



## Argus Canadian Crude Summit

May 1-2, 2018

Hotel Arts | Calgary, Canada



May 2<sup>nd</sup>, 2018



# ARB MIDSTREAM OVERVIEW



# About ARB Midstream

- Privately-held, growth-oriented company, providing complete midstream and marketing solutions for crude oil, LPGs and refined products.

## Premier Asset Portfolio

- Gathering and Transportation assets in multiple resource basins across the U.S.
- Marketing and Logistics services for crude, LPG and refined products across North America
- Storage & Terminals including multi-commodity rail transloading terminals in Weld Co.

## Positioned for Growth

- Actively building portfolio and investing in America's most profitable plays
- Evaluating strategic acquisitions
- Developing producer relationships for innovative greenfield projects

## Industry Leading Analytics

- Every step in ARB's strategy is rooted in proprietary analytics that are used to understand and predict market opportunities, to reduce risk, and improve capital efficiency within individual projects

# Key Priorities – Creating Value in Midstream Markets

- ARB Midstream’s industry experience and proprietary analytics create a risk-reduced portfolio of strategic opportunities.

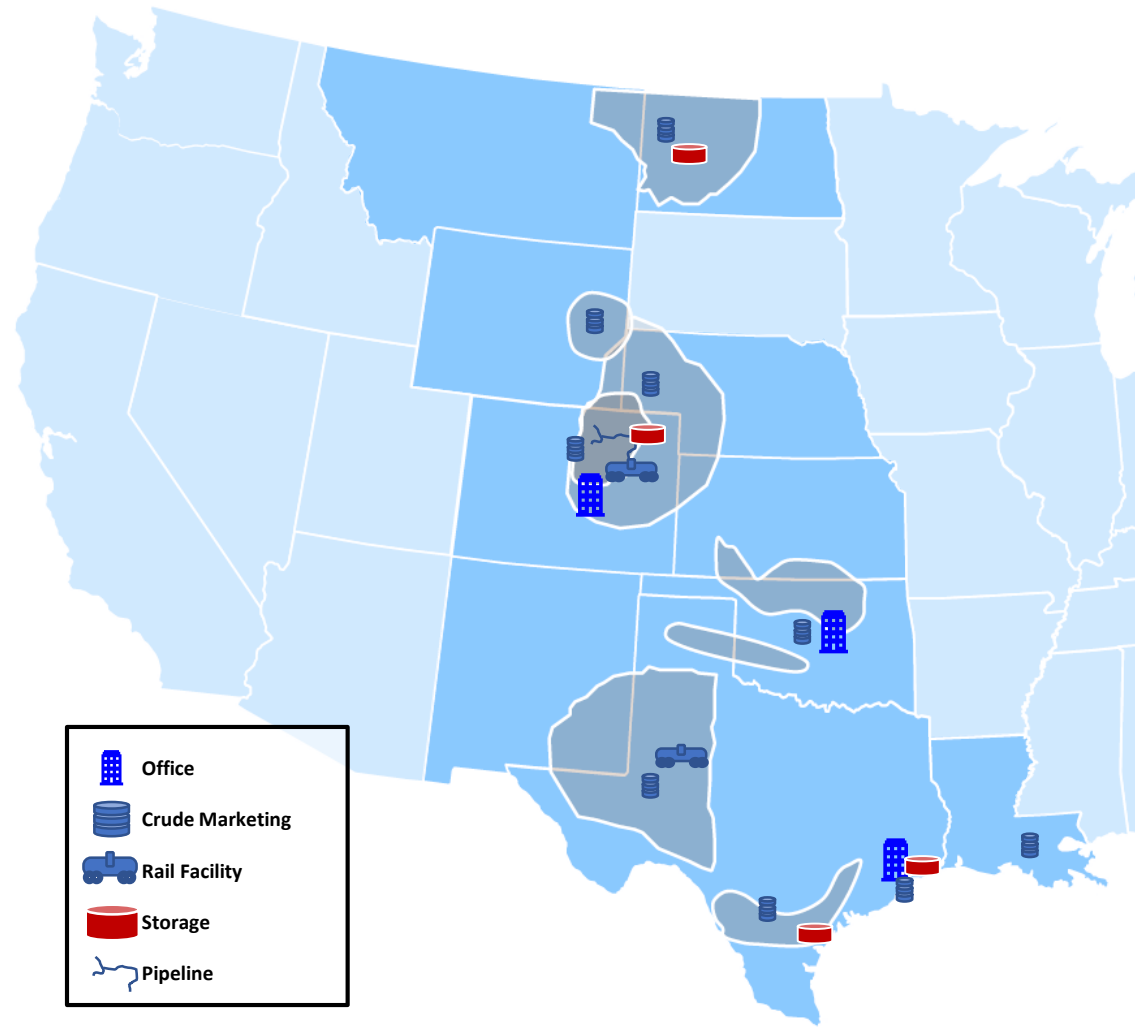


- Utilize in-house analytics to screen and target projects and basins that have unique opportunities to create value
- Identify infrastructure bottlenecks
- Seek under-served, long-term oil plays

- Experienced management team executes on opportunities quickly and efficiently
- Early-mover in target markets
- Deployment of capital through private financial backing

- Develop and operate assets with long-term, sustainable returns
- Experienced and trusted operations team manage assets safely and efficiently
- Create long-term relationships with producer partners and stakeholders

