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Argus Condensate & Naphtha Markets

October 28-30, 2015

Omni Hotel | Houston, Texas



Condensate from the Rockies Producing Region

October 29, 2015

Market Observations

- Lease condensate production from the Rockies (Williston, PRB, DJ) projected to grow by 84,000 b/d, from 266,000 b/d to 350,000 b/d, over the next five years
 - 95% of that growth is from the DJ Basin
- Lease condensate production can be blended into the pipelines, but pipelines have specs that limit the % light ends
 - However, excess takeaway capacity and batching make hitting any sort of “blend wall” difficult
 - Possibly a problem only in the DJ, depending on how concentrated the barrels area
- Rail can access the Canadian diluent market or Gulf Coast market (Splitters/Exports) and provide an uplift to distressed light barrels
 - However current pipeline capacity is causing previously distressed barrels to receive a higher price, closing the arb.
- Rail provides Rockies’ producers with a coastal market, rather than only delivering a Cushing market
 - Producers can get Brent-based pricing

ARB Midstream Overview

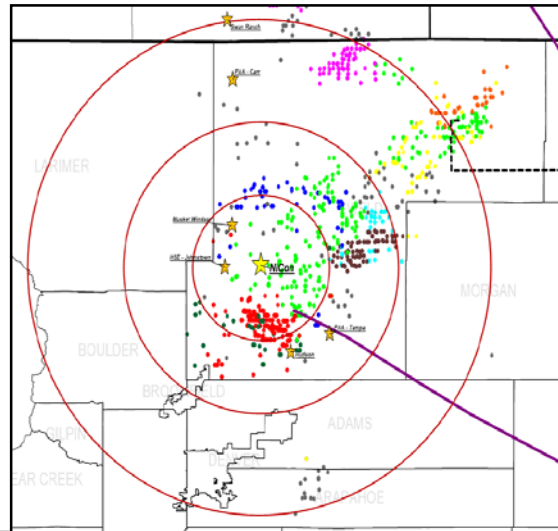
- Growth oriented, infrastructure development company focused on early stage, organic development projects and acquisitions in gas liquids, condensate, and crude oil
- Provide marketing and logistics services to producers and refiners
- Quantitative analytics drive development strategy
- Current Projects/Marketing
 - Marketing ~20,000 b/d
 - DJ Basin Energy Hub: Niobrara Connector (“**NiCon**”)
 - Midland Basin (Big Spring) Energy Hub: Gateway Project



Organic Projects – Energy Rail Hubs

Niobrara Connector

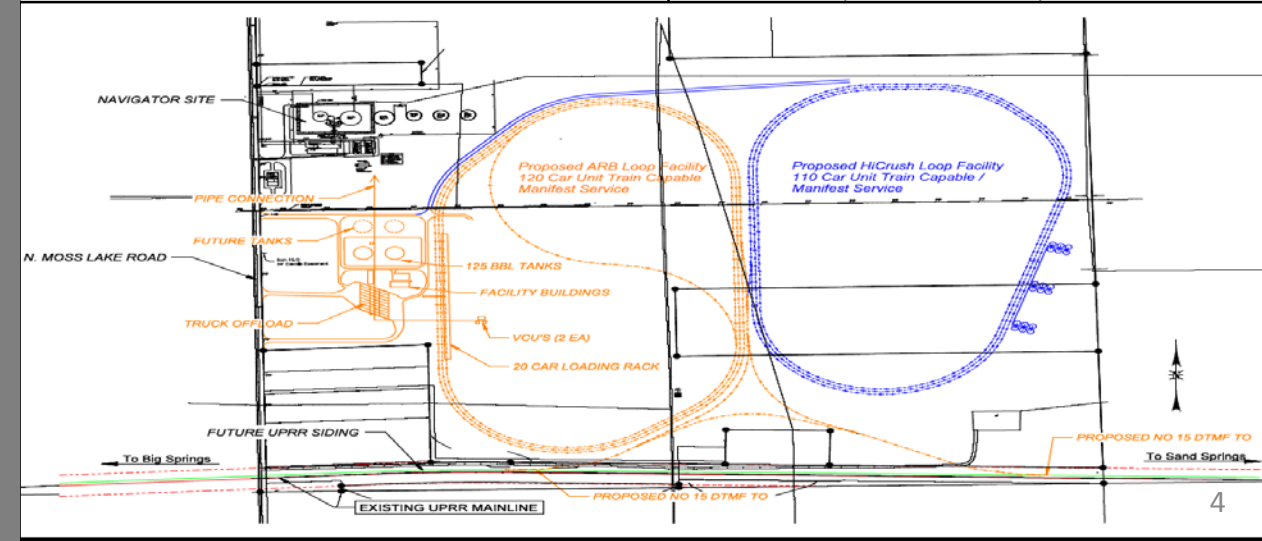
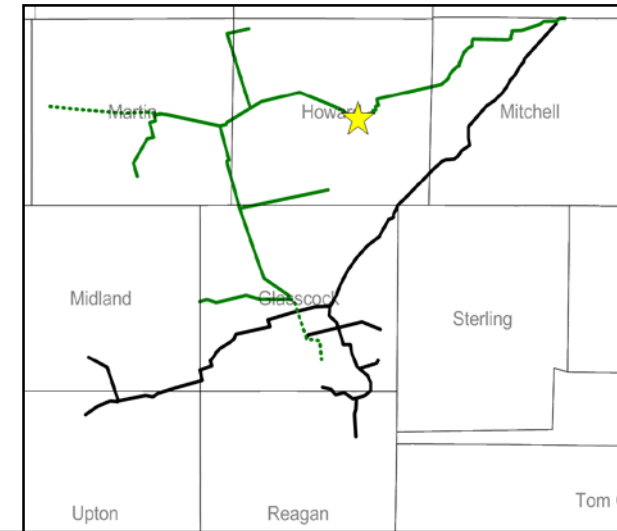
- Located in the heart of DJ
- 230 Acres
- Under construction
- Drilling materials in bound, liquids outbound



NiCon Rail Terminal

Permian Gateway

- Located in Howard County
- 350 acres
- Pipe connection to new gathering system
- Drilling materials in bound, liquids outbound

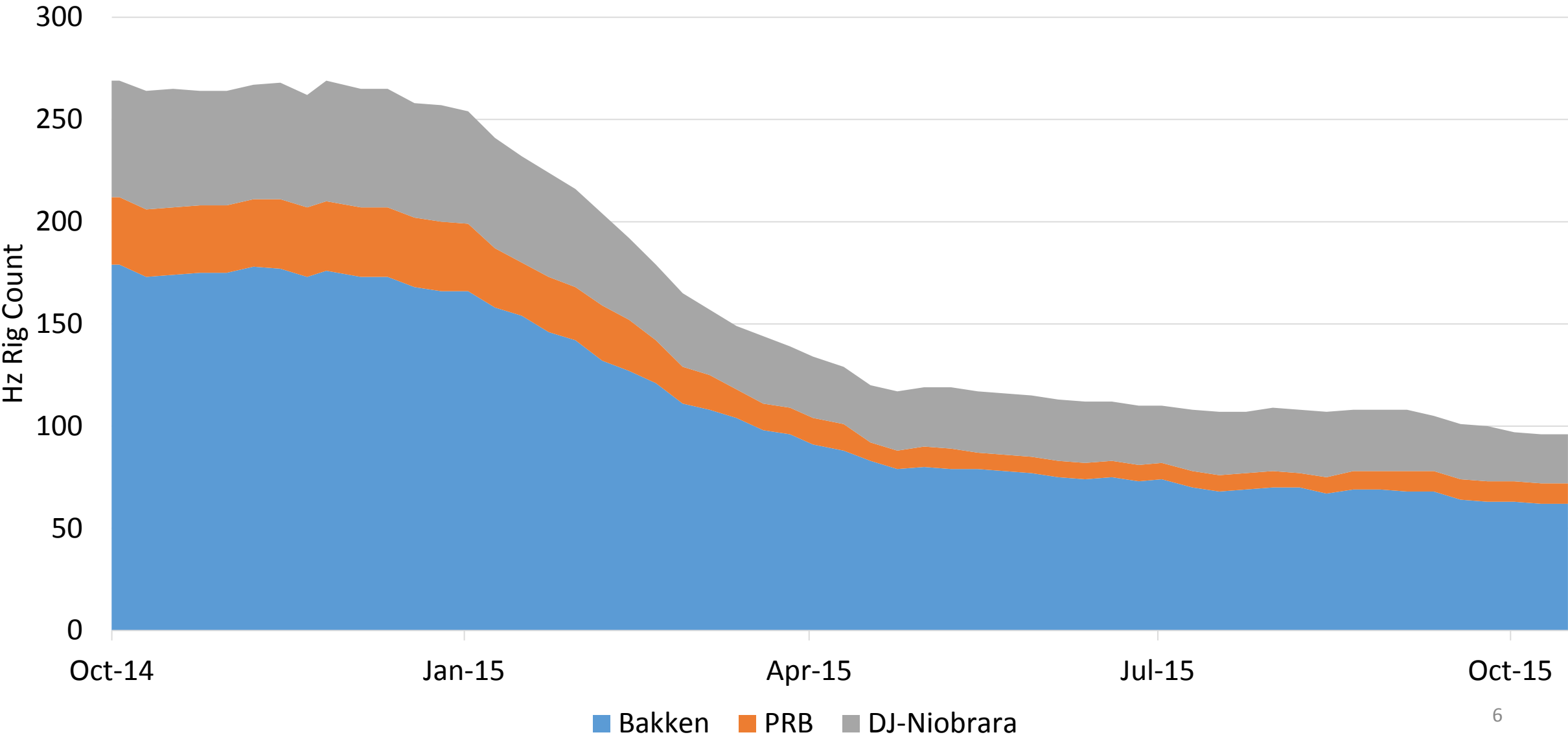


Rockies Drilling Update

Impact of declining rig count outpaces influence of high grading and efficiencies



