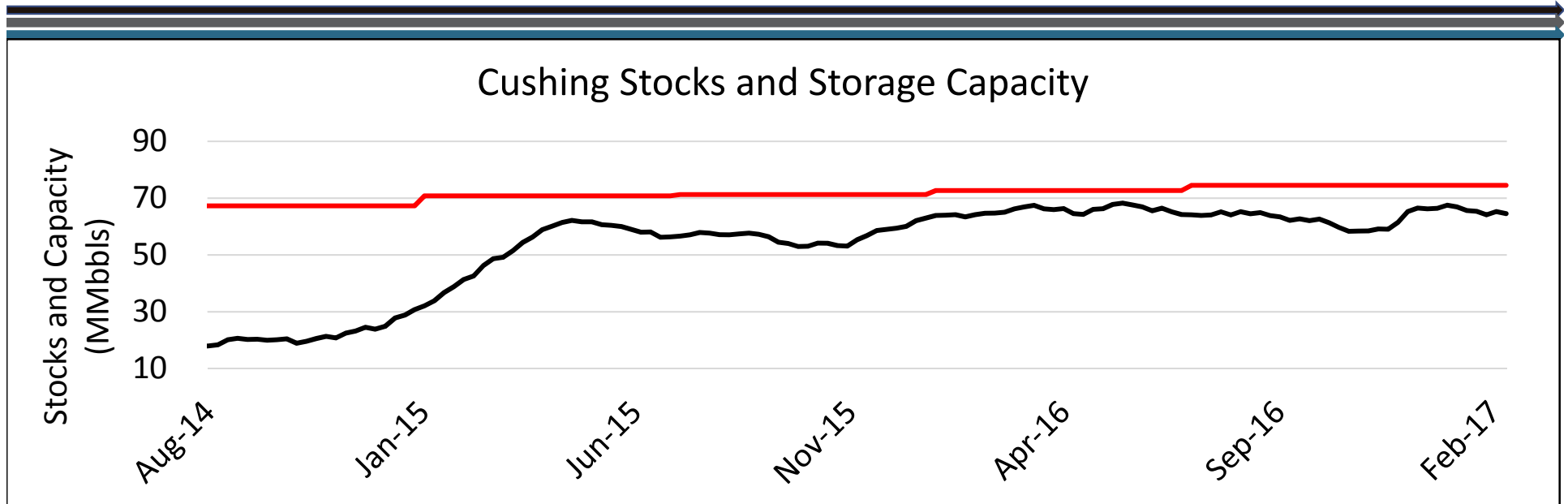


Source: BakerHughes, Drilling Info

Declines in Production Experienced in 2015 and 2016 Will Be Reversed in 12 to 18 Months



U.S. Crude Stocks At Over 80% of Capacity, Impacts Market Rebalancing



ARB's Midstream Investment Outlook



Strategic Deal Characteristics



- We have a “land, then expand” philosophy about entering new markets
 - ARB uses proprietary, in-house research to pinpoint infrastructure bottlenecks and under-served regions that are backed by oil plays with **strong, sustainable production economics**
 - **Start with an asset, then market around it**
 - Expand through the value chain
- Our typical target deal size ranges from \$5-80MM, with \$5-10MM in EBITDA
- ARB has reviewed over 60 acquisitions and greenfield development projects in the past 18 months, representing \$3.6B in potential capital investment. We currently have over \$350MM of shortlisted projects in our pipeline

Current Project and Acquisition Pipeline: Over \$350MM In Short Listed Deals



- We currently have nine deals either under LOI or in term sheet negotiations (representing \$365MM in capex and ~\$70 MM in potential annual earnings), and an additional 29 deals that are “on the radar”

All Open Projects and Investments

	<u>EBITDA (run-rate)</u>	<u>Capex</u>	<u>Multiple</u>	<u>Lifespan</u>
• Shortlisted Deals:	\$67 MM	\$365 MM	4-8x	5+ Years
• All Others:	\$199 MM	\$1,648 MM	5-10x	5+ Years

