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East Daley

NGL Market Update

April 16, 2025

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DIRTY LITTLE SECRETS

OIL & GAS INDUSTRY OUTLOOK

Request our 2025 Dirty Little Secrets Report

COMMODITY TIES CREATE AN ABUNDANCE OF OPPORTUNITY. IN THE REPORT WE COVER THE FOLLOWING TOPICS:

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- **Power Surge:** Data Centers Driving Energy Demand and Gas Growth
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G&P System Analysis
Rig Activity Tracker
FERC Form 6

Insights

NGL Analytics team available for scheduled Quarterly Market Updates. NGL Insider weekly publication

Analyst Support

Access to the NGL analytics team.

Request More Information on NGL Products

Key Takeaways

1. **Crude Oil, Natural Gas, and NGLs are linked together in ways in which they have never been in history. You cannot just focus on crude or gas, they are all linked**
   - Permian growth is predicated on **crude oil economics**, reliant on growth capital to build **new Natural Gas Egress**, which will unleash **Propane & Butane supply** for export

2. **Where Exactly is the Growth Coming, Who's Producing it & Who's Moving it**
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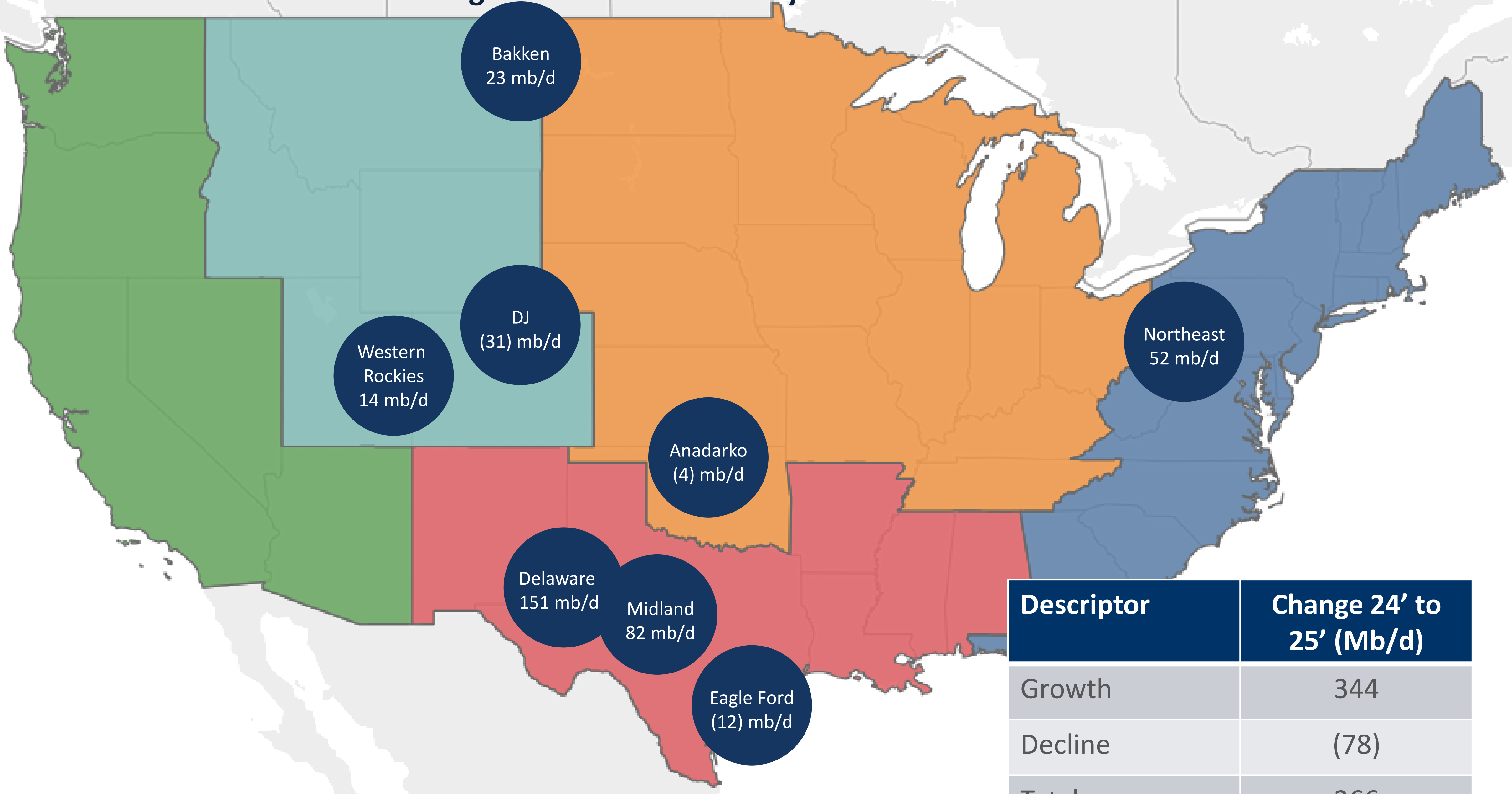
3. **Tariff implications on propane**
   - Hanging On the Balance of Tariffs & Exports

