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EnLink Midstream Partners LP (ENLK)

Q2 2017 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the EnLink Midstream Partners Second Quarter 2017 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] . Please note this event is being recorded.

I would now like to turn the conference over to Kate Walsh, Vice President of Investor Relations. Please go ahead.

Kate Walsh

Vice President -Investor Relations and Tax, EnLink Midstream Partners LP

Thank you, and good morning, everyone. Thank you for joining us today to discuss EnLink Midstream's second quarter 2017 results. Participating on the call today are Barry Davis, Chairman and Chief Executive Officer; 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 earnings release yesterday and filed our Form 10-Q with the SEC earlier this morning. To accompany today's call, we have posted our earnings release and operations report to the Investor Relations portion of our web site. Shortly after today's call, we will also make available, a web cast replay of this call on our web site.

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, and 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 prepared remarks by Barry Davis, and Mike Garberding, and then leave the remainder of the call open for a question-and-answer period.

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

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. 2017 for EnLink is all about focused execution in the right places with the right partners. As we look back at the second quarter of this year, EnLink performed very well, producing solid financial and operational results in the midst of a prolonged, challenging macro backdrop and elevated in-basin competition.

With six months of actual results now realized and better visibility into the back-half of the year, we have refined our 2017 full-year adjusted EBITDA guidance, and raised the midpoint of the range to $860 million from $850 million. We have confidence in our ability to not only achieve the midpoint of our new guidance range, but also achieve our expectations for fourth quarter annualized adjusted EBITDA run-rate of between $925 million and $950 million.

Our fourth quarter exit rate for 2016 was $195 million, so we are expecting a 20%-increase in adjusted EBITDA year-over-year. That's incredible growth, which directly translates into a strong cash-flow growth, and ultimately distribution growth for our unitholders.

I want to take a moment now and tell you what we are most excited about this quarter, and that is the year-over-year volume growth we experienced in our core growth areas. Over the last several years, we've been strategically investing in our platform in the right places to support our long-term growth objectives, and this year in particular, we have been laser-focused on placing organic growth projects into service, and we are realizing the potential and seeing meaningful volume growth from our team's hard work and focus on execution.

In addition to the resulting increasing cash flow, the volume growth is carrying significant momentum forward into the second half of 2017 and beyond. In Central Oklahoma, our gas gathering and transmission volumes are up 24% from this time last year, and our gas processing volumes are up 27% over the same period. The STACK continues to be a standout asset in our portfolio, and we are excited to announce the construction of a new crude oil gathering system in the area called the Black Coyote, which will expand our service offerings, and add to our earnings power in 2018.

Black Coyote is primarily underpinned by acreage dedication from Devon, who will be the main shipper on the system. We are constructing the system to be operational in the first quarter of 2018, when crude volumes are expected from Devon's Showboat development.

Showboat is a 25-well development project, which is expected to be the first in a series of large-scale projects Devon is planning to initiate in the area.

Shifting to the Permian, our gas gathering and transmission volumes are up 37% from this time last year, and our gas processing volumes are up 21% over the same period. We have seen tremendous activity in growth around our Delaware Basin footprint, and we expect that trend to continue.

We have been successful at partnering with large, active, investment-grade producers in the basin. Importantly, these producers are committed to an accelerated pace of development, and in response to volume projections, we are actively discussing our next phase of expansion in the area.

On the Midland side of the Permian, we've got strong producer customers backing our system. We experienced some producer high-grading over the past 12 months, and now we are seeing development on the acreage that has traded hands.

Today, we have approximately 40% available capacity on our Midland system, and are in a great position to service the anticipated increased volume trajectory, with very little in the way of additional growth capital expenditures needed.

In the demand-driven Louisiana area, we have a leading natural gas infrastructure footprint, proven by the strong throughput volumes we handle, and the amount of pipe and storage we own and operate.

Year-over-year, our Louisiana gas volume throughput has increased 23%. Our gas position also provides EnLink important market diversity. In Central Oklahoma and the Permian, activity is underpinned mainly by crude oil production. While in Louisiana, gas activity is influenced by the scale of the LNG capacity and a diverse network of industrial gas consumption.

