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EnLink Midstream Partners LP (ENLK)

Q1 2014 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the First Quarter 2014 EnLink Midstream Earnings Conference Call. My name is Sue, and I will be your operator for today. At this time, all participants are in listen-only mode. We will conduct a question-and-answer session towards the end of this conference. [Operator Instructions] As a reminder, this call is being recorded for replay purposes.

I would like to turn the call over to Jill McMillan, Director of Investor Relations and Communications for EnLink Midstream. Please proceed.

Jill McMillan

Director-Communications & Investor Relations, EnLink Midstream Partners LP

Thank you, Sue, and good morning, everyone. Thank you for joining us today to discuss EnLink Midstream's first quarter 2014 results. On the call today are Barry Davis, President and Chief Executive Officer; Mike Garberding, Executive Vice President and Chief Financial Officer; Steve Hoppe, Executive Vice President and President of the Gathering, Processing and Transportation business; and Mac Hummel, Executive Vice President and President of the Natural Gas Liquids, Crude and Condensate business.

We issued our first quarter 2014 earnings release yesterday evening and the 10-K will be filed later this week. For those of you who didn't receive the release, it is available on our website at enlink.com. If you want to listen to a recording of today's call, you have 90 days to access the replay by phone or webcast on our website.

I will remind you that any statements that include our expectations or predictions should be considered forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are subject to a number of assumptions and uncertainties that may cause future events or our actual results to differ materially from those expressed in these statements; and we undertake no obligation to update or revise any forward-looking statements.

We will also discuss certain non-GAAP financial measures and you'll find explanations of these measures and the relevant reconciliations to GAAP measures in our earnings release, which is available on our website. We encourage you to review the cautionary statements and other disclosures made in our SEC filings, specifically those under the heading Risk Factors.

I would also like to remind everyone of our upcoming Analyst and Investor Conference, which will be held in Dallas on May 12. For additional information, please contact me directly or refer to the relevant press release on our website.

I will now turn the call over to Barry Davis.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Thank you, Jill. Good morning, everyone, and thank you for joining us on our first earnings call as EnLink Midstream. Having closed our transaction with Devon Energy on March 7, we have entered in an exciting new chapter, and I'm pleased to join you today with new members of our management team to discuss our first quarter results.

Before I begin, let me quickly introduce the speakers on the call. As a reminder, earlier this year, we announced the new structure of our company into two business units. Our first segment is our Gas Gathering, Processing and Transmission business, which is led by Steve Hoppe. Steve joins us from Devon Energy, where he served as Senior Vice President of Midstream Operations from 2010 to 2013 before joining EnLink Midstream.

Our second business unit is our Natural Gas Liquids, Crude and Condensate business. This unit is led by Mac Hummel. Mac joins us from Williams Companies, where he served as Vice President of NGLs and Olefins from 2010 to 2012 and as Vice President of Commodity Services in 2013. Also on the call is our CFO, Mike Garberding, who you all know well from Crosstex Energy.

Now I will discuss our vision and strategy for EnLink Midstream. EnLink Midstream is a leading integrated midstream company with a diverse geographic footprint and a strong financial foundation, delivering tailored solutions for sustainable growth. We are well positioned to secure and execute sizeable organic development and acquisition opportunities across the midstream value chain, driving growth over the near and long-term.

As we look to the future, our strong financial foundation and strategic positioning will provide us with opportunities for growth from four separate avenues, including drop-downs, growing with Devon, organic development to serve a broad and diverse group of customers and end users, and M&A activity.

The first avenue of growth is taking advantage of drop-downs from our GP into the MLP and drop-downs from Devon. Our end goal is to turn ENLK into a pure play GP model by dropping down multiple assets over the next two to three years, including our legacy Crosstex E2 assets in the Ohio River Valley and the 50% interest in Devon's Midstream business that was acquired in the combination.

We anticipate drop-downs from Devon, including their 50% interest in the Access Pipeline in Canada and their Victoria Express Pipeline, or VEX, in the Eagle Ford. We expect to realize significant growth from these efforts and we will share greater detail about the timing of these drop-downs at our analyst and investor event on May 12.

Our second avenue of growth comes from growing with Devon. As we provide key services to support Devon's upstream needs, we will look to reap the benefits of eventual further midstream development. At our analyst and investor event, you will learn more from Devon CEO, John Richels, about their commitment and powerful financial incentive to help grow EnLink Midstream.