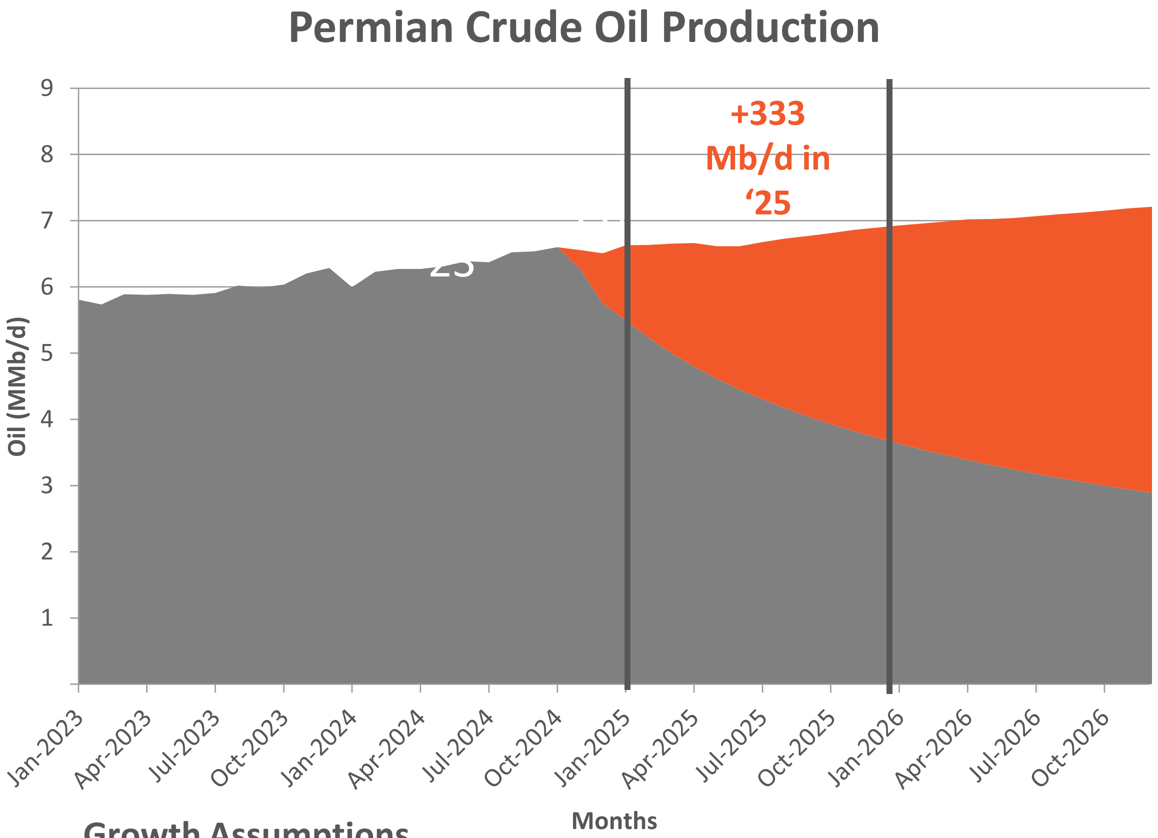
Change in NGL Production by Basin 24' to 25'



Descriptor	Change 24' to 25' (Mb/d)
Growth	344
Decline	(78)
Total	266

*Production estimates are from March 25'

EDA's Outlook = Producer Guidance + Upside



Producer	Ticker	Midland Rigs	Delaware Rigs	Est. Growth '24 to '25 (%)	Delta (Mb/d)
ExxonMobil	XOM	24	12	7%	66
Matador	MTDR	0	9	20%	28
Devon Energy	DVN	0	15	7%	22
Permian Resources	PR	2	10	8%	22
Chevron	CVX	2	9	10%	21
Occidental Petroleum	OXY	5	15	3%	17
ConocoPhillips	COP	4	10	3%	13
EOG Resources	EOG	1	14	3%	12
Coterra	CTRA	0	9	5%	8
Ovintiv	OVV	5	0	4%	5
APA Corp	APA	4	4	3%	5
SM Energy	SM	4	0	5%	4
Vital Energy	VTLE	1	6	3%	3
Diamondback	FANG	14	0	0%	-
Civitas	CIVI	2	2	0%	-
All Others				5%	78
Total		**114**	**167**	**4.8%**	**306**

Growth Assumptions

- 282 Rigs (164 in Delaware, 118 in Midland)
- Oil IP Rate of 750 Bbl/d (Midland) and 1,000 Bbl/d (Delaware)

