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# EnLink Midstream Partners LP (ENLK)

Q3 2016 Earnings Call

## CORPORATE PARTICIPANTS

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**Barry E. Davis**

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

**Michael J. Garberding**

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

**Benjamin D. Lamb**

*Executive Vice President of Corporate Development, EnLink Midstream Partners LP*

**McMillan Hummel**

*EVP & President-Natural Gas Liquids and Crude Oil Business, EnLink Midstream Partners LP*

**Steve J. Hoppe**

*EVP & President-Gas Gathering, Processing and Transportation Business, EnLink Midstream Partners LP*

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## OTHER PARTICIPANTS

**Brian Gamble**

*Analyst, Simmons & Company International*

**Ethan Heyward Bellamy**

*Analyst, Robert W. Baird & Co., Inc. (Broker)*

**Darren C. Horowitz**

*Analyst, Raymond James & Associates, Inc.*

**Robert Balsamo**

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**Tom Abrams**

*Analyst, Morgan Stanley & Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to the Third Quarter 2016 EnLink Midstream Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded,

I would now like to turn the conference over to Barry Davis. Please go ahead.

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**Kate Walsh**

*Vice President-Investor Relations & Tax, EnLink Midstream LLC*

Thank you and good morning, everyone. Thank you for joining us today to discuss EnLink Midstream's third quarter 2016 results. Participating on the call today are Barry Davis, Chairman and Chief Executive Officer; and Mike Garberding, President and Chief Financial Officer; Steve Hoppe, President of the Gas Gathering Processing and Transportation Business; Mac Hummel, President of the Natural Gas Liquids, Crude and Condensate Business; and Ben Lamb, Executive Vice President of Corporate Development.

As you saw, we issued our third quarter 2016 earnings release yesterday and plan to file our Form 10-Q with the SEC later today. To accompany today's call, we have posted the third quarter earnings release and the operations report to the Investor Relations portion of our website. Shortly after today's call, we will also make available a webcast replay of this call on our website.

I will remind you that any statements made about the future, including 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 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 discuss certain non-GAAP financial measures and you will find definitions of these measures as well as reconciliations of these non-GAAP measures to comparable GAAP measures in our earnings release. We encourage you to review the cautionary statements and other disclosures made in our SEC filings, specifically those under the heading Risk Factors.

The structure of the call will be to start with a brief prepared remarks and then leave the majority of the call open for question-and-answer period.

With that, I would now like to turn the call over to Barry Davis.

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## Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

Thank you, Kate and good morning everyone. Thank you all for joining us today. I am pleased to report that for the third quarter, we delivered the strongest results in EnLink's history. We achieved a milestone \$201 million of adjusted EBITDA before non-controlling interest for the quarter.

The results that we were able to achieve are a testament to the strength of our business model and the dedication of our team. We've been successful in realizing strategic growth across our core development areas during what many have characterized as the most significant downturn that our industry has experienced. And while we would certainly agree that the operating environment has been challenging, we've been able to grow our business throughout the cycle because we were prepared for it. We did not predict it, but we were certainly prepared for it.

So what is our approach? Well, we prioritize financial stability. We make disciplined financial decisions to preserve our investment-grade balance sheet and protect our liquidity. We're supporting our distribution with strong contracts and cash flows, and we're doing this while making targeted acquisitions and initiating growth projects in the best basins in North America, including the Delaware Basin, the Midland Basin and the STACK, actions that have enhanced our platform and will drive growth and stakeholder value for years to come. We are intentional, we're thoughtful, we're deliberate, and you are seeing that in our results today and you will see it in our growth tomorrow.

Looking ahead, we remain confident in our ability to exit the year on plan. To provide greater clarity, as we wrap up 2016, we are further refining guidance of our consolidated adjusted EBITDA to a range of \$760 million to \$790 million. Our business is focused on the right basins, with the right customers across each value chain. We have some of the top E&P customers delivering growth across our system. They include our sponsor Devon, Marathon, Pioneer, Concho, RSP Permian and Diamondback. To sum it up, we are well positioned with the right partners.

