



**EnLink Midstream Partners LP**

**Second Quarter 2015 Earnings Conference Call**

**05 August 2015**

## CORPORATE PARTICIPANTS

**Jill McMillan**, *Vice President, Communications and Investor Relations*

**Barry Davis**, *President and Chief Executive Officer*

**Michael Garberding**, *Executive Vice President and Chief Financial Officer*

**Steve Hoppe**, *Executive Vice President and President of Gas Gathering, Processing and Transportation Business*

**McMillan (Mac) Hummel**, *Executive Vice President and President of Natural Gas Liquids and Crude and Condensate Business*

## CONFERENCE CALL PARTICIPANTS

**Darren Horowitz**, *Raymond James*

**Jeremy Tonet**, *JPMorgan*

**Jeff Birnbaum**, *Wunderlich Securities*

**Sharon Liu**, *Wells Fargo*

## PRESENTATION

### Operator:

Good morning and welcome to the Q2 2015 EnLink Midstream Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question you may press star, then one on your touch-tone phone. To withdraw your question, please press star, then two. Please note this event is being recorded.

I would now like to turn the meeting over to your host for today's call, Jill McMillan at EnLink Midstream. Please go ahead.

### Jill McMillan:

Thank you, Kate, and good morning everyone. Thank you for joining us today to discuss EnLink Midstream's Second Quarter 2015 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 second quarter 2015 earnings release this morning and we will file the 10-Q later today. To accompany today's call, we have posted the earnings release on the Investor Relations portion of our website. If you would like to listen to a recording of today's call, you can access a webcast replay on our website.

I will remind you that any statements about the future, including our expectations, forecast 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 measures and you'll 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.

I will now turn the call over to Barry Davis.

**Barry Davis:**

Thank you, Jill. Good morning everyone and thank you for joining us on the call today. I will begin with some high-level thoughts on the quarter and our key strategic advantages and then turn it over to our CFO, Mike Garberding, to review the numbers. Then Steve and Mac will discuss operations performance for the quarter. We will end with a detailed discussion of our growth outlook and outline opportunities we see in each of our four avenues for growth.

Before we get started, there are three key messages I want you to take away today. First, we delivered solid performance in the first half of the year with volume growth across our asset base and continue to execute on our four avenues of growth. Second, we are uniquely positioned and have competitive advantages that others in our sector do not have. And third, we will continue to take advantage of near and long term growth opportunities from our strategic platform.

Now let me remind you of how we got to where we are today. As we are all aware, over the last nine months our industry has experienced challenging market conditions with a significant downturn in oil and gas prices as well as decreases in rig counts and production. Additionally, we experienced several weather and operational events in the second quarter that negatively affected our results. In the face of these headwinds we have performed very well and produced solid performance and significant growth since the formation of EnLink, demonstrating the superior platform we created. To date we have accomplished everything we said we would do and we've executed the plan we laid out including the completion of approximately \$4.2 billion of dropdowns, growth projects and acquisitions.

We have been able to do this because we are operating from a position of competitive strength, allowing us to weather these difficult market conditions and emerge well positioned at the other end of these cycles. We have competitive advantages that others in our sector do not have. It really comes down to four key differentiators: stability, diversity, scale, and strong partnership with Devon. We are stable because we have the advantage of superior contracts with approximately 95% of our gross operating margin being fee-based, we have limited direct commodity exposure. Also, approximately 50% of our gross operating margin is from long-term Devon contracts, the majority of which are supported by contracts with minimum volume commitments or MVC's. We have good diversity of basins and services,

which is important in a down cycle like this. We have operations in some of the best long-term plays such as Permian, Eagle Ford, Cana Woodford and a market-driven position in Louisiana. We have a strong investment grade balance sheet which enables us to invest in organic growth projects and capitalize on strategic M&A opportunities. Finally, our strong sponsorship from Devon provides a key competitive advantage by supporting our business with dropdowns, organic growth opportunities and fee-based contracts with MVC's.

Moving to our second quarter results, we had a strong quarter with consolidated Adjusted EBITDA of approximately \$190 million, up approximately \$22 million for the first quarter and \$19 million year-over-year. Except for our outage at Cana, our volumes are basically flat to increasing across our platform through the first half of the year with good increases in our Louisiana and Crude and Condensate segments. We raised second quarter distributions by \$0.005 at ENLK which represents a 6% increase year-over-year and \$0.005 at ENLC which represents a 14% increase year-over-year.

In the first half of the year we performed in line with guidance expectations by focusing on execution. A few of the highlights of our execution are: the successful integration of three new businesses into EnLink including Coronado and LPC in West Texas, and Chevron's natural gas assets in South Louisiana. We are beginning to realize the near-term benefits of these assets. In the Permian our Coronado and LPC assets are seeing significant crude volume growth. In South Louisiana, we've executed on a number of optimization projects which require very little capital and provide immediate growth to our business. In South Texas, we acquired the Victoria Express pipeline, or VEX asset, from Devon which provided a welcome entry into the Eagle Ford. In North Texas, we benefited from pressure reductions and increased volumes on our Wise and Denton County systems as a result of Devon's refrac program. Importantly, we believe the continued success of their refrac program and additional pressure reduction efforts will offset near-term projected volume declines in North Texas by approximately 25%.