We are uniquely positioned to serve Louisiana's growing gas demand, given our strategic asset base that spans the Louisiana coast, and includes salt dome storage and ownership of the Henry Hub.

Additionally, with the redundancy of natural gas pipelines that we own in Louisiana, we have the unique opportunity for attractive, potential conversions of pipe into alternative commodity service, and we are gaining momentum in this regard.

Our Louisiana opportunities extend into NGLs, as approximately 25% of total U.S. steam cracker capacity is currently operating in the state of Louisiana, a number that continues to grow. Our Cajun-Sibon system transports much needed NGL supplies into the region, where it connects to our expansive asset base, and serves a growing set of demand markets and customers.

During the second quarter, we saw volumes on our NGL system increase by 11%, in a large part, driven by the NGLs coming out of our Chisholm II plant.

We recently announced an important and highly strategic agreement that allows us to move NGLs from Central Oklahoma to the Gulf Coast, through a very economic transportation agreement with ONEOK.

Next, I want to give an update on what we are experiencing in the Barnett. In the Barnett Shale, we maintain a leading position, owning the largest midstream infrastructure in the basin, including more than 4,000 miles of pipe and in excess of 1 BCF a day of processing capacity. The activity we service today forms an important base load of cash flow for the company overall. Our focus in the Barnett is to maximize cash flows from this mature basin, and during the second quarter, we did a tremendous job at this.

Volume declines moderated to around 1%, while cash-flow increased about 3%, when compared to last quarter. The team has achieved some terrific results by keeping a sharp focus on cost control, while completing a series of enhancements, including pressure reduction projects and attracting new packages of gas to the system.

Longer term, we could see further moderation of volume declines in the Barnett, as a result of three key initiatives Devon is currently pursuing. First, Devon has tested new horizontal refrac designs on a six-well pilot program, and the results are very encouraging. Devon's refrac program increased production per well by 400% with costs as low as $650,000. These results could spur additional investments in the future by Devon and other operators in the basin.

Second, to further define upside in the Barnett, Devon is initiating a new rig-line drilling pilot of six wells in the third quarter that will leverage improved drilling and completion technology. Results from this pilot are expected by year end.

And lastly, we remain encouraged by Devon's potential divestiture of Johnson County properties. And we're hopeful that a potential divestiture could attract a counterparty who maintains a more focused development program in the basin.

As we continue down our path of execution in 2017, our long-term vision remains unchanged, to be the trusted energy company, devoted to people, partners and performance.

In summary, by executing on our long-term strategy, we will deliver what we promised, sustainable, long-term growth for the company and its stakeholders. The volume we're achieving is driving higher cash flow results, and we expect continued momentum in the second half of the year. Our near-term vision is to continue to do what we've always done, build and operate great infrastructure in the best basins in the country. Over the long term, we will continue to pursue strategic opportunities and expand across commodities and services, and in time, achieve vertical integration of our business by connecting our facilities through pipe and contracts, to link our assets in top supply basins to premier demand markets.

With that, I'll turn the call over to Mike.

Michael J. Garberding

President and Chief Financial Officer, EnLink Midstream Partners LP

Thanks, Barry, and good morning everyone. The success we've achieved in expanding volumes across our system, as Barry just described, has resulted in solid results this quarter, and we are on track and are right in line with where we expect it to be at this time of the year.

As you remember on our last earnings call, we told you that second quarter 2017's financial results would look a lot like the first quarter of 2017, and that's right about where we landed.

Adjusted EBITDA net to EnLink totaled approximately $210 million for the second quarter, representing around 12% growth year-over-year as compared to the second quarter of 2016. Included in ENLK's adjusted EBITDA for the second quarter is an $8.5 million legal settlement gain.

You recall that we had a related $17.5 million gain in the first quarter of this year, and at this point, we do not expect to realize any further material legal gains during 2017. The combined legal settlement gains have only impacted ENLK distributable cash flow by approximately $7.9 million for the year.

It is also important to remember, when comparing quarterly adjusted EBITDA results, 2016 performance include earnings from non-core assets that have been subsequently sold. Our results reported for the second quarter of 2016 included approximately $6 million in contributions related to those divested non-core assets, and thus did not benefit our results for the second quarter of 2017.

