Adam Bedard, CEO
ARB Midstream, LLC

Midstream View on Rail

June 2, 2015

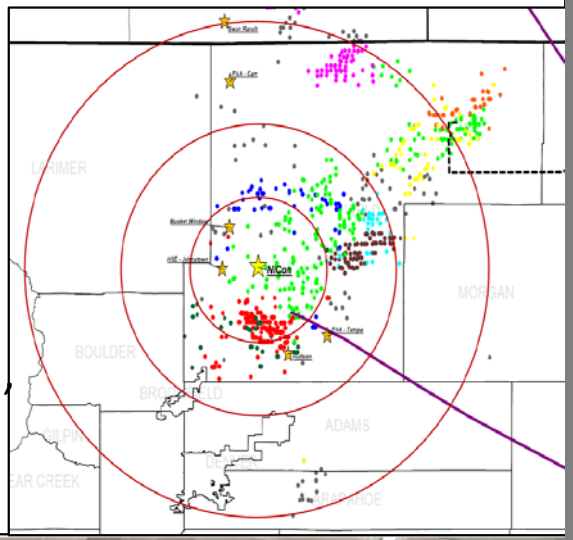
ARB Midstream Overview

- Growth oriented, infrastructure development company focused on early stage, organic development projects
- Provide marketing and logistics services to producers and refiners
- Quantitative analytics drive development strategy
- Current Projects
  - DJ Basin Energy Hub: Niobrara Connector ("**NiCon**")
  - Midland Basin (Big Spring) Energy Hub: Gateway Project

Projects – Energy Rail Hubs

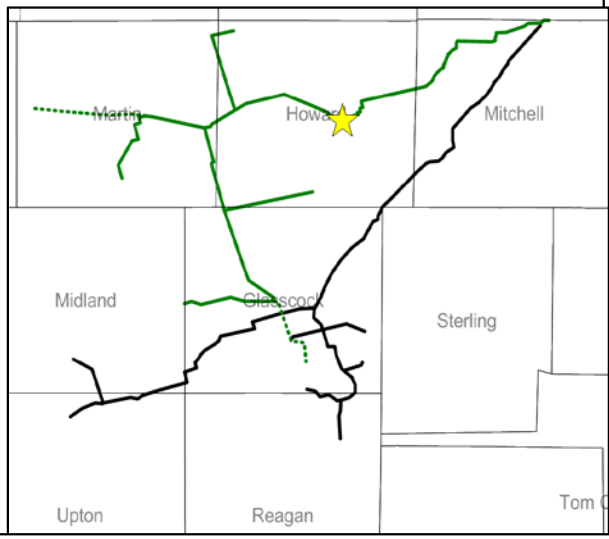
Niobrara Connector

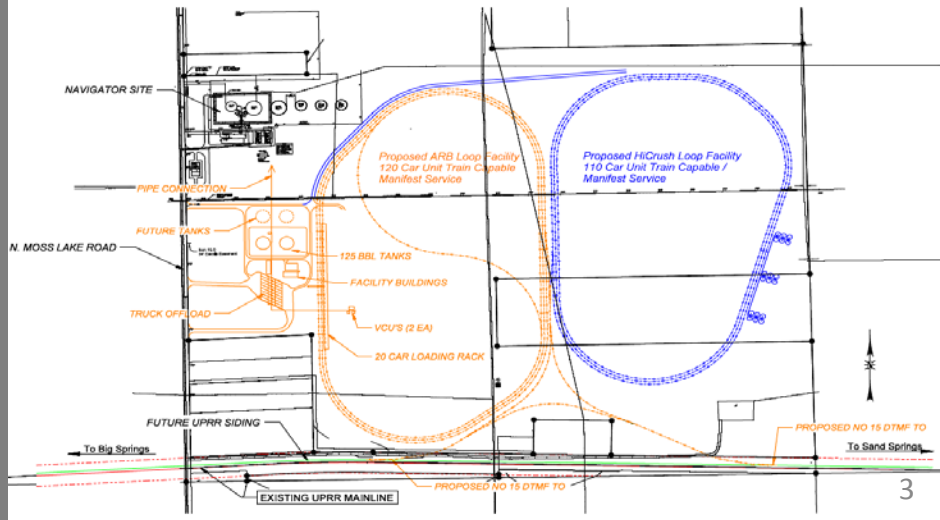
Heart of DJ
225 Acres
ISD: Q4 ‘15
79,000 b/d
Storage: 200 Mbbl
Partnership with Hi-Crush (Sand In, Crude Out)



Permian Gateway

Howard County
300 acres
ISD: Q1 ‘16
Pipe Con.
Partnership with Hi-Crush (Sand In, Crude Out)





Market Observations

- Uncertainty about future crude oil production adds substantial risk to new midstream projects
  - Rail provides a Just-In-Time solution
  - Flips from “producer push” to a “refiner pull”
- Compression of diffs is changing CBR movement patterns
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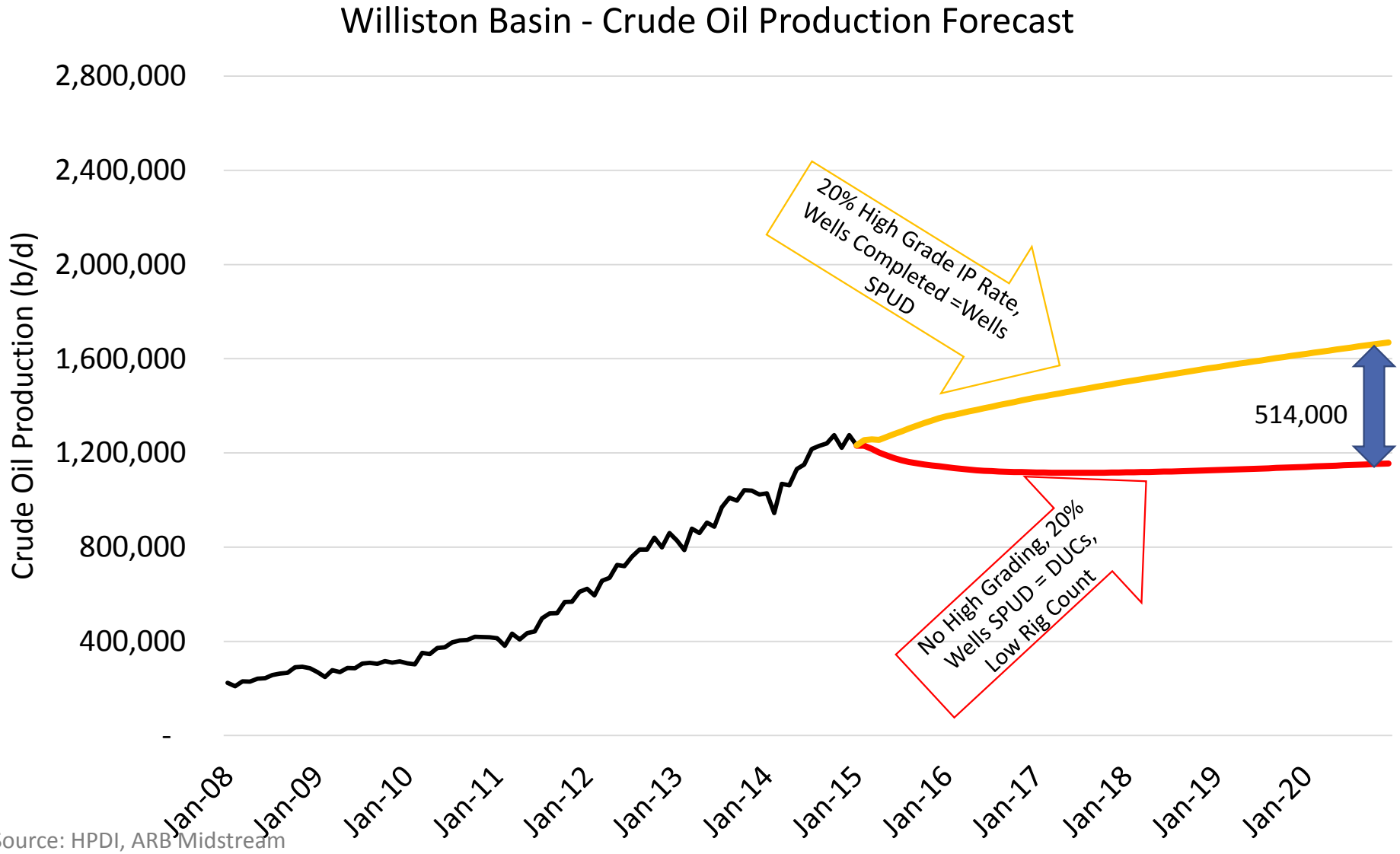
Uncertainty