Turning to our outlook for the second half of the year, we have good opportunities to continue offsetting the headwinds to achieve our guidance. For 2015 we provided consolidated Adjusted EBITDA guidance of approximately \$740 million, and the potential headwinds could represent approximately 2 to 3% of our original guidance for the year. However, we are confident in our ability to overcome them as we've done in the first half of the year through the optimization of our assets, solid execution of our projects and capitalizing on near-term growth opportunities.

EnLink is a strong vehicle poised for growth and we remain confident in our ability to deliver strong results even during challenging times in our industry. We have well-positioned assets and a strong financial foundation that allows us to successfully compete in times like these. We have a proven track record of organic growth, asset dropdowns, successful acquisitions and operational performance. We will continue to take advantage of near and long term opportunities from our growing asset base, financial capacity and unique sponsorship with Devon.

Let me now turn it over to Mike for our financial update.

**Mike Garberding:**

Thanks, Barry. Good morning everyone. I want to start by saying we are pleased with how our business performed in the second quarter and we are confident in our abilities to create value over the near and long term. Our investment grade balance sheet, our top tier sponsor Devon and our superior contracts really differentiate us during times like this.

Moving to the second quarter financials, EnLink realize consolidated Adjusted EBITDA of approximately \$190 million. Our Adjusted EBITDA for the quarter at the Partnership was approximately \$175 million, which is up \$45 million from the first quarter. This increase is due to the final EnLink Midstream Holdings dropdown that closed in May for approximately \$900 million as well as a full quarter of contributions from

the assets acquired in the LPC, Coronado and VEX transactions. The second EMH dropdown was a little later than anticipated as compared with our original guidance which impacted the allocation of Adjusted EBITDA between ENLK and ENLC for 2015, but did not affect our annual consolidated Adjusted EBITDA.

Overall volumes for the quarter were strong with volumes either at or above first quarter levels across our assets, other than Cana processing which is now back up and running at full capacity. During the quarter we also received a one-time contract termination payment of approximately \$10 million in our Crude and Condensate segment in connection with the termination for customer contract. This contract termination was an effective way to monetize the remaining portion of a short-term contract on an asset that was not being used.

The Partnership's distributable cash flow for the second quarter of 2015 was approximately \$134 million, which is up approximately \$35 million over the first quarter due to the final EnLink Midstream Holdings and performance of our business.

The Partnership declared a distribution of \$0.385 per unit for the quarter which resulted in 1.05 times distribution coverage ratio, in line with what we said we had expected for this quarter. We anticipate the Partnership's distribution coverage ratio will be about one times for the year. After adjusting the quarter's results for one-time items such as the contract termination payment, the Cana plant outage and the cost to move a compressor in Cana, the pro forma coverage for the quarter will still be around one times.

Turning to our balance sheet, we issued around \$900 million in senior notes in May consisting of \$750 million in 10-year bonds and \$150 million of 30-year bonds. Proceeds from the offerings were primarily used to pay down our revolver which provide us current liquidity of around \$1.4 billion. Our leverage remains in line with our expectations with a debt to Adjusted EBITDA ratio of about 3.67 times at the end of the second quarter.

For the quarter, ENLC had around \$52 million in cash available for distribution, which is flat as compared with the first quarter. This results in a 1.25 coverage ratio on the declared distribution of \$0.25 per General Partner unit.

At the close of the second quarter of 2015, ENLC had a cash balance of approximately \$63 million. We are currently evaluating our options with respect to how to deploy that capital and we are excited about the financial flexibility it creates.

In the first half of the year we did a great job of offsetting the challenges of the current commodity price environment, which include reductions in drilling in certain areas of our portfolio, North Texas volumes and other one-time events such as the Cana heat exchanger repairs and the temporary outage of our Louisiana fractionator. In the second half of the year we think the potential risks to the business include many of the same challenges we have faced of the first half of the year. As Barry mentioned, we believe we have the ability to overcome future headwinds like we did in the first half.

For 2015 we provided consolidated Adjusted EBITDA guidance of approximately \$740 million and the potential headwinds could represent 2 to 3% of our original guidance for the year. We believe our annual distribution growth will be in line with our original guidance for 2015 of around 7.5% for ENLK and 18% for ENLC, however the annual distribution growth for ENLK could be around 5.5% and the annual distribution growth for ENLC could be 15.5% if the headwinds persist throughout the year. We are confident in our ability to overcome these headwinds through the optimization of our assets, solid execution of our projects and capitalizing on near-term growth opportunities.

Just to remind you, the second drop of EMH to ENLK was later than originally forecasted which impacted ENLK's 2015 Adjusted EBITDA by around \$20 million with no impact to consolidated EBITDA.

Fortunately, we have prepared for times like this as we have limited direct commodity exposure given our gross operating margin is around 95% fee-based. We've also protected ourselves well with minimum buy commitments on the Devon contracts, which represent about 50% of our gross operating margin and provide a floor in our margins. On those contracts we are currently around that floor..

In summary, we believe the business has performed really well during the first half of the year and positions us for continue stability and growth. We have a strong investment grade balance sheet that gives us great financial flexibility.

I'll now turn the call over to Steve who will discuss the Gas business unit.

**Steve Hoppe:**

Thank you, Mike, and good morning everyone. We are pleased with how the Gas business unit performed in the second quarter and the first half of the year and we are confident in our abilities to continue to grow this business.

As we discussed last quarter, the Permian Basin is a key area in driving long-term growth for EnLink. As a result of lower commodity prices, many producers are focusing their activities in this region because it continues to provide superior economic results. There are currently are about 17 breaks operating on EnLink's dedicated acreage across the Midland basin and we are seeing significant results from this activity. Our system is supported by focused and active producers such as Diamondback, Reliance, RSP Permian and CrownQuest. Diamondback in particular has reported an 85% to 200% rates of return at \$60 WTI prices, and 50% to 125% rate of return at \$50 WTI prices.