The third growth avenue is organic growth to expand in areas of our core businesses and in new basins. Our South Louisiana expansion with the Cajun-Sibon project and our Permian Basin gathering and processing expansion with the Bearkat project are two examples of where that is happening today. As a result of the Devon transaction, we see opportunities to grow the significant positions we have in Texas and Oklahoma, and we have the financial flexibility to fund our growth plans. EnLink Midstream has more than \$1 billion of organic growth projects underway and the financial capacity to continue funding annual capital programs at these levels or greater. With an investment grade credit rating, we also benefit from increased access to capital.

Our fourth avenue of growth comes from external merger and acquisition opportunities. We continue to see platform expansion opportunities and will be strategic acquirers of assets that naturally complement our core businesses. EnLink Midstream will also pursue larger-scale acquisitions to enter new basins, products or service lines, especially in areas where Devon is active. We will remain disciplined in our approach.

We look forward to discussing in more detail these growth initiatives at our upcoming analyst and investor event. In regard to the key messages you'll hear at the event and in summary of what we want you to hear today, we are well positioned for long-term, sustainable growth. Our strong relationship with Devon will create abundant opportunities. We have a solid business platform positioned for growth, and we have the right people to execute.

Before I turn the call to Mike Garberding, I want to briefly address a senior leadership appointment and a key leader in our growth strategy. Earlier this week, we announced that Brad Iles, who previously served as Vice President of Business Development at Crosstex, has been promoted to Senior Vice President of Business Development at EnLink. In his new role, Brad will work closely with leadership from the gas business unit and the liquids business unit on projects aligned with our growth strategy. Having one leader in this role to oversee both gas and liquids development opportunity furthers our goal of being a total solutions provider to our customers.

With that, I'd like to turn the call over to Mike Garberding for an update on EnLink's first quarter financials and guidance for 2014.

Michael J. Garberding

Executive Vice President & Chief Financial Officer, EnLink Midstream Partners LP

Thanks, Barry. Good morning, everyone. This is an exciting time for us. We closed the combination on March 7, so we've been operating as EnLink Midstream for about two months now, and we are now even more excited about the combination, combined business and our future than when we last spoke to you.

Before I get into the financial results for the quarter, I think it makes sense to walk through the combination and its effects on financial reporting. The combination of Crosstex and Devon Midstream Holdings was treated as a reverse acquisition. This means that Devon Midstream Holdings is an acquirer in the transaction because its parent, Devon, obtained control of the partnership. The assets and liabilities of Devon Midstream Holdings, the entity that Devon formed and that held the contributed Devon assets, is the starting point for the combined

balance sheet. All of Crosstex assets and liabilities were recorded fair value at the time of the acquisition. Fair value is defined by GAAP rules for purchase accounting.

For the income statement, financial results are only combined for the period after closing. As a result, our first quarter revenues and costs represent two months and six days of standalone Devon Midstream Holdings' financial results and 25 days of combined Crosstex and Devon Midstream Holdings' financial results. To make it even more complicated, the new fee-based contracts, the legacy Devon assets, were effective on March 1. Before that, the assets operated under percentage of proceeds contracts.

So when you look at historical periods for comparisons to current periods, only Devon Midstream Holdings results will be shown for the prior periods and further, the contractual changes limit the usefulness of even that comparison. All of these changes will make typical disclosures in MD&A and non-GAAP measures like adjusted EBITDA look a little different than in the past.

What we really have is a new beginning for the combined businesses and our historical numbers don't provide much insight or relevance for analysis because of all these changes. In addition, the first quarter reporting is a bit complicated because of the split period. So let's walk through it.

The partnership realized adjusted EBITDA of \$115.4 million for the first quarter of 2014. For the 25-day period after the closing of the transaction which is the period that includes the full contribution from both the Devon and Crosstex's assets, the partnership generated \$30.8 million of adjusted EBITDA and \$24.5 million of distributable cash flow.

The partnership declared the distribution of \$0.36 per unit for the quarter. In the case of Devon's units for the first quarter they were technically ENLK Class B units that received a prorated distribution of \$0.10 per unit, and these Class B units have converted to common units now that we are past the record day for the first quarter.