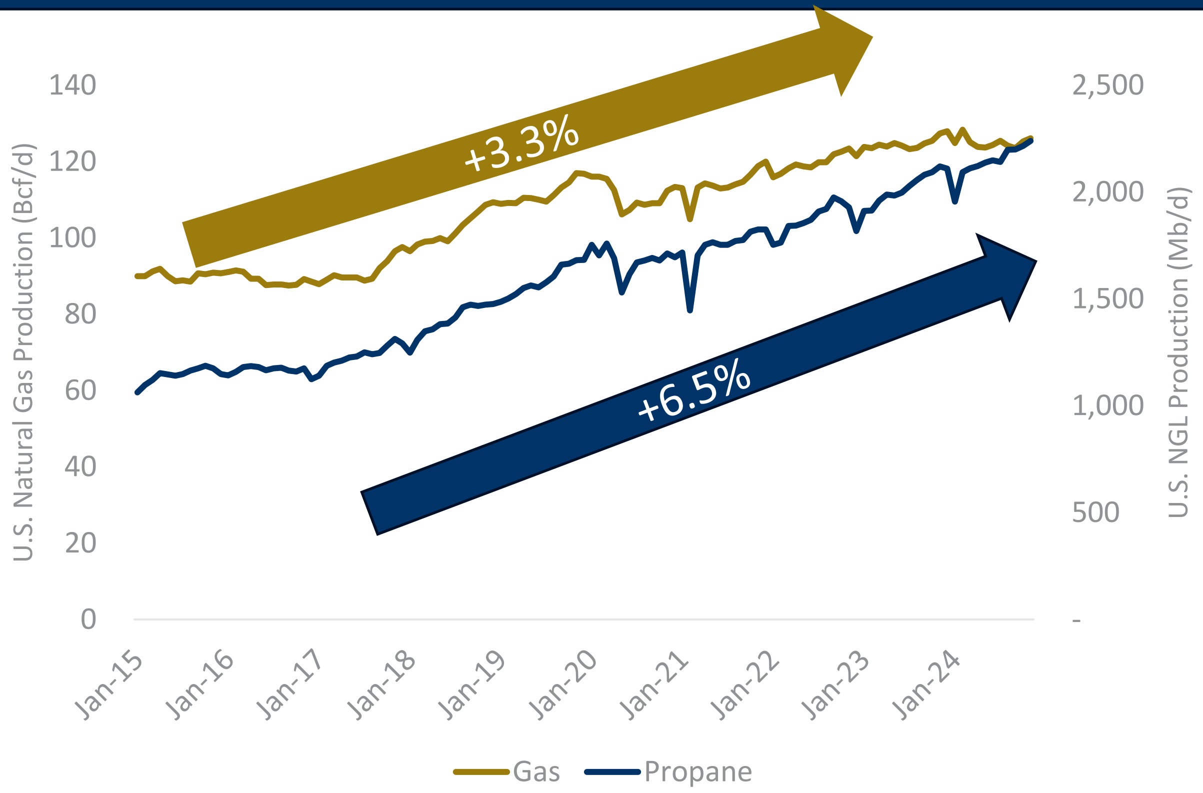
EDA vs. Producer Guidance

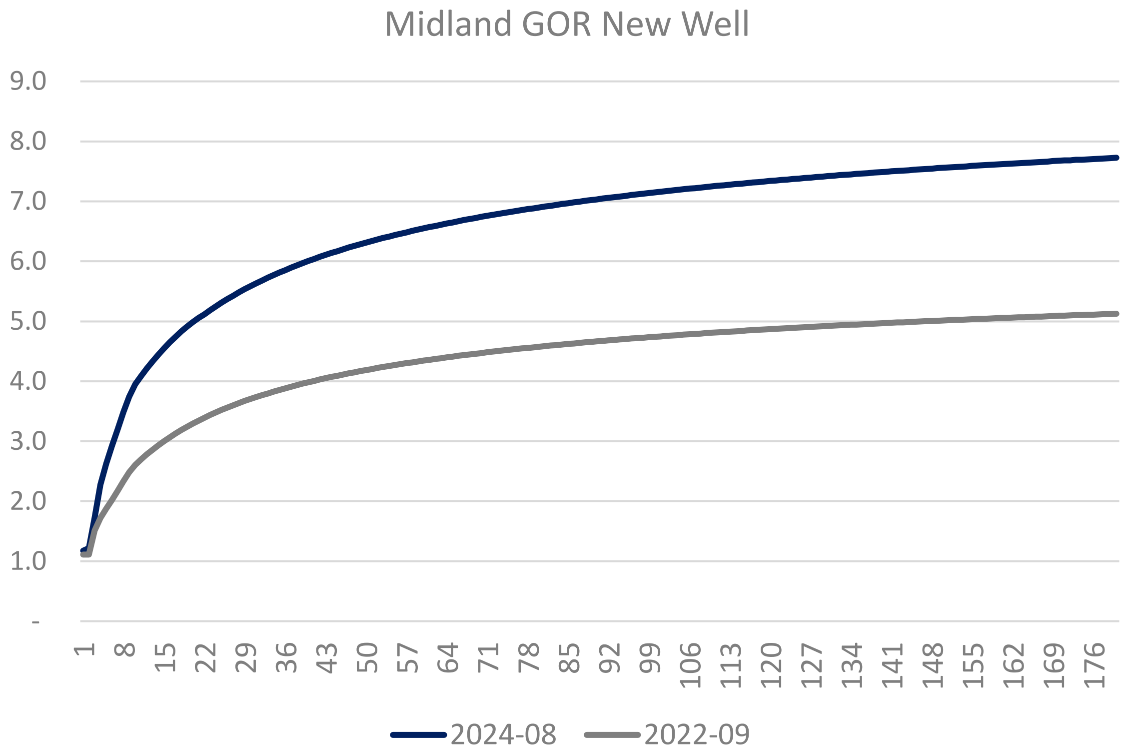
EDA is bullish by ~30 Mb/d & there are 2 potential variables that close that gap