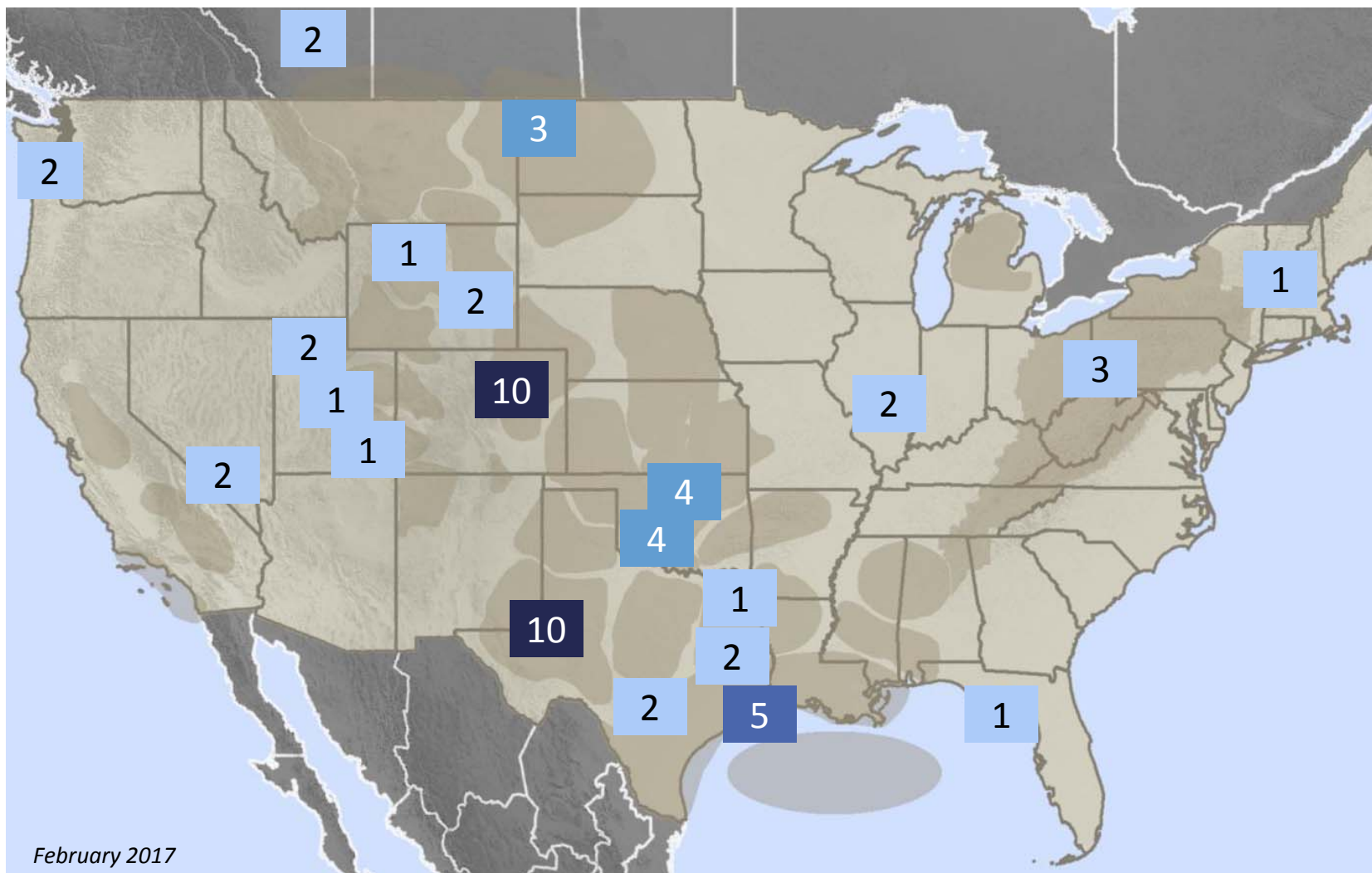
Shortlisted deals in initial screening, with CIM, under LOI or with Term Sheets