To provide some relevance and for illustrative purposes only, if we grossed up the 25-day period after the combination into a 90-day quarter, the implied adjusted EBITDA of the MLP would have been about \$105 million and the implied distribution coverage ratio would have been about 0.93 times on the partnership's declared distribution of \$0.36 per unit on all of the units for the quarter, including Devon's Class B units.

For the general partner, the cash available for distribution was \$21.9 million for the first quarter of 2014 which resulted in a 1.5 times coverage ratio on the declared distribution of \$0.18 per general partner unit, including a partial distribution on all of Devon's ENLC Class B units. These too have converted into common units since the record date.

The partnership also has made some big impacts by repositioning the balance sheet during the quarter. With our strong new credit rating of BBB flat and Baa3, we refinanced our \$725 million of 8.875% bonds at an annual interest savings of around \$30 million. We issued \$1.2 billion in new 5-year, 10-year and 30-year bonds with a weighted average yield to maturity of around 4.2%.

We also entered into a new \$1 billion revolver at the partnership which is largely undrawn. Our spreads on this new facility also improved to about 125 basis points versus 300 basis points on our prior facility. Combined, we have achieved over \$35 million per year of financial synergies on an annualized basis. Our strong balance sheet and the access to low cost of capital it provides positions us to better take advantage of growth opportunities, both organic and in the M&A market. We're excited to be investment grade.

Now that we have two months under our belt as EnLink Midstream, we have a clear line of sight to growth and a better picture of the timing of various projects and initiatives that we have underway. However, we are seeing some slower growth in our base business and partnership. Steve and Mac will address the specifics, but the overall impacts are that we originally estimated annualized adjusted EBITDA of approximately \$500 million at the partnership. Today, looking forward through the year, we believe we will see annualized adjusted EBITDA of approximately \$475 million at the partnership. Given our larger size, this variability only represents around 5% of the projected annualized adjusted EBITDA of the partnership.

On the other hand, we have achieved better than expected financing savings and have seen some positive adjustments in our maintenance capital forecast that offset the impacts on distributable cash flow. So our distribution expectations have not changed. We continue to expect our 2014 partnership distribution to be approximately \$1.47 per unit and our 2014 general partner distribution to be approximately \$0.80 per unit, representing an approximate increase of 8% and 50% respectively over 2013.

From a capital standpoint, the partnership expects to spend between \$435 million and \$500 million related to identified growth projects, while the general partner expects to spend between \$20 million and \$25 million over the next three quarters of the year. These capital estimates do not include any drop-downs like E2, which is expected in the second half of the year.

Now I'll turn the call over to Steve and Mac to walk through the results of the business.

Steve J. Hoppe

EVP & Head-Gathering, Processing & Transportation, EnLink Midstream Partners LP

Thanks, Mike, and good morning, everyone. I'm pleased to join you on EnLink Midstream's first earnings call. Today I'll cover the operations of our Gas Gathering, Processing and Transmission business.

Starting in North Texas, our assets continued to perform well despite a reduction in drilling activity in the Barnett Shale. We are quickly repositioning these assets to take advantage of the many opportunities that Crosstex and Devon combination has created in North Texas.

During the quarter, our gathering and transmission volumes averaged just below of 3 billion cubic feet per day and our processing volumes were over 1 billion cubic feet per day. In Oklahoma, our gathering and processing volumes averaged over 400 million cubic feet for the quarter and we continue to see strong and even increasing producer activity in many parts of Oklahoma, and we've already used our assets to take advantage of those opportunities.

We'll continue to capture opportunities with our existing assets and we are well positioned to expand to meet producer's needs as they develop in this area. Also as a reminder, we have 10-year fixed fee contracts and significant minimum five-year volume commitments in Oklahoma and Texas for a large portion of our gathering and processing business.

In addition to the financial synergies Mike mentioned earlier, we're also beginning to realize operational synergies from the combination. We're working on projects that will reduce our annual operating costs by \$4 million and our capital spend by \$15 million. Our goal is to capture \$20 million in annual operational synergies.

In West Texas, we continue to expand our operations in the Permian to take advantage of the growing production in the region. Our investment in the Bearkat gathering and processing complex, where we've made substantial progress on construction of these over the last few weeks and expect them to be completed in the second half of

the year. The initial capacity of that plant and system will be 60 million cubic feet per day. When combined with the Deadwood plant, this will increase our total operating processing capacity in the Permian to approximately 115 million cubic feet per day.