The way we look at it, there are five key drivers to our continued success, and if you follow our story, you're probably familiar with each of these core drivers. I'm going to take the next few minutes to provide an update on each.

First, our premier position in Central Oklahoma. The results we're seeing from our producer customers in this region are encouraging. It seems like we're provided weekly with updates that include outperforming type curves, record-setting well results, and improving technical efficiencies. More importantly, what this means for our business is increased volumes and throughput.

During the third quarter, our average volumes on the assets we acquired in Central Oklahoma were 85% higher than the average during the first quarter of 2016. As a result of the increasing activity on our expanding footprint in Central Oklahoma, we are starting to think about the next 200 million cubic feet per day of additional processing capacity. And if current trends continue, we could add even another 200 million cubic feet a day plant in addition to the one being considered today in the next two years to three years. Let's stop and think about that. We are saying that the potential volume growth momentum, assuming current trends continue, could lead us to processing well over a BCF of gas per day in Central Oklahoma alone within the next few years. We are positioned for growth.

Devon, our strategic producer sponsor remains one of the most successful and active producers in the region. During the third quarter, Devon more than doubled their rigs on our dedicated acreage, increasing from two rigs to five, with the expectation of a sixth rig to be added by year-end. This basin is one of Devon's top plays.

Marathon, another key producer customer in Central Oklahoma also announced plans to accelerate their development and have added a third rig this quarter. By year-end, we expect to have approximately 12 rigs on our Central Oklahoma footprint.

Our team has been focused on identifying bolt-on transactions within our asset portfolio to continually drive value on our existing footprint. A great example of these opportunities is the expansion we completed at our Cana facility earlier this year, expanding that facility by 50 million cubic feet per day to 400 million cubic feet per day, with less than \$13 million in capital outlay.

Similarly during the third quarter, we added 20 million cubic feet per day of processing capacity to Chisholm I, with less than \$3 million in capital costs, bringing that plant's capacity to 120 million cubic feet per day.

We also announced a further expansion of our Chisholm Complex, with the addition of Chisholm II, a new 200 million cubic feet a day plant. We are progressing well with the expansion and remain on plan and on budget to be operational during the first half of 2017.

I'll leave you with this last point on Central Oklahoma, when Chisholm II is up and running, our total Central Oklahoma processing capacity increases to approximately 800 million cubic feet per day, which is up from 350 million cubic feet a day in 2015. That represents nearly 130% growth in processing capacity over 12 months to 18 months.

Moving on to the second driver of success, our advantage position in the Midland Basin. We are in the core of the core of the Midland Basin. We have operations in the heart of Midland County, an area which leads the U.S. in overall drilling activity. In fact, rig activity as of mid-October indicated that nearly 15% of all rigs in the Permian are active in Midland County alone.

We are also well positioned in Martin, Glasscock, Upton, and Howard Counties, all of which reside in the premier group of the top 15 counties with the most U.S. drilling activity, and together, these five counties account for 40% of all Permian rigs. It's powerful to think that two out of every five rigs in the Permian are active in the counties in which we have a strategic and significant presence.

It's the very reason we were deliberate in executing our strategy to be in the best growth basins in the United States. We've invested around \$1.4 billion in the Permian, getting in early, being opportunistic and building our footprint during periods of volatility, and because of our advantage footprint that we've been able to develop, we are in a position to work with the majority of the top 15 most active producers in the Permian.

As we focus on growth in the liquids side of our business, we are executing on the Greater Chickadee Crude Oil Gathering Project and it's a project that keeps getting better and better. We have upsized the scale of this project since our original announcement due to strong producer demand and still expect it to be fully operational during the first quarter of 2017.

We have three rigs operating on our dedicated Chickadee acreage right now, with a fourth rig expected before year-end. The first phase of the project is commencing in the coming days. We continue to expect at least 20,000 barrels a day to be on the system upon Phase 1 startup.