	<u>Description</u>	<u>EBITDA (run-rate)</u>	<u>Capex</u>	<u>Multiple</u>	<u>Lifespan</u>
Gathering and Transportation	Total Gathering:	\$60 MM	\$319MM	4-8x	5+ Years
	• Niobrara Expansion	\$20.0 MM	\$60.0 MM	3.0x	10 Years
	• Oklahoma Gathering	\$15.0 MM	\$100.0 MM	6.7x	10 Years
	• South Niobrara Gathering	\$10.0 MM	\$43.0 MM	4.3x	5 Years
	• East Lucerne Crude Gathering	\$3.2 MM	\$16.2 MM	5.1x	5 Years
	• East Lucerne Gas Gathering System	\$12MM	\$100MM	8.3x	5 Years
Storage and Terminaling	Total Terminals:	\$7.4 MM	\$46 MM	3-7x	3+ years
	• Delaware Basin Rail Terminal	\$3.8 MM	\$25.2 MM	6.6x	3 Years
	• Permian Gateway	\$2.7 MM	\$20.0 MM	7.4x	5 Years
	• Pac NW Terminal	\$0.4 MM	\$1.0 MM	2.5x	5 Years
	• Southwester US Terminal	\$0.5 MM	lease	TBD	5 Years

DJ/Niobrara, Permian and Oklahoma Account for Most of ARB's Deal Pipeline



Number of Opportunities by Region (2016-Q1 2017)



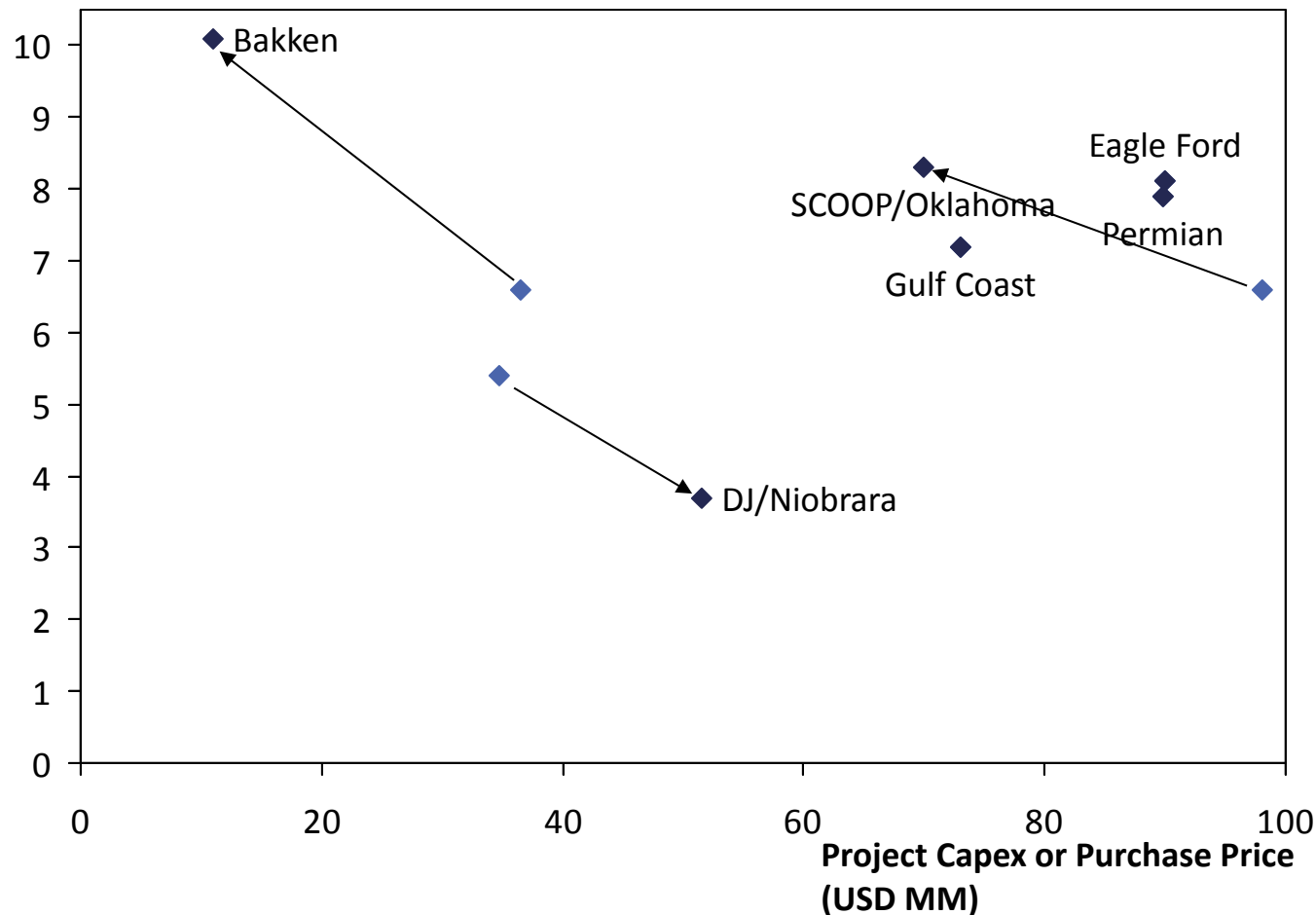
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Some Plays Require Significantly Higher Capex and Multiples to Enter