In January, we announced a 35-mile expansion of the Bearkat gathering system. The right-of-way acquisition is almost complete and construction will begin soon. The Permian is an important growth area for us and we continue to see tremendous opportunity in this region. We are confident that this region is developing into a core asset and will be an integral part of EnLink Midstream's success moving forward.

In the Eagle Ford, we remain excited about our investment in Howard Energy. Howard has a strong asset position in the region and we continue to see solid producer activity around our assets. The team is making great progress on several growth initiatives, and the Reveille processing plant became operational at the end of last year, and Howard is progressing on the construction of its Brownsville Terminal and the Live Oak Stabilizer. These are two major liquid handling facilities that will significantly increase Howard's platform of services in South Texas. Howard expects both projects to be completed in mid-2014. We did receive \$2.7 million in distributions from Howard in the first quarter and we continue to be pleased with our investment in Howard.

With that, I'll now turn the call over to Mac Hummel and he will give you an update on our Louisiana and ORV operations.

McMillan Hummel

EVP & Head-Natural Gas Liquids & Crude Oil, EnLink Midstream Partners LP

Thanks, Steve, good morning, everyone. I am pleased to join you this morning to discuss EnLink Midstream's natural gas liquids, crude and condensate business. I am also very pleased to have taken the opportunity in early March to join EnLink Midstream and be a part of this exciting story. Beginning with our Louisiana NGL business, our Cajun-Sibon Phase I pipeline is now flowing near its full capacity of 70,000 barrels per day. With first quarter average volumes of approximately 54,000 barrels per day.

At our Eunice fractionator, we have worked through the operational and equipment issues experienced as we started up the expanded facility. Those start-up issues, along with power supply interruptions from our service provider, caused first quarter volumes to be lower than expected. Currently, we are fractionating volumes of around 50,000 barrels per day. With the number of days near full fractionation capacity of 55,000 barrels per day. First quarter average volumes were approximately 41,000 barrels per day.

Fuel usage at the Eunice fractionator has been higher than expected. Yet we are encouraged by improving fuel usage as our operation stabilize. We believe that the start-up issues are largely behind us and are confident in the operating capability of the facilities going forward.

We continue to make progress on Cajun-Sibon Phase II, which will increase the Cajun-Sibon pipeline capacity by an additional 50,000 barrels per day to a total of 120,000 barrels per day. Construction on the new 100,000 barrel per day fractionator at our Plaquemine facility is on schedule. We expect the Phase II pipeline and fractionation expansion facilities to be completed in the fourth quarter of 2014.

The total capital costs for the Cajun-Sibon expansion project is currently estimated at \$800 million, which includes the addition of a new treater at our Plaquemine facility. Once Phase II is completed and in service, we expect our Cajun-Sibon expansion projects to contribute a run rate of approximately \$115 million to our annual adjusted EBITDA, and we expect to continue to see additional opportunities in our Louisiana NGL business since our assets are located in such a growing and dynamic market area. In our Louisiana gas business, our Bayou

Corne permit was issued earlier this year and our construction on the pipeline reroute is underway. We now expect the reroute to be complete in the second quarter of 2014.

Turning to our Ohio River Valley business, the Utica is a tremendous resource and we remain intrigued by our possibilities for growth given our position in the area. One of our strategies to achieve that growth is to use our E2 investment to provide much needed condensate stabilization and other services. E2 completed its second condensate stabilizer in April and expects the third stabilizer to be completed in the second quarter of 2014.

In our brine disposal business, although volumes were lower than expected in the first quarter due to operational difficulties with two disposal wells, we believe we have an appropriate solution to the operational issues and will be commencing repairs in June. We are confident that these and other projects and our base business can add significant value to our company.

With that, I will turn it over to Barry.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Thanks, Mac. These are exciting times at EnLink Midstream. We are working hard to execute on our growth projects and are taking advantage of the many growth opportunities that our partnership with Devon has already and will continue to bring us. EnLink is a strong, innovative and growing midstream company that delivers value to all of our stakeholders in the early days of our new combined company. We are well positioned to create value for our equity holders well into the future and in this first year.

