Emerging Supplies of Gas Liquids from the United States

Drivers and Destinations

Lucian Pugliaresi
President
Washington, DC

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Daily Value of U.S. Petroleum Production

On the Rise

$103 MM
Natural Gas Liquids

$611 MM
Crude Oil

$208 MM
Natural Gas

Source: EIA, Ponderosa Advisors
RISING US and Some Canadian Production is Very Light

Source: Platts
RECENT TRENDS IN US NGL PRICES

Source: Liquid Commodity Partners
ROBUST GROWTH in ASIAN NGL DEMAND LIKELY TO CONTINUE

Source: ESAI Energy, LLC
Asian NGL Production

Regional NGL Production Will Not Be Enough -- Imports Will Remain Critical -- +4 mmb/d needed

Source: ESAI Energy, LLC
What’s the Politically Correct Name for this Stuff?

CONDENSATE SPLITTING

Condensate

- 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

LPG ~ 4%
NAPTHA ~ 40%
Diesel ~ 40%
Fuel Oil ~ 16%
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)?