

BAKKEN CRUDE ASSESSMENT FAQ

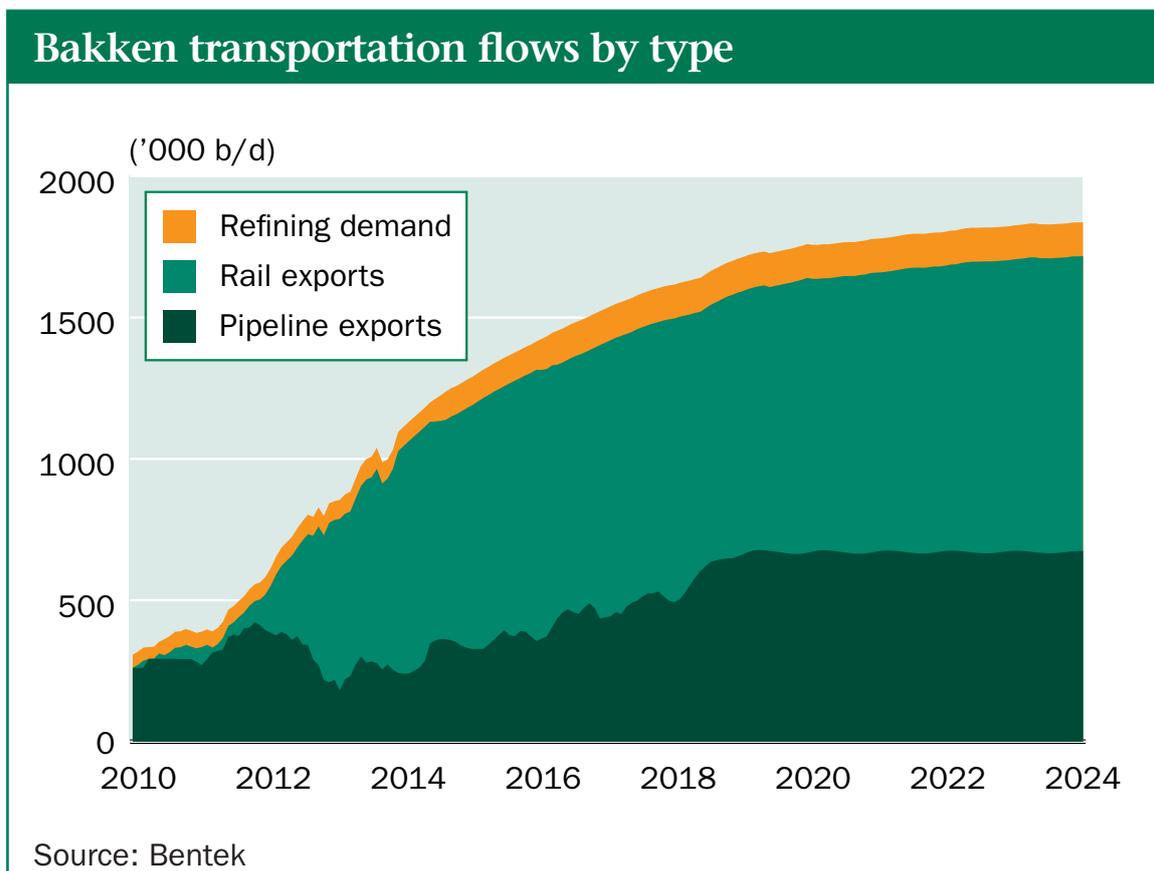
Why is Platts publishing a new Bakken crude assessment?

The new Platts Bakken assessment reflects the growing and rapid shift towards crude-by-rail as the dominant form of transportation for Bakken crude coming out of the Williston Basin.

The Bakken shale is now established as one of the most significant sources of crude oil in North America, with total volume from the formation across the North Dakota/Montana/Saskatchewan/Manitoba region estimated to have passed 1 million b/d by May 2014.

Development of tight oil from the Bakken shale has happened very quickly, causing similarly rapid changes in the physical infrastructure used to transport the oil to refineries.

In November 2012, rail movements exceeded pipeline movements and demand from local refineries, according to Bentek (see *below*).



This marked a big change from the previous market dynamics, as pipeline exports had accounted for the overwhelming majority of Bakken crude flows in 2010 and 2011. On May 3, 2010, Platts launched two price assessments for Bakken Blend crude oil, representing the light sweet crude produced from the Bakken Shale Formation at pipeline interconnection points – one assessment for crude traded at the Enbridge’s terminal at Clearbrook, Minnesota and another into Kinder Morgan’s terminal at Guernsey, Wyoming.

Pipeline capacity out of the Bakken is set to increase from 600,000 b/d currently to over 1 million b/d by early 2016 thanks to the 100,000 b/d TransCanada Bakken Marketlink project, the 225,000 b/d Enbridge Sandpiper project, and the 230,000 b/d Tallgrass Pony Express project (PXP will serve both Bakken and Niobrara – the Bakken capacity, excluding the Northeast Colorado Lateral project would be 140,000 b/d). Along with the existing interconnects to Enbridge and the Express/Platte lines, pipeline will still be a transportation option for Bakken if netbacks are competitive relative to rail.