ENLC achieved cash available for distribution this quarter of approximately $53 million, which is in line with our expectations and up over 5% from this time last year. ENLC's cash available for distribution for the second quarter includes $5.1 million related to cash flow contribution from its 16% investment in EnLink Central Oklahoma STACK assets acquired in 2016. This amount has been netted with around $2.3 million in direct and indirect ENLC expenses. Therefore, on a gross basis, we assumed 100% cash flow contribution from EnLink's Central Oklahoma STACK assets acquired in 2016 is around $34 million for the quarter.

Barry highlighted that we refined our adjusted EBITDA guidance for 2017 in response to consistent first half performance as well as confidence and visibility into growth for the remainder of the year. Key takeaways from our refined guidance include: narrowing annual EnLink adjusted EBITDA to $840 million to $880 million for the year, based upon results to-date and improved second half visibility; maintaining confidence in meeting our fourth quarter annualized exit rate for ENLK adjusted EBITDA of between $925 million and $950 million; executing on third quarter EnLink adjusted EBITDA that is expected to be consistent with the performance during the first half of the year; inclusion of the legal settlement proceeds in current year ENLK EBITDA guidance; and continued confidence in our Oklahoma and Permian growth.

The business has made tremendous progress this year, especially when you look at it with the backdrop of crude oil price volatility, with crude currently trading between $45 and $50 a barrel.

We believe the focus of refining our guidance is our continued confidence in meeting our fourth quarter annualized exit rate for ENLK adjusted EBITDA of between $925 million and $950 million. To us, this is a key metric to focus on, as it shows the capability of our existing business as we exit 2017 and continue to grow further into 2018.

Why do we have the confidence? First, all major construction projects are in operation, including Chisholm II, Ascension, Chickadee and Lobo II. Second, key producers like Diamondback in the Midland Basin, expect to execute well completions on existing DUCs during this year. It's important to note that we don't require any new wells to be drilled to meet our guidance expectations, as we have around 40 to 60 DUCs on our system.

Third, current rig activity in Oklahoma supports the volume growth we expect for the remainder of the year. For example, Devon has been experiencing tremendous well results in the STACK and is transitioning to full-field development in Q3 2017.

Fourth, in Louisiana, Marathon is increasing its utilization of transportation on the Ascension system and associated liquid storage. And finally, the increased activity in Oklahoma and the Permian support additional volumes on our Cajun-Sibon NGL system.

Based on the caliber of our customer portfolio and the active dialog we maintain, we have confidence in our key producer and end market customers executing on their plans this year.

Turning to our current quarter, we continue to see solid volume and margin growth in both Oklahoma and Permian. However, we have seen a decline in margin in our Crude and Condensate segment and Louisiana gas business. The main drivers of the decline in our Crude and Condensate business are reduced margins in our Permian business, slightly offset by the ramping of the Chickadee system, as well as volume and transportation rate decreases at our ORV assets. The main driver of our decline in our Louisiana gas business was the expiration of a transportation contract in North Louisiana.

Overall, we are committed to financial discipline and have strategically focused on lower risk, higher return organic growth projects in our core growth areas. We continue to prioritize strengthening our leverage ratios, building distribution coverage and building the ability to grow distributions. Resuming distribution growth remains a long-term priority of EnLink. And as we stated before, we do have the opportunity to commence distribution growth at ENLC, prior to ENLK.

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

Barry E. Davis

Chairman & Chief Executive Officer, EnLink Midstream Partners LP

Thank you, Mike. I'd like to make one key point that I think is important to hit home, before we wrap up.

At this time last year, we had 18 rigs running on our dedicated acreage. Today, we have 57 rigs running on our system. It's this 215% rig growth year-over-year during a tough commodity cycle that gives us confidence that we're in the right places with the right partners. Our path forward today is to continue to execute with excellence in all our core areas, and to continue to do a great job focusing on what's within our control. And what I know without a doubt is that we have the right people to do it.

With that, you may open the lines for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And our first question comes from T.J. Schultz with RBC Capital Markets. Please go ahead.

T.J. Schultz
Analyst, RBC Capital Markets LLC
Q

Hey guys. Good morning.

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

Hey.