Rockies Rig Count Down from 265 to 96 (64%) YoY

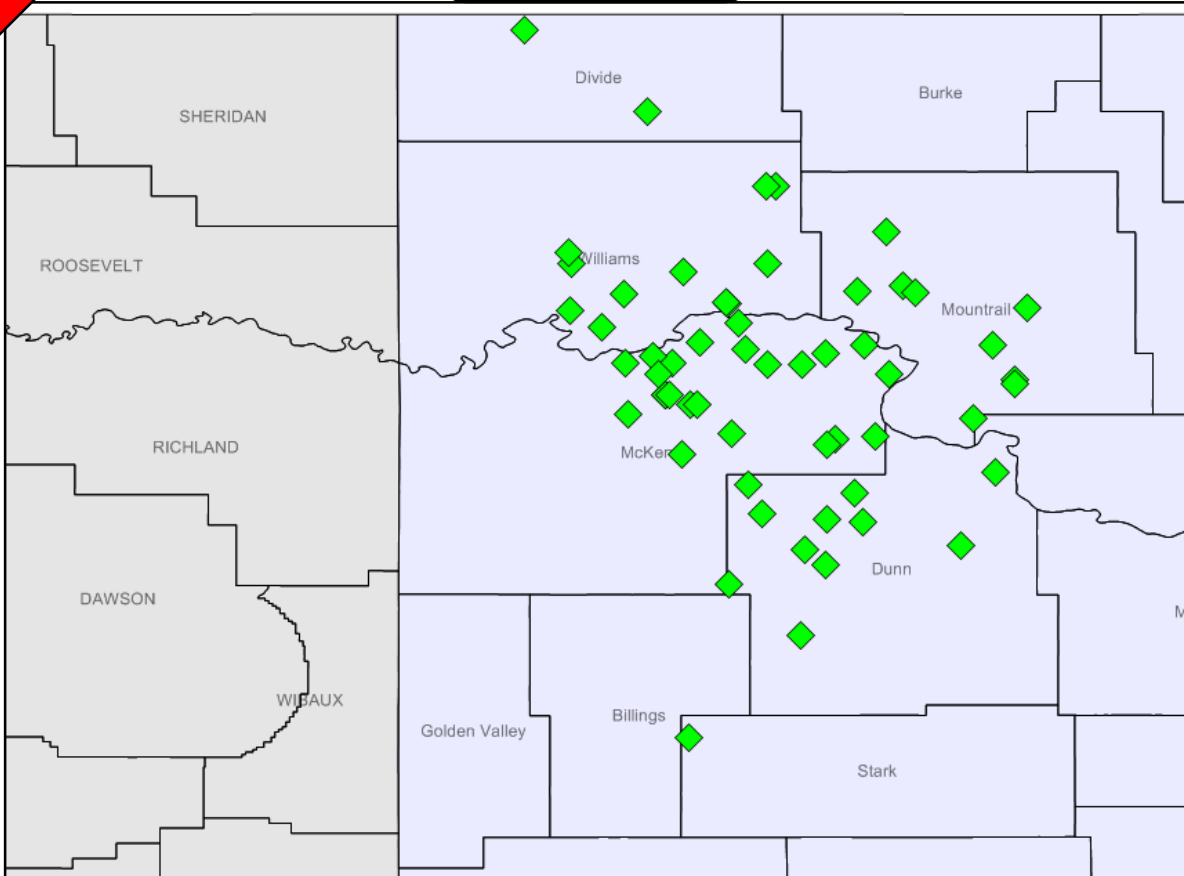
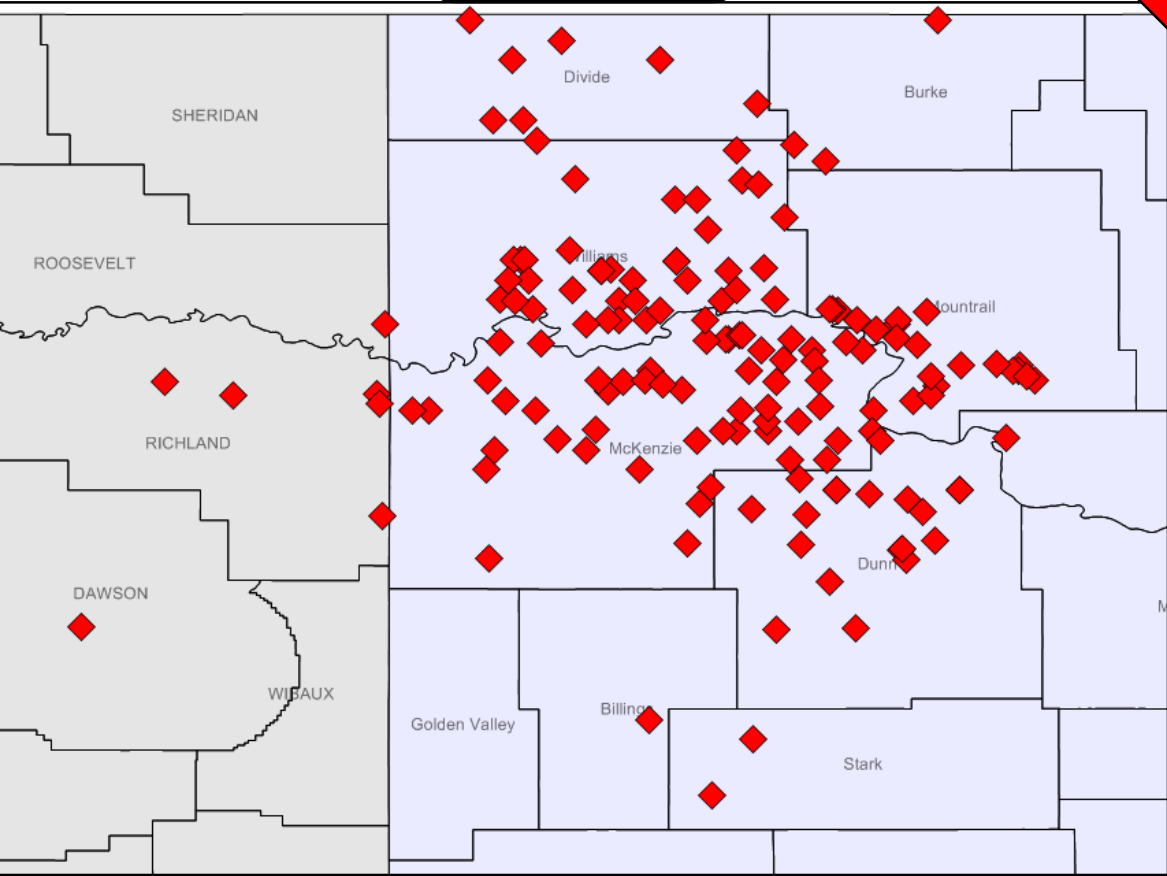