At EnLink Midstream, we will work diligently towards becoming not only one of the largest midstream companies in the U.S., but also one of the best. We are looking forward to providing you with additional updates on all the exciting work we are doing in our Analyst and Investor Conference next week. With that, operator, you may open the line for questions, and we'll be happy to take any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And your first question comes from the line of Darren Horowitz, Raymond James. Please go ahead.

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

Good morning, guys.

A

[indiscernible] (23:37)

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

Barry, I want to go back to your opening comments about the four big growth drivers and specifically the one where you're talking about the ability to grow with Devon and get incremental producer commitments to back more infrastructure development. And I realize within the context of this you'll cover I'm sure all of this at the Analyst Day, but I'm just curious how you think about kind of the balance between getting critical volume mass in areas like the Mississippi or the Woodford play or up into the Rockies from an oil perspective? And how you view the timing of having, if you will, kind of core base volume commitments and then adding more infrastructure in order to keep pace, not just with Devon's production growth, but maybe some other producers there?

A

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Yeah. Darren, that's a great question and something that we are seeing really good progress working with Devon. One of the first things we wanted to do is be able to establish a relationship where we're in the room together looking forward to their development plans and their activities, kind of their strategies and activities going forward. And what we're pleased to report is it couldn't be going better. Our teams are working together extremely well, so we would anticipate having Devon as an anchor shipper on particular growth projects, will be a realization in the near term.

And so we'll just kind of go into an area, work closely with Devon to see if we can get something established and then we're going to rely on, Darren, what we think we've been good at all along and that is the business that we're doing with a long list of core customers, so whether it's in the Rockies or Oklahoma or the Permian, Devon is just one of many producers that we think we can get to support projects and we'll be strategic about how we kind of leg into a project and continue to build.

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

Okay. And then, Barry, if I can move over to the Permian where you guys have a presence and obviously, Devon has a core presence. Beyond the expansion at Deadwood and your progress at Bearkat, as I think about the ability to kind of link into Mesquite and have more of a vertically integrated presence in the Midland Basin and the

money that Devon's spending to the drill bit to ramp production, how do you think about allocating more CapEx in West Texas?

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Well, we love what's happening in the Permian. Broadly, West Texas, New Mexico area, we think it's an area that for the next several years is going to be one of the most active basins and as you know and mentioned, Devon has a very large and active position there to go along with the several other producers that we're already working with. So I think we've said we project confidence and significant growth long-term in the Permian Basin and I think it's something you'll hear us spending a lot of time working on and talking about.

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

Okay. And then last question for me. Mike, as it relates to kind of the step function in 2014 to 2015 EBITDA, and again I appreciate probably all of this we will be discussing in greater detail at the Analyst Day, but as I'm thinking about the E2 projects getting complete this quarter, then dropped into the partnership, I realize that's the only drop-down that's included in this year's guidance. But as we start to think about kind of that step function into 2015 and we assume that at least the first portion of those 50% assets that are held at Devon Midstream Holdings gets considered for drop-down into 2015, can you give us a little bit of a rough outline of how we think about the sequential progression of EBITDA growth over the course of the next 12 months?

Michael J. Garberding

Executive Vice President & Chief Financial Officer, EnLink Midstream Partners LP

A

So that's a great question, Darren, and that's going to be a great question we're going to walk you through in detail on Analyst Day, but your facts are right. You expect to see the E2 drop-down later this year and then as we talked about in the marketplace, we expect to see a portion of the 50% of EnLink Midstream Holdings being dropped as well as being able to access the pipeline. And Barry did mention the Victoria Express Pipeline, which was part of Devon's GeoSouthern acquisition in the Eagle Ford. So, again, the thing we like is we have lots of opportunity for growth and again, this opportunity, going back to the last question, not only represents Devon production, but also represents additional opportunities for us to expand into third party production with that. So I think we'll lay out clearly next week how to think about 2015 and how to think about each of those drops.

Darren C. Horowitz

Analyst, Raymond James & Associates, Inc.

Q

Okay. I appreciate it. Look forward to catching up next week.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Thanks, Darren.

Operator: Thank you. Your next question is from TJ Shultz, RBC Capital Markets.

TJ Schultz

Analyst, RBC Capital Markets LLC

Q

Hey, guys.

Barry E. Davis*President, Chief Executive Officer & Director, EnLink Midstream Partners LP*

A

Good morning, TJ.