T.J. Schultz
Analyst, RBC Capital Markets LLC
Q

So what were the key benefits with the ONEOK arrangement that made you choose that route on NGL takeaway as opposed to building your own pipeline?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP
A

Hey, T.J. Good morning, it's Ben. I'm going to start and I'll talk about what it means for our Oklahoma business, and then I'll pass to Mac and let him talk about what it means for our NGL business. So, the last call, we talked about this. And what we said was that we would carefully consider all of the options that we had for our Oklahoma NGLs. And that would include third-party transportation agreements, it would include joint ventures, it would include our own pipeline. And at the end of the day, the clear best option was to partner with ONEOK and let them provide a transportation service for us more inexpensively than we could provide it for ourselves. And the benefit of that was an immediately cash flow accretive solution that required no capital whatsoever for us, and yet, left us complete flexibility downstream to do interesting things in fractionation, including fill up the Cajun-Sibon system.

So, very, very happy with the partnership with ONEOK on this.

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

T.J., this is Mac. And just following up Ben's comments there. Very clearly, the ONEOK alternative was heads and shoulders above the other alternatives we considered. And like Ben mentioned, we considered a broad swath of potential opportunities there. Specifically on the NGL side, in addition to the benefits Ben talked about, we'll have strategic connections directly from ONEOK systems into our Cajun-Sibon facility. So, we'll be able to get those barrels literally from our processing plants through ONEOK system directly into Cajun-Sibon. We'll also have the ability to deliver those volumes into the Mont Belvieu area in order to have them fractionated there, should we choose that long-term.

We've got complete flexibility with regards to how we deal with the fractionation of those barrels. So, like we did on the transportation side, we'll look at all of our alternatives for fractionating those barrels, and we've got the complete flexibility in this agreement to do that.

And another one is that, it was immediately accretive to our 2017 earnings. In other words, had we elected some of the other alternatives we were pursuing or considering, we would have paid a significantly higher transmission rate to get those barrels down to Mont Belvieu versus the long-term rate we're paying now. So again, very positive for us.

And then finally, I think I'd just reiterate one of the points Ben made, and that is, no capital required on our side for us to execute on getting these barrels down into Cajun-Sibon, and very, very important in this environment.

T.J. Schultz
Analyst, RBC Capital Markets LLC

Q

Okay. So, just to follow-up, when do you expect Cajun-Sibon to be full, basically just looking for when you have that decision point on either additional frac capacity that you need at Belvieu or expanding Cajun-Sibon?

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

A

Yeah. T.J., again, this is Mac. We'll continue to see Chisholm II volumes ramp up and we'll contribute toward filling Cajun-Sibon. That's happening today, and we expect it happen over the balance of 2017 and 2018. We're going to need to make a decision with regards to fractionation and/or what we do with our portfolio of supply contracts on Cajun-Sibon, sometime in 2018.

T.J. Schultz
Analyst, RBC Capital Markets LLC

Q

Okay, great. Thanks. Just switching gears one last one, and I'll hand it over. In the Midland Basin, we've seen some commentary from producers on delays in drilling and completions. You guys are expecting utilization to ramp to 70%, I think, by the fourth quarter. What line of sight do you have on some of these pads getting completed into your system, or is that ramp just from the Diamondback DUCs that you talked about? And then similarly, any concerns on the pace of the ramp at Chickadee.

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

A

Yeah. T.J., this is Steve. Just to reiterate, we've got a number of DUCs in the system, it's not just Diamondback, but it's other customers as well. And we spend a lot of time in discussions with our customers and anticipating and planning for our capacity, and we're in real close contact with them. And we're very confident that in the second half of the year, we're going to see continued growth in the Midland Basin and the volumes come online. So, we feel pretty confident about the projections that we have on the go-forward and the volume and the capacity that we're going to get to fill up that or the volume that we're going to get to fill up that capacity Chickadee.

T.J. Schultz
Analyst, RBC Capital Markets LLC

Q

Okay. Thank you, guys.

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

A

Yeah.