Bakken Rig Count Down By 113 rigs, nearly 2/3 YoY

**Oct 2014
175 Rigs**

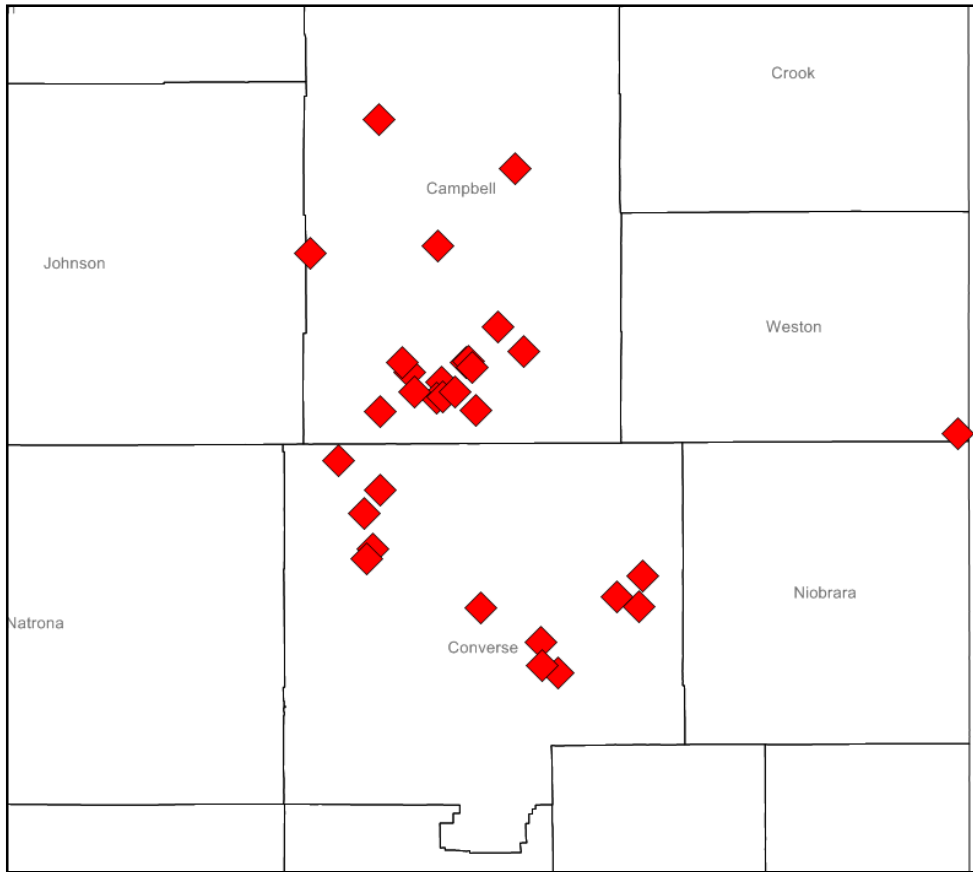
**-113
-65%**

**Oct 2015
62 Rigs**



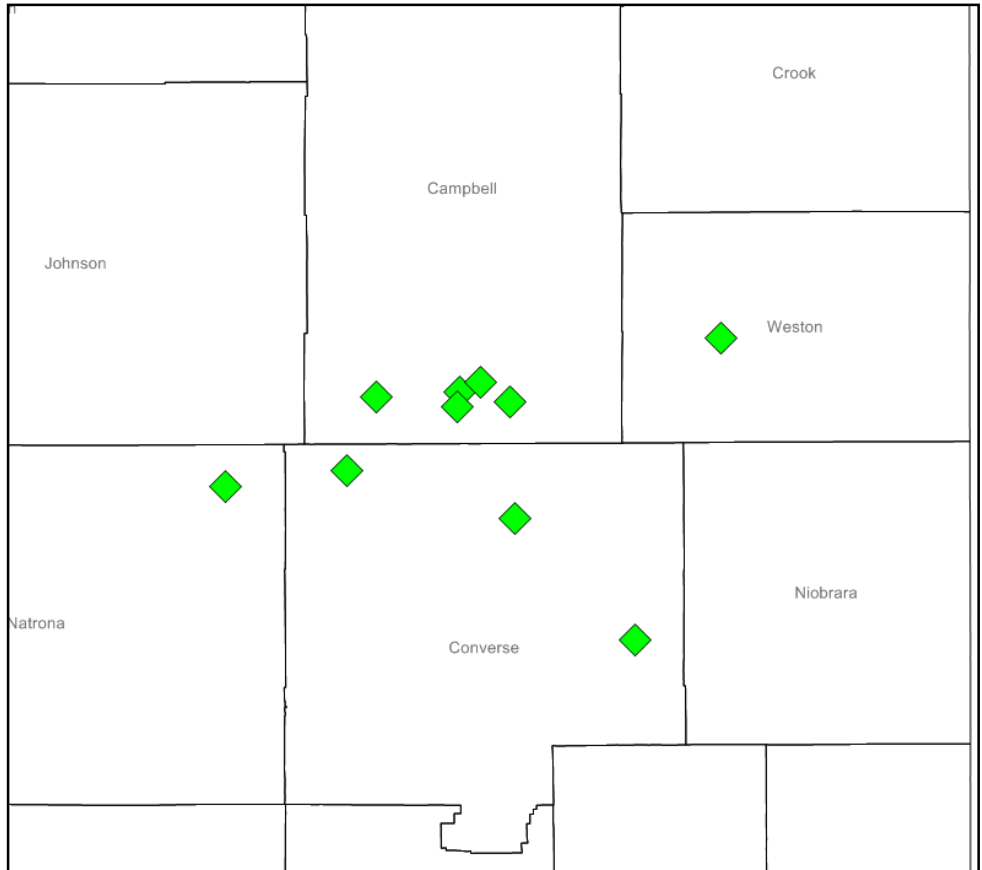
PRB rigs down by 70% YoY

Oct 2014
33 Rigs



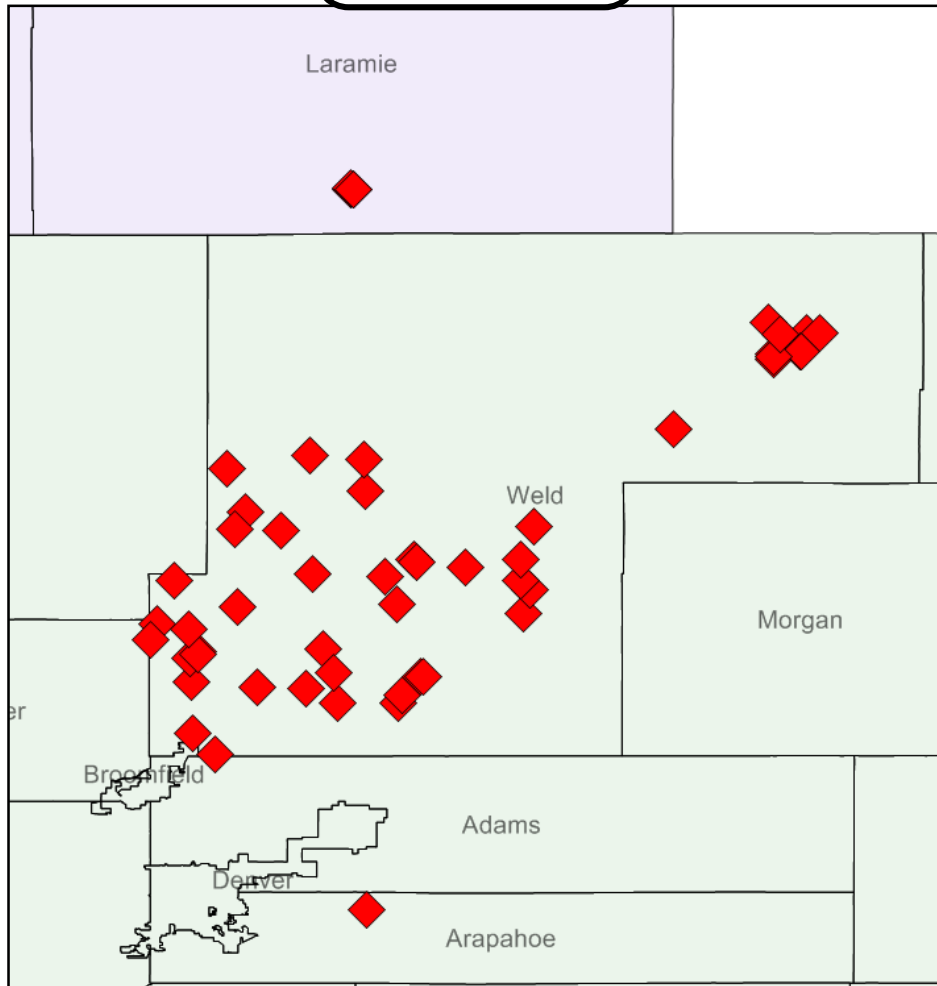
-23
-70%

Oct 2015
10 Rigs

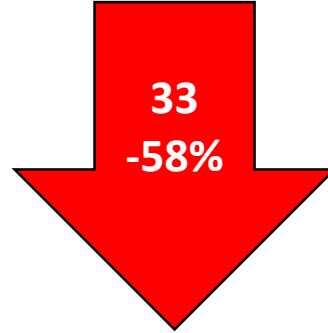


DJ Basin Rig Count Holding Up Slightly Stronger, But Still Down 58%

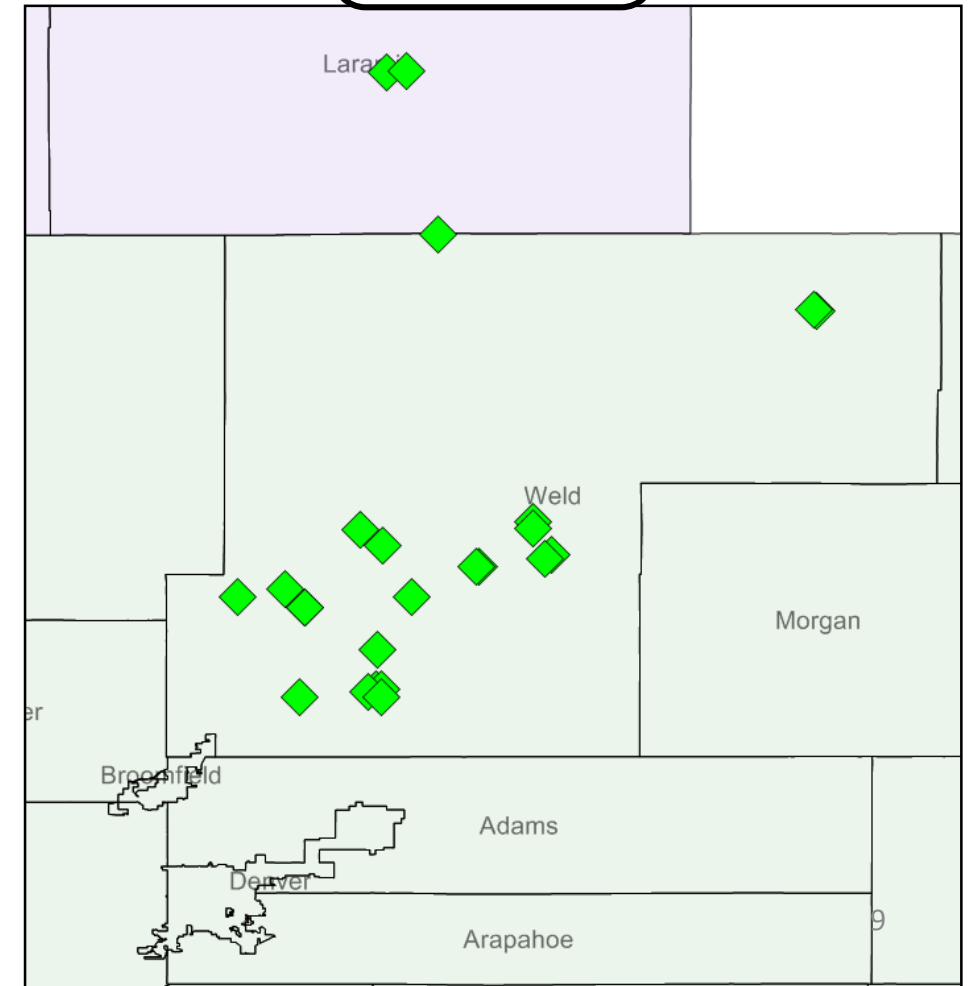