TJ Schultz*Analyst, RBC Capital Markets LLC*

Q

Good morning. How are you doing? Just to be clear, the 5% I guess reduction on 2014 pro forma EBITDA guidance, if you will, can you just give a little more color on the base business that is impacting that outlook? Maybe that's a mix of legacy Crosstex assets. So if there's any kind of mix of South Louisiana or ORV assets that are adjusting that outlook? And then, Mike, maybe you could help me just because the first quarter had a lot of the accounting movements, you had given guidance before for 2Q through 4Q EBITDA I think of \$375 million, so maybe you could just update that guidance for that \$25 million reduction?

Michael J. Garberding*Executive Vice President & Chief Financial Officer, EnLink Midstream Partners LP*

A

Yes. So I'll take your second question first because really all we did to get to the \$475 million was annualize, so you can just use math to get back to just a comparable number to the \$375 million, so just as a point of reference. And when you think about the guidance, again, like you mentioned, it is a small piece of the business. It's only about 5%. And now that we've had about two months under our belt to really look forward and see the operations and we look to some of those short-term issues, and again, that we believe these are just short-term issues or timing issues. The key things that you would look to again is things that you mentioned like the timing of the growth in ORV that Mac talked through.

Again, we believe in the long-term viability there, but have seen some slowness in development like we've talked about. You have seen some smaller issues across the business. And that's what we're trying to get is this is not one big thing, but again, what we've seen some small things that represent timing issues. So I think the other thing that Mac mentioned was just getting really Cajun-Sibon up and running through really this month of the year. So – but, again, we feel real confident on distributions and dividends for the year and then ultimately, like Barry said, very confident on future growth.

TJ Schultz*Analyst, RBC Capital Markets LLC*

Q

Okay. Thanks. On the drop downs, beyond what you've kind of identified, thoughts on development of some other Devon assets that could become drop-downs in the future, sounds like Victoria Express is near-term. So maybe if you could give a little more color on that asset? And then beyond that one, what visibility do you have into the backlog for future drops?

Barry E. Davis*President, Chief Executive Officer & Director, EnLink Midstream Partners LP*

A

Yeah, TJ, this is Barry. To date, we've really only talked about the Access Pipeline and then the Victoria Express Pipeline, or VEX, really is a new project that we're talking about here. That is related to Devon's recent Eagle Ford acquisition. When you look across the Devon assets, I mean, certainly we will have conversations about other things, including their Midcontinent position that they're building around their Cana and Mississippian play there. So there will be opportunities, but really the focus for now are the two things that we've identified.

Additionally, and we've talked about this, Devon's got a very aggressive growth plan in all of the core basins that they operate in around the country, so we will continue to look at infrastructure build on the frontend or drop-downs on the backend if they build those facilities at their production company.

With all the talk, though, let me just be sure that you understand, Devon certainly still has the capabilities to develop midstream assets internally. They will look at all alternatives, but the key is that we'll work very strategically with them to do what makes the most sense. And also, they are financially incentivized to use the low cost of capital that we see at the MLP as well as to monetize the value of the assets that they currently hold, and to see that value creation through EnLink. So I think we've got the right relationship and the right activity levels to drive long-term growth coming from Devon activities.

TJ Schultz

Analyst, RBC Capital Markets LLC

Q

Okay. Thanks, Barry. Just lastly, the Cajun-Sibon Phase II, I think the last disclosure I saw from you guys was that more than 50% of the remaining costs made up of kind of fixed price turnkey contracts. I'm just trying to understand your line of sight on what, once the project is complete, is kind of the total turnkey cash flow for you all? Or how quickly you expect to get to that \$130 million run rate EBITDA from that project? That's all. Thanks.

Michael J. Garberding

Executive Vice President & Chief Financial Officer, EnLink Midstream Partners LP

A

Yeah, hey, TJ. Let me make sure and separate your question, because I think when we said the turnkey, we were talking about the construction contracts really to get the project up and running. For example, a large portion of the new fractionator is under a turnkey contract, so we're talking more about surety of what the capital spend would be to get that up and running or complete. We have about \$200 million left to spend over the final three quarters of the year on that.