What is production going to do? It depends on flat price, reduced drilling costs, improved break evens, drilled – uncompleted wells, drilling efficiencies, contracts, crude quality, CapEx, OPEC, etc., etc., etc.,

What will production do?

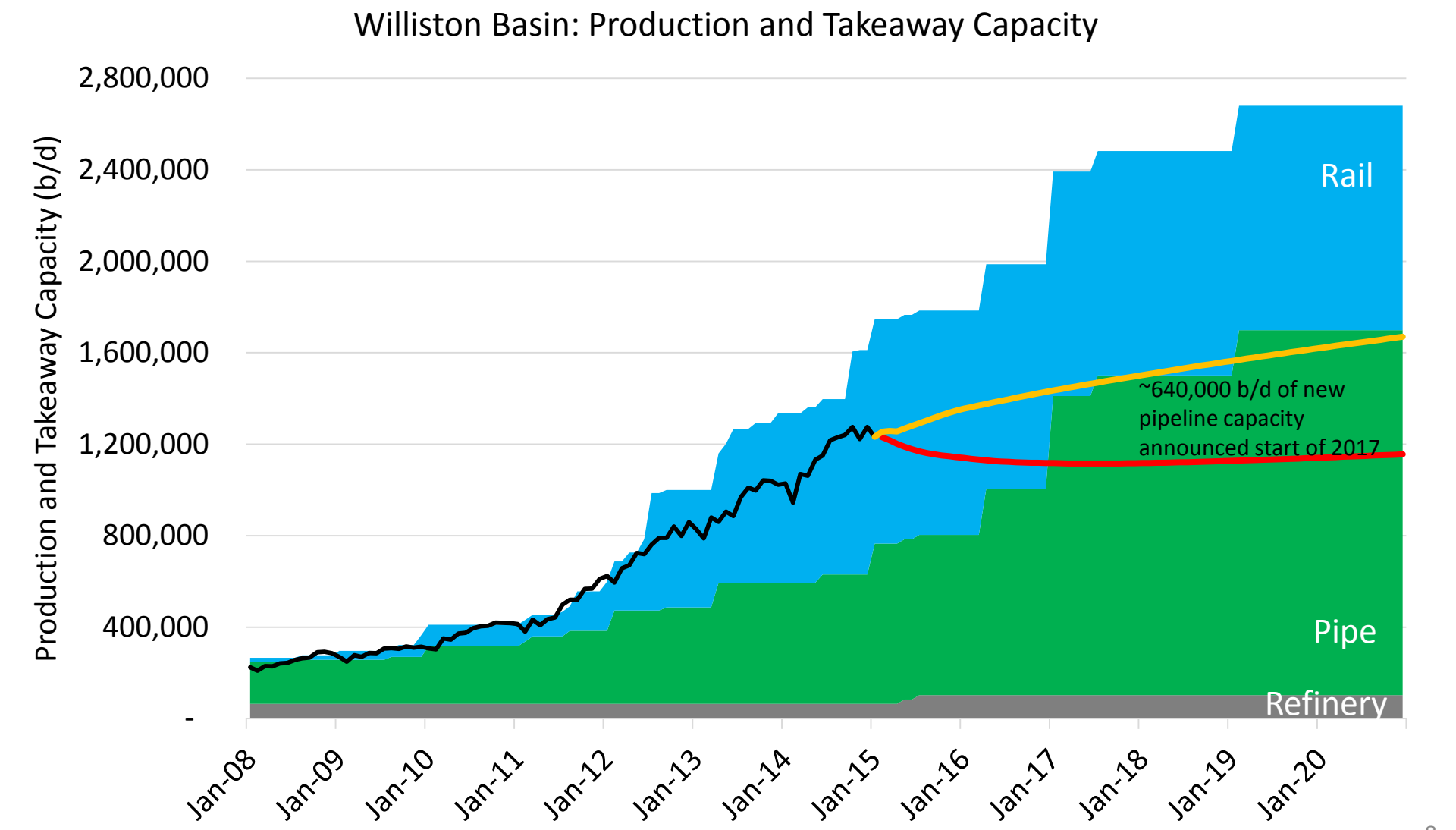
- Upside
  - High grading
  - Increased drilling efficiencies
  - Improving Breakevens
  - Decreased completion costs
    - Rig rates have fallen 20-30%
  - Improving price
    - WTI has closed above $50 since Feb 3
  - Producers bringing rigs back
  - Drilled Uncompleted (DUCs)
- Downside
  - Flat price downside
  - Declining rig count
  - Drilled Uncompleted (DUCs)
  - OPEC production
  - Iran deal
  - Iraq increasing exports

Williston Basin: Crude oil production forecast swings by 500,000 b/d over next 5 years depending on model assumptions