The third of our focus areas is our growing position in the Delaware Basin, where we are well on our way to replicating the expansion strategy we successfully executed in the STACK and Midland Basin. We built our portfolio of assets in the early phases of the Delaware and today's producer activity further supports our strategy and our view that we are right where we want to be.

The Lobo II plant became operational in late October, with gathering being completed and in full operation by year-end. In addition, our team is aggressively executing on the build-out of our gathering infrastructure, pipeline connectivity and residue takeaway options to support our expanding capabilities.

The fourth of our core focus areas is our premier position in Louisiana. We are positioned in the heart of the Gulf Coast growth corridor in Louisiana, and as a result, we continue to achieve record volumes on our system. This demand pool market is evolving in exciting ways for us and we are executing on integrating assets and increasing connection points to enable greater volume deliveries.

We are well-positioned for the next waves of NGL and LNG demand and work each day to solidify our strategic advantage. As we look to 2017, we see a great NGL story unfolding for us, with all of the Central Oklahoma processing we're bringing online, comes a meaningful increase in equity barrels of liquids, which we plan to link to our Cajun-Sibon system.

We anticipate that throughput on the Cajun-Sibon will return to full capacity during the second quarter of 2017, which enhances the entirety of our premier Louisiana NGL value chain. In addition, we have completed permitting and commenced construction on the long-awaited ascension pipeline. This pipeline, a joint venture with Marathon Petroleum, will enhance our Cajun-Sibon system by linking it via pipeline to an important market area east of our existing footprint, giving Central Oklahoma NGLs additional market outlets along the Mississippi River.

And the last focus area I want to touch on is our anchor position in the Barnett Shale. We believe that challenging times create opportunities to improve upon the things we already do well and our North Texas position is a great example of that.

Results are exceeding expectations, as our team remains laser-focused on cost efficiencies, and our size and scale in the area enables us to attract new customers and volumes, as consolidation continues in this mature basin. For example, we've seen almost \$12 million in operational savings this year as compared to last year. From a basin perspective, we previously estimated 10% to 12% volume declines in the Barnett. We've been

successful in lessening the declines to 5% to 7% in 2016, assisted by pressure reduction initiatives and bringing on new customers as I mentioned.

Looking ahead, Devon continues to review its development opportunities in the area, which could unlock significant value for both Devon and EnLink. Before I turn it over to Mike, let me leave you with this. Our record results this quarter are just the beginning. We have invested \$6 billion over the last 24 months, positioning the company in the best basins in North America, and we are strategically expanding across our core focus areas, while maintaining balance sheet strength and liquidity. We have a focused strategy, a strong team, and a strong path forward to ultimately growing distributions.

With that, I'll turn it over to Mike.

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## Michael J. Garberding

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

Thanks, Barry and good morning everyone. As Barry highlighted, EnLink delivered strong results this quarter achieving adjusted EBITDA before non-controlling interest of just over \$200 million, a level achieved for the first time in EnLink's history. This represents sequential growth of approximate 7% when compared to the three months ended June 30, 2016.

On a standalone basis, the partnership delivered adjusted EBITDA of around \$198 million, while ENLK achieving cash available for distribution of around \$50 million for the quarter. The partnership's distributable cash flow was around \$155 million, coming in slightly above last quarter's DCF of approximate \$151 million.

The stable cash flows from our business generated a healthy year-to-date distribution coverage ratio of around 1.04 times at ENLK and 1.07 times at ENLC. As Barry said, we're committed to maintaining our strong investment-grade balance sheet and preserving ample liquidity.

During the third quarter, we successfully executed on about \$60 million in at-the-market equity sales and exited the quarter with more than \$1.6 billion of consolidated liquidity and a debt to EBITDA of 3.75 times. We continue to be focused on funding our growth capital, which includes the first installment payment of the total purchase. Our business offers significant flexibility in how we ultimately fund this payment.