Oct 2014
57 Rigs



33
-58%



Oct 2015
24 Rigs

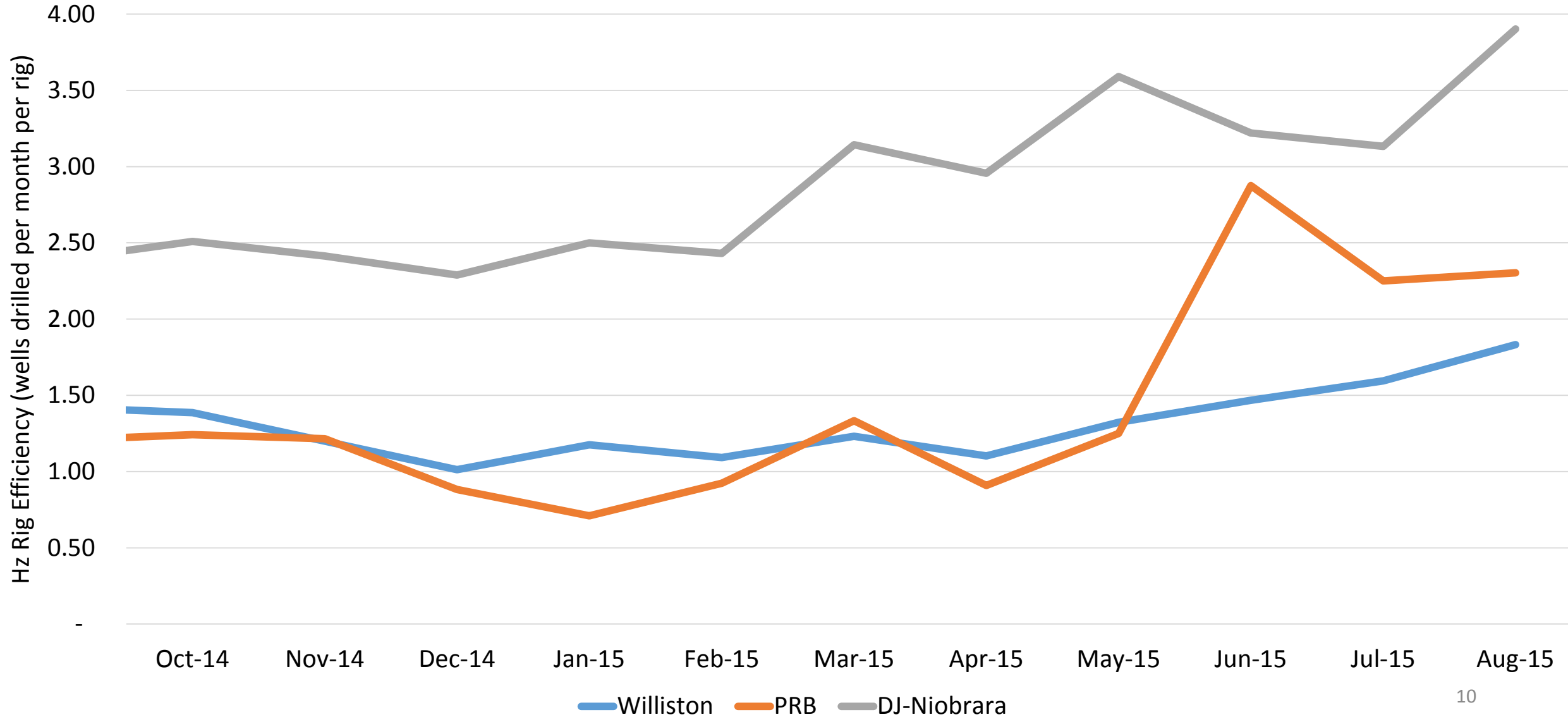


Rigs Are Drilling 35% More Wells/Month Today Compared to a Year Ago

DJ: 24 today = 37 a year ago

Bakken: 62 today = 81 a year ago

PRB: 10 today = 19 a year ago

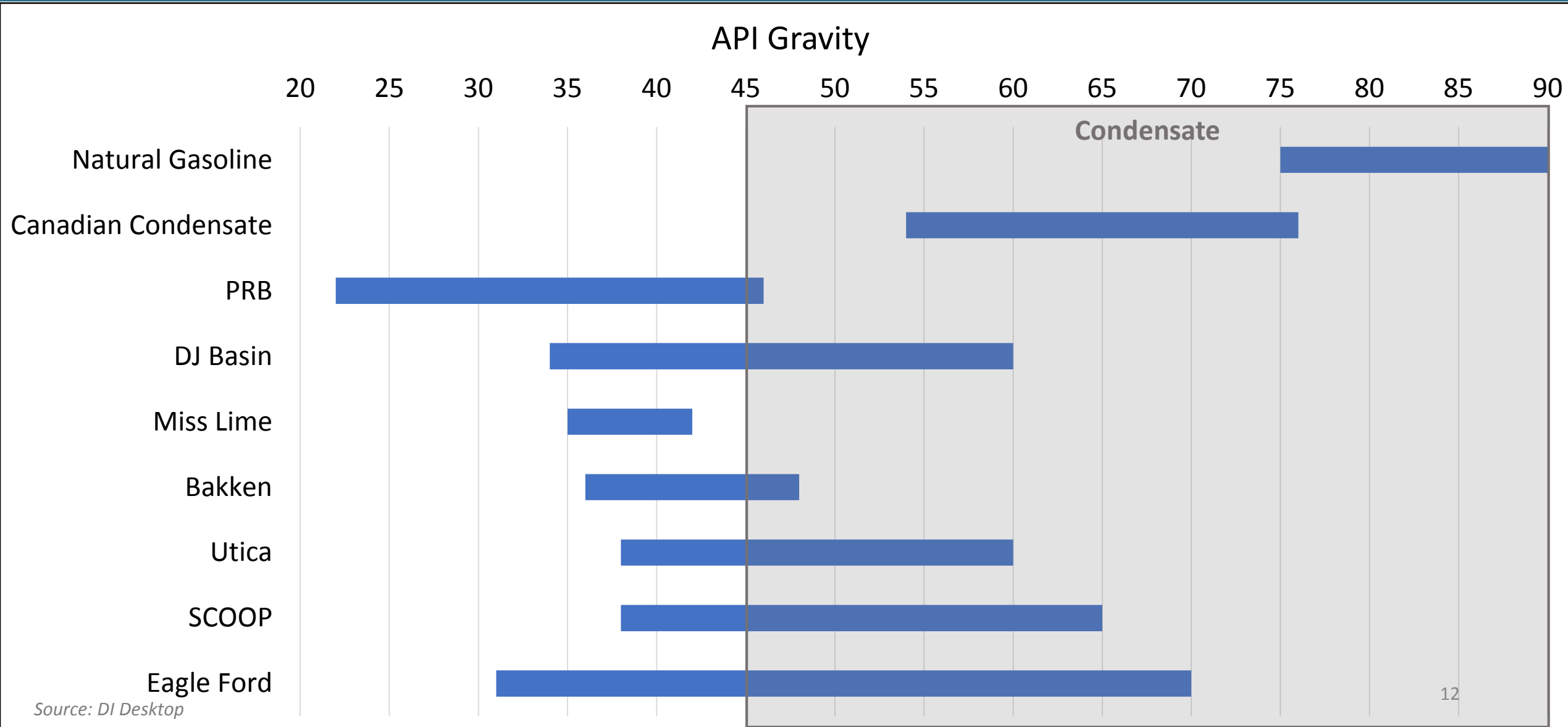


Lease Condensate Production

How much condensate will be produced from the Bakken and Niobrara plays?



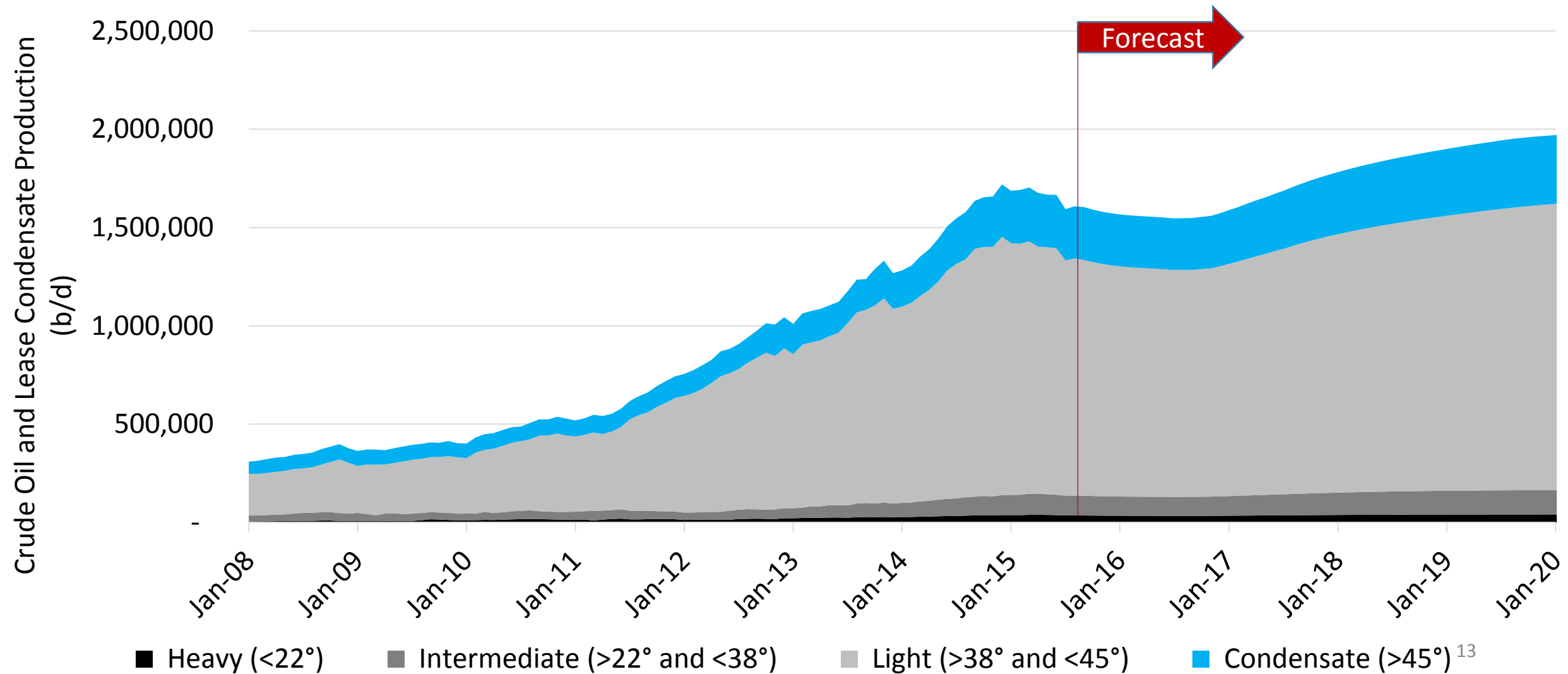