Our recent acquisitions in the area have allowed us to expand our footprint and enhance our service platform. In fact, our Permian operations contributed approximately 250 million BTU per day in gas volumes and about \$16 million in gross operating margins in the second quarter of 2015, which is up from approximately 73 million BTUs per day in gas volumes and approximately \$3.5 million to gross margin in the second quarter of 2014.

The results of the Coronado acquisition have so far exceeded our expectations and we remain focused on identifying additional opportunities in the region. Since the acquisition in March of this year, volumes have increased 20% and we expect total growth to reach 30% by the end of this year.

As part of the Coronado transaction we acquired the Riptide plant, which is now in early stages of construction. We expect the plant to be completed in the first half of 2016. The plant will add 100 million of capacity and connect to approximately 40 miles of high and low pressure gathering pipeline in our various stages of construction. This plant can easily be expanded to 200 million with minimum capital investment and time. Once complete, we will have a seven county, five plant, rich gas gathering and processing super system that offers great access to markets for our customers' products.

Moving to North Texas, we've got the large infrastructure in the prolific Barnett Shale, which continues to position us for long-term growth and stability. A large majority of income from the region is supported by long-term fixed fee contracts and significant volume commitments from Devon. We believe that our customers have a great future potential to resume drilling with thousands of rich gas locations that are around and dedicated to our North Texas assets once commodity prices recover. In the near term, this area requires very low capital investment and our focus remains on asset optimization and consolidation opportunities.

Our second quarter results for North Texas were consistent with expectations. Overall, the as is performed very well especially considering that the heavy rains and flooding that occurred in the second quarter. We gathered 1.7 BCF of gas; we transported 1.7 BCF per day of gas, and we processed 1 BCF a



day of gas, which contributed about \$130 million to gross operating margins during the quarter. I also want to point out that North Texas system volumes remained relatively flat compared to the first quarter due to higher volumes into our Wise and Denton County systems, asset optimization efforts and producer refrac programs. In the second quarter we benefited from Devon success in the Barnett with their vertical refrac program in which they refracked approximately 100 wells of the 150 planned in the 2015 program. Due to the success of this program, we are seeing other producers begin vertical refracs which we could benefit from in the second half of the year and into 2016. As Barry mentioned, we estimate that the Devon refrac program and our pressure reductions in North Texas will result in a 25% offset to the 2015 declines we previously projected.

Yesterday, Devon announced their plans to start horizontal refracs in the Barnett in second half of 2015 where they have in inventory of around 3,500 horizontal wells. Devon plans to test refracs on up to 15 horizontal wells in 2015. The expansion of a horizontal refrac program in the Barnett Shale offers the potential to further stabilize the volume profile in the basin for many years to come even under a low priced commodity environment.

North Texas remain significant source of cash flow for both EnLink and Devon and we are working together to maintain the value that the basin brings to us both. We are focused on additional pressure reduction, the optimization of our assets and supporting growing producer refrac programs. We are also executing on our consolidation strategy and we acquired a small private gathering system in Hill County. We hope for this to be the first of multiple consolidation opportunities in the region to gain synergies from our existing footprint and offset future declines. Our North Texas assets are geographically well positioned and have a low operating cost structure to take advantage of additional consolidation opportunities, and we are excited about the potential that we see in this area.

Oklahoma remains an area with significant growth potential for EnLink. As we stated previously, we expect to see Devon volumes increase in the second half of the year and we are excited about the drilling plans in the region. In fact, Devon is currently running six operated rigs in the region and has already drilled approximately 50 wells, 10 of which we have connected and are flowing and 40 that will be brought online in the second half of the year. They also have plans to drill an additional 25 wells in 2015. While our processing volumes in Cana were temporarily impacted by the down time we had at the Cana plant, you can see from the inventory of wells waiting to be completed that we expect those volumes to grow by the end of the year. To accommodate these new volumes, we are expanding our Cana gathering system by 75 million cubic feet per day of which we'll be operational in the fourth quarter of this year. We expect to spend around \$50 million on growth in 2015 on this and other expansions in the area.

Before I turn the call over to Mac, I would like to provide a quick update on the operational issue at our Cana plant in Oklahoma. The heat exchanger was replaced and the system has been back up and running at full capacity since the last week of June, which was 11 days ahead of our internal schedule due to the hard work by our team.

Overall, we remain extremely excited about the activity and the developments we are seeing in each of our operating regions. Each area has motivated and confident producer customers that are exploiting technology, improving production results to remain successful and grow in a difficult commodity environment, and we look forward to working with them and supporting these efforts.

I'll now turn the call over to Mac Hummel who will give you an update on our Natural Gas Liquids, Crude and Condensate business.

**Mac Hummel:**

Thanks, Steve, and good morning. We are pleased to report a solid quarter for the Liquids business unit. Starting first in our Louisiana businesses, as you know, Louisiana is a high demand natural gas and

natural gas liquids region due to new and expanded LNG, industrial and petrochemical facilities. It's also a crossroads for the continued rebalancing of the domestic supply and demand picture, a process in which we are well positioned to participate. Capitalizing on the need for additional NGLs in Louisiana, during the second quarter the Cajun-Sibon pipeline transported an average of approximately 115,000 barrels per day and the Cajun-Sibon fractionation facilities fractionated Y-grade inlet volumes averaging approximately 120,000 barrels per day. Second quarter volumes were negatively affected by operational downtime which drove both pipeline and fractionation volumes 5% lower than expected.