As previously discussed, we could raise capital from a number of avenues including traditional funding sources. However, our current focus has been on the potential sale of non-core assets including our interest in Howard Energy Partners. As always, we will proactively manage our balance sheet, while ensuring to maintain our solid financial position anchored by our investment-grade credit rating, strong liquidity and overall flexibility.

I will now turn the call back to Barry for concluding remarks. Barry?

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## Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

Thank you, Mike. Before we get into Q&A, I want to highlight one of EnLink's key differentiators, our people. I can't say enough about the talent and tenacity of the team we're fortunate enough to have at EnLink.

I'm proud to come to work day in and day out and collaborate with such high-quality individuals that take true pride in ownership of their responsibility and share in the collective role of driving the company forward. Our

execution and success are direct results of the people that we have here at EnLink. I am proud of it and thankful to be a part of it.

With that, operator, you may open the lines for questions.

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## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] And our first question will come from Brian Gamble of Simmons & Company.

**Barry E. Davis**

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

Good morning, Brain.

A

**Brian Gamble**

*Analyst, Simmons & Company International*

Good morning. Couple of topics I wanted hit on. First, may be on mid-con, you're talking obviously Chisholm I being upgraded, Chisholm II in the works. Barry you mentioned essentially Chisholm III and Chisholm IV. Clearly the Devon update last night is a huge positive, as are others in the basin. May be you could roll altogether for us, talk a little bit about Tall Oak assets and the \$300 million that we've heard about previously from an incremental EBITDA standpoint, does Chisholm III get us there? Does Chisholm IV get as there? Is there upside to that number? Maybe just walk us through some of the individual pieces as you see it and then the timing around some of those potential decisions may be to start with Chisholm III from a decision standpoint.

Q

**Benjamin D. Lamb**

*Executive Vice President of Corporate Development, EnLink Midstream Partners LP*

Brian, its Ben Lamb. First, great question, and I can take the entire Q&A time talking about this. There were a lot of parts to that question, but let me give you the big picture. The big picture is, everything is going the right way in Oklahoma. I think that, if not all, then very nearly all of our producer customers raised their type curves in the last quarter; Devon announcing theirs last night, but you also Marathon and Newfield do likewise earlier in the quarter.

A

We've seen really encouraging results from down-spacing tests and from tests of multiple productive horizons within the Merrimack. What we haven't seen yet, but I think we'll see next year the beginning of is drilling efficiencies, as folks transition from delineation into full field development, I think we'll see greater rig efficiency.

And what that translates into, as you pointed out, is a significant volume growth. Just as a marker in time, when we acquired the Tall Oak assets, the volume on those assets was about 70 million cubic feet a day. As of this morning, it's about 185 million cubic feet a day, and that's all occurred obviously in not a 9-month or 10-month period here.

As far forward as looking forward, our decision points on expanding capacity really have everything to do with the producer customers and their plans. From where we are today, I can see us moving forward with another plant in the fairly near term and then the decision on the plant to follow that would be dependent upon the level of activity that we see next year.

In terms of our level of confidence in achieving the \$300 million by 2018 that we laid out at the time of the acquisition, we remain very confident in achieving that number. I think the most important thing for you and

everyone to watch in assessing whether we remain on track is simply the rig count. Today we have 11 rigs working on our dedicated acreage in the Midcontinent. We've guided toward 12 or so at the end of the year and that range of 12 rigs or so is what we need to see on a sustained basis in 2017 and 2018 to deliver on that number.

One other thing that I would say or highlight for you is, we've done a lot of work this year to interconnect all three processing complexes in Central Oklahoma, Cana where we have 400 million cubic feet a day capacity; Chisholm, where today we have 120 million cubic feet a day going to 320 million cubic feet a day early next year; and Battle Ridge we have 75 million cubic feet a day of capacity.

That's all done and so it becomes increasingly difficult to differentiate between the assets we acquired and our legacy assets. I think we need to start focusing on the big picture in Central Oklahoma, and as Barry said in his prepared remarks, the big picture is 800 million cubic feet a day of processing capacity soon [indiscernible] (20:46) to add even more.

