



Emerging Supplies of Gas Liquids from the United States

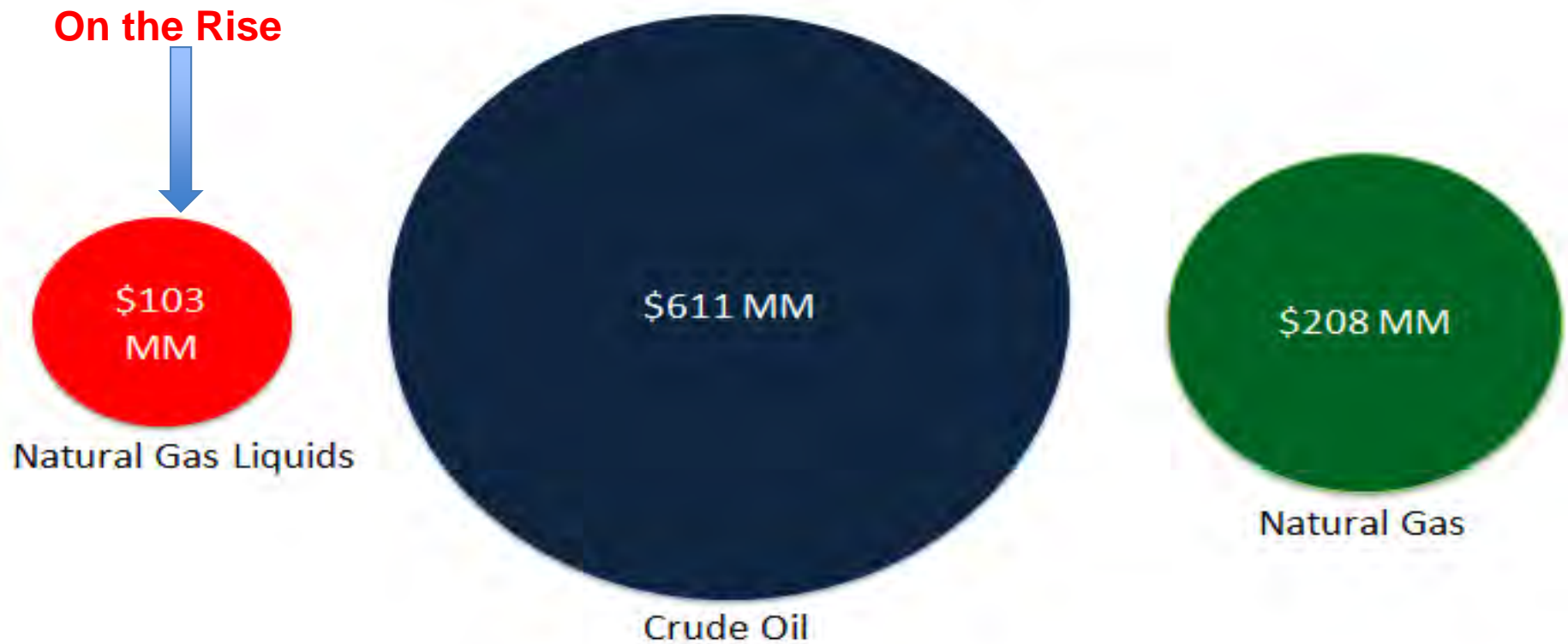
Drivers and Destinations

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UT THINK DAY
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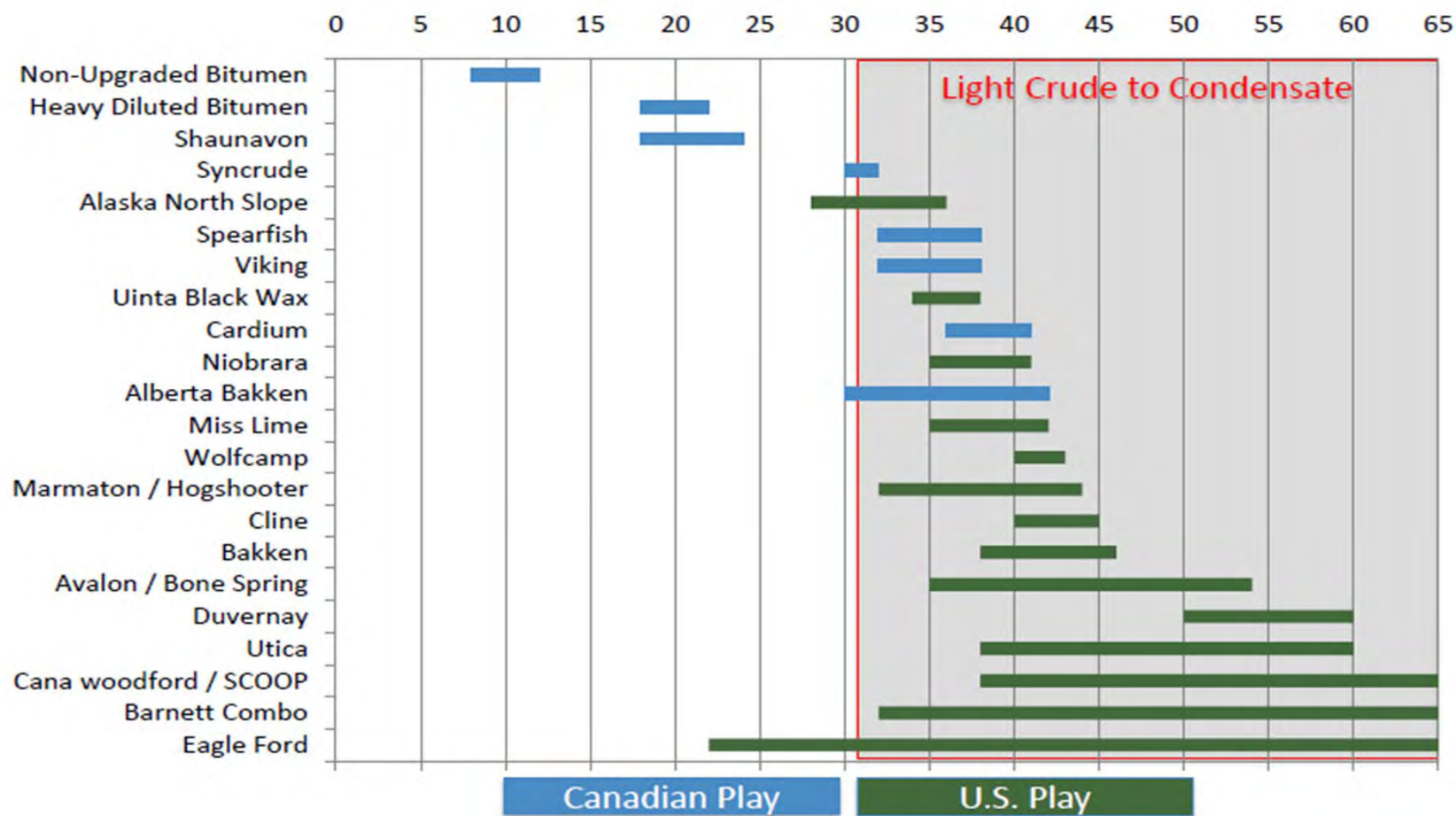
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Daily Value of U.S. Petroleum Production