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

A

T.J., I just wanted to visit with you too about Chickadee and follow-up something there. The Chickadee system has really performed in the second quarter like we expected it to. When we talked about it in the first quarter, we talked about it ramping into the second quarter and throughout the second quarter and leveling off to where we expected really consistent operations through second quarter and through the balance of the year. And as we look at the second half of the year, we still think we're right in line to do that. We've got some bolt-on projects that we're currently executing on, on Chickadee, that should come on. The majority of which should come on in 2017. And as our producers drill and complete on the schedules that they're telling us that will benefit as two of the other dedicated acreage we've got at Chickadee. So, again, feel good about where we're at, and feel good that the startup issues are behind us and the growth opportunities are ahead of us.

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

A

Thank you, T.J. Appreciate your questions.

Operator: Our next question comes from Jeremy Tonet with JPMorgan. Please go ahead.

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

A

Good morning, Jeremy.

Rahul Krotthapalli
Analyst, JPMorgan Securities LLC

Q

Good morning, guys. This is Rahul on for Jeremy. Thanks for the updated guidance and on the other details on projects. Now that we have more visibility into 4Q exit rate as the year progresses, is it reasonable to think that this run rate could potentially serve as a floor for the first half of 2018, especially given the projects coming on at the end of the year?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP

A

Yeah, Rahul. This is Mike. So, one of the key points we wanted to make with guidance was the point you made, which was the confidence we have around the exit rate in 2017. We think if there is one big take away from the revision to guidance, that is it. And it goes to the key points we made as far as what has to happen to get to that point. And we think that's just a handful of things, and we feel well positioned for that today.

So, as we look into 2018, we feel that that run rate is going to be a great starting point for 2018. As we've talked about, we have additional projects coming on into 2018, which would be the next phase of Chisholm. We talked about the crude gathering ultimately in Oklahoma, the ramp of Chickadee or the ramp of Lobo. So, I think as far as an expectation, that's a good expectation to have for 2018.

Rahul Krotthapalli
Analyst, JPMorgan Securities LLC

Q

Got you. That's helpful. And coming to the North Texas, like you guys wanted the flattening of volume declines there and also gave some good details on Devon's equity. So, how do I think about the trajectory going forward for back half of the year in terms of volumes and also into 2018?

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

A

Yeah. This is Steve. I'm going to just start off first by just kind of reiterating what Barry had said. I think it's real important to understand that we have been executing on our plan in North Texas. We have had success in offsetting declines, but we've been very focused in pressure reduction. We see our customers adding some new wells and continuing with the refrac program like Devon, and also looking at a new drilling program for the second half of the year. But we've also added some new supplies, like contracted new supplies to the system. So, all of that is helping. And it's really been a great story I think, and our teams in North Texas are executing well.

Specifically to your question on declines going forward for the rest of the year, I think that, what I'd say is, our prediction would be from 1.5% to 2% decline quarter-over-quarter for the second half of 2017 is where we're at today.

Rahul Krotthapalli
Analyst, JPMorgan Securities LLC

Q

Got you. That's helpful. And coming to Oklahoma, like we have seen some margin expansion this quarter, and it appears that more volumes are going to be coming in. Is this like a fair run rate in unit margin in the region, as volumes, especially from Devon, continue to ramp?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP

A

Hey, Rahul. It's Ben. I'd caution you too much about trying back into unit margins, because the Oklahoma business is complex and margins vary among customers, and they vary according to the services that we provide. But what I would reiterate though is the pace at which we see that business expanding is consistent with what you saw this past quarter. And I think if you look in the operations report, page 26, tells that story. After a few quarters of relatively flat volume, you have begun to see the expansion of volume that we expected. And you are now seeing that translate into rapid increases in segment profit, not only in the Oklahoma business, but also driving the NGL business going forward as well.

Rahul Krotthapalli
Analyst, JPMorgan Securities LLC

Q

Got you. That's helpful color there. And one final one for me. Like how do you think about the total CapEx here for the Black Coyote project as it expands over time? Do you see like potential for more room there like going forward or...?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP

A

Yes, certainly. And you said the key words, as it expands over time. So, crude gathering is a little bit different in this sense than gas gathering and processing, because you don't have a big processing plant expenditure that you have to make upfront. The system is inherently a bit more scalable to system volumes than perhaps a gas

G&P system is. So, the upfront capital for Black Coyote this year will be in the range of $10 million to $15 million, and that will be an ongoing capital expenditure year-after-year as our dedicated producer adds receipt points on the system.