# ARB Asset Base and Strategic Footprint



## ARB Positioning

- Diversified operations across multiple resource basins in the continental U.S.
- Strategic presence in basins with high growth outlooks
- Areas of involvement include crude oil and liquids marketing, rail transport, storage and pipeline gathering
- Currently evaluating over \$500 MM in acquisitions and green-field development projects

# Core Business Segments

- Diversified and integrated asset portfolio

	Description	ARB Assets/Capabilities
Gathering & Transportation	<ul style="list-style-type: none"> <li>• Crude oil gathering systems</li> <li>• Multi commodity gathering systems</li> </ul>	<ul style="list-style-type: none"> <li>• 157,000 bpd crude gathering system in the Niobrara and Wattenberg plays in Weld County, Colorado</li> <li>• 14,000 bbl/d truck offload capacity at Lucerne Hub with access to NGL's Grand Mesa Pipeline</li> <li>• 170,000 bbl of storage at Lucerne Hub</li> </ul>
Marketing & Logistics	<ul style="list-style-type: none"> <li>• Marketing and logistics for crude oil, LPGs and refined products</li> </ul>	<ul style="list-style-type: none"> <li>• Operations include more than 30,000 bpd of lease purchasing and physical crude trading across the North American inland corridor markets, including the Rockies, Cushing/Midcon, and Gulf Coast</li> <li>• Crude capacity on multiple pipelines and &gt;400,000 barrels of storage</li> </ul>
Storage & Terminaling	<ul style="list-style-type: none"> <li>• Energy logistics terminals and storage facilities for crude oil, LPGs, and oilfield commodities</li> </ul>	<ul style="list-style-type: none"> <li>• 6,500 bpd of rail-to-truck crude transload capacity in the Niobrara</li> <li>• Incremental 145,000 bpd crude rail terminal capacity planned in the Midland basin and Niobrara</li> </ul>