Source: EIA, Ponderosa Advisors

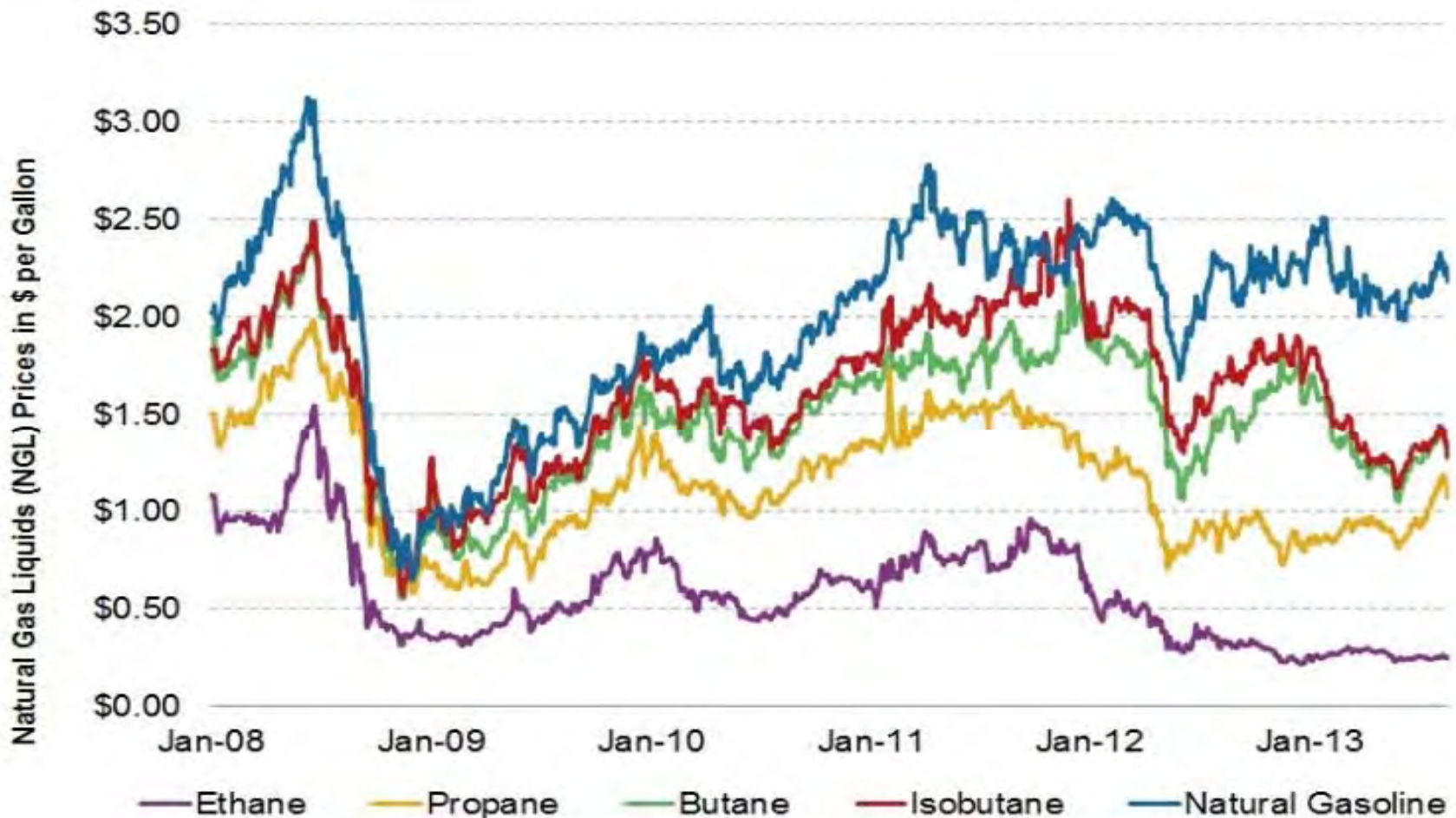
RISING US and Some Canadian Production is Very Light



