Western Canada NGLs:
Looking for a Place to Call Home

NGL Forum - San Antonio, TX | December 9, 2014

Tim Stauft
President & CEO

AUX SABLE
Aux Sable Vision

To be a market leader in the midstream gas processing and NGL industry within selected regions of North America where Aux Sable can profitably develop and expand competitive advantages.
Aux Sable Operations
Aux Sable Operations

Aux Sable is a midstream gas processing company that provides an operationally effective and value competitive solution for producers of liquids-rich gas in the WCSB & the Bakken.

- Corporate Headquarters in Calgary, AB
- 2.1 bcf/d world scale extraction/fractionation plant at the southern terminus of Alliance Pipeline at Channahon, Illinois
- 80 mmcf/d Palermo Conditioning Plant and the 120 mmcf/d Prairie Rose Pipeline in North Dakota
- 75 mmcf/d Septimus Plant & Pipeline - Ft. St. John, BC
- 20 mmcf/d Heartland Offgas Plant - Ft. Saskatchewan, AB

Ownership
Aux Sable Channahon NGL Facilities

Extraction: (2) 1.05 Bcf/d extraction trains

Fractionation: \( C_2^+ \): 107,000 bpd

Storage: 200,000 bbls onsite (9 spheres)
170,000 bbls at Monee, IL (underground)

Pipelines: Own and operate NGL Pipelines connecting to local refineries, Enterprise, and ONEOK.

Rail: 16 spot rail rack served by CN & CSX
150 Rail Storage Yard

Truck: Propane Loading Terminal at Monee, IL
Pipeline connections to ONEOK
Truck Loading Terminal
Aux Sable Performance in Perspective

- Processed over 8.3 Trillion Cubic Feet of gas at Aux Sable’s Channahon, Illinois facility since start-up in December 2000 through October 2014
  - Enough energy to heat approximately 8 million homes/yr!

- Produced and sold over 13 billion gallons of NGL products
  - The typical propane bbq cylinder holds approximately 4.7 gallons

- Outstanding safety and environmental record over thirteen years of reliable operations
  - Safety goal is for all employees and contractors to go home safely each and every day

- Well respected in Midstream Gas Processing Industry
  - Gas Processors Association (GPA) Safety Award Winner
  - CSX Chemical Safety Excellence Award Winner
  - CN Safe Handling Award

- Voted as one of Chicago area top employers in 2010, 2011, 2012 & 2013
Aux Sable – NGL Markets Near Chicago
Frac Margin Declining on Liquids Price Drop
Growing C3 Inventories May Limit Short-Term Recovery

Propane-Plus Frac Spreads: Last 12 Months

U.S. Propane/Propylene Inventories

Source: FirstEnergy Capital Corp., Bloomberg

Source: FirstEnergy Capital Corp., U.S. EIA/DOE
Weather will Impact Near Term Nat. Gas and Propane Demand
US Propane Exports Consuming Additional Supply

- Rapid supply growth driven by rich gas development
- Demand for PDH feedstock will grow domestic demand
- More rapid waterborne export growth will support prices
  - Most exports to Latin/ South America and Western Europe
- Waterborne exports will plateau with export capacity constraints and overseas market limitations

United States Propane Exports as Proportion of Total Production

Source: National Energy Board, EIA
Propane Exports may be Challenged...

NW Europe Propane vs Mt Belvieu Propane Prices
($ per gallon)

NW Europe Propane Prices
Mt. Belvieu Propane
NW Europe to Mt Belvieu Spread

Estimated Shipping and Terminal Fees

Sep-12 Dec-12 Mar-13 Jun-13 Sep-13 Dec-13 Mar-14 Jun-14 Sep-14
# North American NGL Supply/Demand Trends 2014-2020

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<td><strong>Supply Direction</strong></td>
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<td>Dehydro (PDH/BDH)</td>
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<td>Net Exports</td>
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- **△** increase
- **▼** decrease
- **⊙** flat
- **~** Not applicable
U.S. Gulf Coast Feedstock Profile - NGLs Increasing

