



Adam Bedard, CEO
ARB Midstream, LLC

**Argus North American Crude
Transportation Summit**

June 6-8, 2016

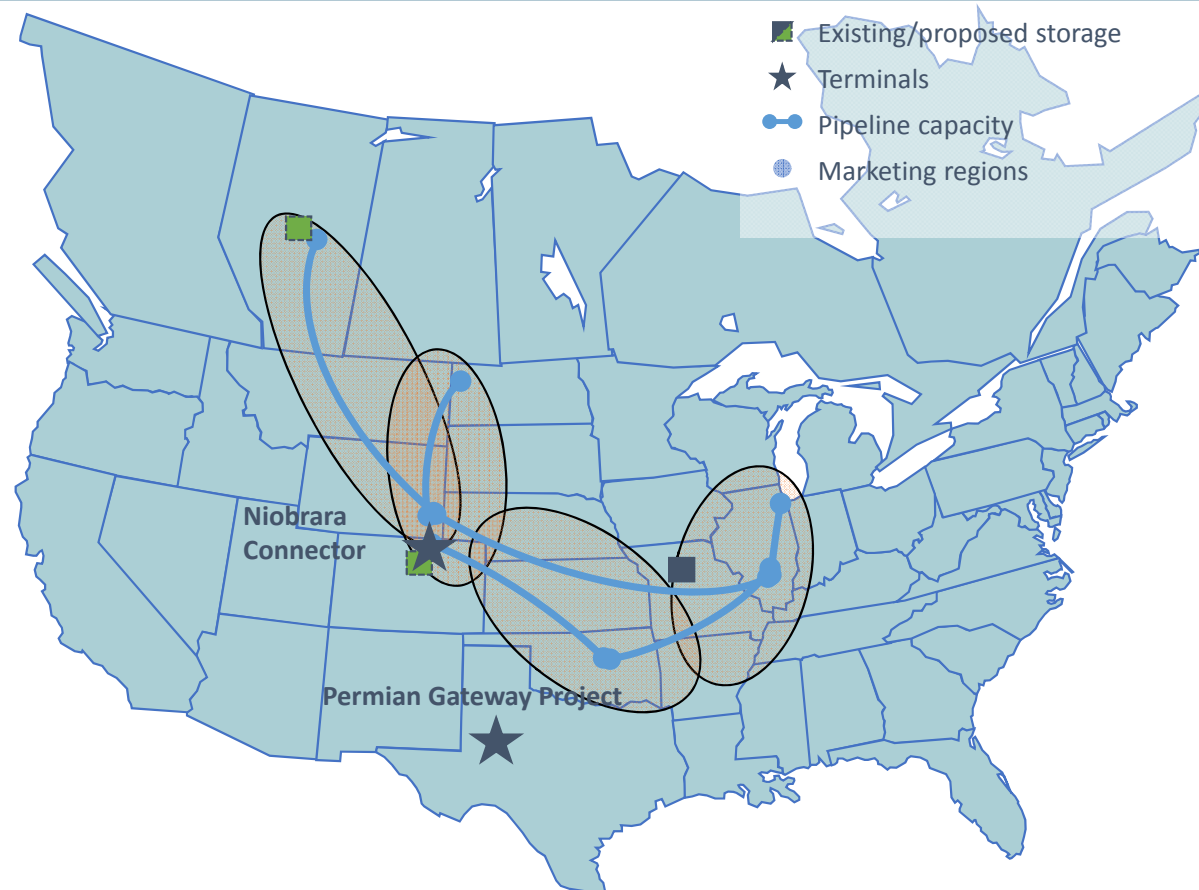
The Houstonian Hotel, Club & Spa | Houston, Texas



*Pipeline infrastructure and the impact of rapidly changing US
production dynamics*

June 7, 2016

ARB's Current Footprint Spans The Inland Corridor of North America



- Independent, growth-oriented company providing crude oil, gas liquids, and refined products midstream and marketing/logistics solutions in North America
- Developing/acquiring interconnected assets and a marketing platform
- “Analyze, Identify, Execute”
 - Quantitative analytics and deep market experience guide investment and development decisions
- Current Projects/Marketing
 - Marketing ~20,000 b/d
 - DJ Basin terminal: Niobrara Connector (NiCon)
 - Midland Basin (Big Spring) terminal: Permian Gateway

Outlook for Development of Crude Oil Pipelines by Midstream Companies



- Today vs. Medium Term
 - Today
 - Arbs are closed
 - Market is highly efficient
 - Basins are over-piped
 - Medium Term
 - Regions of production growth compared to regions with production declines and new pipelines coming on-stream causing continued shifts in the market
 - 2016-2018:
 - W. Can. up by 830,000 b/d, Permian up by 640,000 b/d
 - GoM down by 275,000 b/d, Bakken down by 173,000 b/d
- New Pipes in 2016
 - Bakken Barrels to the Gulf Coast
 - Shift barrels away from East Coast and Rockies' market
 - Pressure barge market / displace imported medium
 - Permian and Cushing Barrels flow into Louisiana Refining Markets
- Midstream Companies Face Very Stiff Headwinds for the Next 12 to 36 months
 - Underutilized Infrastructure
 - Producers Unable to Fulfill MVQ, renegotiating terms (tenure, rate)
 - Challenging For New Projects