Source: Platts

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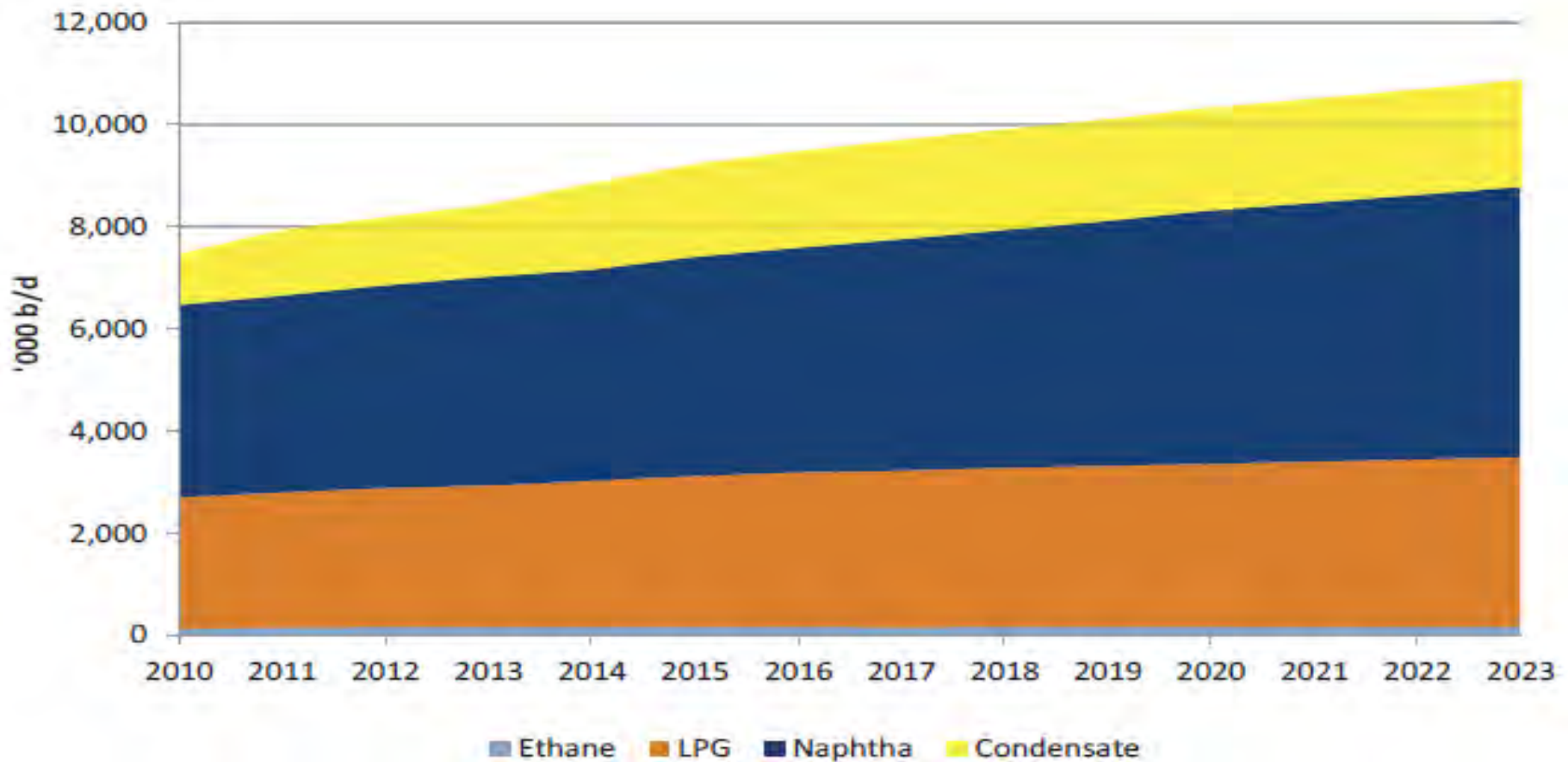
RECENT TRENDS IN US NGL PRICES



Source: Liquid Commodity Partners