We are also capitalizing on are well-positioned truck and rail capabilities. During the second quarter, we received average truck and rail volumes of approximately 20,000 barrels per day, up from the first quarter average of 8500 barrels per day. Some of those volumes are seasonal so while we don't expect truck and rail volumes to be consistently that high, we do believe we can continue to provide service for truck and rail volumes needing a market.

Our joint venture pipeline with Marathon, which is the first bolt-on project to Cajun-Sibon, is proceeding as expected. The Corps of Engineers permit has been filed. Thirty-five percent of the pipeline rights-of-way tracks have been acquired. We expect to be operational in the first half of 2017 and the project remains on track with regards to cost.

During the second quarter, we initiated work on two more bolt-on projects to our Cajun-Sibon system. The first is a Eunice area batching project, which involves taking purity products from the Eunice area to Mississippi River markets via an NGL pipeline that was underutilized after the Cajun-Sibon expansion. Following the completion of the \$17 million batching project before year end, we project annual Adjusted EBITDA of approximately \$5 million per year.

The second new bolt-on project, this one at our Napoleonville storage facility, will add truck loading and unloading facilities that will provide additional flexibility to receive and load trucks out of our Napoleonville storage facility as well as relieve congestion at our Riverside fractionator. This project, which we estimate will require capital of \$12 million and is projected to be completed in the first half of 2016 is expected to generate annual Adjusted EBITDA of approximately \$4 million per year.

Now turning to our Louisiana gas business, transmission volumes were higher by over 28,000 MMBTU per day in the second quarter while processing volumes were higher by approximately 86,000 MMBTU per day. As a result of the increase processing volumes, we restarted the Gibson processing plant, which has been operating near full capacity since its start up in June and could contribute annualized Adjusted EBITDA exceeding \$3 million.

Due to our new exposure to power generation customers in our Louisiana gas business, we experienced a number of days in excess of 1.6 BCF per day compared to the second quarter average volumes of 1.4 BCF per day, and to date in 2015 we have completed six integration and optimization projects that are expected to contribute approximately \$3.5 million of Adjusted EBITDA in 2015 and approximately \$6 million on an annualized basis. Because of the proximity of our Louisiana gas assets, these projects are highly capital-efficient and will produce annual Adjusted EBITDA nearly equal to the one time capital required to complete them. We expect to complete several more projects during the balance of 2015, which could have similar capital to earnings profiles.

We are focused on the execution of near-term optimization projects that our strategic franchise position in Louisiana provides and we are just getting started. We see a number of potential longer-term growth projects which Barry will discuss later in the call.

I would next like to provide a quick update on the 15,000-barrel per day expansion of our Mesquite treater in the Permian Basin. At Mesquite, we currently receive NGLs via truck and rail and transport the products to our Cajun-Sibon system. The project under construction increases our capabilities to handle



off-spec NGLs, on-spec and off-spec condensate and crude volumes, provide water disposal services and access market outlets via truck, rail and pipeline. There is no EnLink capital required for this project, which we expect to be operational in the fourth quarter.

We will now move to our crude and condensate business which has historically been referred to as the ORV segment and which now includes ORV, LPC in the Permian Basin, the Louisiana crude terminals and the VEX pipeline in the Eagle Ford.

The second quarter was a quarter of tremendous growth for our Crude and Condensate business. Second quarter volumes has averaged over 145,000 barrels per day, up 100% from the first quarter and over five times our year-end 2014 crude and condensate volumes. The Crude and Condensate business is not only our fastest-growing segment, but it also gives us expanded opportunities to serve Devon. In the second quarter, we provided crude and condensate services for Devon volumes totaling approximately 45,000 barrels per day between the Permian Basin and Eagle Ford.

Our LPC business performed well during the second quarter, handling approximately 75,000 barrels per day of crude and condensate, up from 68,000 barrels per day in the two months of the first quarter we owned the business. As planned, we are pursuing opportunities to use the LPC business to expand into new areas; specifically we are exploring additional opportunities to grow into the Delaware Basin and to provide crude and condensate services to customers on the Coronado system. During the second quarter, we successfully moved approximately 5% of total volumes from trucks into new gathering pipelines and we are working on a number of new opportunities for additional gathering systems.

The Eagle Ford is the newest operating area in our Crude and Condensate business since the dropdown of the VEX pipeline on April 1. We are focused on integrating these assets and completing the pipeline, terminal and storage expansion projects in the third quarter.

Second quarter volumes handled on the VEX system averaged nearly 34,000 barrels per day, split about equally between volumes transported to the port of Victoria on the VEX pipeline and volumes delivered directly to the port of Victoria truck terminal. Post expansion, port of Victoria deliveries are expected to be made the via the pipeline.

In ORV, we experienced improved results despite area producers increasingly moving their drilling to the dry gas areas of the Utica. Total volumes increased in the second quarter due to the efforts of our ORV team in the midst of challenging market dynamics averaging 26,000 barrels per day, a 5,000-barrel per day increase from the first quarter. We continue to evaluate the optimal timing for the construction of the proposed condensate pipeline, but also acknowledge the difficulty for producers to commit to the pipeline given the current price environment. Nonetheless, we remain well-positioned to execute on the pipeline when the timing is right.