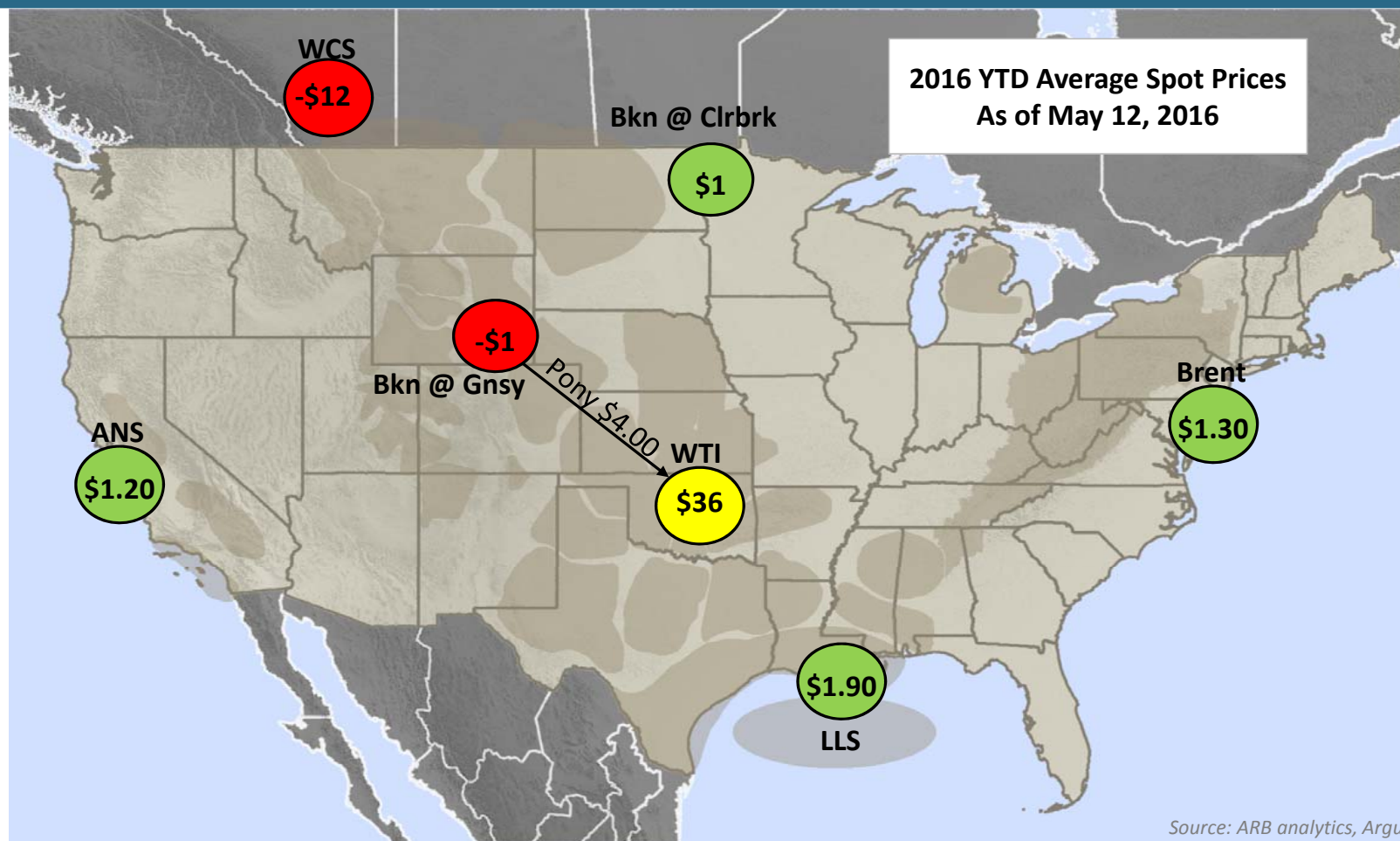


Arbs

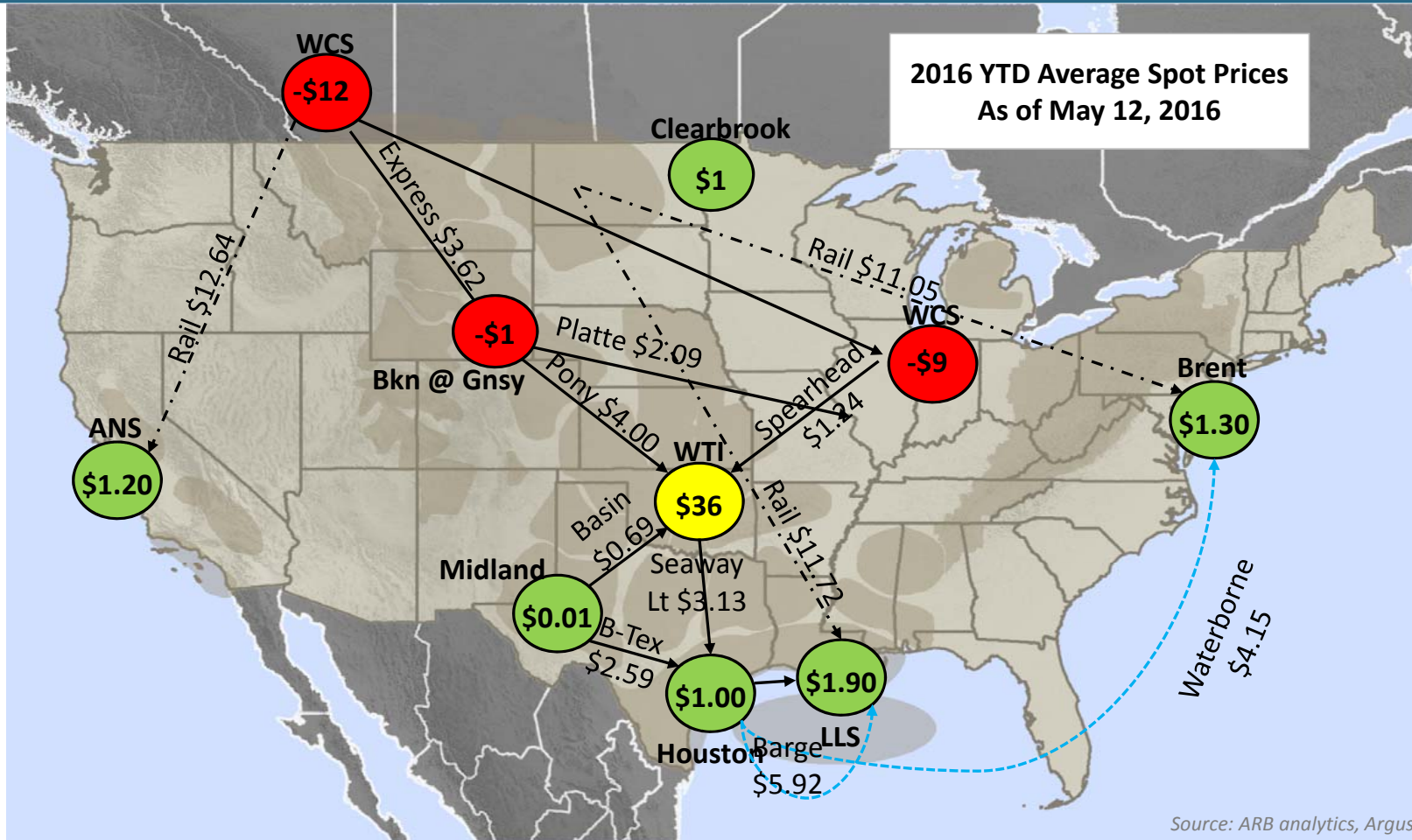
Shippers shipping at a loss to fill pipe space and minimize losses