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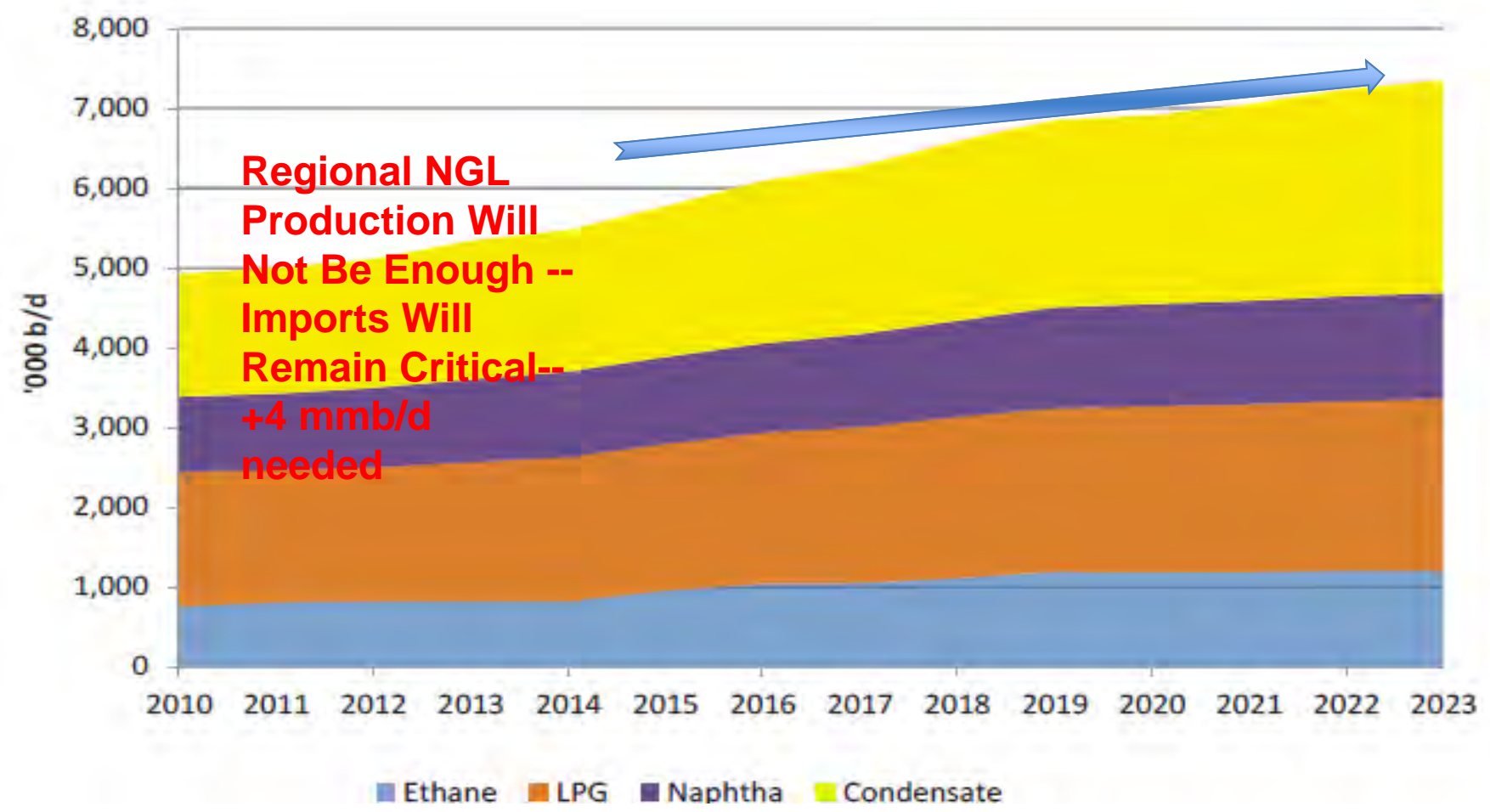
ROBUST GROWTH in ASIAN NGL DEMAND LIKELY TO CONTINUE