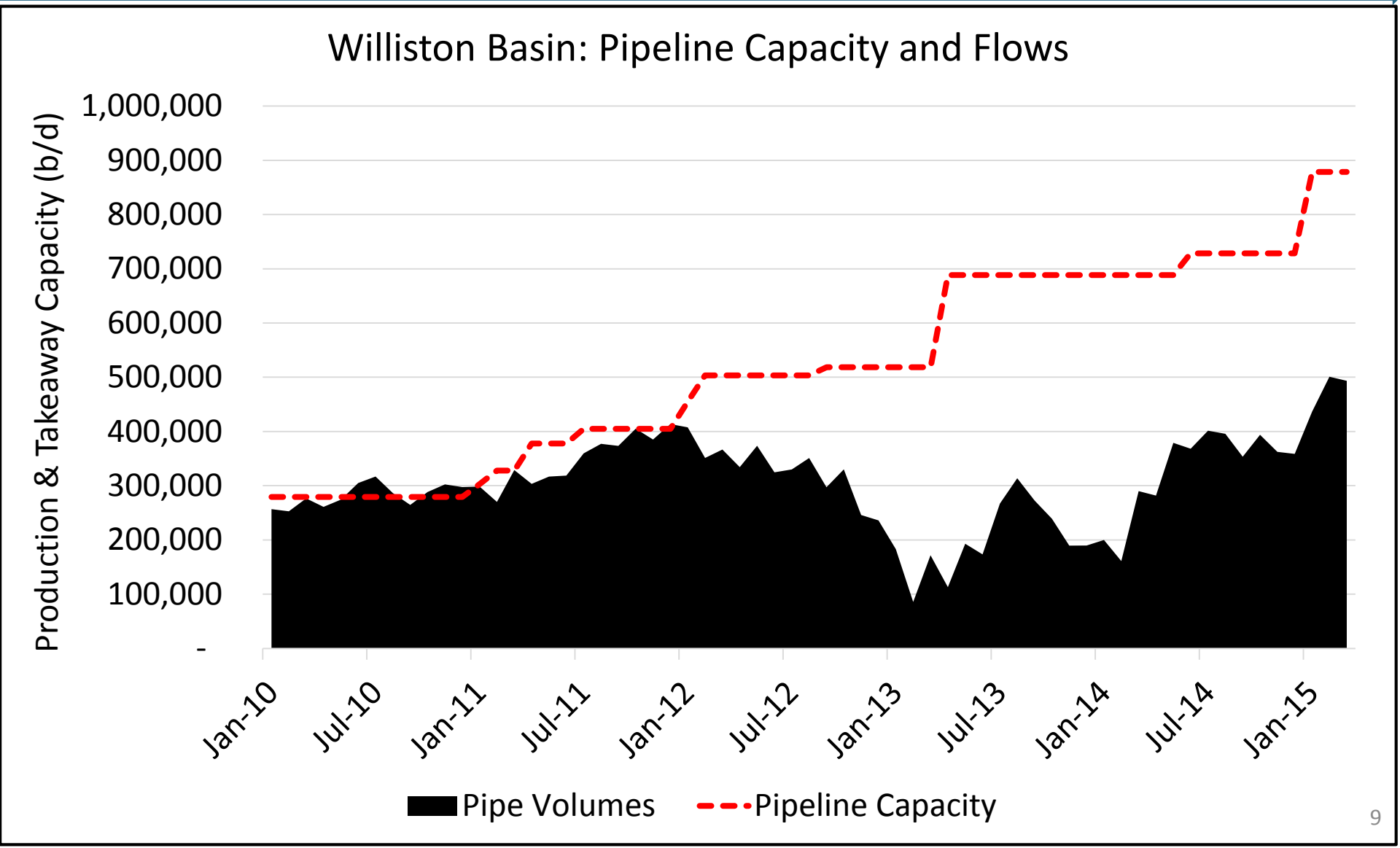
Source: HPDI, ARB Midstream

Uncertainty in production is the difference in some pipes not being full

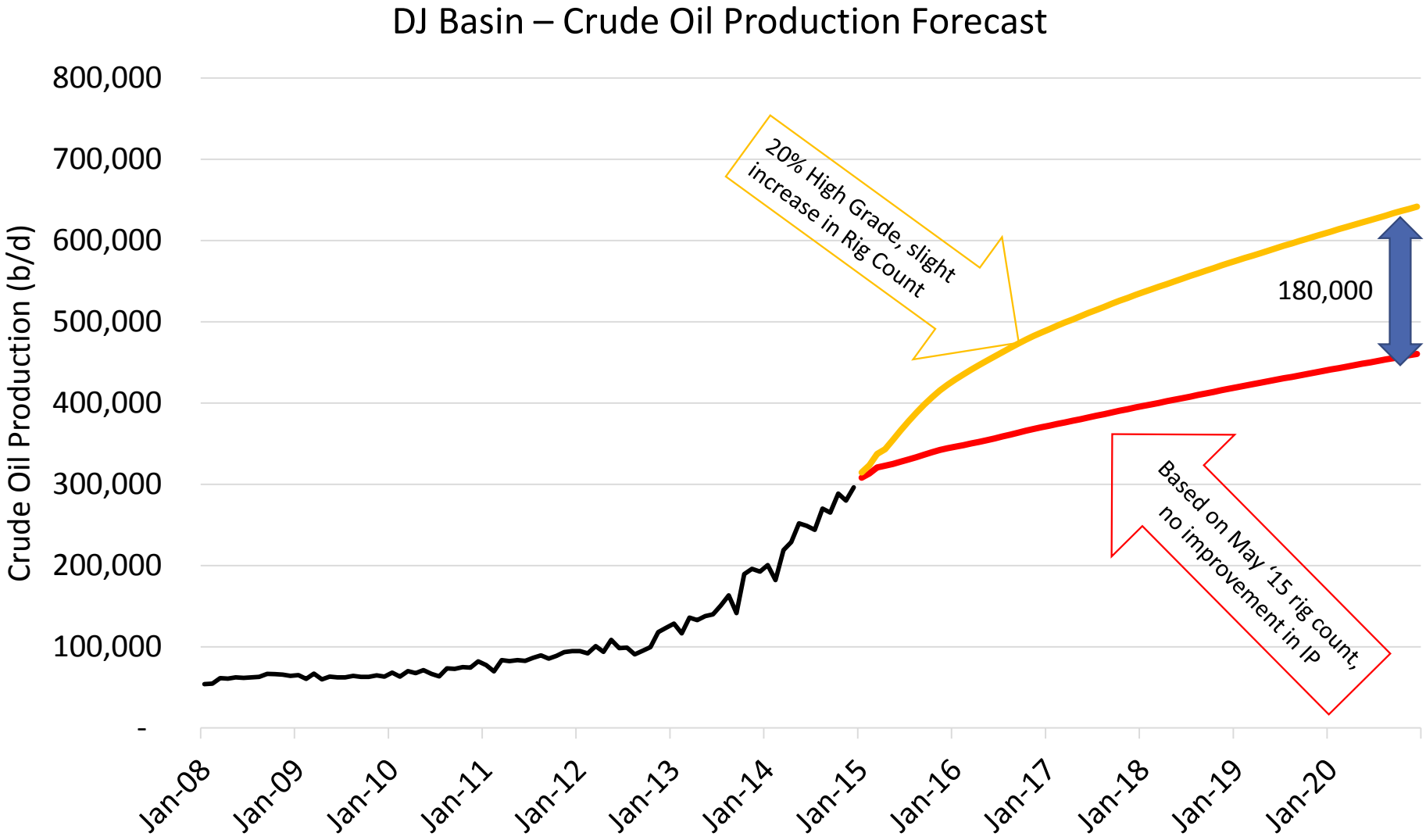


Source: HPDI, ARB Midstream, Company Presentations

Pipelines out of the Williston have not been full. The "stacked S/D chart" is overly simply.