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



Arbs Are Closed Across the Market

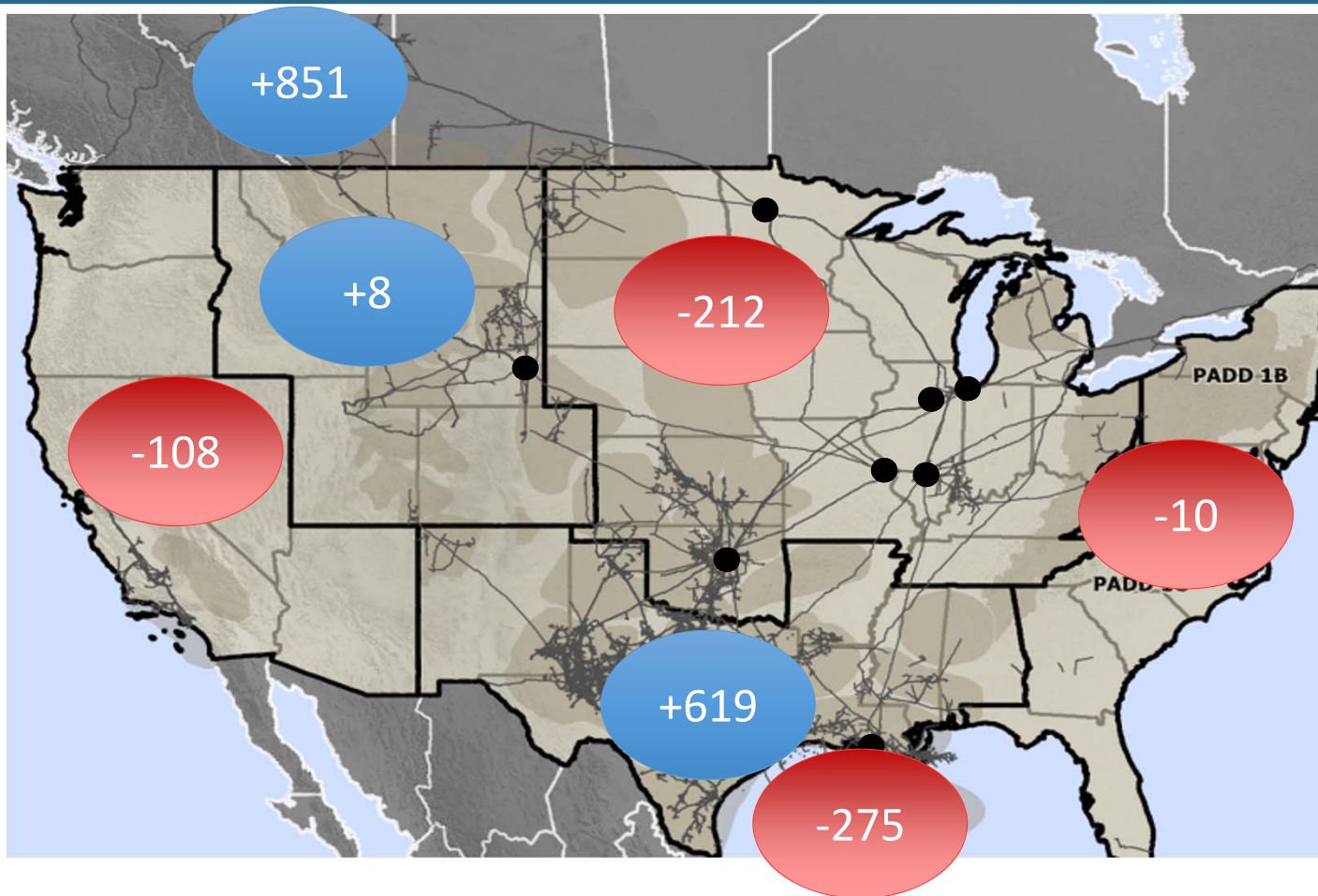


Production

Growth in heavy production, declines in LTO from Bakken, EF and DJ

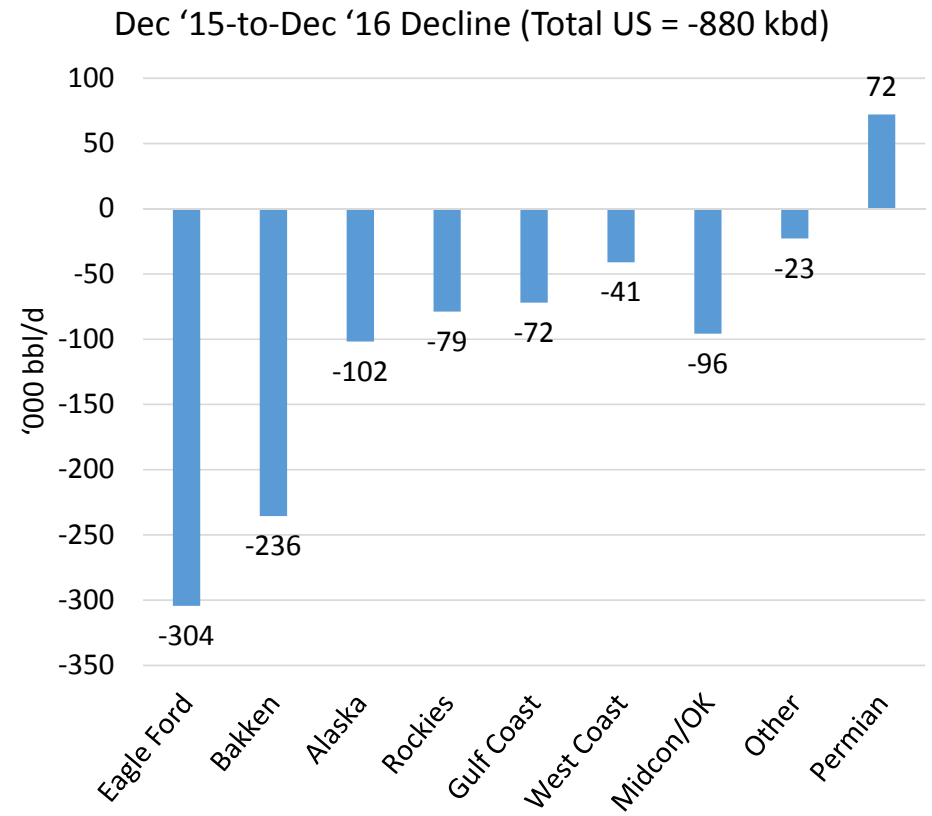
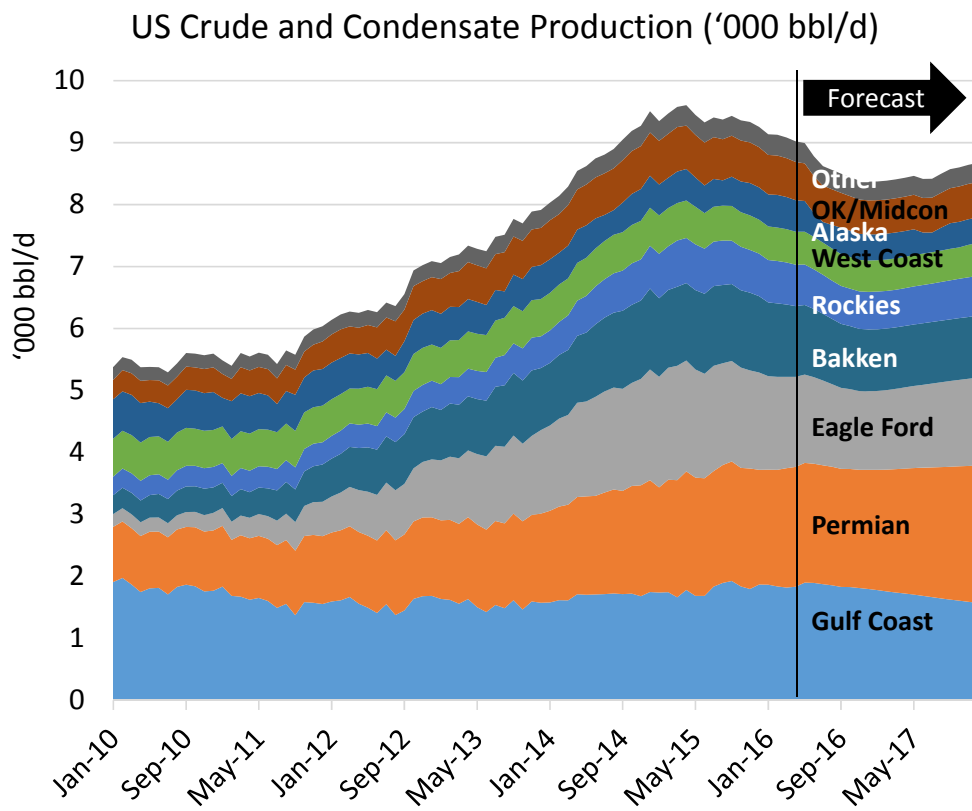