PRB and Bakken Are Not a Significant Source of Condensate. DJ, Utica, SCOOP and EF are Major Sources



Lease Condensate Makes up 15% of Rockies Total Production. Projected to Grow by 84,000 b/d over next 5 years (f/ 266 Mb/d up to 350 Mb/d)



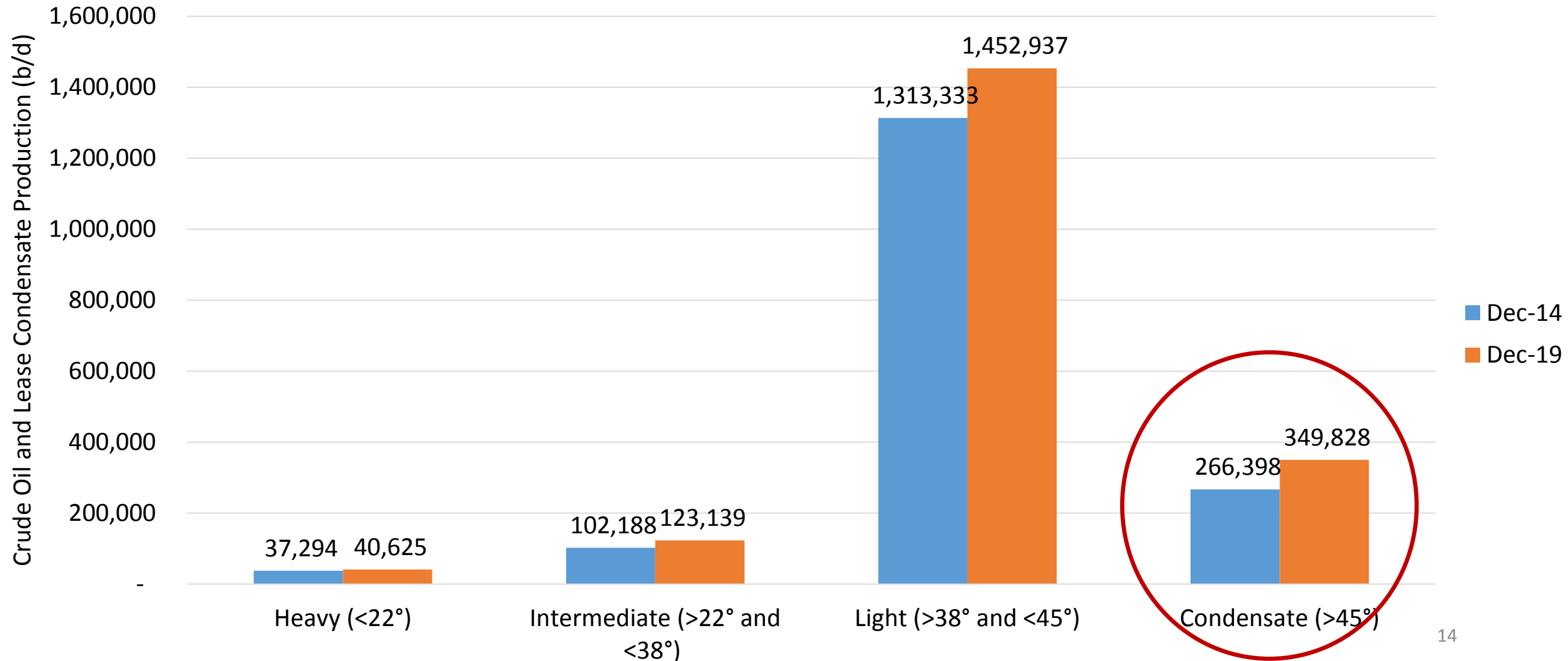
Rockies (Bakken, PRB, DJ) Crude Oil and Lease Condensate Production vs Time



Condensate is Fastest Growing Quality Segment, Projected to Grow by 31% Over Next Five Years