Multiple of EBITDA¹

◆ Latest 2017 Ask Multiples
◆ 2016 Average Ask Multiples



Key Insights

- Bid-ask spread has narrowed in the DJ/Niobrara recently, but surprisingly has grown in the Bakken.
- SCOOP/STACK/Oklahoma multiples are also rising
- The high growth projected in the Permian will help earn down the multiple, but “ante” to buy or build midstream assets is the highest among North America crude plays

¹ Metrics shown are based on over 70 opportunities that ARB reviewed in 2016 and Q1 2017
Source: ARB team analysis

Potential Growth Drivers for Midstream Investments



Project Value Drivers to Increase Value and Earn Down Acquisition/Development Multiples

Legend		Gathering and Transportation								Marketing		Storage and Terminals					
		Niobrara Water	OK Tankage	West Lucerne Crude	STACK Crude	East Lucerne Crude	S. Niobrara Crude	Permian Crude	SCOOP Crude	OK Crude	Permian Crude	Delaware Frac Sand	Midland Frac Sand	West Coast Products	Southwest Products	Bakken Frac Sand	Delaware Condensate
External Growth Drivers	<u>Market Size</u>	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
	• Regional Production Growth/Inflows	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
	<u>Market Share</u>	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
	• Customer Concentration	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
	• New entrants/assets	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
Internal Growth Drivers	<u>Margins</u>	High	No	High	High	High	High	No	High	High	No	High	High	High	High	High	High
	• Crude Oil Price	High	No	High	High	High	High	No	High	High	No	High	High	High	High	High	High
	• Crude Oil Differentials	High	No	High	High	High	High	No	High	High	No	High	High	High	High	High	High
	• Refined Product Differentials	High	No	High	High	High	No	High	High	No	High	High	High	High	High	High	High
Internal Growth Drivers	<u>Cost Reductions</u>	No	High	High	High	High	High	High	No	High	High	High	High	High	High	High	High
	• Incr. SG&A and back office efficiency	No	High	High	High	High	High	High	No	High	High	High	High	High	High	High	High
	• Reduce opex	No	High	High	High	High	High	High	No	High	High	High	High	High	High	High	High
Internal Growth Drivers	<u>Revenue Improvements</u>	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
	• Increase utilization	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
	• Add new services	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
	• Add new geographic markets	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
Internal Growth Drivers	<u>Access to Capital</u>	High	High	High	High	High	High	High	High	High	High	High	High	High	No	High	High
	• Increase borrowing base	High	High	High	High	High	High	High	High	High	High	High	High	High	No	High	High
	• Fund new projects	High	High	High	High	High	High	High	High	High	High	High	High	High	No	High	High



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Gathering & Transportation: Platte River Gathering and Lucerne Station Overview



- **Location:** Located in Weld County, Colorado in the core of the Niobrara unconventional oil play
- **Market Access:** Cushing, via NGL's Grand Mesa pipeline
- **Deliverability:** Pipe and truck delivery to Lucerne terminal tankage, plus direct pipeline delivery to NGL's Grand Mesa pipeline
- **In-service Date:** November 1, 2016
- **Size:**
 - Pipeline capacity: 157,000 bbl/d
 - Truck offload capacity at Lucerne: 14,000 bbl/d
 - Phase I: 40+ miles
 - Phase II (planned): ~30-50 +/- miles
 - Will span upwards of 13 TWP
- **Storage and Blending Capacity:**
 - Phase I: 20x 1,000-barrel tanks
 - Phase II (in development): 150,000 barrels
 - Phase III (permitted): 450,000 barrels
- **Customers:**
 - PRG is backed by multiple long-term producer commitments
 - ARB is developing gathering plans with several other producers, and will continue to invest in and expand the PRG system during the next 12 to 36 months