With regard to the cash flow of Cajun-Sibon, again, the key for us is really the creation of the platform asset. And when we talk about it, we have talked about it as one project just because the linking of the two projects when it gets up and running. What Mac talked about really was that we thought that the cash flow right now when you look at it, given what we know, is probably around a \$115 million level. We've given guidance in the past of \$115 million to \$130 million. We still feel that guidance is good, and still feel there's a lot of optionality around this asset given the long-term nature of it. But again as we see it today, we really think it's going to have sort of that operating run rate of about a \$115 million on an annualized basis.

TJ Schultz

Analyst, RBC Capital Markets LLC

Q

Okay. Perfect. Thanks, Mike.

Operator: Thank you. [Operator Instructions] And your next question comes from the line of Praneeth Satish, Wells Fargo.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Hey, guys. Good morning.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Good morning.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Just two quick questions from me. I guess, the first, given that it looks like Bluegrass may or may not get constructed at this point, is there a possibility we could see a Cajun-Sibon III project to support those Louisiana pet-chem expansions?

McMillan Hummel

EVP & Head-Natural Gas Liquids & Crude Oil, EnLink Midstream Partners LP

A

This is Mac Hummel. We would love to see a Cajun-Sibon III project. We'd love to see a Cajun-Sibon IV and V project. What we believe is that fundamentally Cajun-Sibon positions us in the right area and with the right platform in the right area. So we believe we're well positioned. We're excited about the opportunities we see. And with or without Bluegrass, we think we're well positioned to participate in those kind of opportunities.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Okay. And maybe you'll give a similar answer to this, too, but the follow-up to that would be, if you have sufficient NGL supply from the Cajun-Sibon expansions and fractionation expansions, do you think you could support the construction of an LPG or ethane export terminal? Or are those off the table at the point?

McMillan Hummel

EVP & Head-Natural Gas Liquids & Crude Oil, EnLink Midstream Partners LP

A

No. I don't think those are off the table at this point. We continue to look at those opportunities, we continue to work to progress those, and are actively thinking about what the alternatives are for us there. So that's very much on our list of things to work on, we are working on it and don't see the lack of supply being a significant issue to that. It is an issue that we'll have to tackle along with the market side on an export facility, but we continue to work on those possibilities.

Praneeth Satish

Analyst, Wells Fargo Securities LLC

Q

Okay. Great. Thank you.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Thank you.

Operator: Thank you. Your next question comes from the line of John Edwards, Credit Suisse.

John D. Edwards

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Yeah. Good morning, everybody.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Hey, John.

John D. Edwards

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Just following up TJ's question. So on the 5%, I mean, is it more on the legacy Crosstex side? More on the Devon side? Is it more of an integration issue? Or, I mean, anything beyond, Mike, sort of the – I guess, you said there's a lot of small items. Any other insights you can provide for us on that?

Michael J. Garberding

Executive Vice President & Chief Financial Officer, EnLink Midstream Partners LP

A

Yeah. Hey, John. This is Mike. It's not an integration issue at all. We feel great about the integration and the teams working together. As I said before, it's a timing issue. The example I brought forth was really the timing of production, ORV was an example. And it is a combination of factors across the business. And as we said, it's at the partnership level. So it's not any one big thing to point toward, but really what we think is something that from a time standpoint will work itself out and we have a strong belief in the growth of those areas.

John D. Edwards

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. So would that imply it's a timing issue, would that suggest that basically that actually \$25 million is being pushed into 2015? Is that the way to think about it?

Michael J. Garberding

Executive Vice President & Chief Financial Officer, EnLink Midstream Partners LP

A

That's an easy way to think about it, yes.

John D. Edwards

Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Great. All right. Thank you very much.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

A

Thank you, John.

Operator: Thank you. I would now like to turn the call over to Barry Davis for closing remarks.

Barry E. Davis

President, Chief Executive Officer & Director, EnLink Midstream Partners LP

Thank you, Sue, and everybody for being on the call. As you can tell from our tone today and the communication, these are exciting times and we look forward to providing you with more information on our progress at our analyst and investor event on Monday when we'll share specifics on our growth initiatives through 2017.

You'll also hear more around the messages that I highlighted earlier, which is we are well positioned for long-term sustainable growth. Our strong relationship with Devon will create abundant opportunities. We have a solid business platform positioned for growth, and we have the right people to execute. So thank you for your support and for tying in today and have a great day.

Operator: Thank you for your participation in today's conference. This concludes the presentation and you may now disconnect.

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