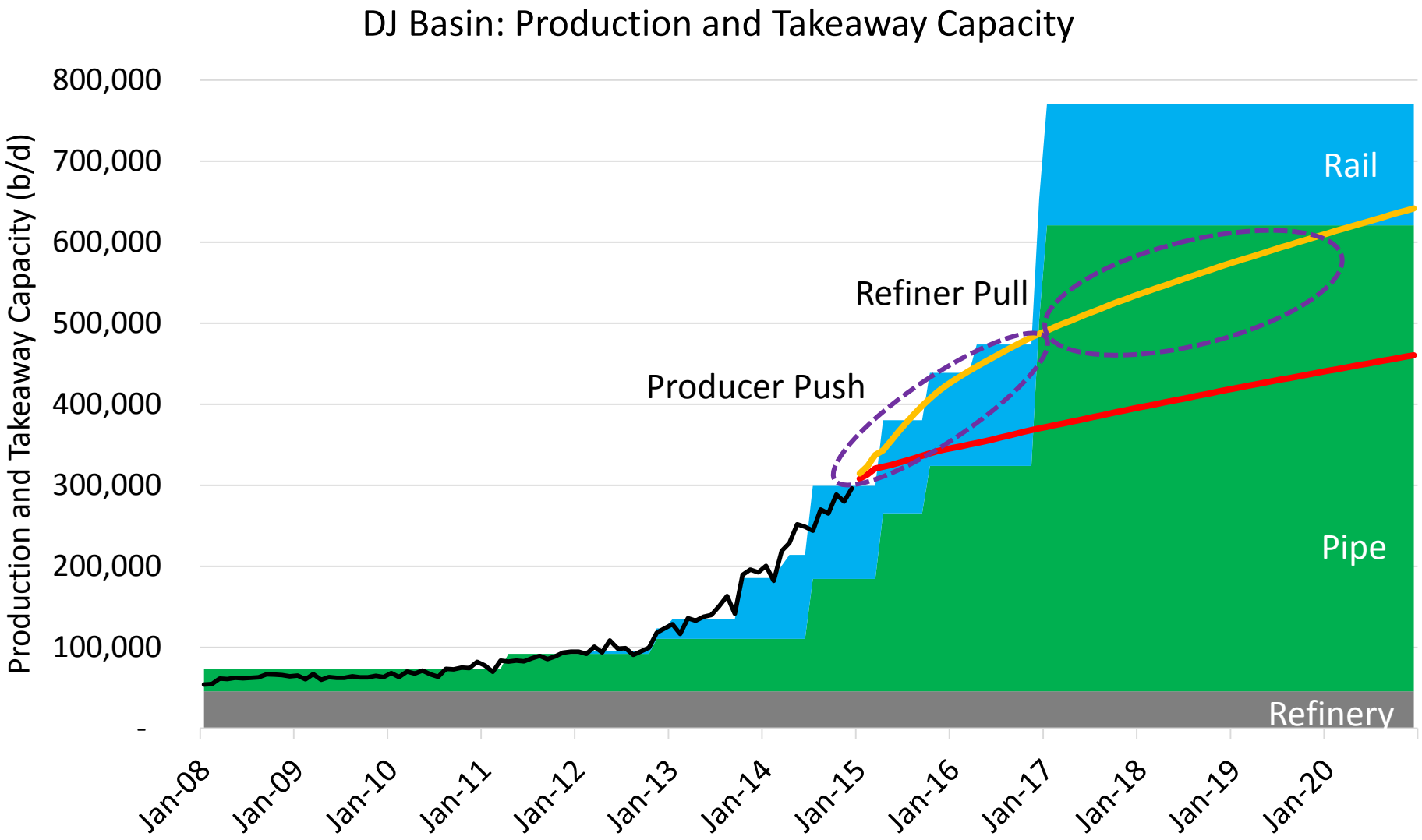


DJ Basin: Crude oil production forecast swings by 180,000 b/d over next 5 years depending on model assumptions