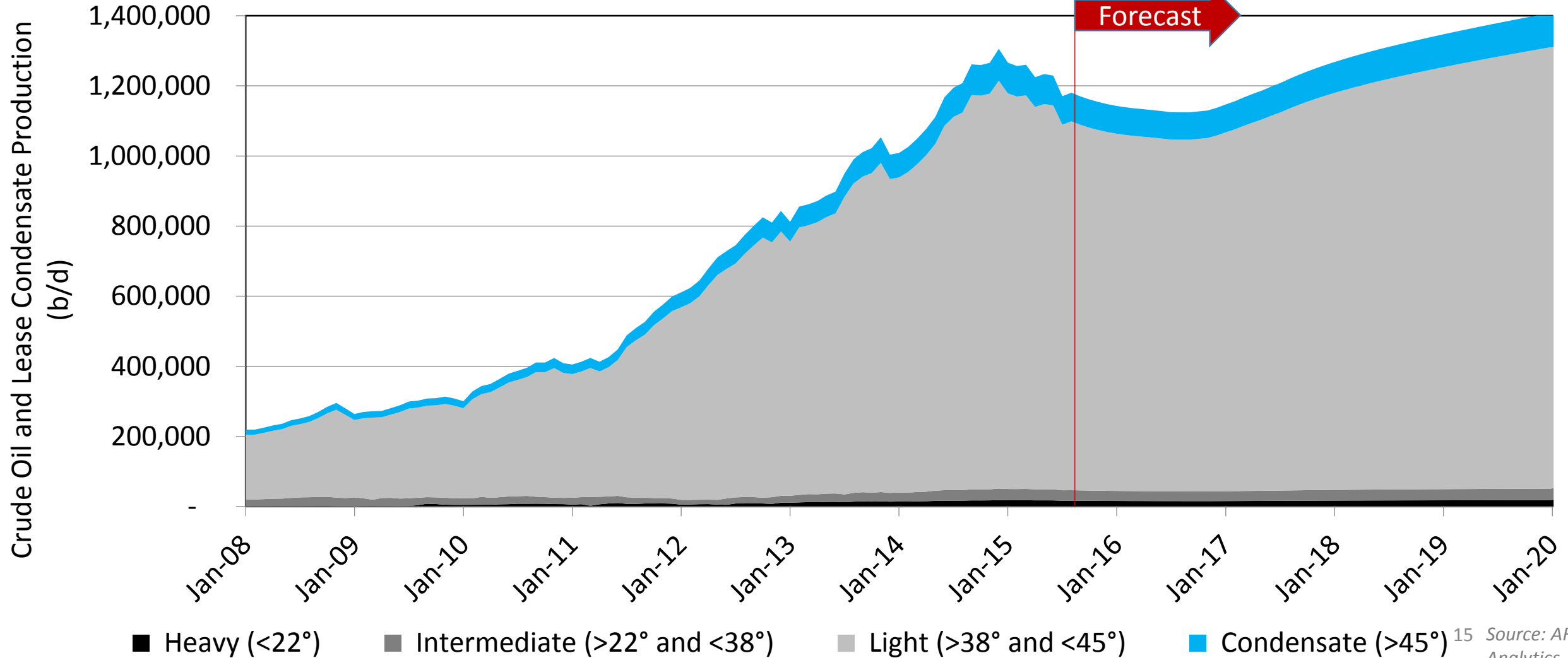


Dec. 2014 to Dec. 2019: Bakken, PRB, DJ



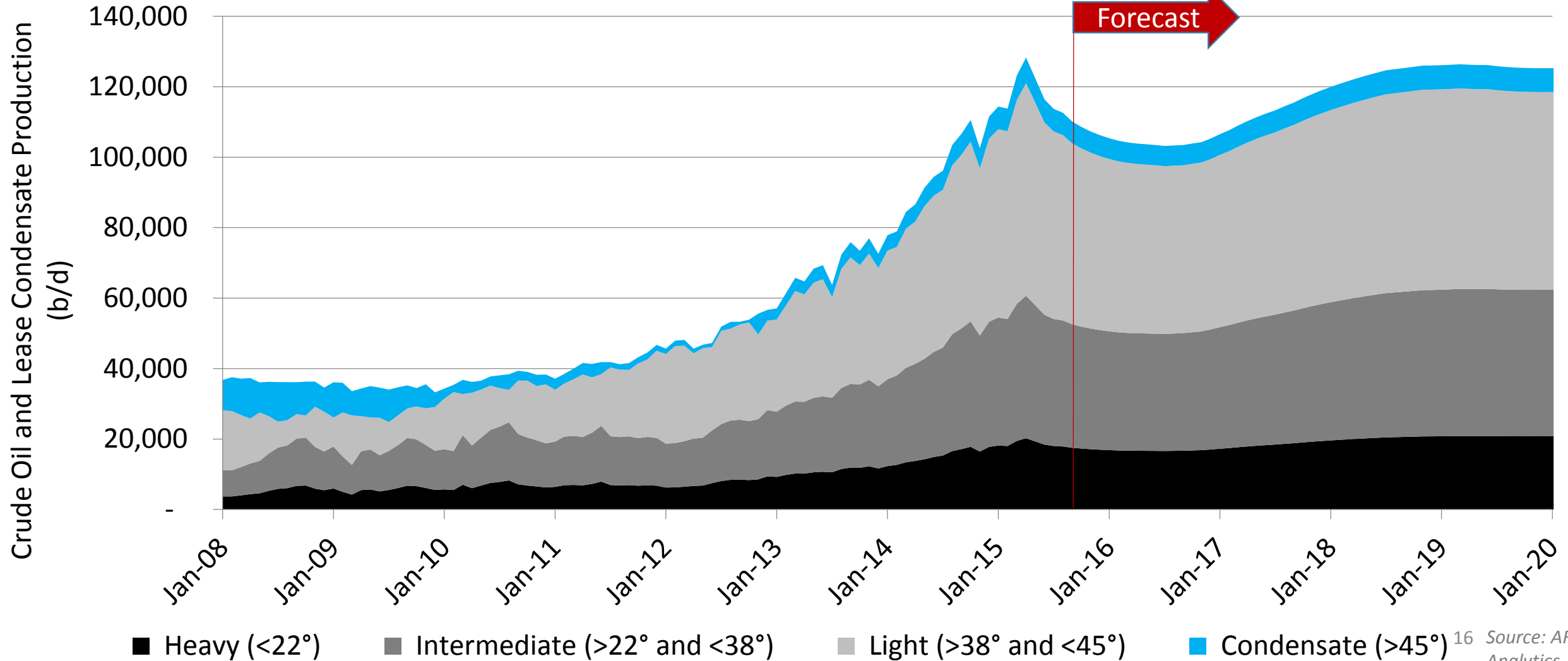
Bakken Production Drops By 180,000 b/d by Mid 2016, Rebounds Early 2018. Growth in Lease Condensate is Small at (8,000 b/d).

Williston Basin Production Forecast



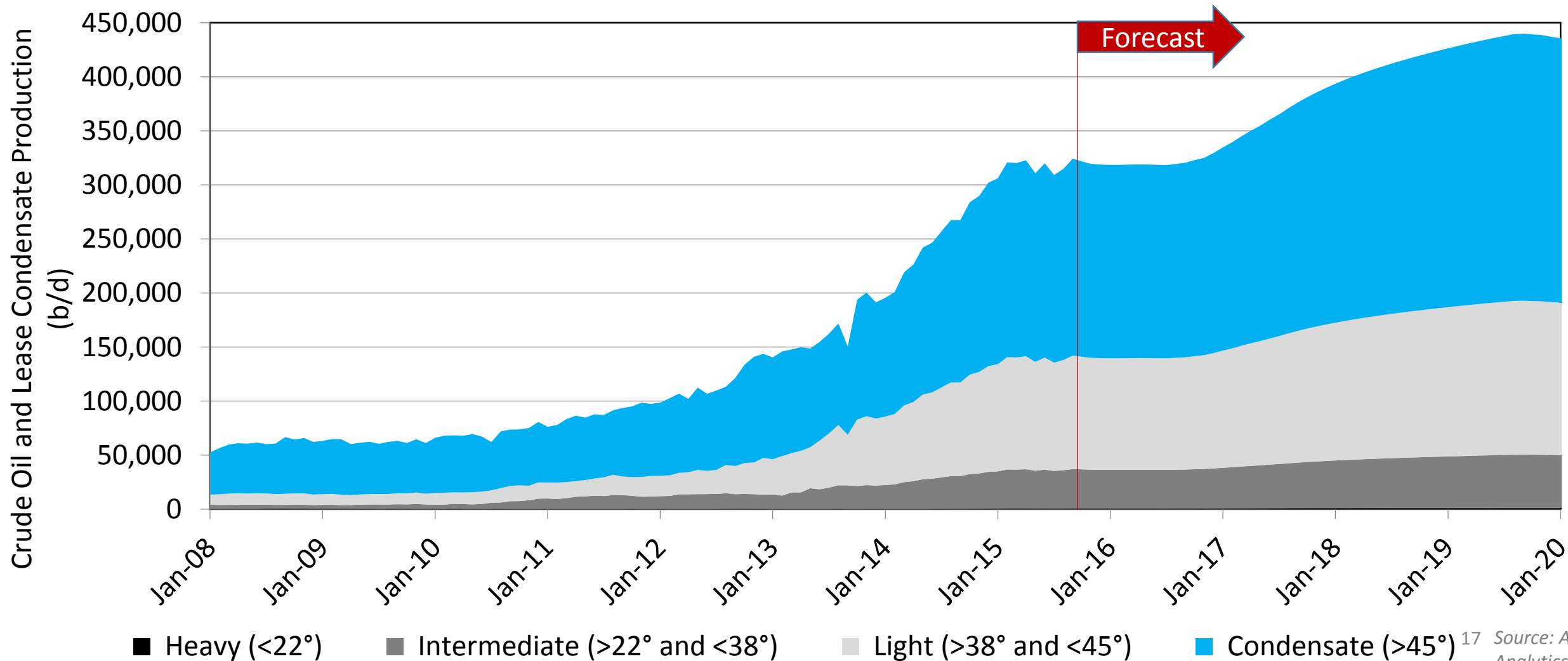
PRB: Only 6,000 b/d condensate. Overall Production Shrinks Over Next five Years, Doesn't Achieve 2014 levels