Genscape Forecasts Canadian Production Will Grow By 850 kbd, PADD 2 Drops by 212 kbd, GoM Falls 275 (Jan '16 to Dec '18)



Source: Genscape May 27, 2016,⁸

The Bakken and Eagle Ford Are on Track to Lead Production Declines in 2016



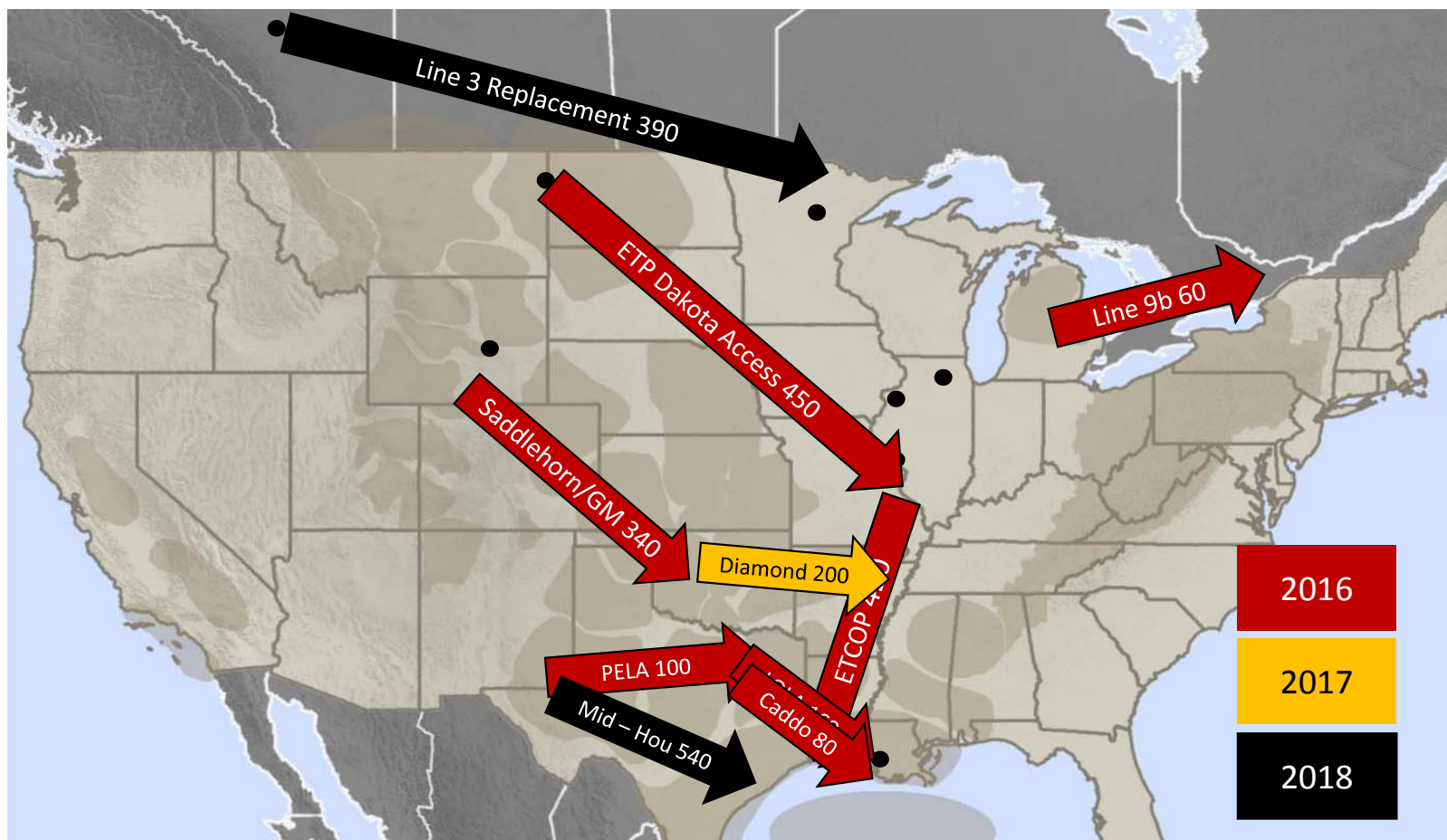
Source: Genscape

New Pipelines

New pipelines coming to market cause increased demand for shrinking Bakken supply