The investments and progress we've made in the Liquids business unit are well aligned with our long-term strategy. We have great assets and good locations and are confident that the Liquids business unit will continue to drive growth moving forward.

I will now turn the call back over to Barry for a discussion of our growth outlook.

**Barry Davis:**

Thanks Mac and Steve for the great reports. Again, I will say that our team has done a terrific job of overcoming the challenges in this cycle and has demonstrated not only the quality of our team, but also are superior EnLink platform and its ability to produce results.

Before I turn it over to Q&A, I want to spend a few minutes focusing on our growth outlook and the opportunities we currently see in the marketplace. As Steve and Mac described, growth is happening every day across our platform. For larger long-term products, we currently have four primary areas of focus: the Permian Basin, the Eagle Ford, the Mid-Continent and the Louisiana Gulf Coast region. Our four avenues of growth have served us extremely well and as we look forward we remain confident that each avenue strategically positions EnLink for growth over the near and long term in these key growth areas.

I will start with our first avenue of growth which is dropdown. We have two potential dropdown opportunities from Devon. The first is the Access pipeline which both Devon and EnLink are evaluating for a possible 2016 dropdown, and the second is the NGPL pipeline which would connect growing Oklahoma production with the Bridgeport facility in North Texas through a multi-phased approach. I will discuss this opportunity in more detail in a moment. The Access pipeline and NGPL pipeline opportunities could provide meaningful uplift to our cash flows and a tremendous opportunity to grow our service offerings.

Our second avenue of growth is maximizing our relationship with Devon by responding to their growing midstream infrastructure needs. Today, EnLink is serving approximately 70% of Devon's gas volumes and we see significant growth potential with Devon in the Anadarko Basin, the Permian Basin, the Eagle Ford Shale and the Canadian Oil Sands.

Devon continues to see excellent results from their wells in the Anadarko Basin. Yesterday they announced that their Haley wells in the Cana Woodford exceeded the tight curve by 50% and are the best wells they have drilled to date. They've identified stack pay potentials across the majority of their 340,000 net acres, continue to improve Cana Woodford results and have identified a promising opportunity in the new Merrimack play. In total, the Anadarko Basin provides Devon with more than 4,000 locations to develop and this drilling inventory one of the deepest and most economic in their portfolio. We are extremely excited about the growth we expect to achieve from this activity and our position in the region.

The NGPL pipeline creates an excellent first step in combining our North Texas and Oklahoma assets and would be the first phase in a multi-phase process to connect growing Oklahoma production with our North Texas assets. The 92 mile 20-inch pipeline extends from southern Oklahoma near the south end of the SCOOP shale play to EnLink's Bridgeport plant in North Texas. The first phase of the project could be to connect gas in southern Oklahoma into the pipeline and process it at our Bridgeport plant, giving EnLink the ability to move rich gas out of Oklahoma into North Texas. As customer demand increases, later phases could include connecting the northern end of the NGPL pipeline to our Cana gathering system and looping the NGPL pipeline down to the Bridgeport plant. As currently contemplated, the systems capacity could reach up to 400 million cubic feet a day and could represent up to \$500 million in capital investment opportunity. This project could create a gathering and processing super system across Oklahoma and Texas, optimize our processing capacity and provide Oklahoma customers access to North Texas intra and interstate markets.

In the Permian Basin, EnLink is in the very early stages of serving Devon's growth plans. EnLink is transporting 4,000 barrels per day of crude volumes into Delaware Basin. We see this as a first step in expanding either through organic development or acquisitions in the Delaware Basin. Devon currently has 13 rigs operating in the Delaware Basin with most of their acreage dedicated to other midstream providers. We are diligently pursuing opportunities to take advantage of midstream service contracts that roll off, as well as providing additional services for stranded or bottlenecked product in the area.

In the Eagle Ford, EnLink just began serving Devon's crude and condensate production with the Victoria Express pipeline and storage assets. We are in the very early stages of our growth there, but keep in mind that this pipeline and storage system provides direct access to Gulf Coast outlets for condensate, refining and export terminals. The Eagle Ford remains one of the most prolific and economic shale plays in North America and we see great potential from the platform we are building there. We are excited

about these growth opportunities with Devon in these key producing regions which will enable us to focus on increasing our cash flows.

Our third avenue is through the expansion of our core businesses and organic growth projects. Our greatest opportunities are in the Permian Basin, Mid-Continent and Louisiana Gulf Coast. I'll start with the Louisiana Gulf Coast where we have the Chevron assets we acquired in November of last year added to our existing assets to create the largest pipeline platform in the state. The work we've done since November is a great example of how we can optimize and grow our business organically. We've identified four buckets of growth opportunities; two of those buckets are improved access to new supplies and new or improved access to incremental markets and transportation customers. Mac addressed the projects related to these buckets earlier. Two additional buckets of growth that are larger, more complex and larger term are the consolidation and rationalization of our Louisiana storage positions and the conversion of underutilized gas pipeline assets to alternative services such as liquids, crude, and gas transmission.

On the storage front, we have the opportunity to have an integrated gas and liquids storage position with our Napoleonville and Sorrento storage assets. The consolidation and rationalization of our storage assets would require capital in excess of \$30 million could generate over \$10 million of annual Adjusted EBITDA, possibly beginning as soon as 2016.

We are also evaluating pipeline conversion opportunities, which are the largest and most complex of our South Louisiana opportunities. As we optimize our Louisiana gas pipelines, we will create underutilized portions of the pipeline systems that represent great potential for conversion to liquids or crude service, both of which we are pursuing.