PRB Production Forecast



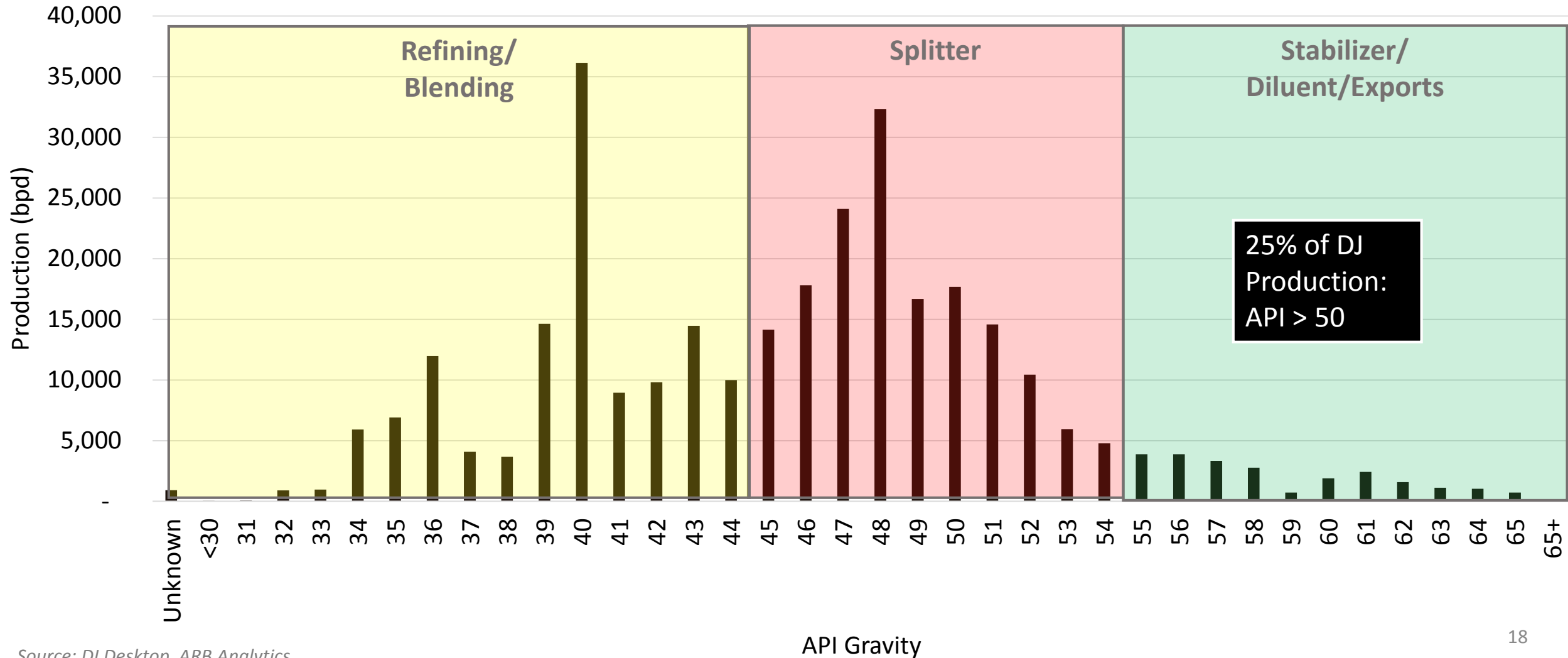
DJ: Condensate projected to grow by 78,000 b/d

DJ Basin Production Forecast



End Market for DJ Light Barrel? Cushing by pipe, Rail (to splitter), Rail for Export, Rail to Canada