1) Producer Guidance is ~~sandbagged~~ conservative (managed expectations)
2) We don't know how fast "All Others" will grow because most (private operators) do not issue guidance – historically, this bucket has grown faster than public E&Ps

Product: Crude Hub Model| Learn More

2X the Growth For Propane



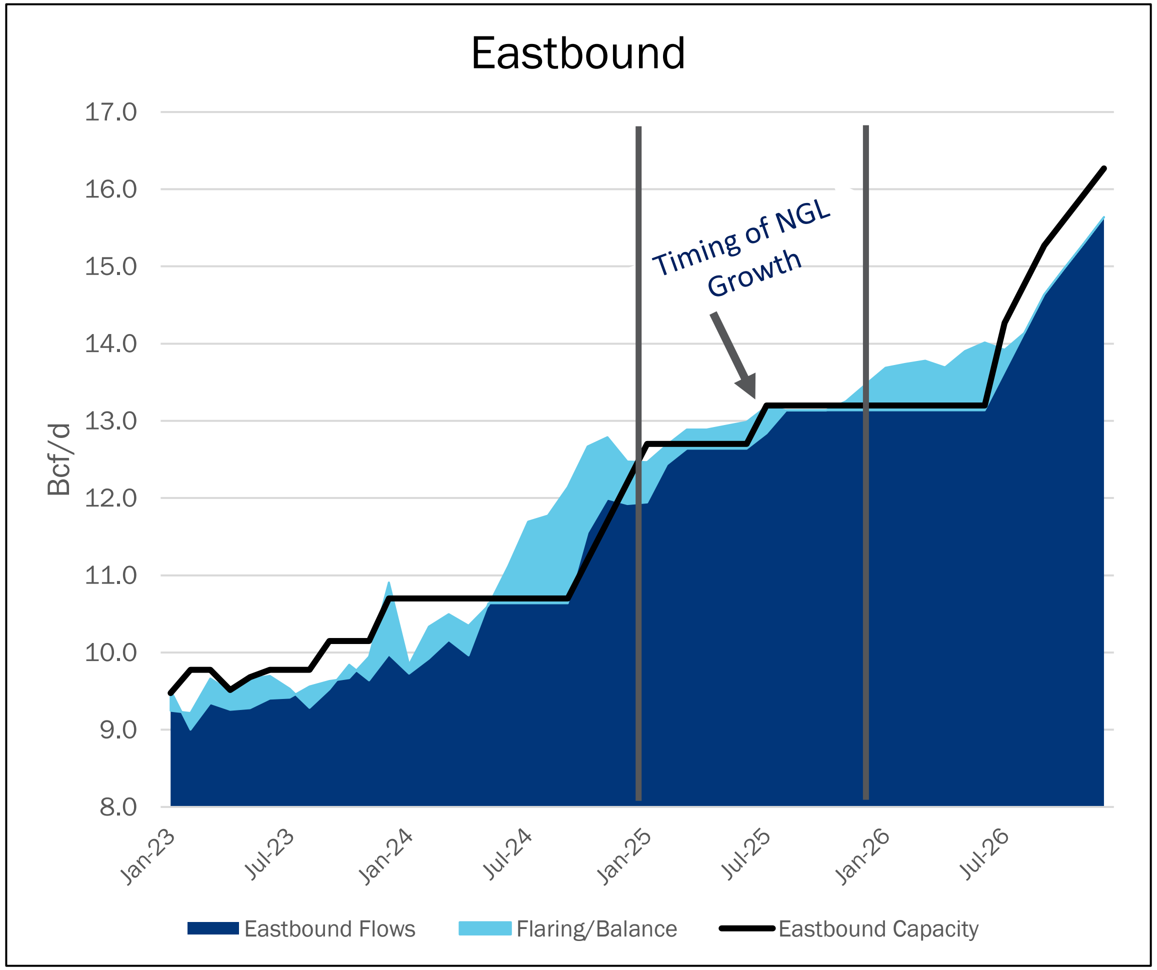


But Why?