# Western Canada Crude Access into US Markets



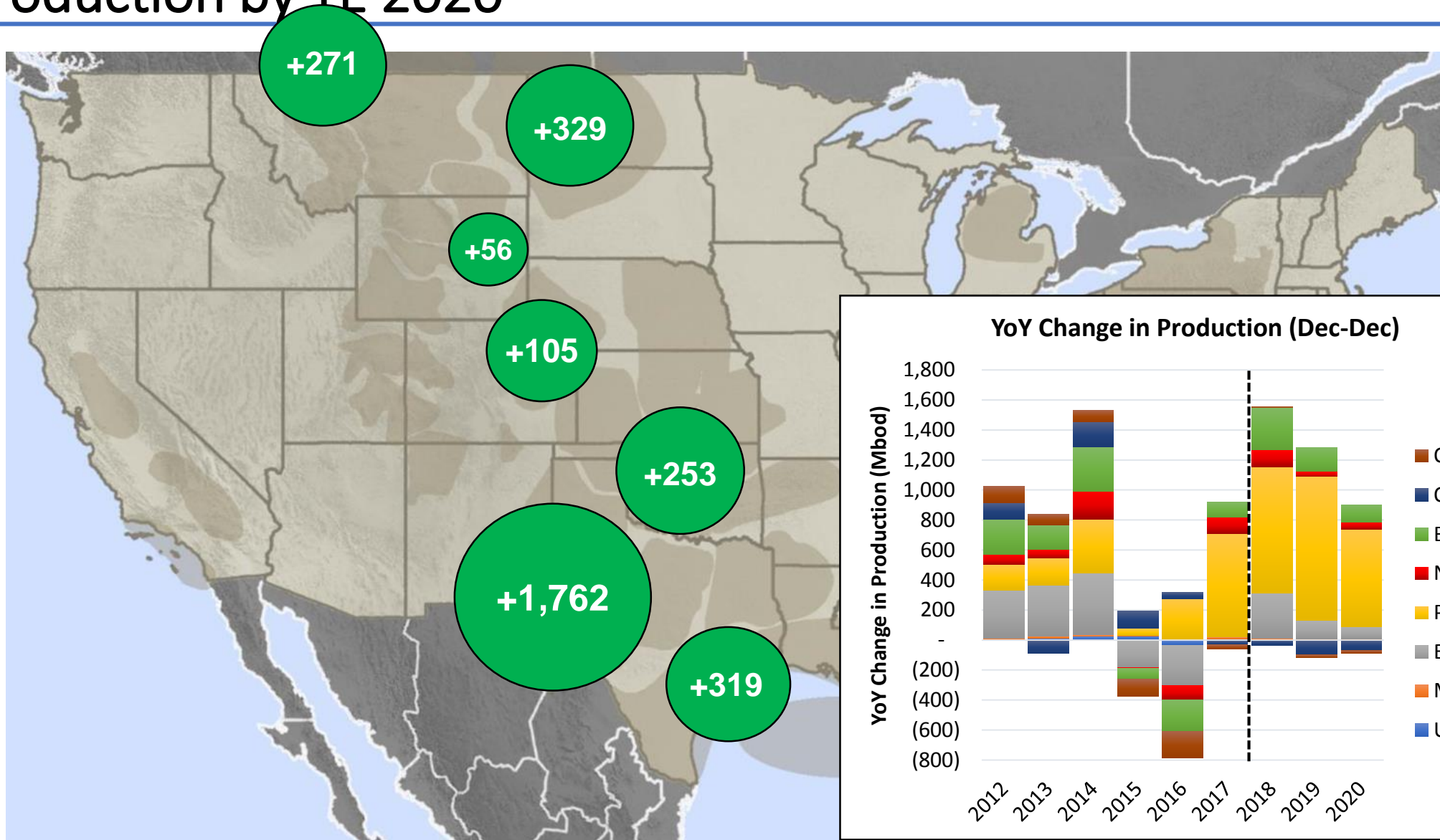
# North American Observations

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- North American production is projected to increase by +2.85 MM bpd over the next 2 years
- Production growth from the Permian (other domestic US sources) will account for +1.7 MMbpd and Western Canada will account for only 271 Mbpd
- Canada production struggles to reach PADD 3 as infrastructure projects are stalled, leading to price diffs opening to widest levels since 2013



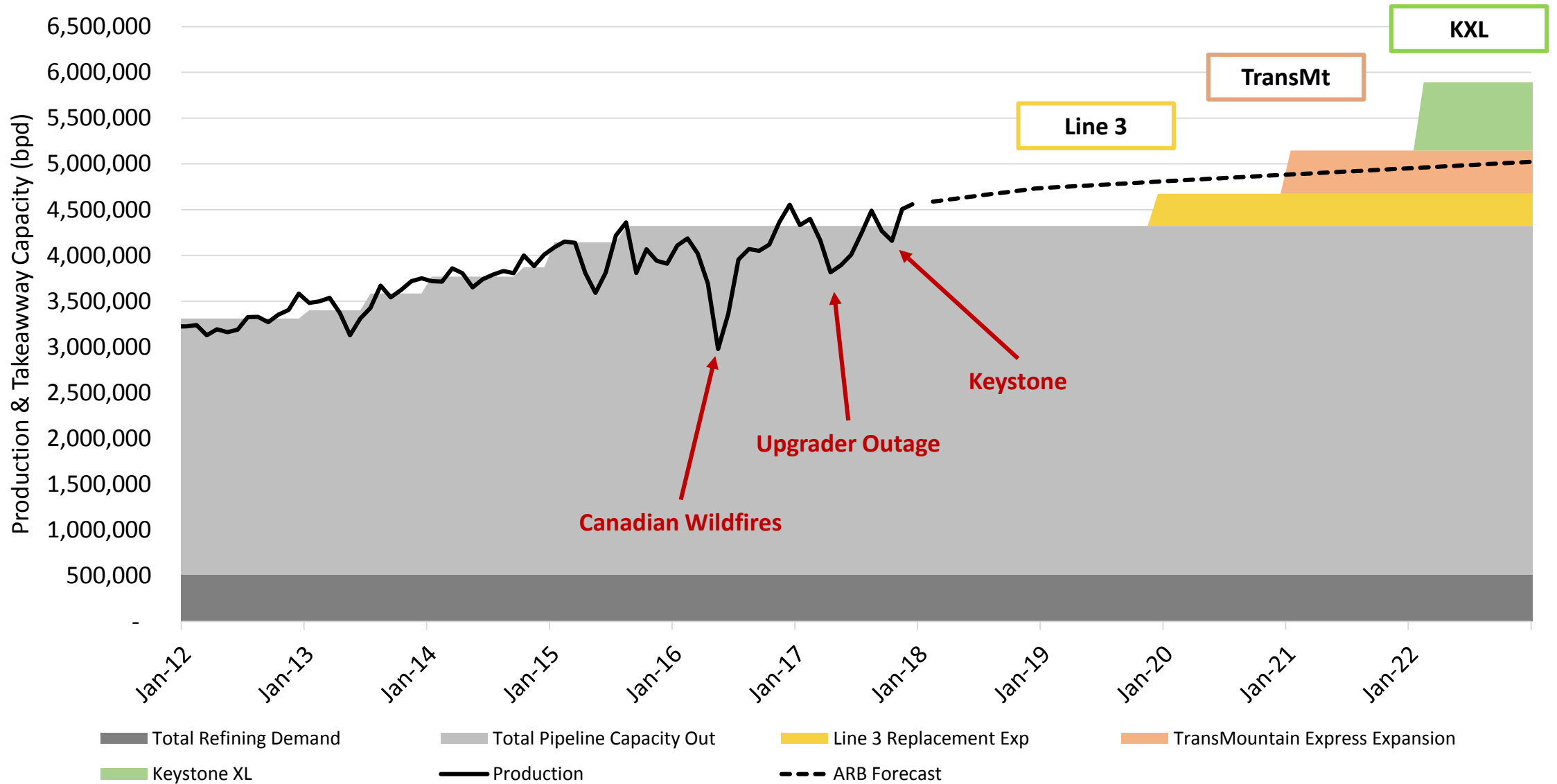
# North America will bring on +2.85 MM bpd of incremental production by YE 2020



# Western Canada Observations

- A number of impacts to supply since mid-2016 have delayed the inevitable takeaway constraints
- Production is forecast to grow by 271 Mbpd by Dec 2020, driven by gains in the Alberta oil sands
- WCS-WTI differentials have widened out to \$25/bbl, the widest since 2013
  - Constrained pipelines, pipeline outages, rail congestion and growing production continue to keep the diffs wide
- Line 3 replacement and expansion the most likely project to create more takeaway capacity
- Crude-by-rail has the supply potential to grow to upwards of 450,000 bpd