DJ Production by API

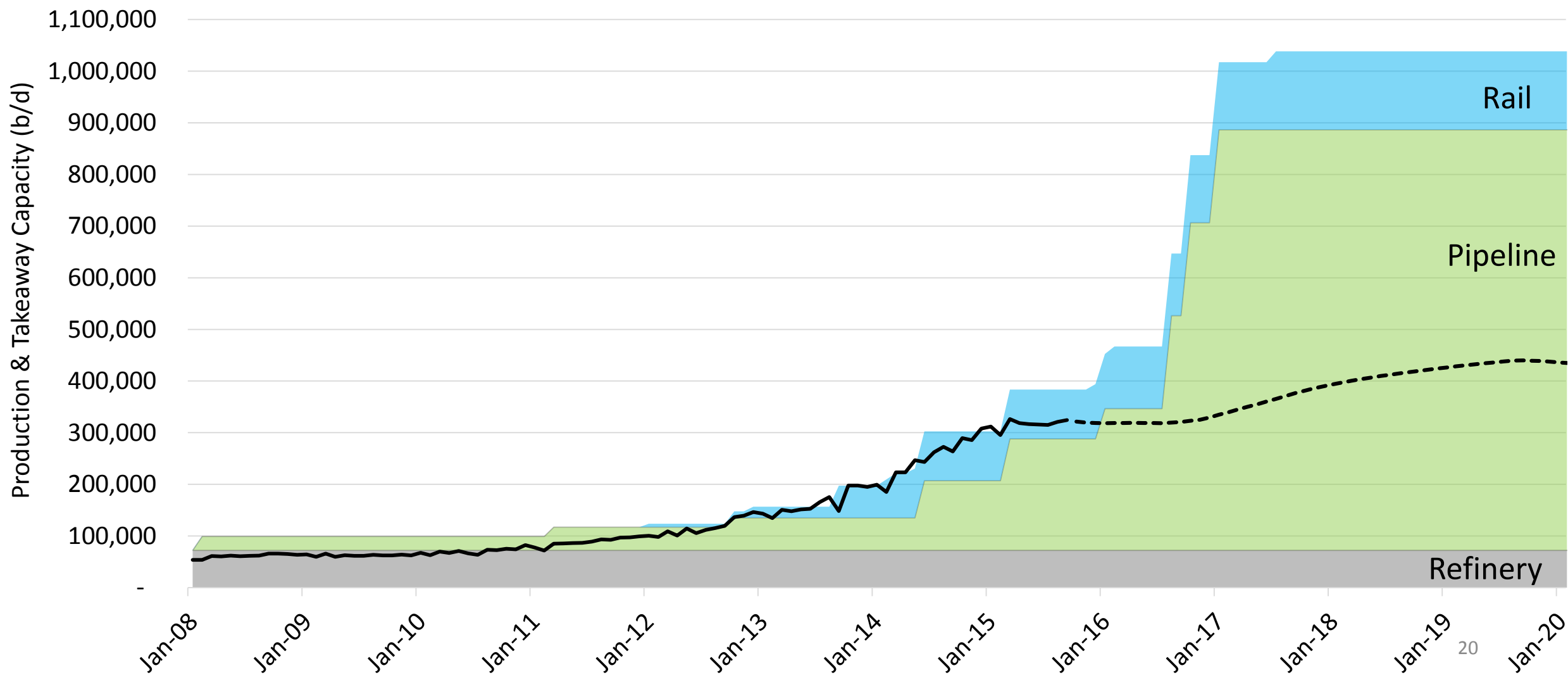


Takeaway Capacity, Blending, and Deducts



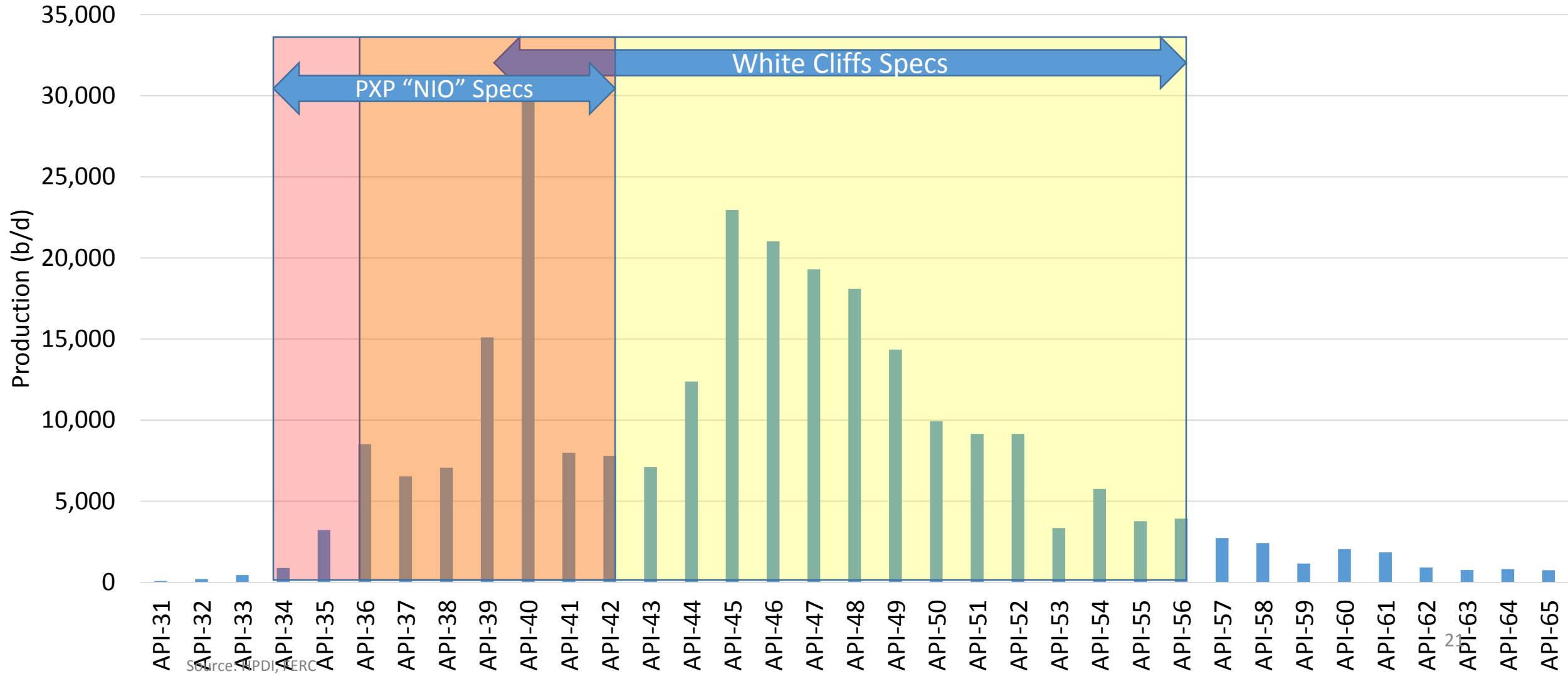
Take-or-Pay Commitments May Override Potential Uplift from Other End Markets

DJ Supply/Demand By Type



Likely to Be Enough Heavier DJ Barrels to Blend Off Lights and Meet Pipe Specs

DJ Basin: Production By API



Source: EPCI, PERC

End Markets



Where Should DJ Condensate Go?

- Utilized Condensate Pricing Model Developed by Univ. Bauer College of Business
- Provides Sum of Whole Value ex-Splitter

Spot Price

* Denotes required field

Market *

Date *

Oil Profile:

Location	Location Other	API Gravity	Metals	TAN	Sulfur
DJ Basin		45.9	.189	.15	.138

Assay (add up to 100 where 1 = 100%)

115°	115° - 165°	165° - 200°	200° - 250°	250° - 300°	300° - 350°	350° - 400°	400° - 450°	450° - 525°	525° - 650°	650° - 850°	850° - 1000°	1000°
2	5	1	9	6	10	13	9	15				

Component Prices

\$42.50	\$42.50	\$51.16	\$58.66	\$66.16	\$59.66	\$54.01	\$54.01	\$35.28				
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Net Prices (Component Prices * Assay / 100)

\$0.85	\$2.12	\$15.86	\$5.28	\$19.89	\$5.97	\$7.02	\$4.86	\$5.29				
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Final Result:
US Spot Price = \$50.83

	WTI	LLS	Brent	Dubai	MARS	WCS	ACI	Maya USGC
	\$47.26	\$48.08	\$50.46	\$47.14	\$43.56	\$32.84	\$48.88	\$39.67
US	\$50.83	\$50.83	\$50.83	\$50.83	\$50.83	\$50.83	\$50.83	\$50.83
Result:	\$03.57	\$02.75	\$00.37	\$03.69	\$07.27	\$17.99	\$01.95	\$11.16

Component Prices

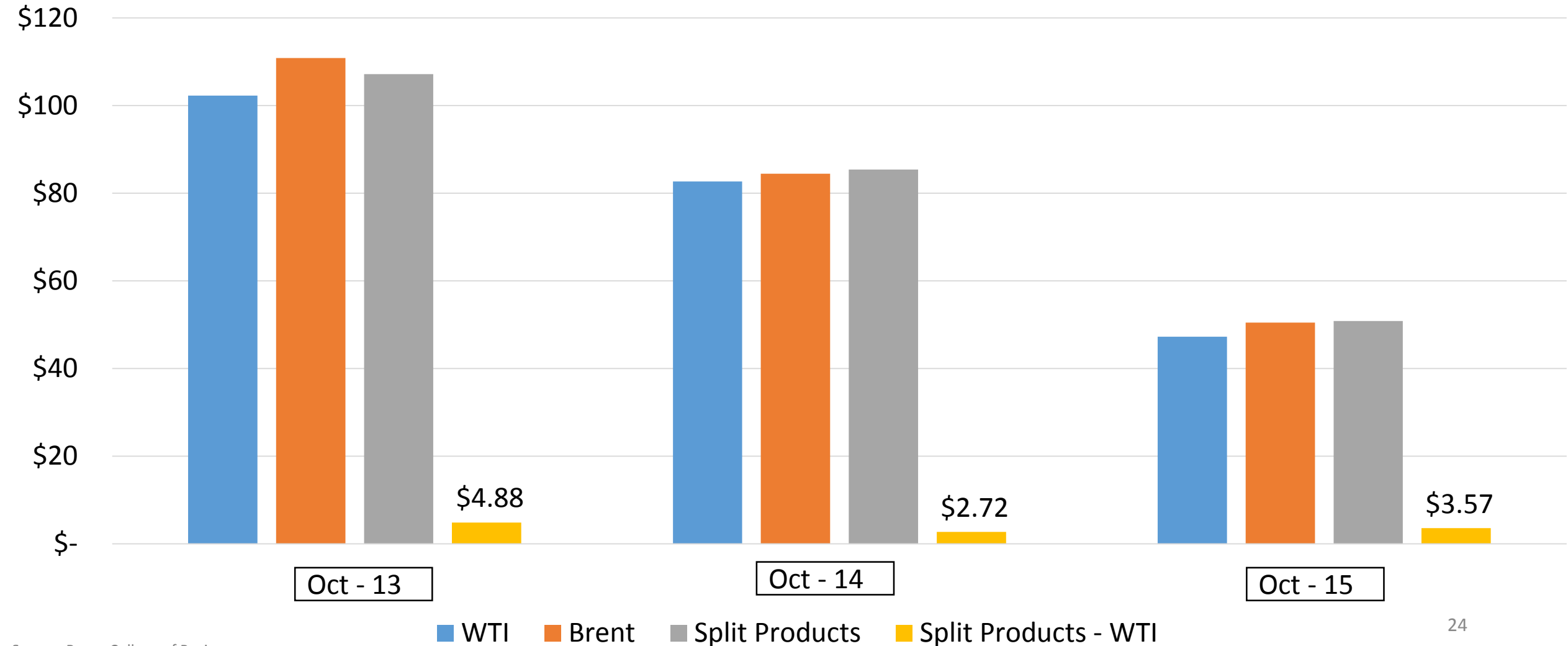
Net Prices

Composite Price

Assay

Uplift from Splitting \$3.57/bbl Today, Compared to \$4.88 Two Years Ago

WTI, Brent, and "Split Products" – October 2013, 2014, 2015 – DJ 46API



Options for a DJ Barrel (60 API)

- Pipeline to Cushing
 - DJ Lease Barrel: WTI-\$5
 - Quality Deduct: -\$6 (60 API)
 - Value at Lease: WTI-\$11
- Rail to Canada as Diluent
 - Canadian condensate: WTI-\$2
 - Implies: If rail is less than \$9/bbl, this works
- Rail to Gulf Coast for Splitting
 - Splitter Uplift: +\$3/bbl
 - Implies if rail + splitter fee is < \$14/bbl, this works

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End

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