- **Higher GORs…**particularly **in the Midland sub-basin** – Delaware sub-basin GORs more constant
- **More Drilling in Gassier Parts of the Permian** – more on this in a few

Product: Natural Gas Liquids Product Suite| Learn More

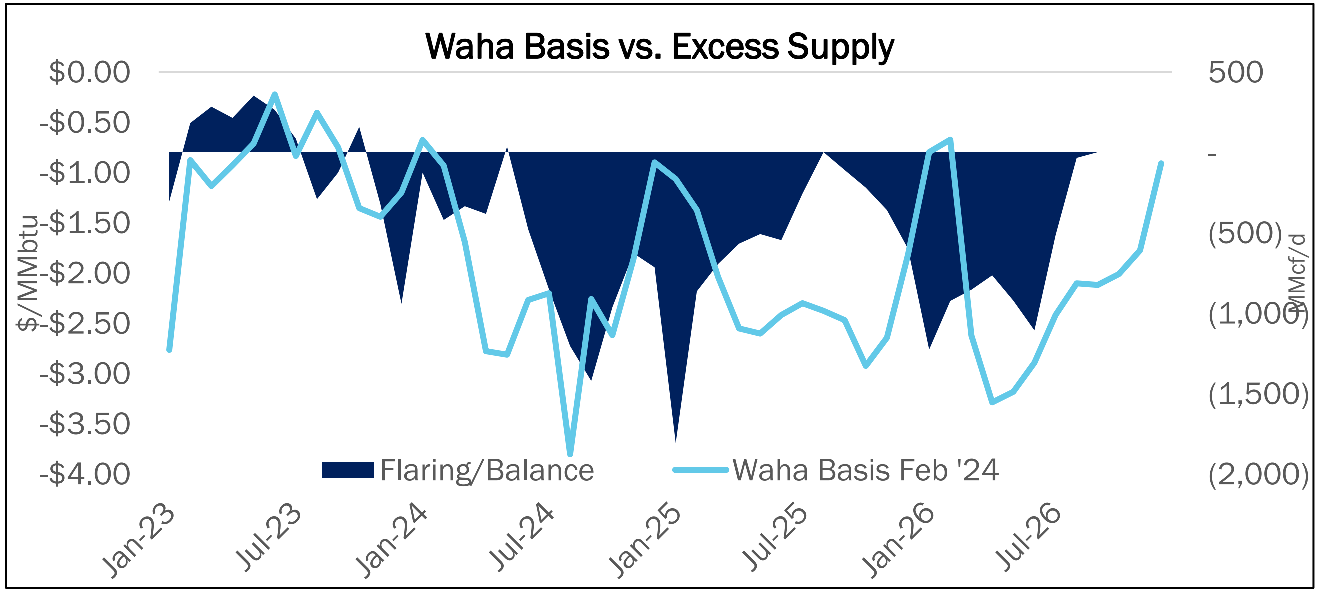
The Catalyst for Propane Growth



What to Watch for, 2 things:

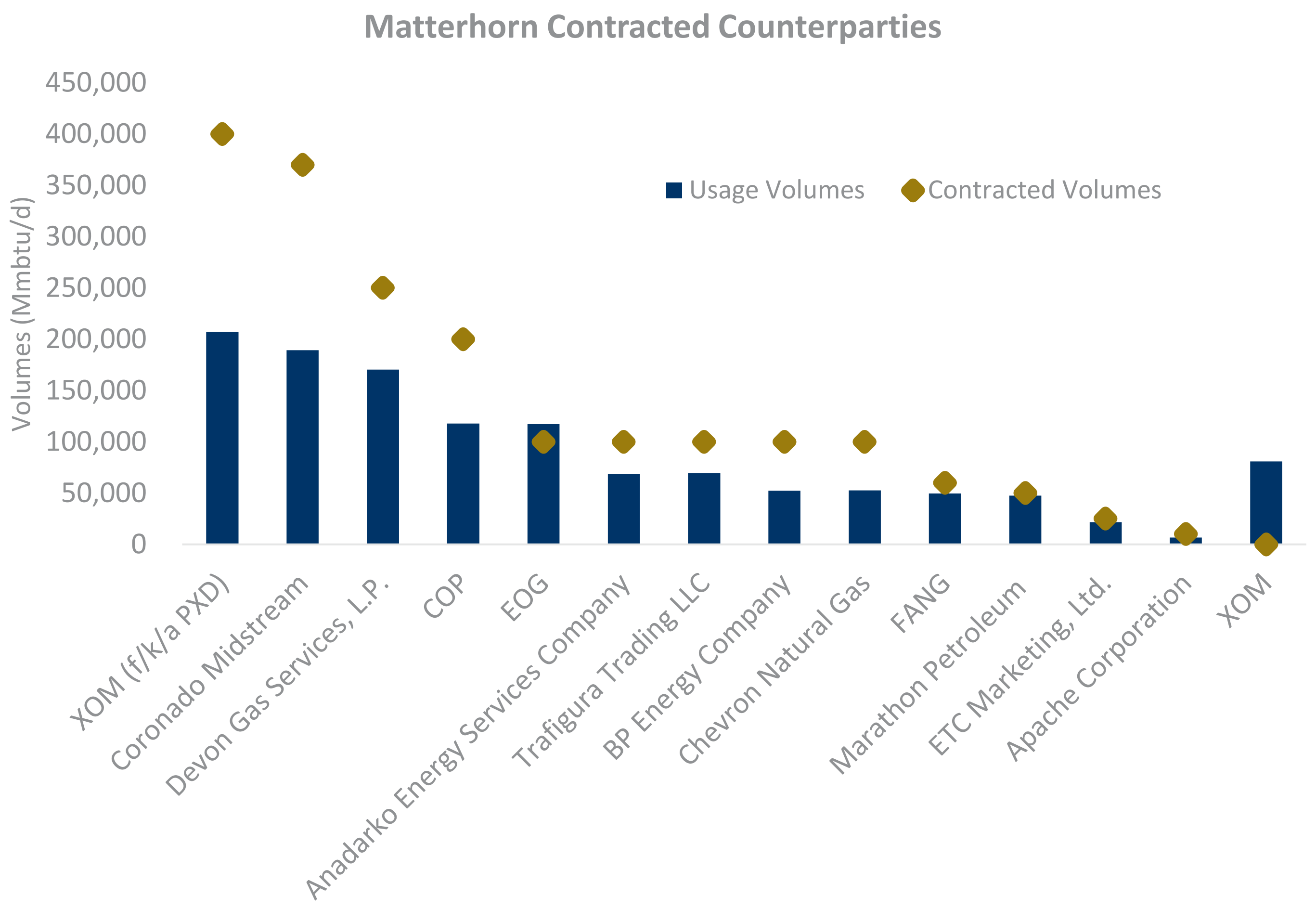
1. **Timing of Matterhorn ramp to Capacity:** EDA forecasts flat production in 1Q25 and then ramps rich gas throughout 2Q25 as Matterhorn hits nameplate capacity of 2.5 Bcf/d in Jul'25 – it's at this point that Eastbound egress is quickly & fully utilized until Jul'26 (Blackcomb & KMI's GCX Expansion) and later in early '27 (Hugh Brinson).