Due to the work required and the complex nature of the opportunity, conversions of gas pipelines to liquid service will likely not begin contributing to Adjusted EBITDA over the next couple of years. If we are able to transact on a conversion opportunity, which could easily require several hundred million dollars of investment, the Adjusted EBITDA contribution could be multiples of the contribution currently provided by these assets. So while the conversion potential is certainly exciting, we are also evaluating the opportunity to keep these pipelines in gas services at a high utilization rate. The great news is we have optionality created by the South Louisiana position to provide more than one type of service.

We also see tremendous potential for organic growth in the Permian Basin where we are utilizing our existing assets to grow into new areas. We currently have approximately 250,000 dedicated acreage in the Midland basin and we are pursuing opportunities with potential customers on another 100,000 acres that would extend our system further into Howard, Upton and Reagan counties. Future expansions are needed to allow us to meet the growth of our contracted customers and provide capacity to continue connecting new suppliers of gas for customers in the region. The combination of our Midland Basin system and the Coronado system have given us a geographic position in the basin and created opportunities we could not have successfully pursued independently.

We also established a foothold in the Delaware Basin through our acquisition of LPC earlier this year and we are already seeing additional growth opportunities to expand our service offerings in the region. We are currently in negotiations with producers on multiple projects and the Delaware. While it is too early to project the outcome of these efforts, we are confident that the Delaware will become a significant area for us in the future.

Our fourth avenue of growth is M&A where we have a proven track record of strategically leveraging acquisitions to enhance value for our customers and our unitholders. We believe this is becoming a more buyer-friendly market with significant opportunities in the industry due to the current market environment. Because of our strong investment grade balance sheet that provides us with a low cost of capital, we will continue to leverage the tremendous consolidation opportunities we see in our large fragmented market.

In summary, we were built for commodity environments like this one. We have the strong foundation and the significant growth opportunities available to succeed throughout these cycles. We are confident that with the successful execution of our strategy we can create value for customers and unitholders today and well into the future.

With that, we would like to turn the call back to our operator Kate who will open the lines for your questions.

**Operator:**

We will now begin the question and answer session. To ask a question, you may press star, then one on your touch-tone phone. If you are using a speaker phone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time we will pause momentarily to assemble our roster.

The first question comes from Darren Horowitz with Raymond James. Please go ahead.

**Darren Horowitz:**

Hey, guys. Good morning. Steve, first question for you on North Texas. As you outlined regarding that benefit from pressure reductions in Devon's vertical refracs, beyond the remaining 50 refracs that Devon is set to complete before the end of this year, can you give us a rough sense or roughly quantify how much of a volume benefit you think the other producer refracs could add to your North Texas throughput, either later this year or into early 2016?

**Steve Hoppe:**

Right now it's really too early for us. They are just getting started on evaluating those programs, but if you look at the impact that Devon had in offsetting declines, they were running—I think you could look at the Devon numbers they reported and you can see they were running about 400 a day improved volumes and then we were able to offset our declines, as we said, by about 25% overall. So that took our declines from 10% to about 7.5%

Male Speaker:

And that was just on the vertical.

**Steve Hoppe:**

Yes, and that was just on the vertical and they are starting a horizontal program, which we expect to be much, much more improved and more significant opportunity.

**Darren Horowitz:**

Okay. Then if I could, switching gears over to the Eagle Ford, specifically the comments of leveraging the crude and condensate with the VEX assets. Now I'm curious, and I realize it's early and difficult to quantify, but do you have a sense of the incremental capex could be in order to vertically link those assets, as you mentioned, all the way downstream to the Gulf with regard to either incremental storage or export capabilities, but really just get more demand pull-through those assets?

**Mac Hummel:**

This is Mac Hummel, by the way. Let me just say that we are very excited about the entry in Eagle Ford. We think VEX is a great asset. We picked up a great operations team and of course everybody knows it's

a great basin. Having said that, in terms of the linked system that you talked about that gets all the way to Houston and storage assets in Houston, no, we've not looked at the extension of that asset to that degree. We have looked at other opportunities; perhaps link that with other areas and of course in the midst of an expansion now which will take capacity from 50,000 barrels a day to 90,000 barrels per day.

**Darren Horowitz:**

Okay, and then last question for me: as it relates to further leveraging that Bridgeport plant, specifically, as you mentioned, maybe an additional phase connecting that northern end of NGPL into the Cana system and then looping it down to Bridgeport, it seems like you could even have more significant volume than 400 million cubic foot a day and I'm curious, just from Y-grade perspective how you could further link that to get those physical hydrocarbons more downstream and get more of kind of a value added opportunity even further down the system? Because it would seem like the opportunity set just don't stop there.

**Barry Davis:**

We agree with you. We are really looking at this in a phased approach and it's going to be driven by the demand that we see and the growth we see and Oklahoma, but we definitely see and are working on projects that will give us opportunities into that first 400 million then I will let Mac address the downstream possibilities, but one of the reasons why we are wanting to get rich gas into North Texas is we believe it will have better value and better takeaway at that location that it would in Oklahoma (Inaudible).

**Darren Horowitz:**

Go ahead Mac.

**Mac Hummel:**

Go ahead.