Source: HPDI, ARB Midstream, Company Presentations

That production swing has huge impact on utilization of infrastructure

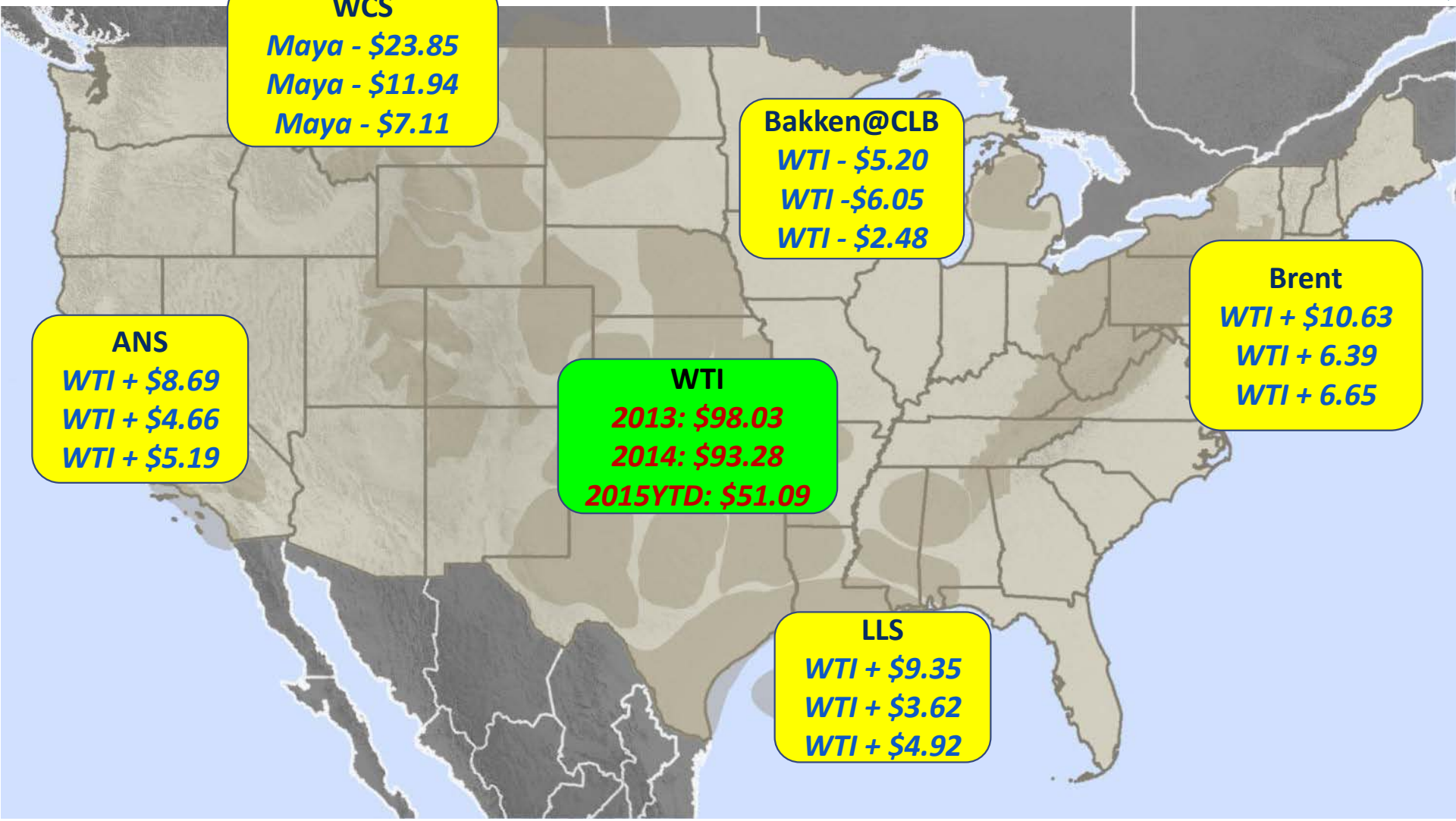


Source: HPDI, ARB Midstream, Company Presentations

Differentials

Differentials are an incentive, and a risk, for CBR

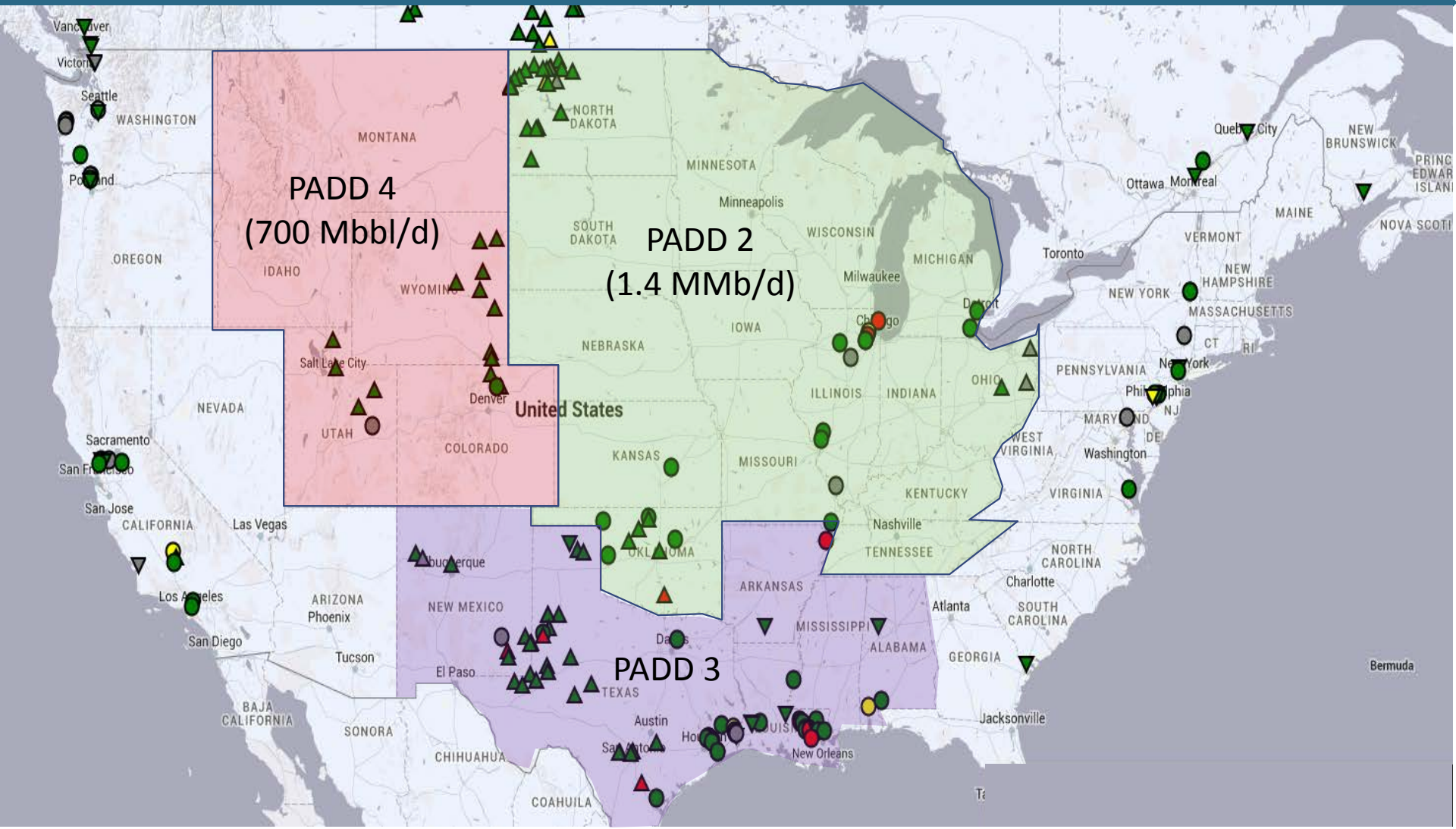
Diffs in 2015YTD have come in drastically for WCS and Bakken, but have increased to the East and West Coasts over 2014



Source: Argus

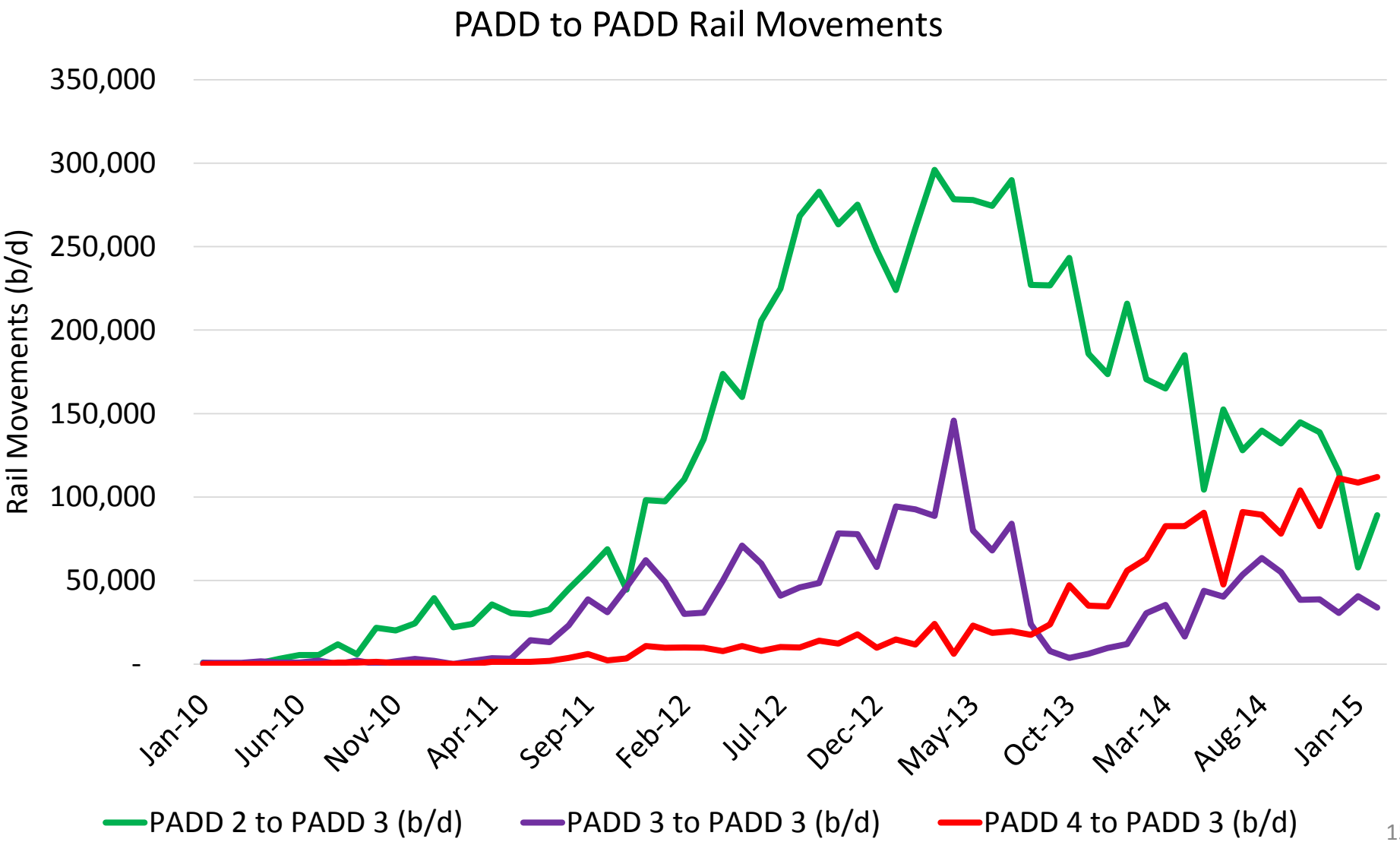
2015YTD: Data through May 14, 2015

Rockies (P4) has ~ half of the loading capacity as Williston (P2).