2. **Waha basis & Northbound Flow:** This will telegraph ability and timing of Permian rich gas supply to grow into Matterhorn's compression-enabled expansion to 2.5 Bcf/d.



Product: Natural Gas Permian S&D| Learn More

Relief Valve Capacity



1. **Total Contracted Capacity = 1.87 Bcf/d**
2. **Total Usage Volumes =** 1.25 Bcf/d
3. **By EOY24, there were about 1.8 Bcf/d of volumes on Matterhorn, with 1.25 Bcf/d connecting to interstates and 0.5 Bcf/d remaining on intrastate pipelines.** Our daily analysis on Energy Data Studio that follows implied daily flows is located here: (https://www.eastdaley.com/fundamentally-speaking-navigating-the-energy-value-chain)

The Bottom Line: There is ~0.5 Bcf/d of additional east-bound Permian egress that will be available mid-25 – a needle mover for crude, gas, and of course – Propane.

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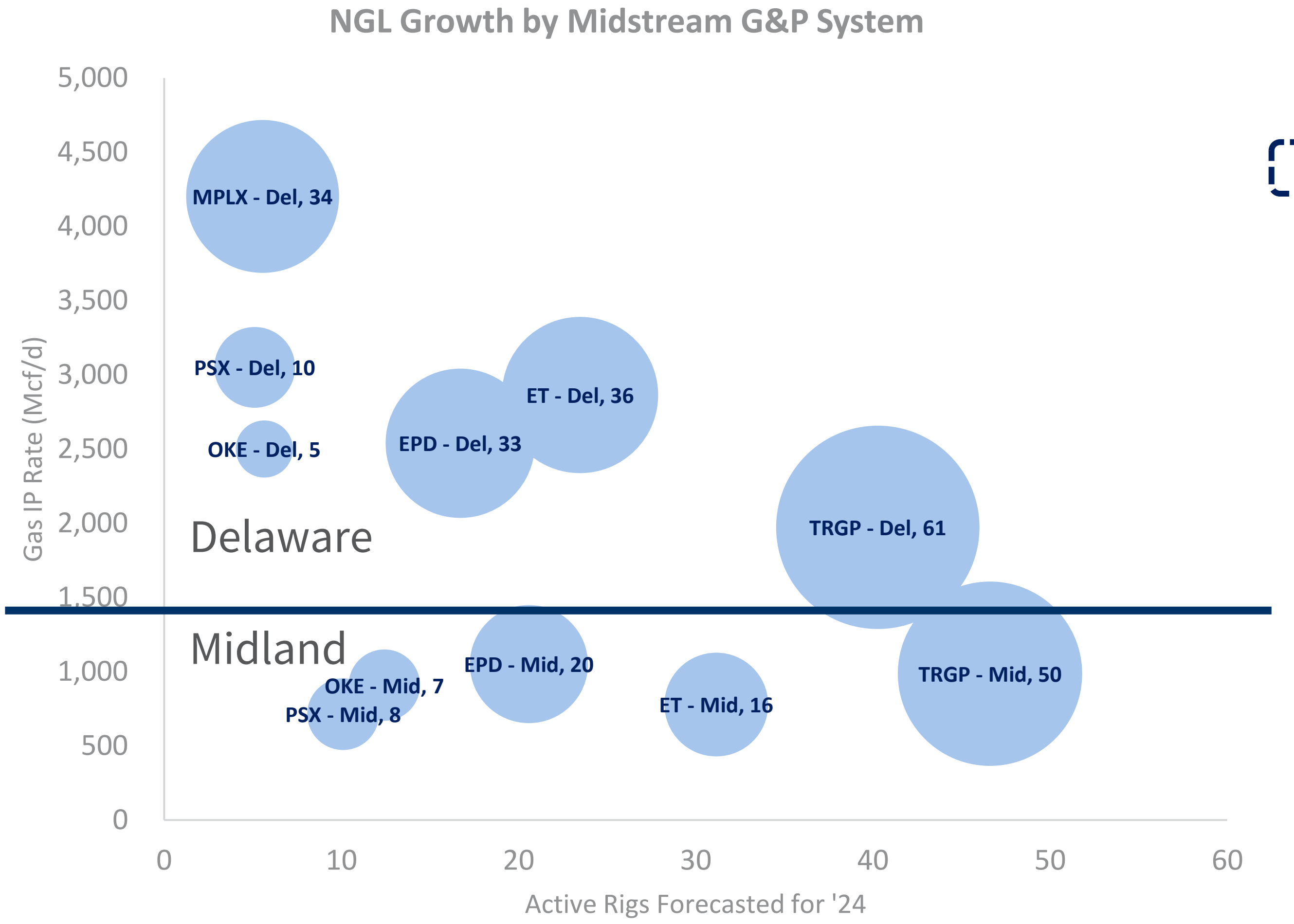
Where: What You Got in that Plant