**Darren Horowitz:**

I was just curious—and I apologize for interrupting—and you made some comments about the economic incentive in the Anadarko Basin around the Cana and Woodford. I'm curious from a producer kind of net back perspective, how competitive you think those rich gas volumes are and if you ultimately think that could maybe even displace some South Texas or West Texas volumes to the extent that producers might get from a Y-grade or fully fractionated barrel an even better return in terms of hooking in that Cana and Woodford production all the way downstream?

**Barry Davis:**

Darren, this is Barry. Let me just comment very broadly on that. What we are hearing from the producers in the Mid-Continent and especially from Devon is that the returns on their development there are the best in their portfolio. I think the key to making that—to sustaining that economic return is access to the best markets, which we think can happen through the North Texas connection and then ultimately opening up the pathway on down into the Gulf Coast of Texas for the residue gas and into Mount Belvieu market for the NGLs. So while we are still fairly early, we are very focused on designing this project with optionality so that we can continue to bolt on, as you say, as we see the development to happen. But, we are also—we want to get something on the board, in the ground because we think right now there is an opportunity for that first 400 million. So as we do that, we will certainly build in optionality.

**Darren Horowitz:**

Thank you, Barry.

**Barry Davis:**

Thank you, Darren. Appreciate it.

**Operator:**

The next question is from Jeremy Tonet of JPMorgan. Please go ahead.

**Jeremy Tonet:**

Good morning. Thanks for all the color today. Very helpful. Sorry, if I missed it in the prepared remarks, but it seems like there was a contract termination in the Crude and Condensate segment. I was wondering if you could provide a bit more detail on that.

**Mike Garberding:**

Jeremy, this is Mike. What it was is we had a customer within our Louisiana segment that was paying us basically reservation fee to use some assets down there and was not utilizing them. It was a short-term contract with a little less than 12 months left. We determined the best thing to do ultimately was to terminate the contract and give us an opportunity to utilize the assets in a better way. So for us it did represent probably a better opportunity to increase our cash flows in that business.

**Jeremy Tonet:**

Great, thanks for that. And Barry, I think you ended the call with a bit of a discussion of M&A out there. I'm just wondering if you might be able to expand on that a bit more. It seems like you guys have the size and the scale and the ability to kind of take advantage of opportunities that might present themselves. I'm just wondering how close are people getting to actually selling? Do you see more opportunities on that line in the near term, especially in the Barnett and other areas where you have a dominant position?

**Barry Davis:**

M&A, Jeremy, there's a lot of things that have to line up and I would say we start by having the right cost of capital with our investment grade balance sheet, the right position from our asset base across different basins so that we can look at synergies for key assets we might be acquiring et cetera. What we are seeing now is a more constructive market in terms of the way buyers and sellers are viewing the value of assets. So we are also seeing a trend where we are seeing consolidation. We think consolidation and activity leads to more activity. So I would say we are seeing things line up to where M&A could become a bigger contributor to our growth going forward. We started out 18 months ago really highlighting the four avenues of growth we have and at that time we probably felt like we would see a greater concentration in organic growth, which we are still seeing, by the way—terrific opportunities for organic growth, but in this environment, we will see the lever of M&A become an increasingly important part of our view.

**Jeremy Tonet:**

Great, thanks for that. That's it for me.

**Barry Davis:**

Thank you.



**Operator:**

Our next question is coming from Jeff Birnbaum of Wunderlich. Please go ahead.

**Jeff Birnbaum:**

Good morning everyone. So obviously it's been a difficult market and EnLink hasn't been immune to that. I guess my first question was with the sell off in the LP units, is there any change I guess to how you are thinking about the financing growth between the K & C currencies or any changes I guess to your thinking about the timing or financing and structuring of dropdowns, particularly Access?.

**Barry Davis:**

Jeff, this is Barry. Let me start and then I'm going to hand it to Mike on the financing discussion. We would just acknowledge that we agree with your sentiment on the equity markets, certainly a challenging equity market. We think in times like this everybody gets looked at as one big group and what we've tried to do today is remind the market, remind you guys of the way that we think we are uniquely positioned and are differentiated when you look at the overall G&P or the MLP sector. We think that we designed ourselves to be able to really take advantage of all cycles. So again, I think we've demonstrated that to you today. Our performance will continue to speak for itself as we go forward and we just look forward to continuing to deliver and then ultimately the market recognizing that in differentiating, if you will, the equity valuation for us.

**Mike Garberding:**

From a financing standpoint, we were thoughtful on this, right? So if you remember we did our big equity offering in November of last year right before the price decline and purposely did our bond offering in May to ensure that we had execution and it also positions us, like we've said, where we don't have a requirement based on our current plan to do a market equity deal. So a lot of flexibility this year to not have to be in the market and we purposely did that.

Right now from a system standpoint, we have a lot of optionality, right? I mentioned that we have north of \$60 million of cash up at ENLC and that gives us flexibility ultimately to how do we use that cash from a development standpoint. A simple way to think about it is do you ultimately buy ENLK units because of the view of where we think the value of the ENLK units is and that's just alone based on today's distribution would provide about a 10% bump in cash flows at ENLC. So things like that give us a lot of flexibility, but the big takeaway is we don't have to be in the market; that's the biggest flexibility.

**Jeff Birnbaum:**

Thanks, Mike. That's very helpful. Just a follow up kind of. Mike, you mentioned, you kind of reiterated the distribution guidance at K & C, but also kind of indicated that if we should see headwinds persist, those numbers could come down to I think you said 5.5 and 15.5%, respectively. I was kind of wondering, while effectively what sort of criteria you are going to use to kind of make that determination? Obviously we are going through some challenging times right now, so maybe any color and that might be helpful.