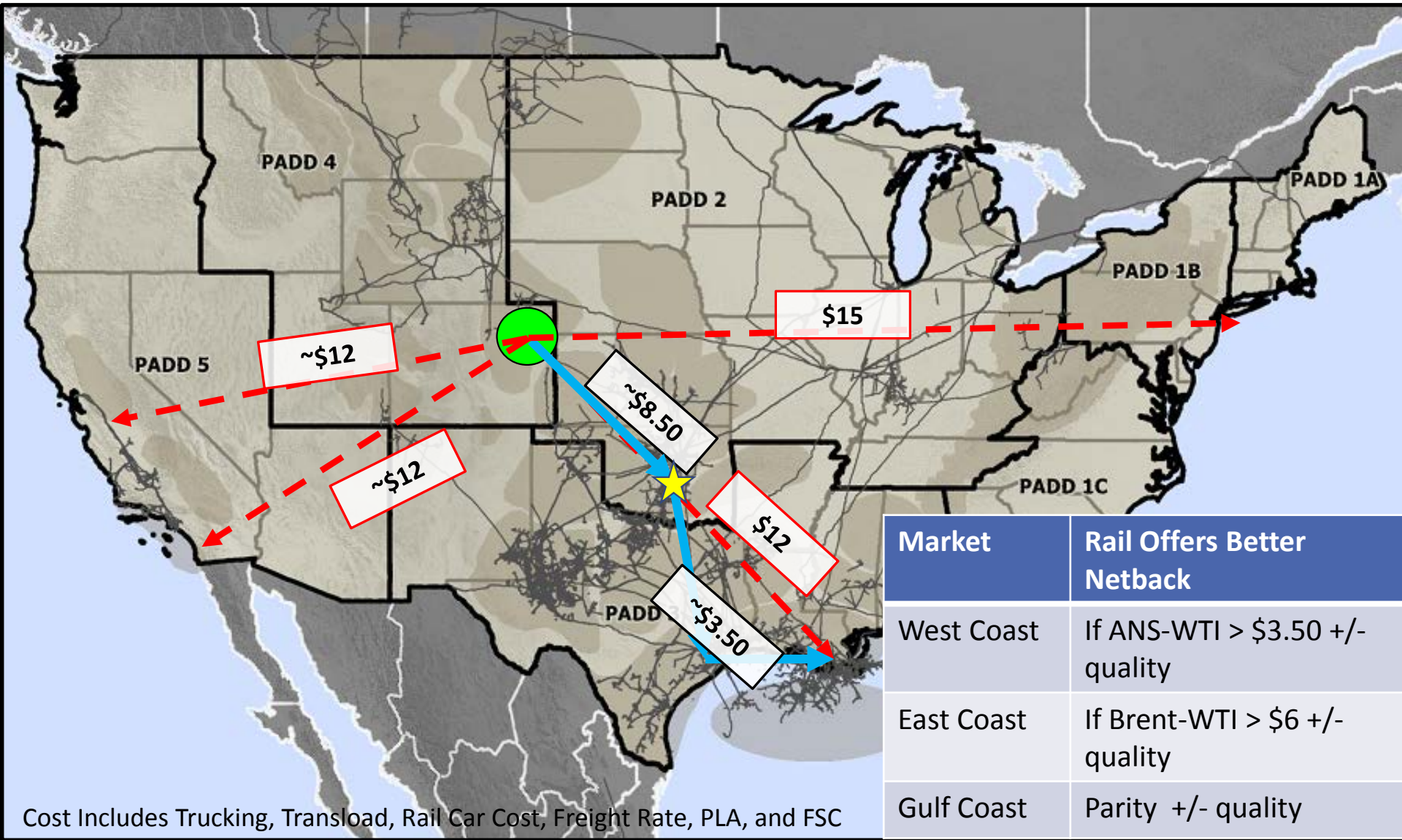
Source: Various Industry Sources

Volumes railed from PADD 4 to PADD 3 now exceed volumes from PADD 2 (Williston) to PADD 3



Source: EIA

Rail can compete with pipeline econs



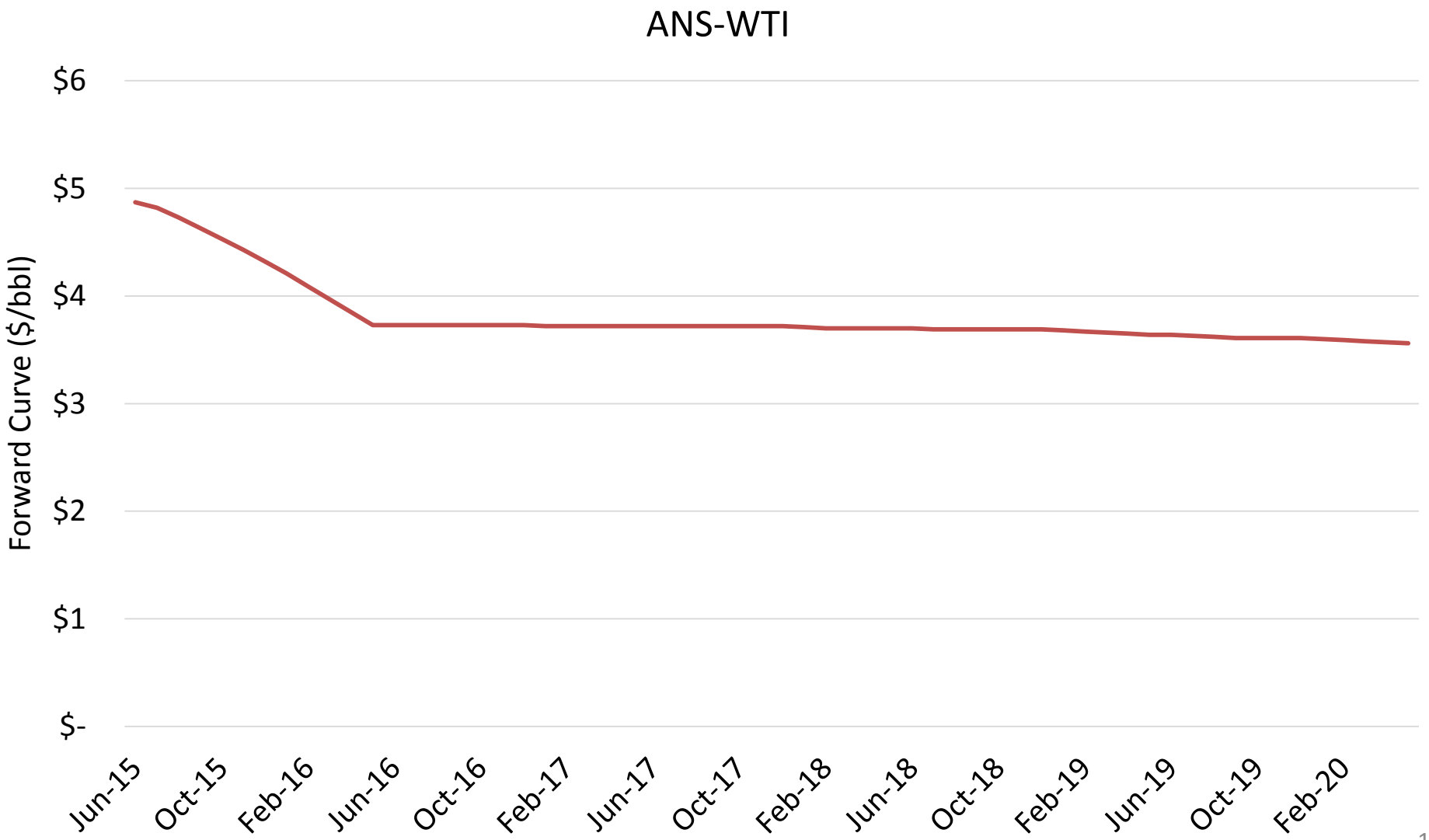
Market	Rail Offers Better Netback
West Coast	If ANS-WTI > $3.50 +/- quality
East Coast	If Brent-WTI > $6 +/- quality
Gulf Coast	Parity +/- quality

Cost Includes Trucking, Transload, Rail Car Cost, Freight Rate, PLA, and FSC

Rail to West Coast can provide higher netbacks that pipe to Cushing, but diffs are converging

Source: Argus, ARB Midstream

Forward Curve for ANS-WTI suggests $3.56/bbl, which is nearly parity between rail and pipe