Primary Producers	Ticker	# Rigs	Inlet Growth (MMcf/d)	Est. NGL Growth (Mb/d)
XOM, CVX, COP	TRGP	87	764	91
FANG, OXY, Mewbourne	EPD	53	370	44
XOM, EOG, Endeavor	ET	51	363	42
CTRA, GBK	MPLX	6	250	28
DVN, XOM, COP	PSX	15	118	14
EOG, Oxyrock, FANG	OKE	18	83	10
Several	Several	53	23	4
Total		**283**	**1,971**	**229**

- Of the 344 Mb/d in total NGL growth '24 to '25
  - 233 / 344 is from the Permian – most of this comes from the Delaware sub-basin
  - 229 / 233 will be delivered to market by the Big 3 & Emerging 3

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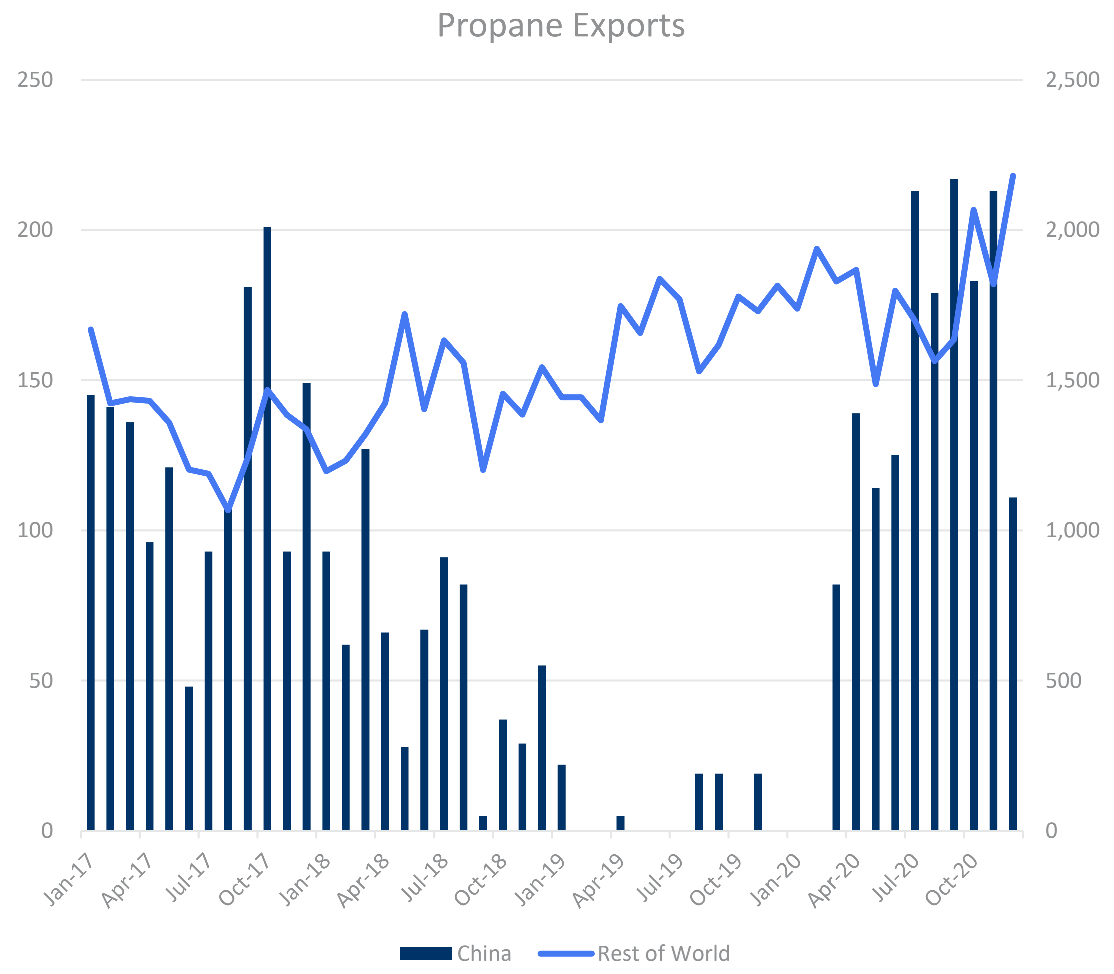
Tariffs – A Hot Topic