**Mike Garberding:**

Good questions. So when you think about that, the first thing is just how we performed in the first half of the year. You saw us perform and you saw the results really through the first half that we would say were at or above where we wanted to be on an overall basis versus guidance, so the teams did a great job. When Mac and Steve went through their businesses, it was more than a handful of projects that are really

bolt-on projects that have near-term cash flows. So we have a lot of levers ultimately to continue to grow this business, so that is probably the most important thing.

When we talk about the headwinds, we're just trying to be realistic. Like you said, this is a difficult commodity market and there's a lot of uncertainty on the path forward with regard to that, but from a structural standpoint, like Barry mentioned, we have a business that has, for example, floors, right, for the MVCs. Like I mentioned we are at or near those floors so we don't see a lot of cash degradation in any way on that.

So from a lever point of going forward, we'll continue to look at where we want to be from a coverage ratio and where we want to be from a leverage ratio and where we are from a cash flow standpoint in the business. But most of all, we think we continue to execute to meet the guidance we laid out.

**Jeff Birnbaum:**

Great. Sorry, just one kind of housekeeping follow-up for me. I think you laid out the impact of the Cana outage 2Q. Can you quantify the weather impact on the Barnett or any impact there was in Oklahoma there in the second quarter?

**Mac Hummel:**

It was actually negligible so we had just one compressor down for a few days and it really was no impact at all and that was kind of the great opportunity that we saw from our teams and how they performed.

**Barry Davis:**

And Jeff, I think that is the news is that there was no significant impact given the extreme conditions that we were operating with and folks went to great extent to overcome those challenges. Great work.

**Jeff Birnbaum:**

Thanks everyone.

**Barry Davis:**

Thank you, Jeff.

**Operator:**

Our next question is coming from Sharon Lui of Wells Fargo. Please go ahead.

**Sharon Liu:**

Hi, good morning everyone. Just a follow-up on the question about the risk to achieving the 2015 guidance. Maybe if you could provide some color on I guess the potential headwinds for the balance of the year; are there specific regions where maybe the pace of growth may be lower than what you are anticipating or is there other factors that we should be considering?

**Barry Davis:**

No, I think it's what we laid out. I mean, each region has some of their own risks and opportunities. I'll use North Texas as an example. We mentioned in the past we had some Quicksilver exposure, but on the flipside of that, the North Texas team working with Devon has been able to execute on the refrac and

pressure reduction programs to offset 25% of the decline. So each area has those positives and negatives that could impact what we are seeing.

I think like I said most of all, we are just trying to be realistic because as you look at the commodity price deck today versus where it was just a month ago, it has changed dramatically. So producers are still making decisions on what they're going to do from a volume standpoint. The nice thing is we have lots of opportunities to grow the business in areas that necessarily aren't tied to commodity, like Mac's business in Louisiana which is demand-based business. So it's really you have the opportunities and risks really in every area of the portfolio but we think, as we did in the first half, we can continue executing to opportunities to offset those potential risks.

**Sharon Liu:**

Okay, that's helpful. I guess after you could provide some color on your capital program to date, how much growth capex is spent, and I guess based on some of the opportunities that were highlighted, how should we think about I guess the visibility of your '16 and maybe '17 growth capex programs? Is there a way to quantify how much capex is committed at this point versus potential still under negotiation?

**Mike Garberding:**

Let's start with 2015 and I'll turn it over to Barry to talk longer-term. If you think 2015 we had original guidance spending around 500 or so. A simple way to think about that is we are about halfway through that. We talked about in the 10-Q we have about \$200 million to \$250 million still being in process through the latter half of the year, mainly focused on three areas. Mainly focused on the completion of the VEX project at Eagle Ford; the Cana, as Steve mentioned, and ultimately finishing up Riptide and all of our work in the Permian.

So from a long-term, when I turn it over to Barry, it's really related to all the projects he worked through.

**Barry Davis:**

Sharon, let me say I know it frustrates you when we don't give you specific details in '16 and '17 and we would like to do that but we really can't because we always have these large long-term projects that are in development that I outlined in detail in the call. If you put a big number around that, in the four core areas I outlined about \$1.5 billion worth of opportunities that we feel good enough about to talk to you about those. So we aren't putting those into capital program at this point, but across the basins we have got about a half a billion in the Permian, about a half a billion in the Mid-Continent, somewhere between \$100 million and a half billion in Louisiana, and then some opportunities in the Eagle Ford. That's only on the organic side.

I would say most of those opportunities have a construction and kind of a development period that is probably 18-24 months, so you really are talking about a '16 and '17 kind of timeframe. On top of that we have the to dropdowns that we highlighted that would also be potential capital investment opportunities for us.

**Sharon Liu:**

That's helpful. Thank you.

**Operator:**

This concludes our question and answer session. I would like to turn the conference back over to Barry Davis for closing remarks.

**Barry Davis:**

Thank you, Kate. I appreciate, again, everyone being on the call today. We apologize a little bit for going longer than we normally would but we thought it was important to really give you a great feel for how we believe EnLink is a differentiated platform, how we have the opportunity to continue to deliver in all cycles and to come out of the cycles better positioned than we went in them. So thank you again for your great support. Thank you for tuning into the call today and we look forward to reporting on our success and progress in the next quarter. Have a good day.

**Operator:**

This conference has now concluded. Thank you for attending today's presentation. You may now disconnect.