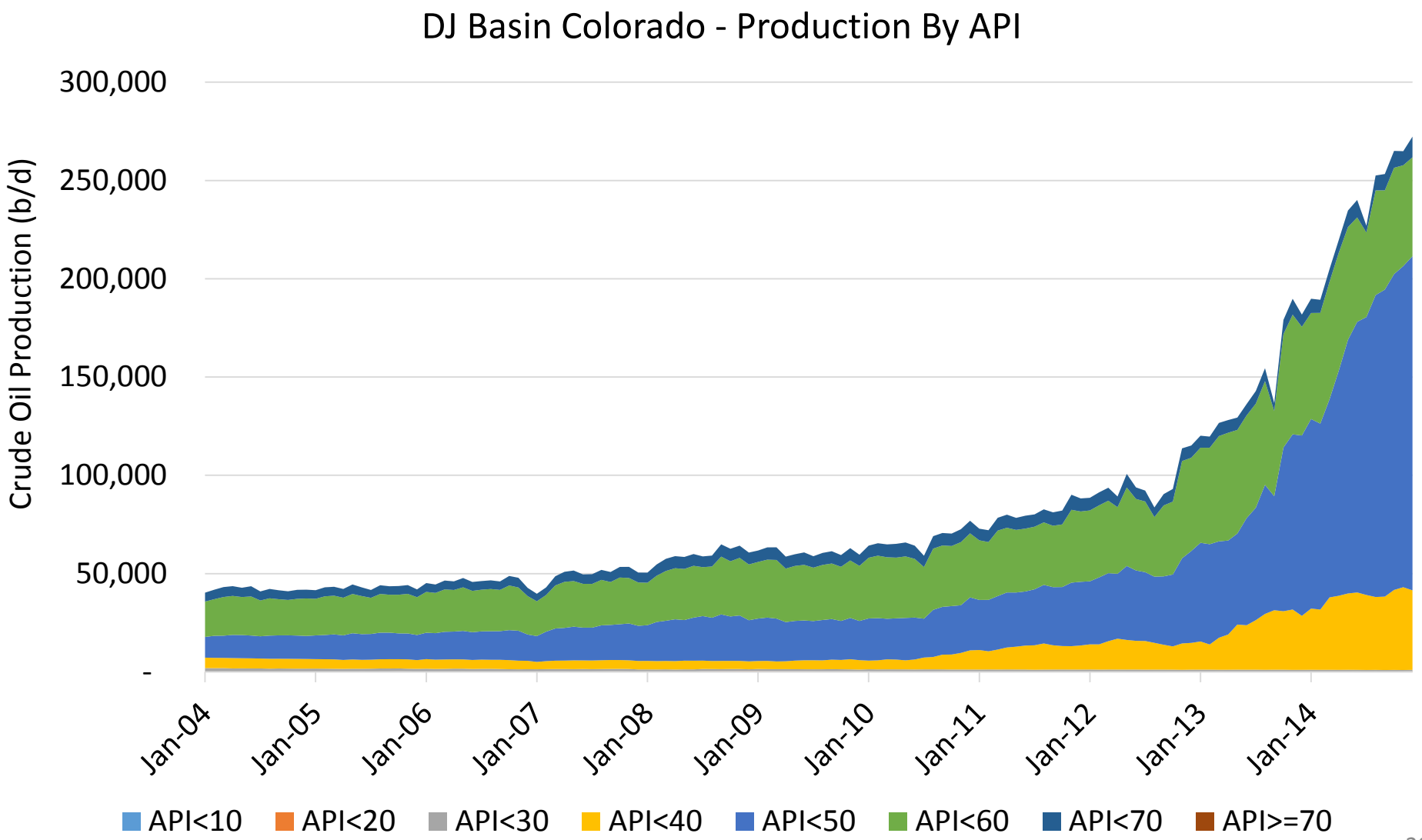


Source: Argus

Quality

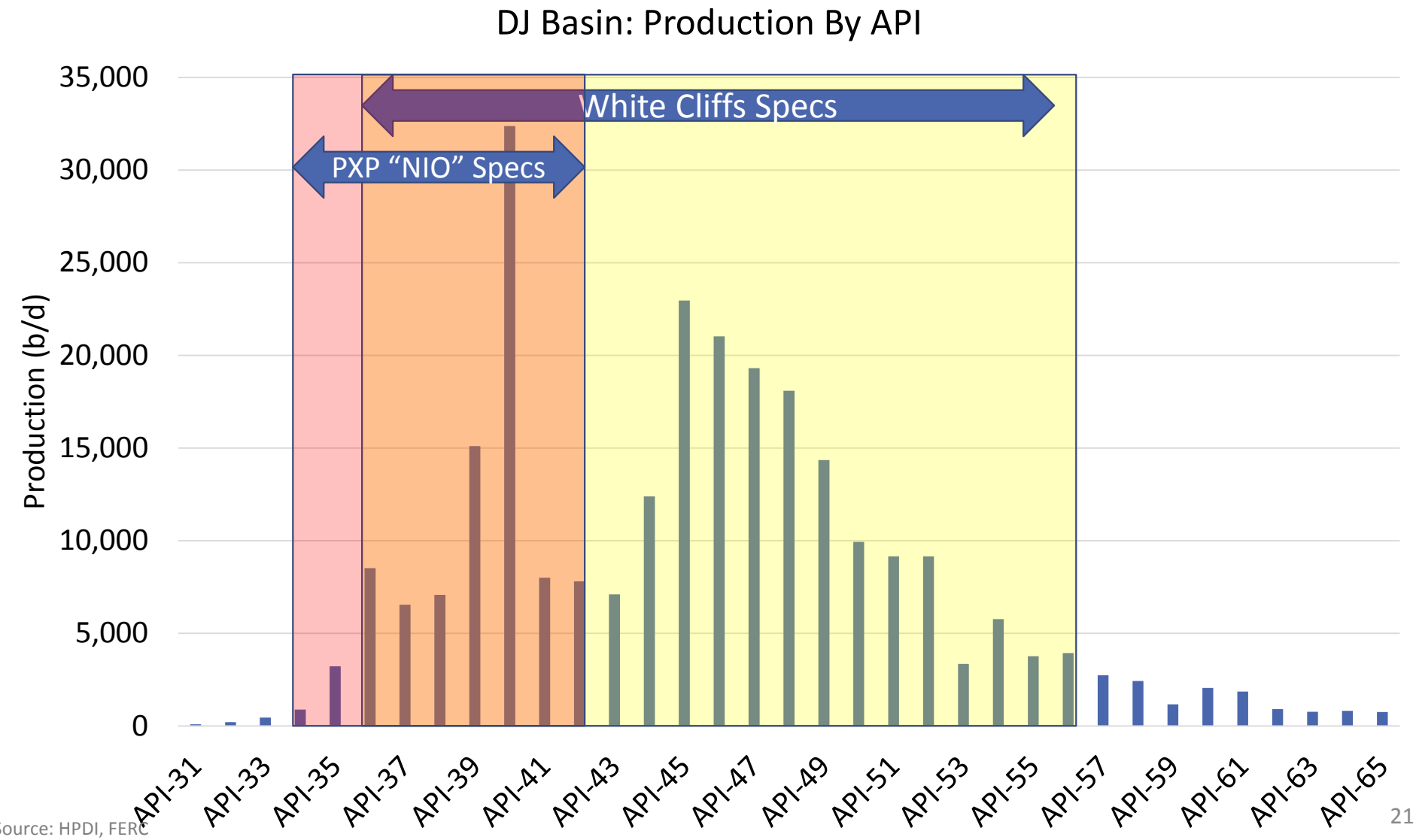
Rail enables refiners to pull the barrels they want