Rahul Krotthapalli
Analyst, JPMorgan Securities LLC

Q

Got it. That's helpful guys. Thanks a lot for taking my questions.

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

A

Thank you, Rahul.

Operator: Our next question comes from Gabriel Moreen with Bank of America Merrill Lynch. Please go ahead.

Gabe Moreen
Analyst, Bank of America Merrill Lynch

Q

Hey, good morning everyone.

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

A

Good morning, Gabe.

Gabe Moreen
Analyst, Bank of America Merrill Lynch

Q

Just couple questions for me. I think you had referenced some Mont Belvieu disruptions having a benefit for the Louisiana segment in the second quarter. Can you just talk about maybe what those were and the degree of the benefit?

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

A

Yeah, Gabe. This is Mac Hummel, and thanks for the question. We did mention that, and we had a couple of benefits to our NGL business in the second quarter. One is just the continued volume ramp that Ben talked about from Oklahoma, and then the other was some benefit from Mont Belvieu disruptions. And simply what that was is, there was a party that had some maintenance going on, on fractionation in Mont Belvieu and we were able to compete for those barrels and bring them into the Cajun-Sibon system, transport them over to our fracs and fractionate that product in Louisiana.

Gabe Moreen
Analyst, Bank of America Merrill Lynch

Q

Thanks, Mac. And then I guess in terms of 2017 guidance for CapEx, obviously you narrowed a lot of your other guidance ranges, but you didn't really narrow 2017 growth CapEx expectations. I know you've obviously touched a lot on growth CapEx, if you're spending answers to questions and your comments, but can you just talk about the reasons maybe a little more specifically, why not to narrow that growth CapEx range?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP
A

Yeah, Gabe. This is Mike. We're about right on track with where we expected to be on growth CapEx. The big piece of growth for us was the four big projects we've talked about within Oklahoma, Permian and Louisiana. And those all really came in on plan, on time and on schedule in the first half of the year. That was the big driver of CapEx, and got us to about that $380 million net to ENLK.

Where we project to be for the year is between mid to high, which would then project to be about an additional $200 million to $265 million for the remainder of the year. And that does include the Black Coyote within that number. If we are able to execute on additional projects that could change accordingly, but right now, we feel good about the guidance we've given on CapEx.

Gabe Moreen
Analyst, Bank of America Merrill Lynch
Q

Got it. Thanks, Mike. And then last question for me, just broadly speaking on resumption of distribution growth in 2018, whether it's C [ENLC] or at K [ENLK]? Any change in your thinking over the last couple of months? I know that you obviously are on track in terms of your plans financially, but just in terms of philosophically, any thoughts there?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP
A

Yeah. This is Mike again. Not at all. I think I hope you hear from all of us the confidence we have in our business. I think that we've executed on the projects incredibly well. That is what ultimately will drive the cash flow and you are seeing that in this quarter and ultimately see that in the exit rate we've talked about with regard to the guidance.

We think that sets us up well for distribution growth. And our view is consistent with what we told you before, with regard to distribution opportunities in 2018 and then potentially at ENLC before ENLK. We keep focus on the balance sheet, and we'll continue to build distribution coverage to get there. But the big thing for us we always watch is, the commodity price and volatility around that. So, what we'll do as always, maintain our balance sheet, build coverage, and have that capability and then watch that commodity price. Because we got to have the durability and consistency of that distribution increase.

Gabe Moreen
Analyst, Bank of America Merrill Lynch
Q

Appreciate the thoughts. Thanks, Mike.

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

Thank you, Gabe.

Operator: Our next question comes from Darren Horowitz with Raymond James. Please go ahead.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.
Q

Good morning, guys. Ben, Mac, if I could, I wanted to go back to your discussion around the value chain approach to move those NGLs on Chisholm down into Cajun. Does it still make the most economic sense, as you think about it to loop Cajun, as it gets closer to full capacity? And then also, to the point that you all mentioned earlier about where are you going to fractionate those barrels either at Belvieu or other options, is part of that thought process maybe the option to fractionate those barrels at Eunice, so that way that puts you in a position to capture more fee and purity product sales benefit, especially when you think about leveraging the butane and natural gasoline capacity that you guys have on Ascension?