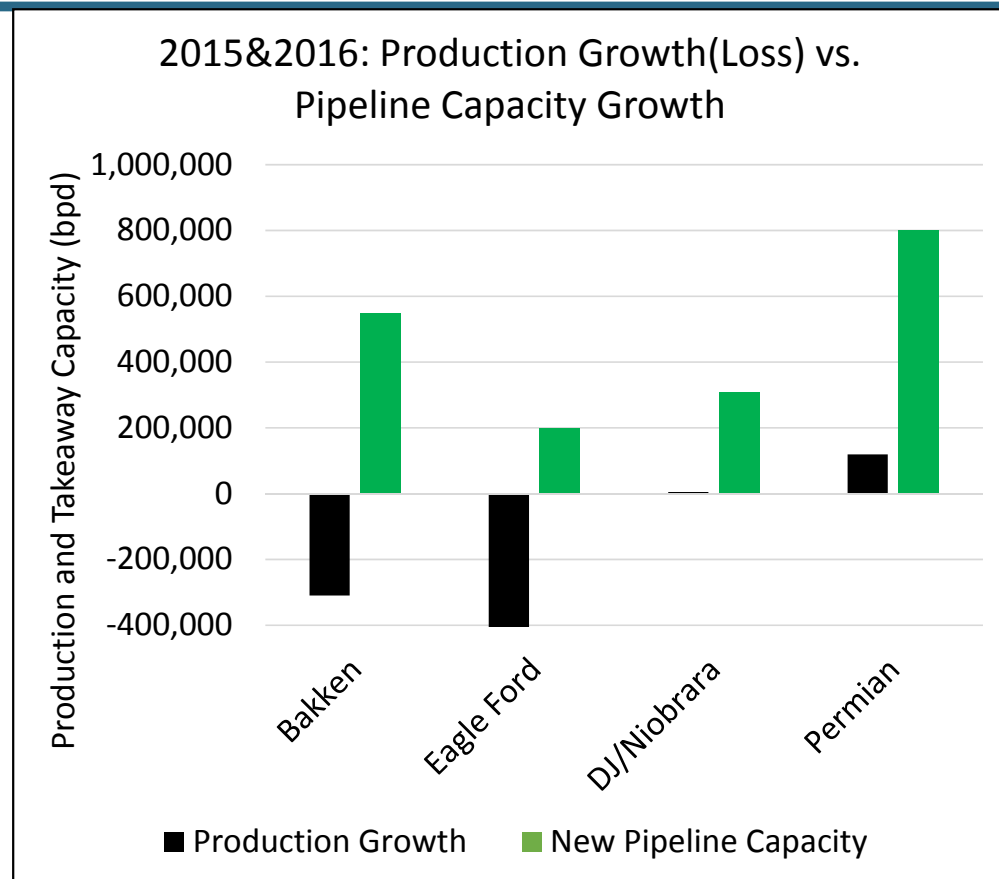
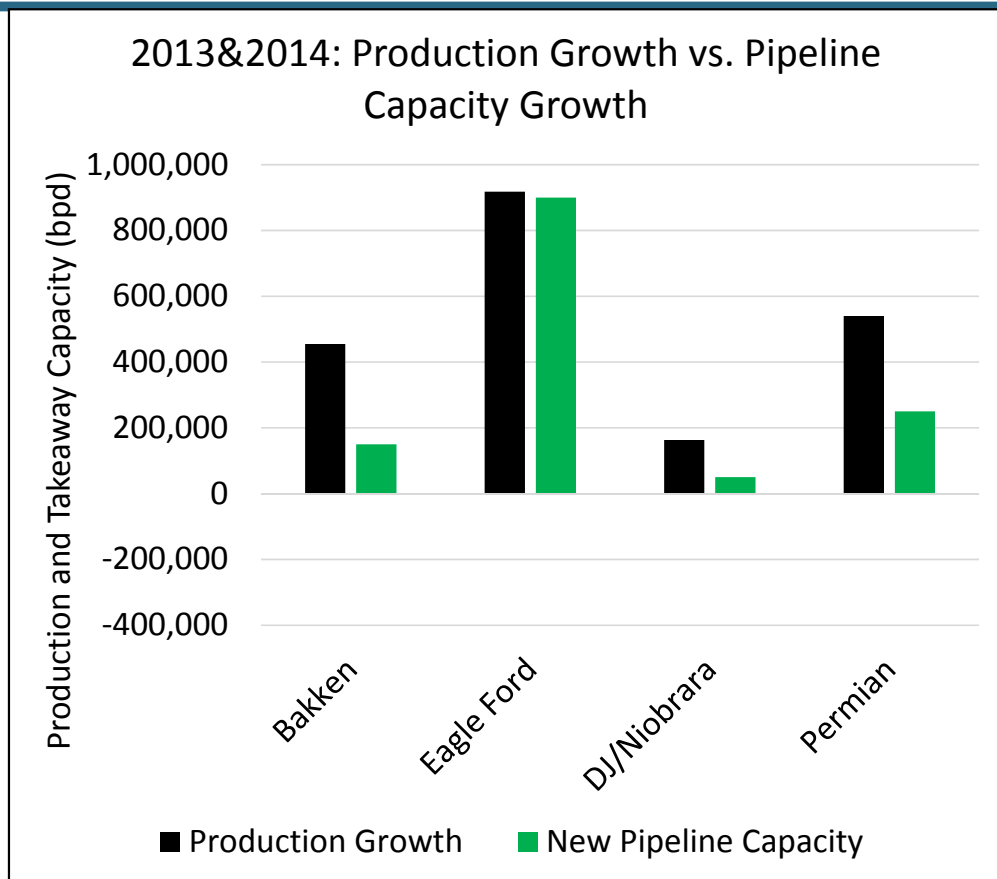


Even with Large Declines in 2016, New Pipelines Will Reshuffle Regional Flows, Particularly From the Bakken



Source: ARB analytics

Transportation Capacity Planned in 2013 and 2014 Is Overshooting Declining Production

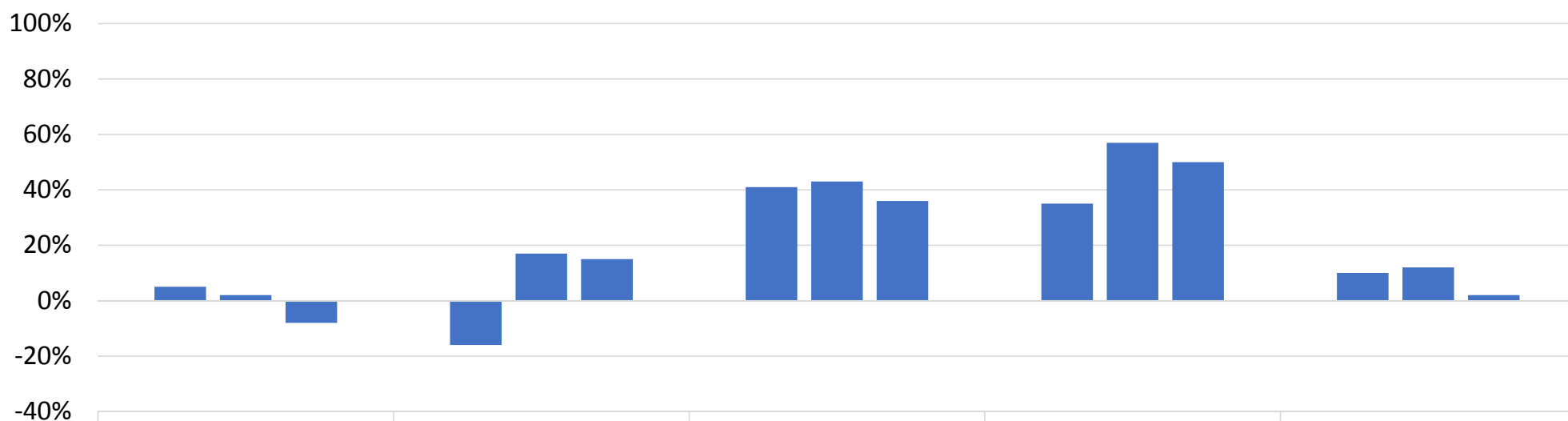


Source: ARB analytics; press search; bank reports

Takeaway Capacity Is Expected to Remain Oversupplied in Major Basins through 2018