Then: 2019 Tariffs

- The U.S.-China Trade War that began in Aug'18 put a halt on LPG exports to China. The lower LPG to China was temporary (dark blue bar chart) & the impact in aggregate minimal (light blue line chart).
    - A trade deal in early '20 re-established the U.S. to China flow of LPG.
    - From '18 to '20, U.S. LPG exports grew by 314 Mb/d (+33%) with increased LPG to Japan, Mexico, and Indonesia.



Tariffs – Current Market

Now: 2025 Tariffs

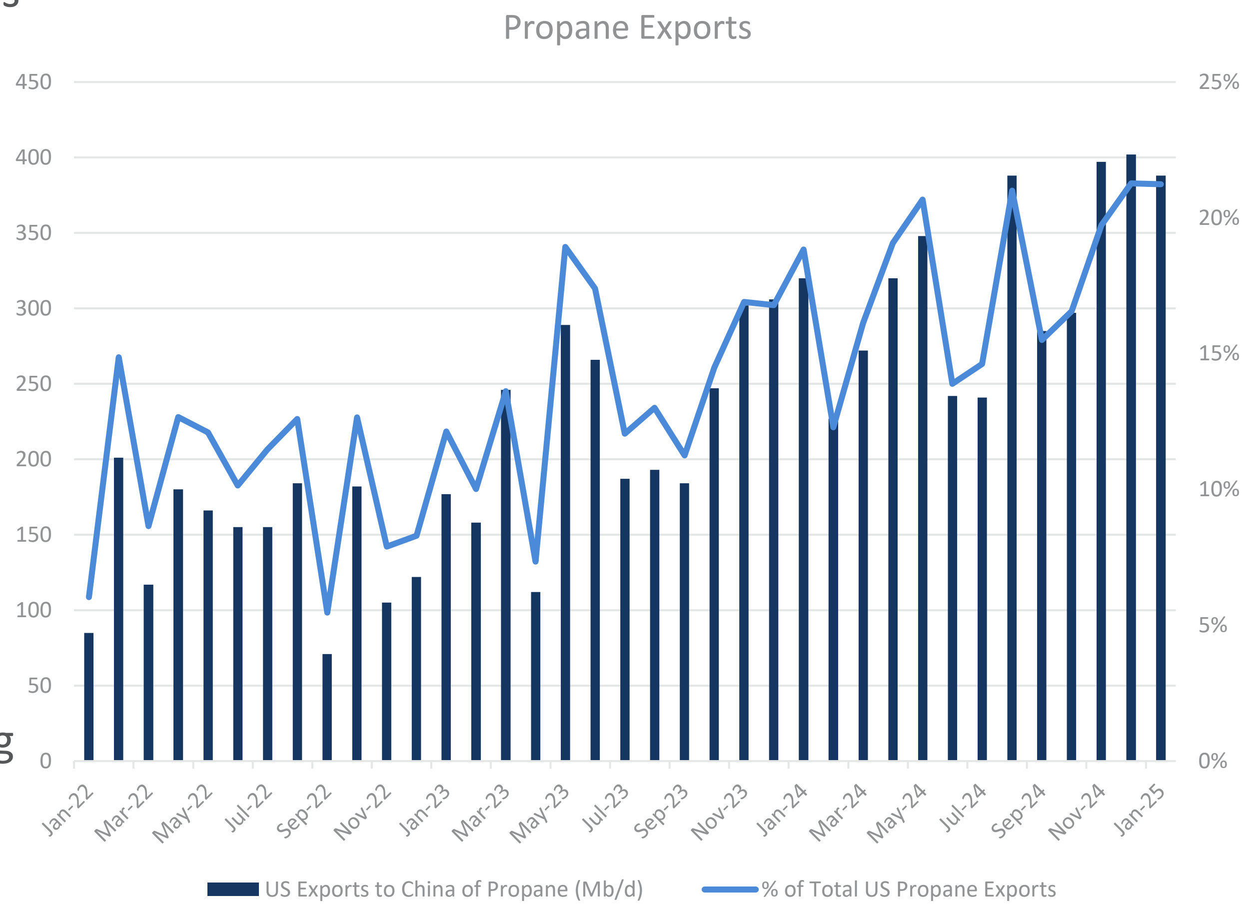
- US propane exports to China have grown by x2.5 times
- China is a close 2nd largest US export market after Japan
- US provides 60% of Chinese Propane Supply

Key Takeaways:

- China cannot replace US propane
- US cannot replace Chinese propane demand

Scenario: US propane exports to China drop 200 Mb/d

- Build up of domestic US inventories
- Domestic propane prices drop
- Middle East, Europe, & Far East Arbs benefit
- Chinese buyers source more from Middle East pushing freight rates higher



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Please reach out to insight@eastdaley.com with any questions.