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### Brian Gamble

*Analyst, Simmons & Company International*

Q

Great color, Ben, appreciate that. And then maybe on the flipside of that, obviously, we want to build out how we're going to pay for it. Mike, can you walk us through some of the options that you mentioned, obviously traditional capital would be preferred if that were an efficient use of the markets. You mentioned non-core asset sales. We all know about Howard, maybe anything else to put in that bucket that we can think about? You guys have a lot of pieces to work with all core in one way or another, but what's on the periphery at this point?

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### Michael J. Garberding

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

A

Yeah, that's a good question, Brian. So, when we think about our funding, we think about just being consistent with how we've done things today, and if you look at the scorecard of that, a couple of points would be, we've raised about \$1.2 billion in equity in 2016. If you look from a balance sheet standpoint, we've really been between 3.5 times, 4 times from a leverage all during that time with the commodity backdrop we've seen.

And we've had distribution coverage ratio 1x or above during that whole time. That same playbook is what we plan to use in 2017 is looking at all the avenues you mentioned. We did say there is a preference and a focus right now on non-core asset sales and that's something we're pushing hard on. Howard is one we mentioned we'll continue to work toward, and we believe that that is going to be a piece of the solution. We did have a good quarter also on the ATM equity of about \$60 million and that's something we've seen better strength and better capability to execute as this year has gone on.

So, it's going to be a combination of all that and the nice thing is we have all those levers to execute on, but we're going to be intentional on that. We're going to continue to manage the balance sheet the same way we manage the balance sheet in 2016.

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### Brian Gamble

*Analyst, Simmons & Company International*

Q

Other pieces to the non-core potential sales that would be as meaningful if not more morning than Howard or are those smaller singles and double type things?



Michael J. Garberding

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

A

I would say it's more of the latter is what it is.

Brian Gamble

*Analyst, Simmons & Company International*

Q

Great. Appreciate that, guys.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Thank you, Brian.

**Operator:** And our next question will come from Ethan Bellamy of Baird.

Ethan Heyward Bellamy

*Analyst, Robert W. Baird & Co., Inc. (Broker)*

Q

Hi, guys. Good morning. You've got a \$30 million potential swing in fourth-quarter EBITDA from the revised guidance. But can you tell us what are the biggest drivers of that range potentially?

Michael J. Garberding

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

A

Yeah, so when you think about it, one we feel great on how the business has performed this year, if you look where we started and what we've done over that time, we feel we're in a great position. What we came out with this quarter is to give you guys better guidance and how we think about the business today, which is really in the range of that \$760 million to \$790 million for the year based on how the business has performed to-date.

I think the key for you to hear is that we're confident that we're going to execute on the top-end or the upper-end of that range and that's where we think we're going to be ultimately as we go through these final months of the year. So a big thing for us is how our business has performed on all sides, whether it's a gross margin or whether it's the OpEx.

Ethan Heyward Bellamy

*Analyst, Robert W. Baird & Co., Inc. (Broker)*

Q

That's helpful. And then just one quick one on Howard, could you remind us – do you have a [indiscernible] (24:08) or tagalong rights or what are the features of your investment there if any that matter in terms of how you would dispose that?

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Yes, Ethan, this is Barry. We're not going to get into the details of what we have with our partners there. I just think that there are certain things there that we're working through, but we feel really good about our ability to transact on that if we find the right situation.

Ethan Heyward Bellamy

*Analyst, Robert W. Baird & Co., Inc. (Broker)*

Q

Okay. That's helpful. And then one last one on Oklahoma, what are you hearing at the field level on induced seismicity from water disposal? And has that so far impacted any of your customer's drilling plans? And do you think that's in any way going to be a governing or gating factor on SCOOP, STACK development?