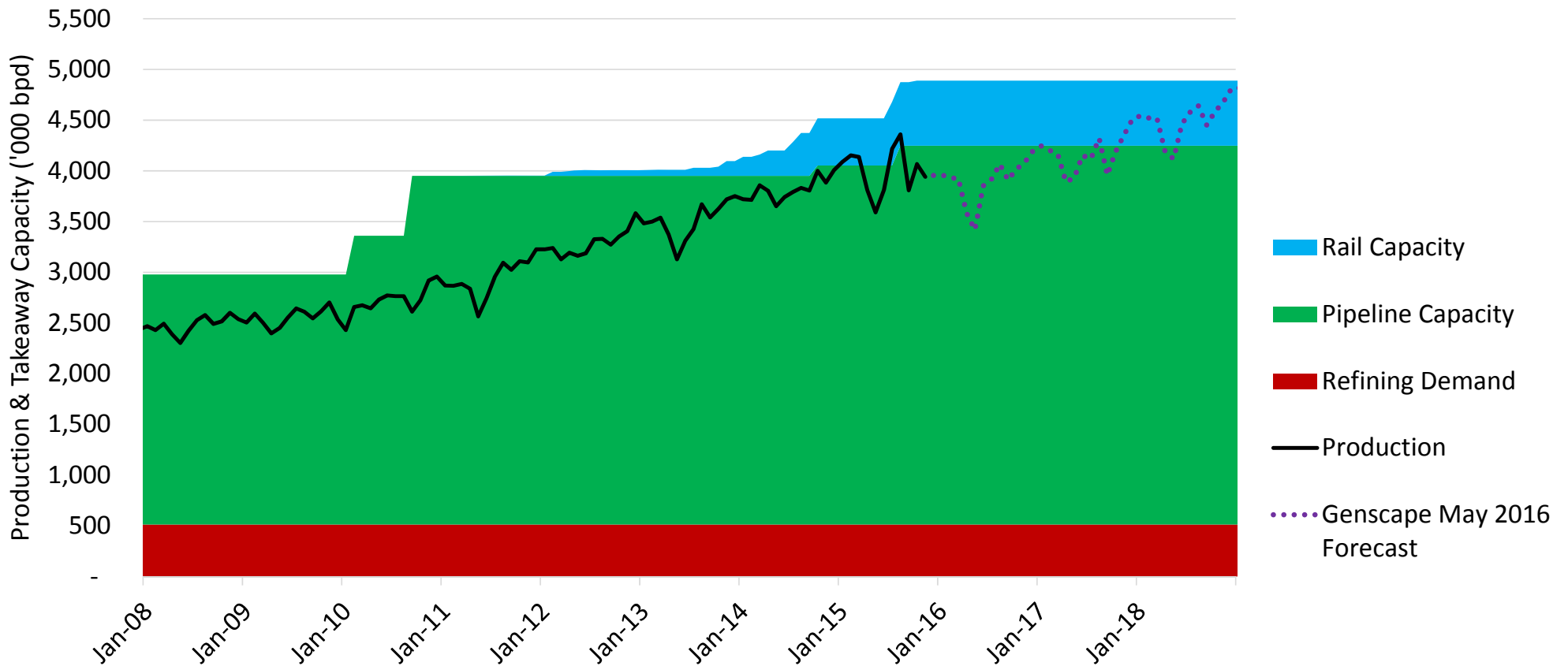
Annual Percent Oversupply: Pipeline Takeaway Capacity (2016-2018)



	Western Canada	Bakken	Eagle Ford	DJ-Niobrara	Permian
2016	5%	-16%	41%	35%	10%
2017	2%	17%	43%	57%	12%
2018	-8%	15%	36%	50%	2%

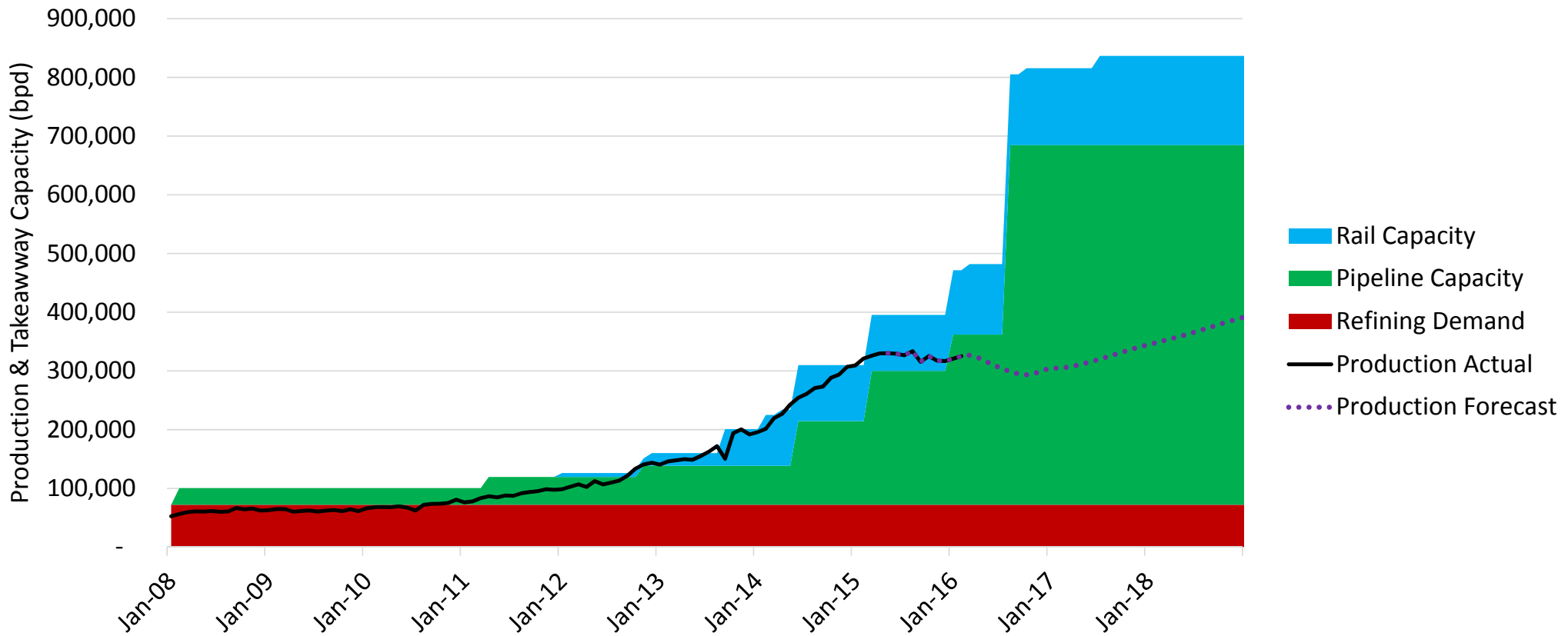
Source: ARB analytics; Genscape; press search; bank reports

Western Canada – Supply vs. Demand: Pipe Capacity Sufficient Until Mid-2017 When Rail Is Needed