# Western Canadian production is forecast to exceed takeaway capacity, causing WCS diffs to widen before new pipe capacity in late 2019



# Pipeline Expansions: Challenged

## ***Line 3 Replacement***

- MNPUC final decision pushed into Q2 2018 due to inadequate EIS
- Construction Timeline 1 – year
- ISD: ~Nov 2019 (TPHe)
- Conclusion: Most likely project to proceed. Has commercial support and regulatory approval from WI, ND and Canada. Wild card is MN approval

## ***Keystone XL***

- Sufficient commercial support
- Regulatory approval – Nebraska PSC approved route, but alternate route amendment application denied
- Rerouting of the project remains a work in progress
- FID expected in early 2018 (TPHe Q1 2018)
- Construction timeline of 2 years, anticipated ISD Q3 2021
- Conclusion: Supply forecast indicates that capacity is not needed, however with commercial support and regulatory approvals in hand, anticipate a positive FID with potential delays in ISD timing

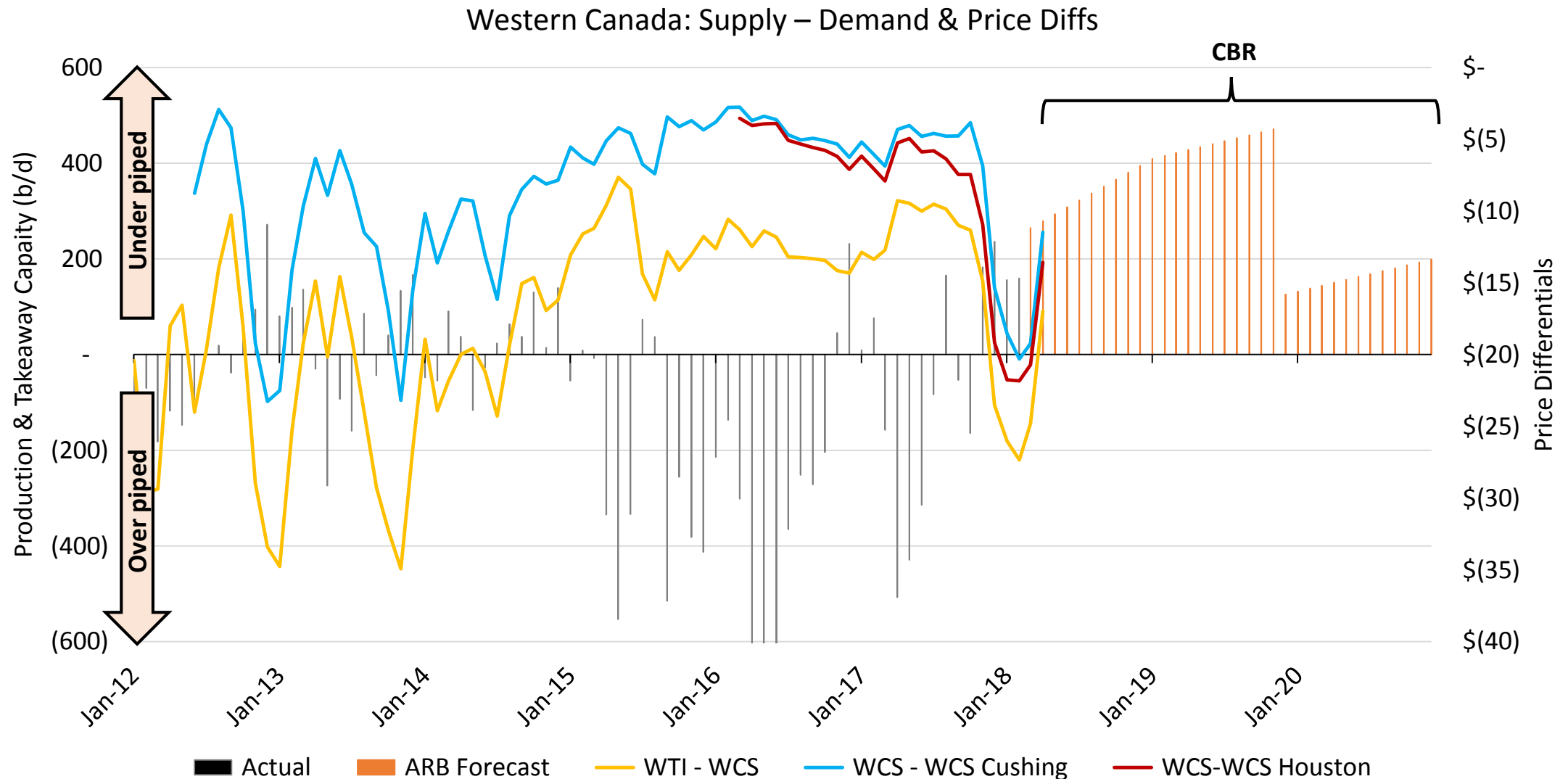
## ***TransMountain Expansion***

- NEB determined that Burnaby construction could proceed
- Legal challenges heard in Fed Court of Appeals in early Oct 2017 with a decision still outstanding
- ~45% of NEB conditions that must be met “prior to construction” have been filed but are still under review
- Had previously expected ISD Q1 2020, now moved to Q3 2020
- Conclusion: Risk of ISD timing due to strong B.C. government opposition and pending outcome of litigation. NEB support of Burnaby case is a positive, but many other potential delays remain with KMI stating if project becomes “untenable” it may not proceed