Benjamin D. Lamb

*Executive Vice President of Corporate Development, EnLink Midstream Partners LP*

A

Ethan, its Ben. At this point, we don't see it as being a governing factor on SCOOP, STACK development. Where the industry has had some issues is more to the Northeast as you get into a more traditional Mississippian line target where the water cuts maybe 9 barrels or 10 barrels of water per barrel of oil. The water cuts in the STACK are nothing like that. So while certainly the producers do have to handle the water, they don't face the same challenges. And where the seismic events had occurred is generally away from the core of the SCOOP and the STACK.

Ethan Heyward Bellamy

*Analyst, Robert W. Baird & Co., Inc. (Broker)*

Q

Got it. Thank you, Ben. Thanks, Barry.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Thank you.

**Operator:** And our next question will come from Darren Horowitz of Raymond James.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Good morning, Darren.

Darren C. Horowitz

*Analyst, Raymond James & Associates, Inc.*

Q

Good morning, guys. Ben, a question for you, just thinking about the downstream opportunity with regard to volumes out of the tailgate of that processing plant build out, how do you think about not just getting the incremental Y-grade down into the Louisiana system indication, but also maybe opportunities for residue gas, and ultimately from a CapEx perspective, what does that opportunity set look like to you?

Benjamin D. Lamb

*Executive Vice President of Corporate Development, EnLink Midstream Partners LP*

A

Yeah, Darren, its Ben. I'll start and then I'll ask Mac to add on, particularly as it relates to NGLs. What it means is an ocean of NGLs pointing toward Mac's business over the next few years and we're trying to position ourselves in a way that Mac and his NGL team to take full advantage of the liquids that we're going to control out of the area. Initially at least, we used third-party infrastructure to move between basins, so from Oklahoma down to the Gulf Coast and then we'll pick our own Cajun-Sibon system into Louisiana.

On residue, we have not been active recently and working a residue solution, our variation on residue solution is a project you heard about before and that's Oklahoma Express, which should be a rich gas line to move the gas from Oklahoma to North Texas for processing. That remains an option for us and we think a very good option that

is quick to execute relative to a large-scale FERC-regulated residue pipeline and will be one of the things that we consider as we think about future processing expansions in Oklahoma as an option.

McMillan Hummel

*EVP & President-Natural Gas Liquids and Crude Oil Business, EnLink Midstream Partners LP*

A

Darren, its Mac. I'll just follow-up a little bit on the NGL piece related to Oklahoma and really just to ride with what Ben said there, we see the Oklahoma growth benefiting our NGL business very significantly. We've talked in our [indiscernible] (27:36) how we're currently below capacity on our Cajun-Sibon system, with the expectations of getting the capacity as of the Oklahoma processing facilities come on and those NGLs are made available to our system.

As we see future growth in our NGL outlet in Oklahoma, we certainly see the opportunity for us to look at, at other opportunities for us to expand on the NGL side of the business, whether that's within the State of Louisiana or whether that's in the State of Texas, for instance, or possibly even in Oklahoma.

So, we think it gives us an opportunity to look at a pallet of potential that we simply wouldn't be able to look at without that kind of growth upstream in our gas business.

Darren C. Horowitz

*Analyst, Raymond James & Associates, Inc.*

Q

Mac, from your perspective, does the incremental volume addition coming from a lot of that Central Oklahoma Y-grade, does it ramp to such an extent that you think it could backstop, if not just additional frac capacity opportunities, but also maybe backstop some supply assurance for LPG or even purity product export?

McMillan Hummel

*EVP & President-Natural Gas Liquids and Crude Oil Business, EnLink Midstream Partners LP*

A

I'll answer that as yes, but I think it's also an opportunity to us for us to look at other options like, for instance, pipelines, which is something that you didn't mention. So, the full suite of NGL CapEx or NGL investment opportunities that you can imagine, I think are in front of us with this kind of growth potential in our Oklahoma business.

Darren C. Horowitz

*Analyst, Raymond James & Associates, Inc.*

Q

Thank you.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Thank you, Darren.

**Operator:** [Operator Instructions] And our next question will come from Robert Balsamo of FBR.

Robert Balsamo

*Analyst, FBR Capital Markets & Co.*

Q

Hey, good morning.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

Hi, Robert.