Source: ESAI Energy, LLC

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Asian NGL Production



Source: ESAI Energy, LLC

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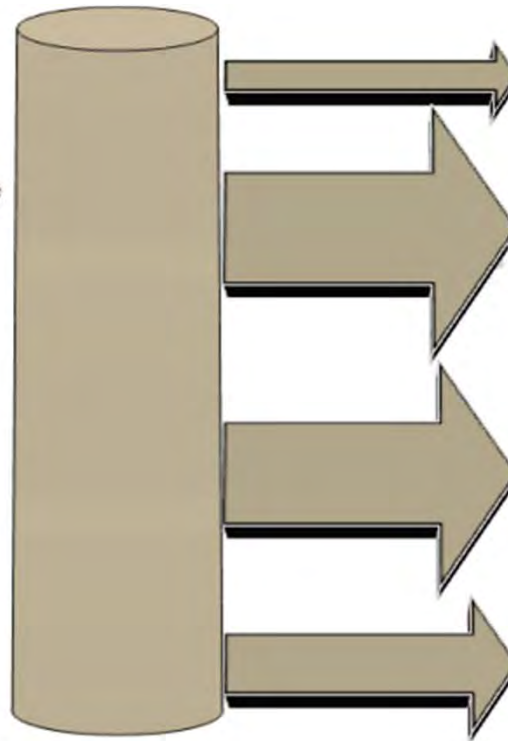
What's the Politically Correct Name for this Stuff?



Condensate



CONDENSATE SPLITTING



LPG ~ 4%

NAPHTHA ~40%

Diesel ~40%

Fuel Oil ~16%

- The market is typically supply-driven, not demand led
- Key issue; will there be enough demand to match growing supply?
- Splitting condensate allows products to be exported



North American Condensate Exports and Unconventional Wisdom

- **Exports of Lease Condensate (vs. Plant Condensates) Require a License from Dept of Commerce. (Routinely granted for Canada)**
- **Canadian Diluent Demand Can Soak Up Some Excess US Supply, but.....**
- **Growing Evidence Lease Condensate is in Oversupply and Underreported—North American & Texas Wellhead Values Likely to Suffer**
- **Condensate Production in Canada is on the Rise**
- **150,000 to 300,000 bbls/d of Condensate Exports “needed” in the near term to prevent severe downward price pressure on wellhead values?**
- **What is the value to the U.S. from improved efficiency in the North American production platform (and can it be explained to Congress)?**