## ***Incremental Mainline Expansion***

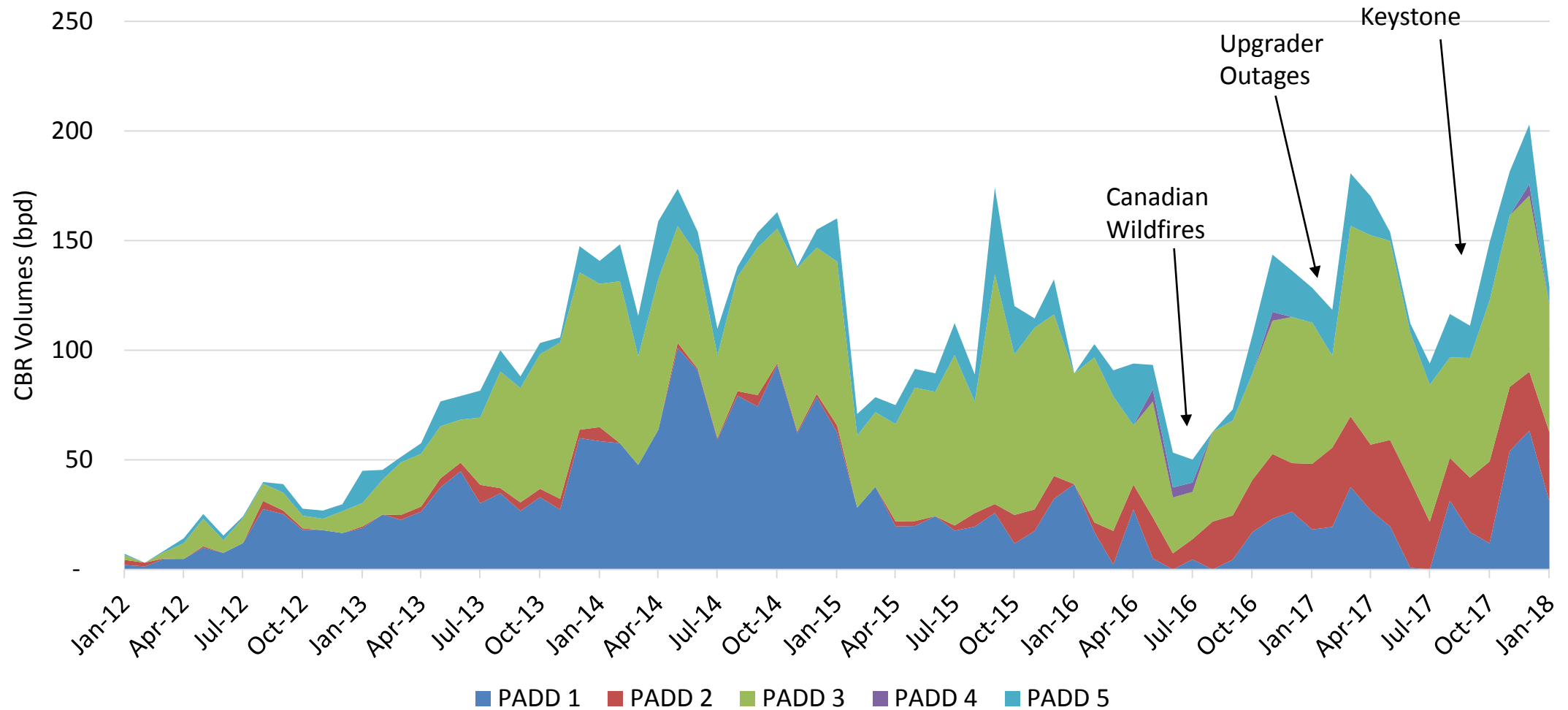
- Potential future expansions of the Mainline system
- +175 Mbpd expected after L3R (Q2 2020), system DRA optimization (75 Mbpd) and idling of the Bakken expansion projects (100 Mbpd)
- +275 Mbpd of unsecured capacity targeted for beyond 2019; System station upgrades (100 Mbpd), Line 4 capacity restoration (25 Mbpd) and Southern Lights reversal (150 Mbpd)
- Conclusion: Initial slate of expansions likely, pending L3R approval. Lack of firm plans and un-recurring nature of majority of incremental capacity drivers limited conviction on timing and execution