Ethylene Feedstock

Source: Petral Consulting Company
The Importance of Market Access & Optionality

Western Canada Demand

<table>
<thead>
<tr>
<th>Year</th>
<th>Ethane (Kbbls/d)</th>
<th>Propane (Kbbls/d)</th>
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<tbody>
<tr>
<td>2013</td>
<td>230</td>
<td>147</td>
</tr>
<tr>
<td>2020</td>
<td>230</td>
<td>147</td>
</tr>
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United States Demand

<table>
<thead>
<tr>
<th>Year</th>
<th>Ethane (Kbbls/d)</th>
<th>Propane (Kbbls/d)</th>
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<tbody>
<tr>
<td>2013</td>
<td>1,600</td>
<td>1050</td>
</tr>
<tr>
<td>2020</td>
<td>1,600</td>
<td>1050</td>
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Source: Petral Consulting Company, Alberta Energy Regulator
Market Access Options for Western Canadian NGLs

**Alliance to Aux Sable**
- Produce Raw Gas
- Dew-Point Plant (C5+ Extracted)
- Rich Gas to Alliance Pipeline
- Extraction Premium from Aux Sable
  - Alberta/Chicago Gas
  - U.S. NGL Markets
  - C5+ Edmonton

**Existing Alberta**
- Produce Raw Gas
- Refrig or Deepcut Plant
- C3+ or C2+ to Edmonton Frac/Market
  - Alberta Gas Market
  - Edmonton NGL Market

**West Coast LNG**
- Produce Raw Gas
- Dew-Point Plant (C5+ Extracted)
- C3+ or C2+ to Edmonton Frac/Market
  - Rich Gas to Asia as LNG
  - C5+ Edmonton
Aux Sable Provides Value & Access to U.S. Markets

Producers realizing this value:

- **CELTIC:** “Eliminates requirements to incur additional capital expenditures of approximately 75 Million”

- **CROCCOTA:** “Access to United States markets for propane and butane that are larger and more competitive than in Alberta. Avoid the potential oversupply of propane and butane in Alberta”

- **ENCANA:** “This agreement with Aux Sable supports our upstream development plans and diversifies Encana’s liquids exposure”

- **SEVEN GENERATIONS:** “The Rich Gas Premium remuneration structure gives us exposure for some of our products to Chicago-based pricing which reduces our market concentration risk and the Chicago market has generally supported higher prices in recent years”

- **SUMMIT:** “This agreement … allows us to immediately offer our existing and future customers improved natural gas processing economics for their rich associated natural gas production.”

- **ND GOVERNOR Jack Dalrymple:** “Aux Sable and Summit Midstream are playing an important role in our ongoing effort to reduce flaring and add value to our energy resources”
Aux Sable’s Rich Gas Acquisition Strategy has been very successful.

- We have been successful in attracting liquids-rich gas to our facility through Alliance.
- Changing drilling activity/economics in Western Canada and North Dakota, means that the gas we are attracting will continue to get richer (higher heat content).

An expansion of our fractionation facility (the area that processes mixed NGL streams into purity NGL products) is required to handle the liquids-rich gas coming into ASLP Channahon.

- The expansion is underpinned by the success of our recontracting strategy.

New product distribution options are being evaluated.
**Frac Expansion Overview**

**Project Highlights:**

- **$130 million project**
- **Project expected to take 18 months from engineering to completion**
- **Target in-service date of mid 2016**
- **Construction begins Spring 2015**
- **Construction & Operating Permit Applications in process**
- **Increases capability from 107,000 bpd to 131,500 bpd**
Summary

- Since Dec 1, 2000, Aux Sable has earned a reputation of being a reliable, experienced and responsible operator of gas processing, NGL/gas pipelines, terminals and loading racks, and NGL fractionation facilities in both the U.S. and Canada.

- Aux Sable has been, and will continue to be, a good corporate citizen in the communities in which it operates.

- Aux Sable has established a significant presence in North Dakota and is strategically located to capture opportunities presented by associated gas that might otherwise be flared or less efficiently handled through field facilities.

- Aux Sable/Alliance system provides an alternative market for gas and NGLs that maximizes resource value for producers and product customers.

- Near term market challenges are not expected to materially impact importance of market access, and scale investments for Western Canadian and Bakken NGLs.

- An expansion of our fractionation facility is underway to handle the liquids-rich gas coming into Channahon as a result of the success of our Rich Gas Premium strategy.
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