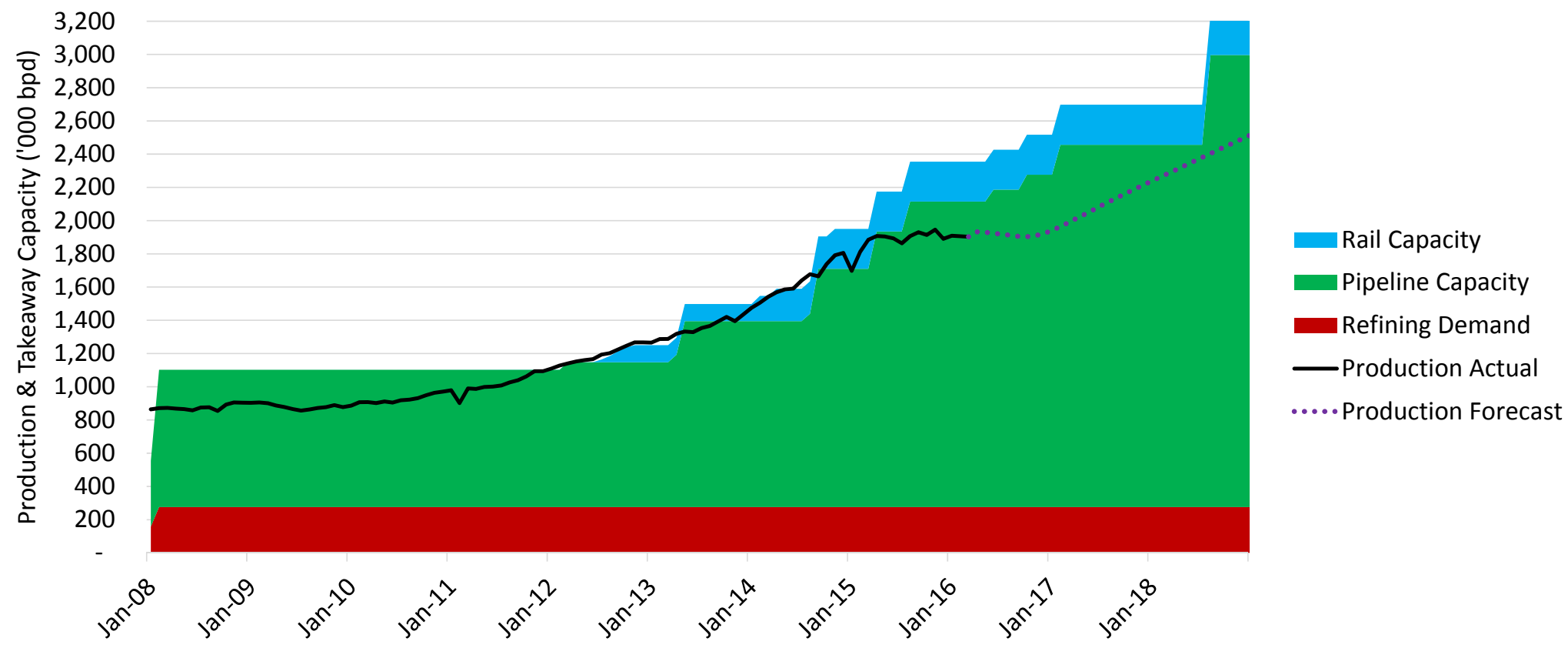
Source: ARB analytics; Genscape

DJ Basin – Supply vs. Demand: Production Rebounds in 2017, But Takeaway Capacity Nearly 2x Too Much



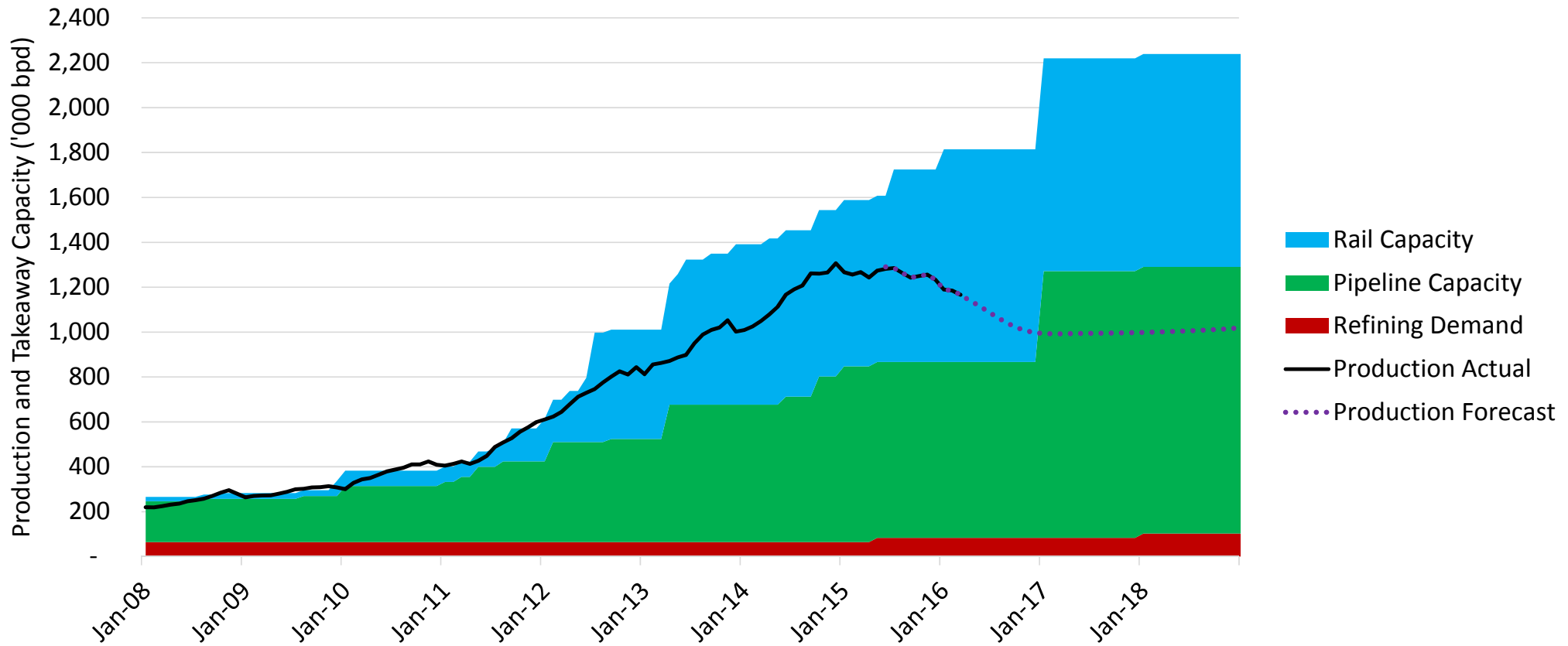
Source: ARB analytics; Genscape

Permian – Supply vs. Demand: Pipeline Utilization Soft Through 2016, Tightens by 2018 on Growing Production