# Diffs should widen to support crude-by-rail

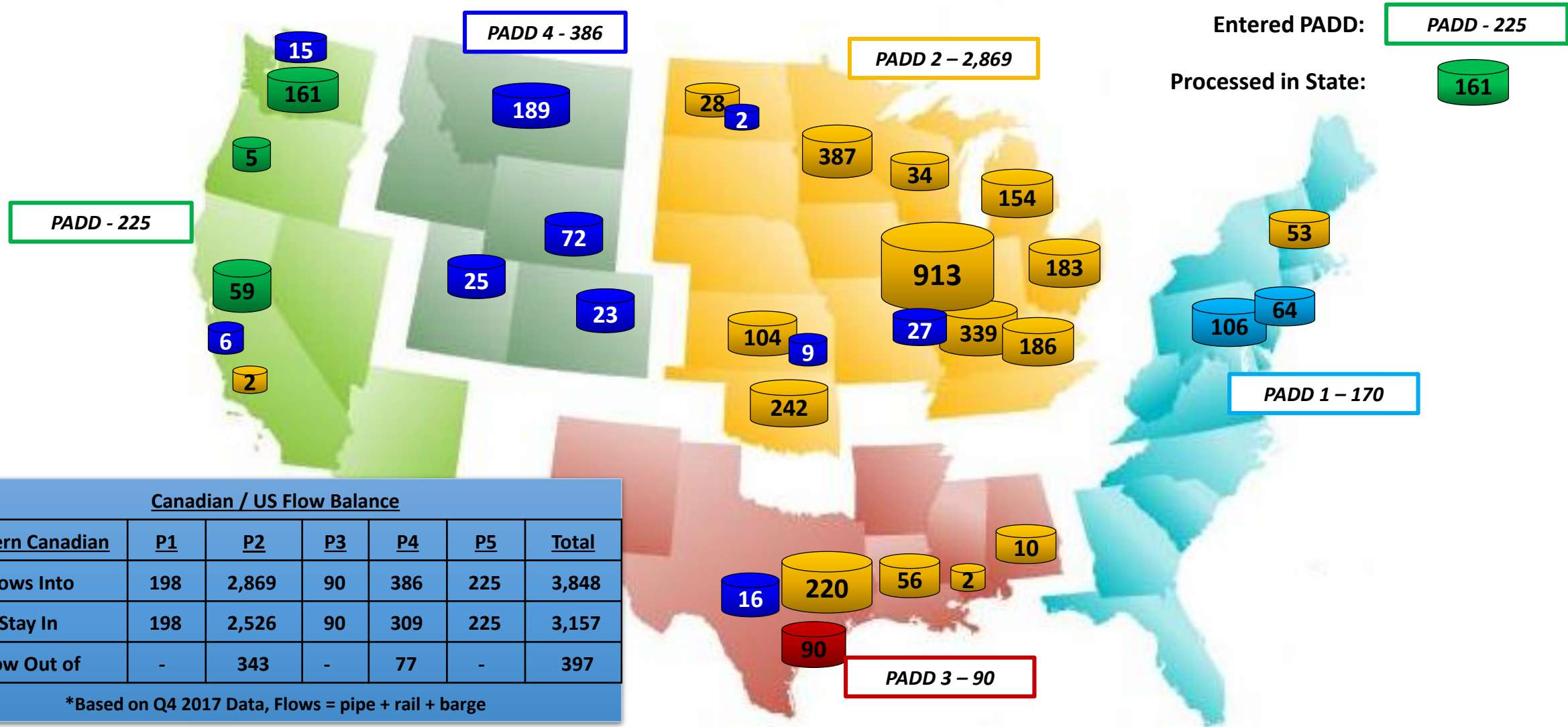


# CBR from Canada to the US is at all time highs

Canadian Rail Movements into the U.S.