A

Robert Balsamo

*Analyst, FBR Capital Markets & Co.*

Hey, I wonder if you could just give us a little more clarity on the crude and condensate segment, expectation obviously volume is down again, but margins remaining relatively flat, how to think about that into the year-end and 2017.

Q

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

Yeah, the way I look at our crude business is with a lot of excitement. As I like think about even a recent milestone that we've had today and that is that we've introduced first oil into our Chickadee Gathering System, which we announced earlier this summer.

A

That's a great example of us taking the position that we entered the Permian with, which is the LPC business and using that as a platform to grow our crude business elsewhere in the Permian. We wouldn't have had that opportunity to build the Chickadee Project without LPC, that's really facilitated the growth potential that we see behind Chickadee.

We are, as I mentioned, we've already introduced first oil into that as of really last night, and today, we see continued commercial excitement around the assets. In fact, we expect to sign more agreements this week to add acreage, volume and additional customers to that project. We've got three rigs active in that area right now, going to four by the end of the year. So as I sit here today and I look out into our crude business in the fourth quarter and beyond, my expectation is that we're going to be successful in growing that business. And again, I think that the proof is in what we're seeing today.

Robert Balsamo

*Analyst, FBR Capital Markets & Co.*

Okay, great. And were there any changes to operating expenses for the legacy assets in that segment?

Q

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

Yes, there was. Robert, we in this downturn in volumes, we've been very aggressive in terms of not only how we acquire new volumes or stave off the decline of existing volumes, but we've also been very aggressive in terms of how we manage the cost, and I would say that that's something you're seeing across EnLink. It's not specific to the crude business, but certainly in the current business, as we've seen volumes decrease, we've been very aggressive in terms of managing the cost associated with providing service to our customers, while at the same time, making sure that the level of service to those customers does not suffer.

A

Robert Balsamo

*Analyst, FBR Capital Markets & Co.*

Great. Thanks. That's it from me.

Q

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Thank you, Robert.

**Operator:** And the next question will come from Tom Abrams of Morgan Stanley.

Tom Abrams

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks. Good morning. Last remaining question, little small one from me was when precisely is the first quarter 2017 payment, I think the \$250 million or so, have to be made? Is it end of quarter, beginning of quarter?

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Yeah. This is Mike. It's in January.

Tom Abrams

*Analyst, Morgan Stanley & Co. LLC*

Q

January. Okay. Just wanted to get a sense of how much time you have left to club with the solution? Thanks a lot.

Michael J. Garberding

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

A

This is Mike. I'll follow on a little bit as part of the solution. We have continued to work toward that solution and we don't feel we're in a situation where we have to go find a solution we work every day on that, whether that's working toward Howard, whether that's issuing additional ATM equity, whether that was the debt raise we did earlier, we've done all those things working toward that. So we don't feel that we have one solution to solve that as a continuation of how we've been solving and working towards funding our capital.

Tom Abrams

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks a lot.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Thanks, Tom.

**Operator:** And next we have a follow-up question from Brian Gamble of Simmons & Company.

Brian Gamble

*Analyst, Simmons & Company International*

Q

All right. [indiscernible] (33:12), this is fun. Okay. How about Devon, on the Barnett discussion, you mentioned they continue to evaluate basin operations, their ops report clearly was Midland, Delaware, Mid-Con, heavy, what are they saying about the Barnett? What kind of discussions have you had in regards to where their CapEx falls in the Barnett kind of from an order of magnitude or order of importance standpoint for next year? Just want to get a handle around exactly what type of opportunity that presents? And if you want, you can juxtapose that against all the good work you guys have been doing so far to mitigate the degradation there on your own?

**Steve J. Hoppe***EVP & President-Gas Gathering, Processing and Transportation Business, EnLink Midstream Partners LP*

A

Yeah, Brian, this is Steve. And I think you laid that out pretty well. Devon is continuing to look at the Barnett in its portfolio and where it fits. And over the last year, they've done some re-fracking. We had about 17 wells re-fracked early 2016. And I think that the key driver that they mentioned is around gas price and we continue to be optimistic that that'll drive some development.