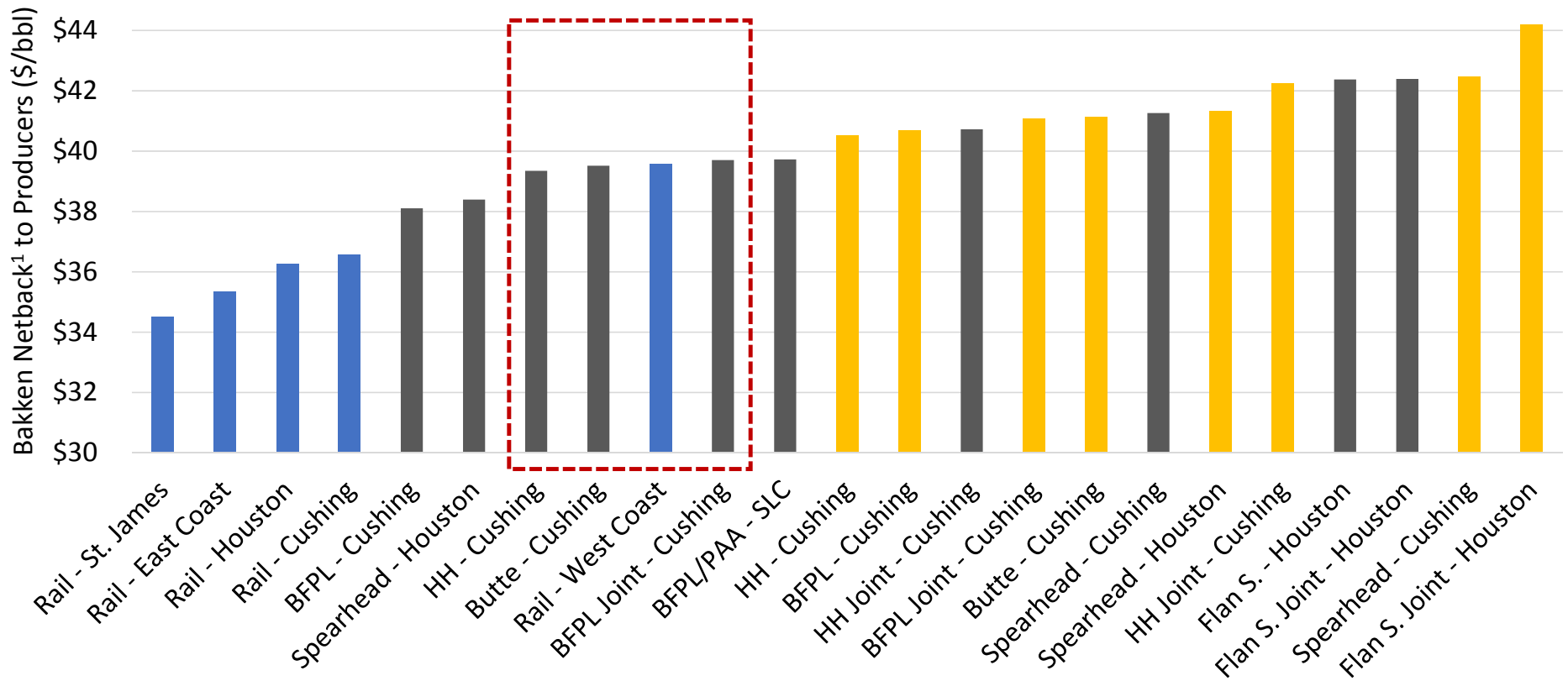
Source: ARB analytics; Genscape

Bakken – Supply vs. Demand: Rail Needed Through Most of '16, but New Pipes Take Market Share



Source: ARB analytics; Genscape

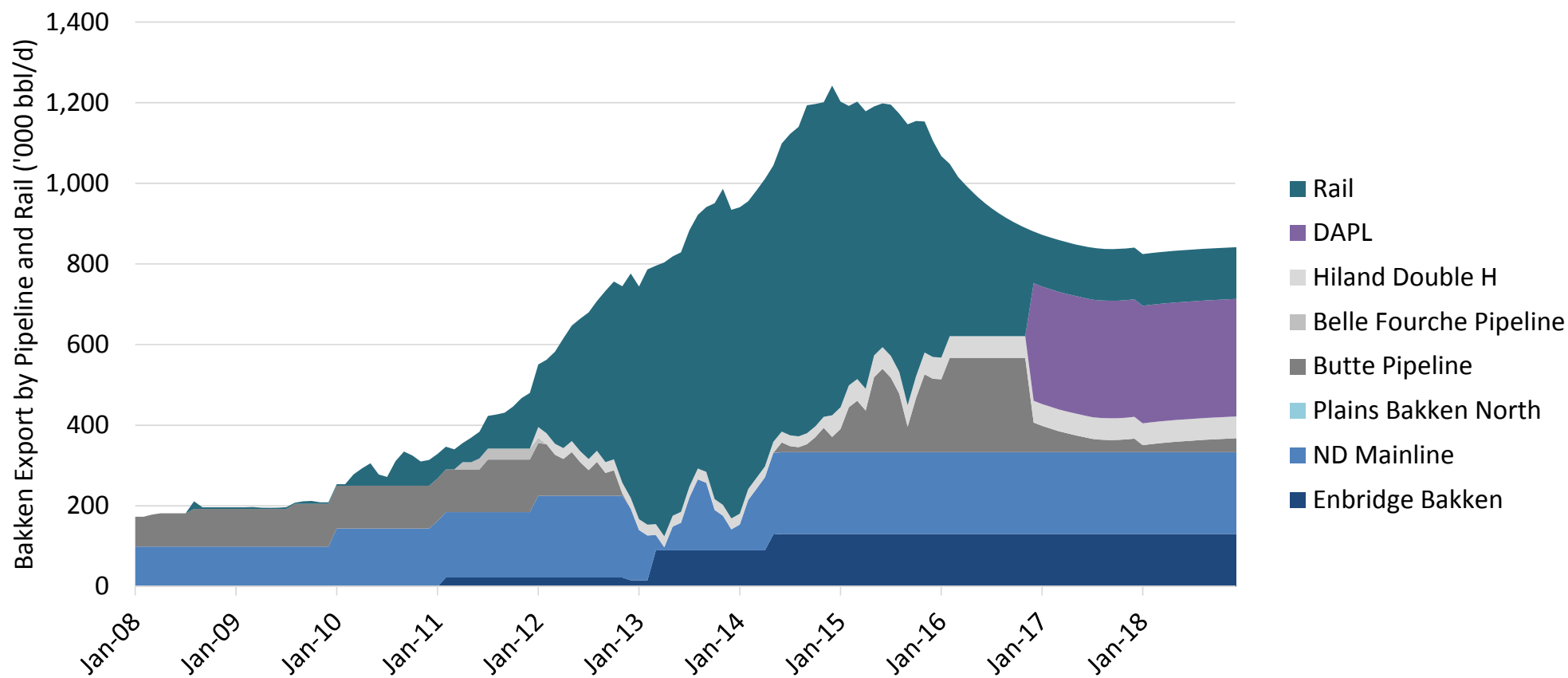
Rail to West Coast Competes with Pipe to Guernsey for Uncommitted Bakken Barrels



Source: ARB analytics

1 WTI at \$49.23, market rates as of June 2 2016, DAPL not shown but is anticipated to offer one of the strongest netbacks

New Pipeline Capacity from DAPL Will Reshuffle Flows, Despite Declining Bakken Production. Bakken Barrels Increase Share of Gulf Coast Market



Source: ARB analytics

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