What new Bakken crude assessment is Platts publishing?

Platts started publishing daily values for the new Bakken crude assessment from April 22, 2014. The Platts Bakken assessment reflects the spot value of Bakken crude delivered into North Dakota terminals with rail and rail/pipeline loading capabilities.

The Williston Basin, and those storage points where market participants determine the best market for their crude, represents the decision point for supply/demand fundamentals that yields the most comprehensive value for the marginal Bakken barrel.

Facilitating price discovery as close to the wellhead as possible encompasses the widest variety of market participants, and liquidity at these Williston Basin supply chain nodes, the terminals where Bakken can move by rail or rail/pipeline, has increased in the past year.

Platts has observed that the focal point of this spot liquidity is at these Williston Basin supply nodes, where end-users, marketers, and traders purchase crude from producers/marketers for eventual movements down the supply chain.

What specifications and physical logistics does the new Bakken assessment represent?

The new assessment reflects the value of Bakken crude with a maximum sulfur content of 0.2% and a maximum API of 42. The underlying volume for the Platts Bakken assessments reflects volume of 1,000 b/d, or 25,000 barrels.

This assessment reflects the value of those barrels moving from the wellhead to local terminals, where rail cars are loaded. Terminals that also have the optionality for rail and pipeline movements are also included in the assessment process. These terminals are located in a relatively tight geographic area in North Dakota, and the price difference between transactions at each terminal is negligible.

How is the new Bakken crude assessment being derived?

The Platts Bakken assessment employs the Market-on-Close (MOC) methodology used in physical oil and refined product markets. The MOC process encapsulates bids, offers and transaction data to create one value at the end of the trading day. Bakken is assessed daily and reflects Market-on-Close (MOC) values at 3:15 PM Eastern Time (ET) and denominated in US dollars per barrel. Platts analyzes markets throughout the day, and will reflect data collected from across the market, particularly in the absence of bids, offers and trades in the MOC assessment process itself.

The Platts Bakken assessment reflects crude oil on a delivered North Dakota terminal basis in the delivery month. Title of the oil is transferred at the manifold flange into the terminal. The delivery method for this oil can be either by truck or via a pipeline gathering system. In this process, the buyer nominates the terminal, and the seller determines when the barrels will flow during the specified delivery month.

Bakken crude at these terminals trades in a manner similar to the US Gulf Coast and Canadian pipeline markets, where barrels are sold on a ratable basis and for a flow month. Due to Bakken's close proximity to Canadian origin pipelines and the need for rail car volumes to be secured as early as possible, the Platts Bakken assessment follows the Canadian pipeline schedule, which tends to roll to the next month earlier than the US Gulf Coast pipeline schedule. This is also in line with Platts Bakken Blend ex-Clearbrook and ex-Guernsey assessment timing.

In following this schedule, Platts rolls to the next front month on the date pipeline nominations are due. Platts will follow the nomination due dates published by Crude Oil Logistics Committee on its website. For example, the Platts Bakken assessment on April 22, 2014 reflected crude for delivery in June, and rolled to July when nominations were due in the second half of May per the Crude Oil Logistics Committee schedule.

The Bakken assessments are calculated on a NYMEX crude oil calendar-month average (CMA) basis. Crudes will be assessed for injection in the first forward month. The WTI CMA is the average of the front-month NYMEX light crude values (at 3:15 pm Eastern Time) for the month of injection. Platts outright assessments are made up of the prevailing spot differentials plus or minus the WTI CMA.



For more information about Platts global crude methodology, please visit:
www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/Crude-oil-methodology.pdf

Where is Platts publishing the Bakken assessment?

Platts' Bakken crude assessment is published through [Platts Global Alert](#), a real-time price and news service, as well as in [Platts Crude Oil Marketwire](#), [Platts Oilgram Price Report](#), and [Platts North American Crude and Products Scan](#), which are daily newsletters that provide detailed market information on global crude oil prices, trade updates, market commentary and analysis, futures settlement prices and much more.

The following Platts codes will enable subscribers to locate the new assessments:

Assessment	Market Data Code	Mavg
Bakken Crude \$/Bbl	AAXPP00	AAXPP03

Where can I find more information on Platts Bakken crude assessment?

To read more about the Platts Bakken methodology and specifications, as well as a broader overview of the development of the Bakken shale formation, please visit:

www.platts.com/IM.Platts.Content/InsightAnalysis/IndustrySolutionPapers/special-report-bakken-the-king-of-the-north.pdf

What are the benefits of using Platts Bakken crude assessment?

- Bakken has changed the North American crude landscape, and is now actively sought by refiners across all the major US markets.
- The new Bakken assessment keeps abreast of the latest developments in the fast-changing marketplace, representing the value of this key crude oil at its most liquid point.
- Platts is a respected market leader in publishing price information, known for its integrity and commitment to impartiality and transparency.



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