But the other thing that we're doing with them is we are very focused on optimizing our operations. We're reducing pressures in the system, that's resulting in an uplift in volume for them. Just recently we completed some projects and saw about a \$10 million a day to \$15 million a day uplift from pressure reduction.

We are continuing to become more efficient in our operations. I think you saw in their operating report some pretty significant reductions in the downtime. Our assets are running well over 99% of uptime operations. So we're very much in line with Devon about optimizing the value of that asset and we're continuing to work with them, identifying opportunities not just for re-fracs but also new drilling locations.

So, I think it's a very positive story. I think it's just a question as Devon states that they're waiting and looking at the opportunities that the price environment is going to provide to them.

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

A

Brian, this is Barry, let me just emphasize, I think Steve gave a great answer, but I want to make sure that that what folks have heard about Barnett that you heard the highlight, which are we've turned 10% to 12% inherent decline into a 5% to 7% for this year through the operational adjustments that we've made and the works we've done with Devon.

I hope you're hearing that operational excellence in a mature basin. Secondly, our cost reductions in that area have been significant. Our team has done an outstanding job. Thirdly, the consolidation is happening. We are active in several conversations that would lead to us being the consolidator of a mature basin and which will allow us to continue to make cost reduction and really maximize cash flow from the area.

And lastly, the asset sales, the transactions that we're seeing there, I think are going to end up with acreage in the hands of folks who really want to develop this and maybe don't have other places to invest capital. So the Barnett, I believe, has an optimistic future and we feel good about that.

**Brian Gamble***Analyst, Simmons & Company International*

Q

Good job on the optimization work clearly this year and I don't want to front-run 2017 possibilities, clearly so there are some moving pieces that could be short-term in nature, but as far as the efficiencies on your end, that trend from last year to this year, are we reaching the latter stages of those on a stand-alone basis or are there I guess additional efficiencies to be gleaned without considerations of new contracts or consolidation that might even make that degradation rate lower in 2017?

**Steve J. Hoppe***EVP & President-Gas Gathering, Processing and Transportation Business, EnLink Midstream Partners LP*

A

Yeah, we're working on that today and we don't have any guidance for 2017 yet. We should probably have that when we do our next call. But we're continuing to look at opportunities. Whether or not we're at the end? I can't

say for sure, because I continue to be surprised at the things that our teams come up with. So I am going to remain optimistic that they're going to continue to deliver the results like Barry talked about and that we're going to see some pretty positive things that they're going to come up with in 2017 as well.

Brian Gamble

*Analyst, Simmons & Company International*

Q

Great. Appreciate the update and the additional...

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Brian, I think the question that you asked really gives me an opportunity to highlight just the execution and the diligence by our team. If you look at all of the content on this call and the answers to our question, what you hear over and over is on budget, on time, and in most cases, it's actually ahead of time, starting up with the Greater chickadee last night, startup of the Lobo plant earlier this week, we would probably go through more than a dozen significant project in Oklahoma that are on time on budget.

Our team is executing with excellence right now and this is one of the highest growth periods we've ever seen. So really want to applaud the efforts of all the EnLink folks.

Brian Gamble

*Analyst, Simmons & Company International*

Q

Appreciate that, Barry. Thanks, guys.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

A

Thank you, Brian.

**Operator:** [Operator Instructions] And showing no additional questions, I would like to conclude the question-and-answer session and I would like to turn the conference back over to Barry Davis for any closing remarks.

Barry E. Davis

*Chairman & Chief Executive Officer, EnLink Midstream Partners LP*

Thank you, Laura and thank you to all that have joined on today's call. We look forward to updating you on 2016 year-end results in February and will share our full 2017 outlook with you then. Have a great day and again thank you for being on the call.

**Operator:** The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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