Most of DJ Production growth is API>40



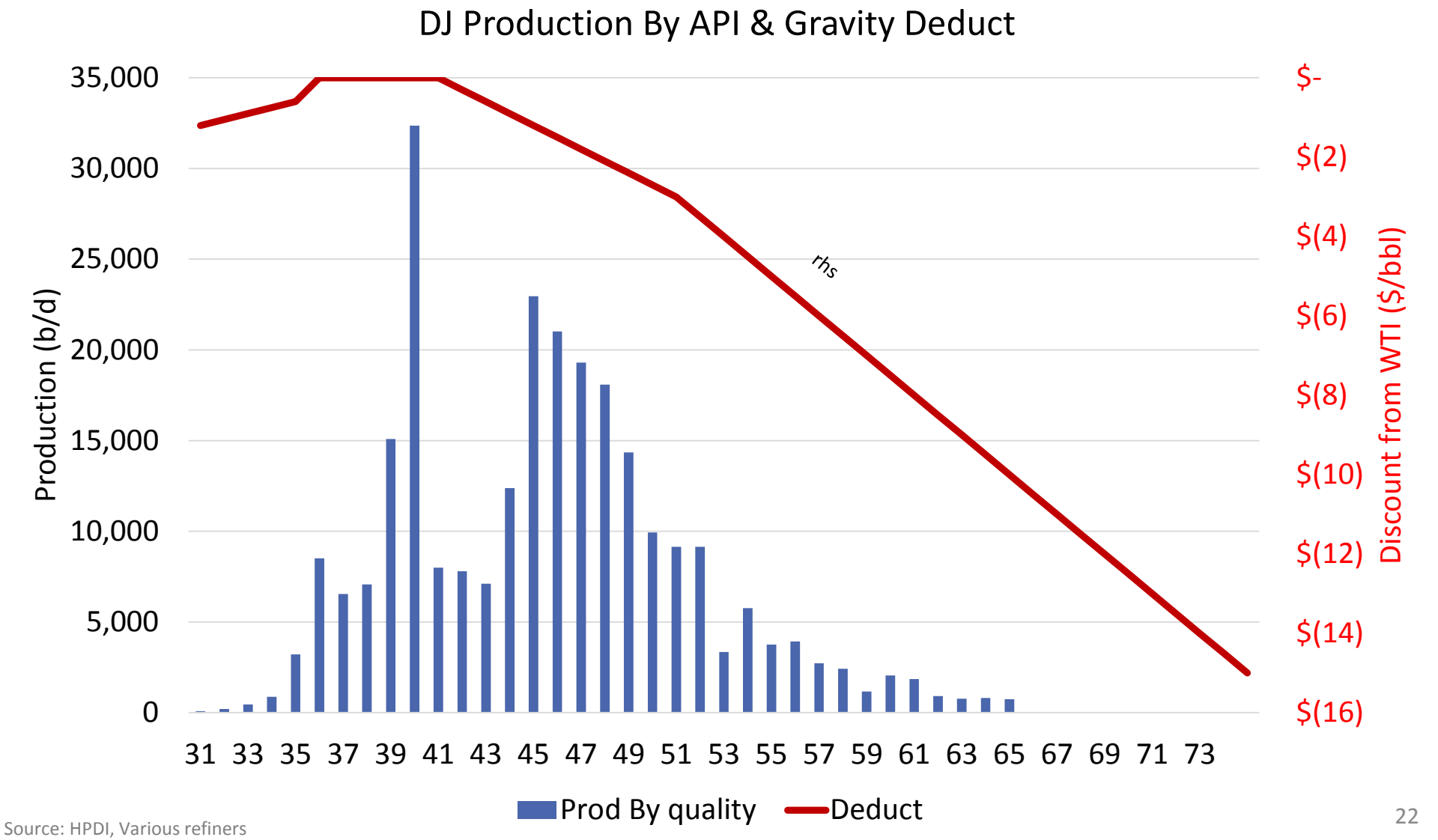
Source: HPDI

Pipeline specs leave barrels in the market



Source: HPDI, FERC

Quality Matters: Deduct from posted price -$5 for 60 degree API in Cush



Source: HPDI, Various refiners

Capital Requirement

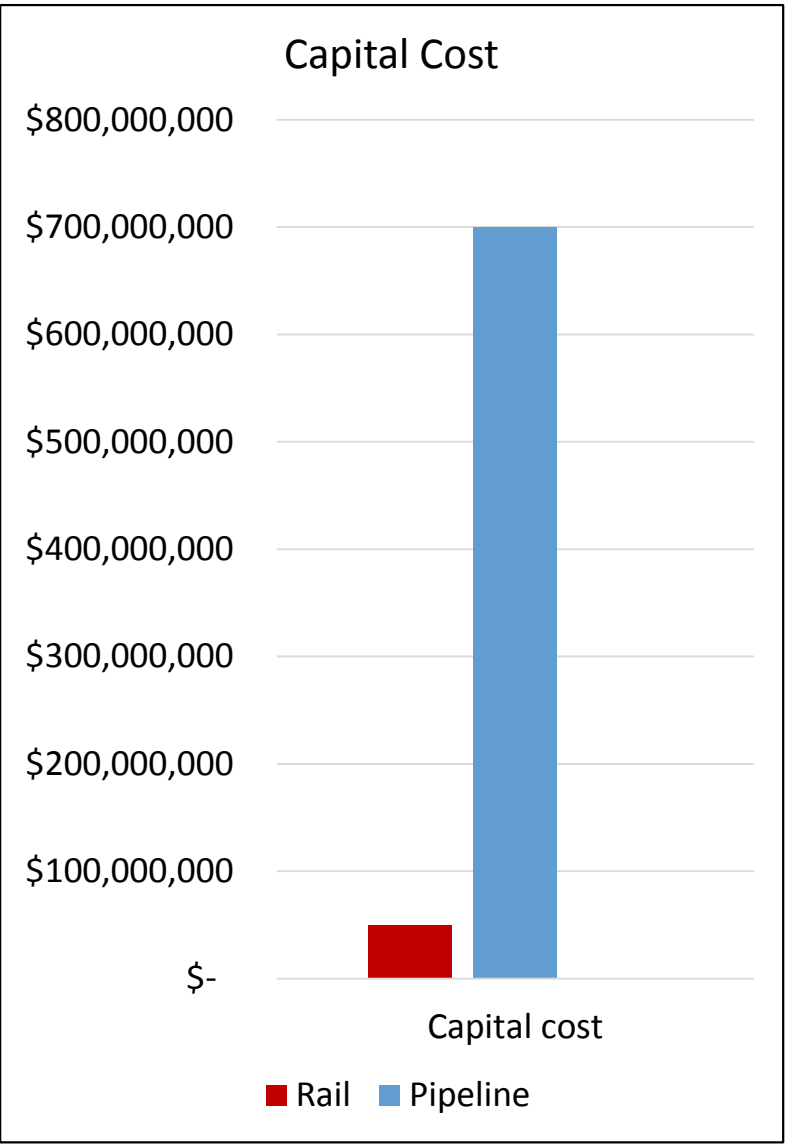
Producers are in capital conservation mode, and are less eager to make long term commitments

Pipe vs. Rail

- Rail
  - Lower capital cost
  - Fast to market (Site permitting, construction much faster)
  - Scalable
  - Neat barrel
  - Shorter contracts (2-3 year commitments vs. 10 years for pipeline)
  - Faster transit times which reduces inventory risk
  - Access to coastal areas not connected via pipe
  - O/D flexibility
  - Can capitalize on arbitrage
  - Longer-term opportunities
    - Future exports of crude
  - Public perception & Safety concerns

- Pipeline
  - Longer lead time
  - Higher capital cost
  - Lower variable costs

Pipe vs. Rail – Producers have to commit 10X Capital for Pipe



Producer Commitment:

Rail: $29,200,000

Pipe: $292,000,000

Cost of Fill: 13,540,000

Assumptions:

- Pipeline Capacity: 100,000 b/d
- Pipeline Length: 550 miles
- Pipeline Diameter: 20”
- Producer Throughput: 20,000 b/d
- Oil Price: $60/bbl

Term:

- Rail: 2 Years
- Pipe: 10 Years

Tariff:

- Rail: $2/bbl
- Pipe: $4/bbl

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End

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