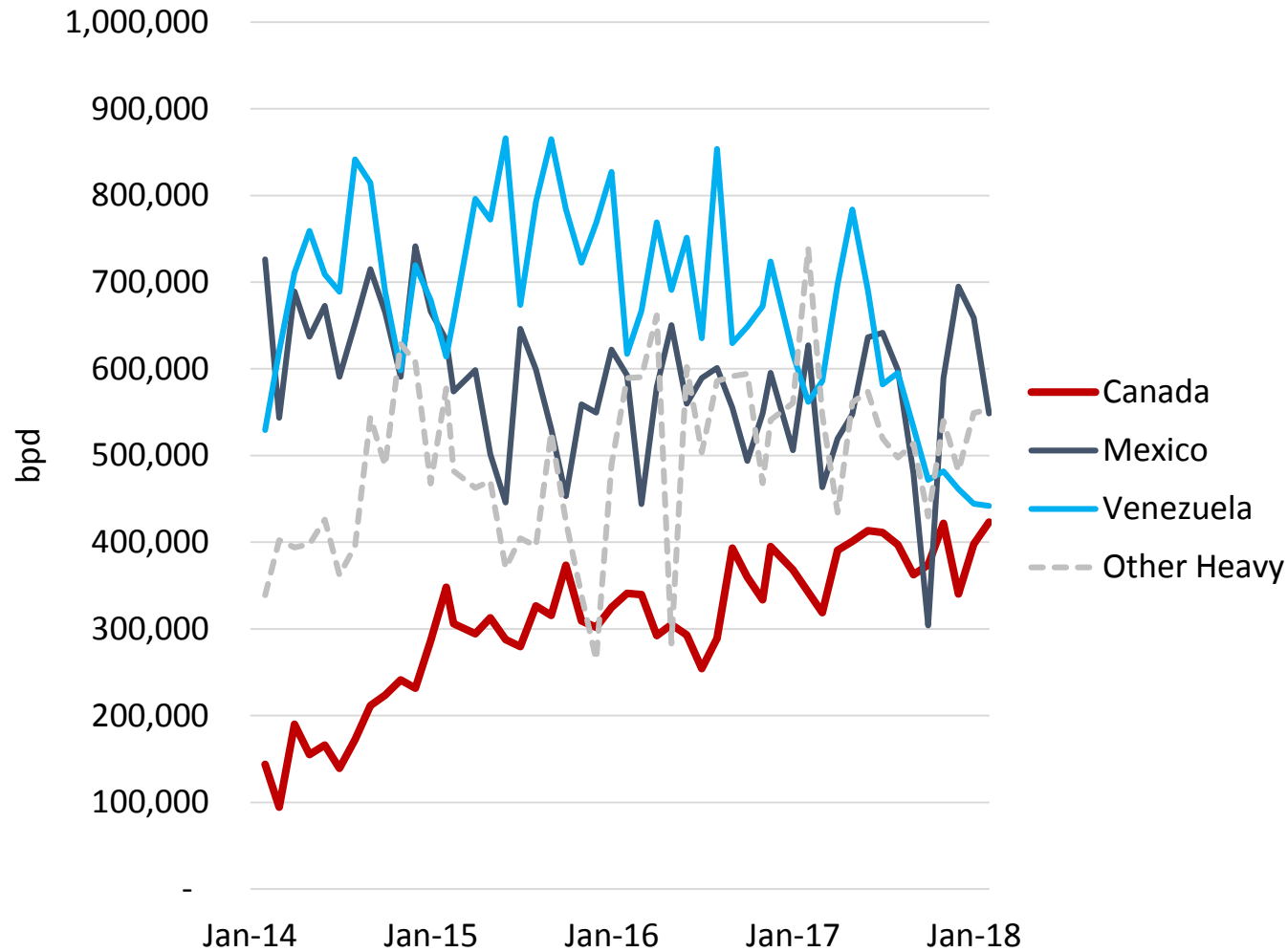


# Flows of Canadian crude through the U.S. will continue to increase as supply grows

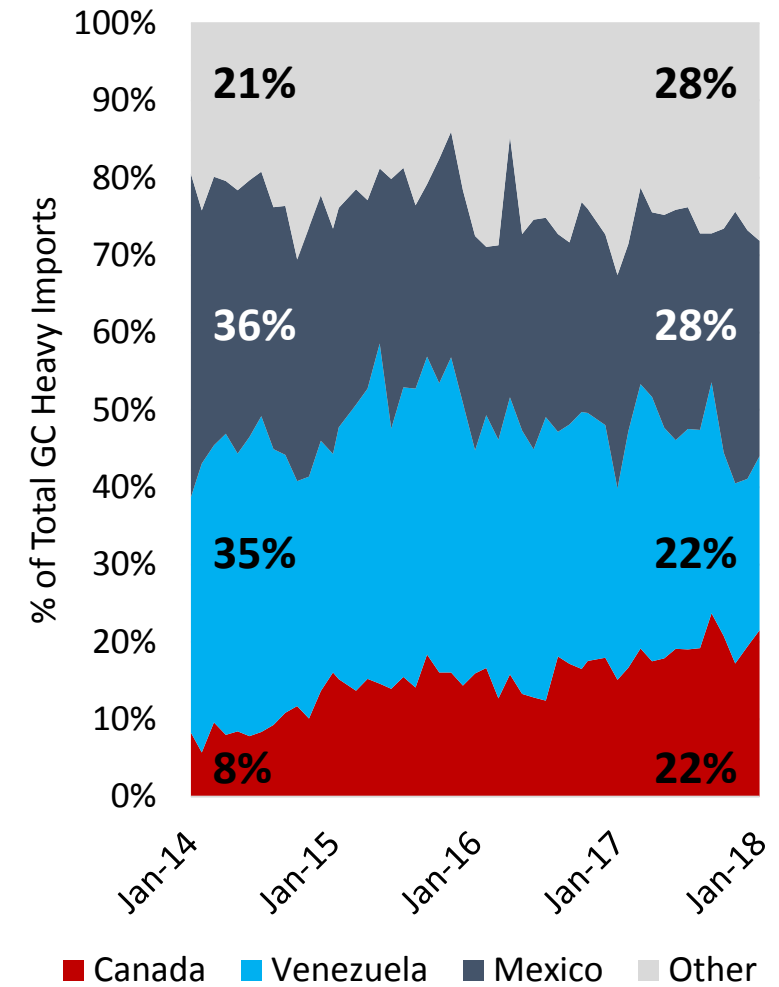


# Canadian crude displacing other foreign crudes at the US Gulf Coast

GC Heavy Imports



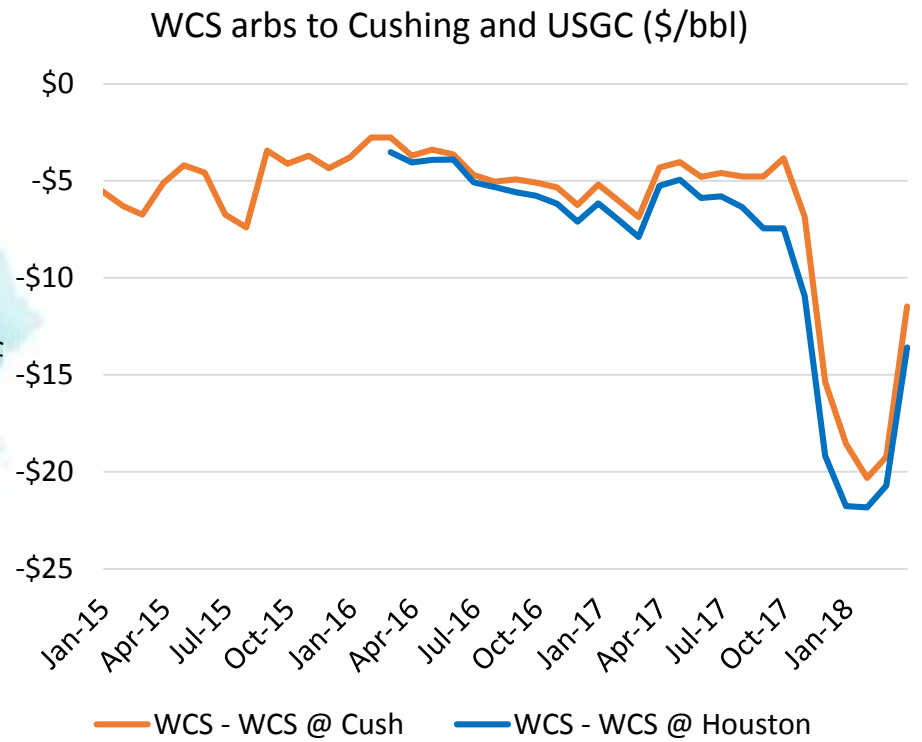
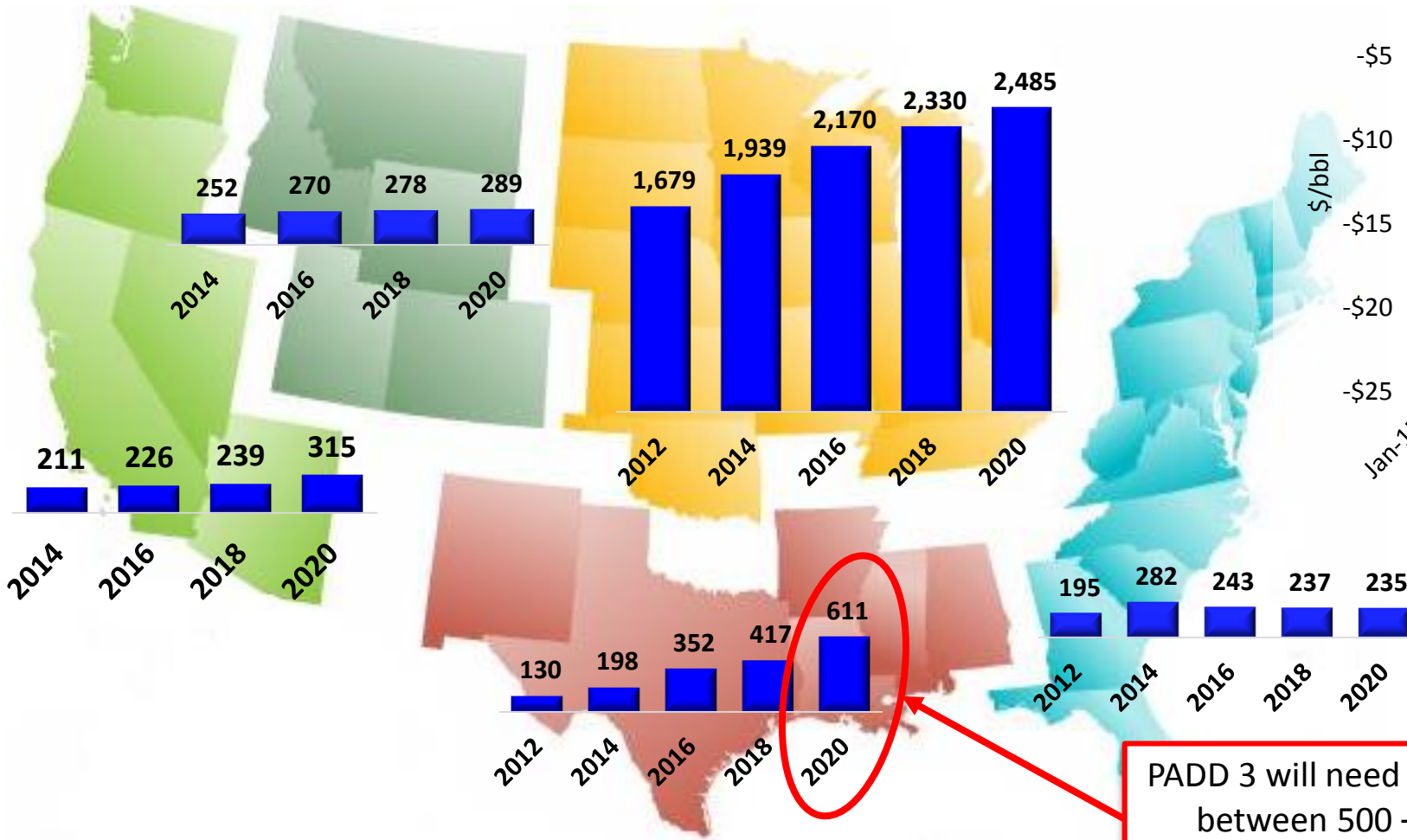
GC Heavy Imports by Country





# PADD 3 will need to increase consumption of Canadian crude by at least 500Mbpd

## Canadian Crude Refined Volumes by PADD



PADD 3 will need to accommodate between 500 – 800Mbpd of Canadian production by 2020

# Conclusions

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May 2, 2018*