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

A

Darren. This is Mac. Yeah, one of the options that we will look at to fractionate the barrels is to see what option we've got to move them over to our Louisiana fractionators. One of the major benefits there obviously would be transportation revenue. Another benefit would be the product sales benefit that you talked about, to the extent that we can frac those at Eunice or frac those at Plaquemine. There are opportunities for us to earn an extra margin on the sales of those. So that would be something that would be very attractive to us.

I wouldn't say at this point, we've got a leading candidate for what the right answer is. We're going to evaluate all of our alternatives very thoroughly. Really follow the process like we did on the transportation side and make sure that we understand all of the alternatives. And so that's what we're going to do. Louisiana is certainly one of those alternatives, but it's not the only alternative.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.

Q

Okay. And then switching gears back to the Permian for a minute. With regard to that 40% available capacity on the Midland system that you guys referenced, what kind of EBITDA uplift could you see, hypothetically, if that system was running closer to full effective utilization? And as you consider the next phase of expansion, when you're looking at the magnitude and timing of supply growth, can you give us a sense from a capacity standpoint, what scale and scope you might be thinking about to handle that volume uplift?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP

A

Yeah, Darren. This is Mike. On EBITDA uplift, I think the way to think about that is the trajectory you can triangulate around where we're at in the second quarter, and use that to think about where we're at, at full. I mean, there is some growth in Delaware, you'll see there based on the rig activity, but the big growth you'll see really is the Midland Basin. And so, I would just use the second quarter run rate to think about what you could see ultimately through the remainder of the year and use that. But the game changer continues for us, will be the bigger growth we've seen on Delaware, and that's probably more into 2018.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.

Q

Okay.

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

A

Yeah. And Darren, this is Steve. In response to your kind of planning of capacity expansion question, start with Midland Basin. We've completed a number of expansion projects in 2016 and in early 2017 on a gathering system. So, we've got a lot of good capacity there that is ready and available. We've always had about 400 million since we acquired and completed the Riptide plant in processing capacity. So, we're in good shape there.

As we move forward with next expansions in Midland, it's what we've discussed a lot in prior calls, the next phase would be adding capacity at Riptide. We've got a very low cost option there to add another 100 million in Riptide plant processing capacity. So, we're really well positioned to get Midland Basin into the 500 million a day capacity range at a very low incremental capital investment.

Darren C. Horowitz
Analyst, Raymond James & Associates, Inc.
Q

Thank you very much.

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

Thank you, Darren.

Operator: Our next question comes from Brian Brungardt with Stifel. Please go ahead.

Brian Joseph Brungardt
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Yeah. Good morning, guys.

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

Good morning, Brian.

Brian Joseph Brungardt
Analyst, Stifel, Nicolaus & Co., Inc.
Q

I guess, just to expand on the crude gathering question earlier, is the larger picture here to get into crude transportation, say, into Cushing or is it primarily to focus on the gathering side and help fill in the product offering for customers, especially Devon?

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

Yeah, Brian. This is Mac. Our crude strategy is very broad. It involves largely getting as much crude into pipe as we can get. We think the first step of that is exactly what you've seen on the Chickadee side as well for the Oklahoma side, and looking to ensure that we've got the capability to gather crude via pipe versus via truck where we can, and add that kind of capability, not only in Permian, but other growth basins like Oklahoma. So, we're doing exactly what our strategy had us lay out to do, which is move from truck to pipe.

Another phase in our strategy is to look at alternatives than to get our regional base crude gathering systems, better connected to major market outlets and potentially to connect inter-basins with pipes. I'd say, that's down the road, but that's certainly part of the strategy that we've got and the things that we're looking at.

Brian Joseph Brungardt
Analyst, Stifel, Nicolaus & Co., Inc.
Q

Got you. And then just to again follow-up previous, did I understand it correctly that kind of a run rate we think kind of $10 million to $15 million in CapEx in fiscal 2018 and beyond to meet Devon's needs?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP
A

This is Ben. $10 million to $15 million this year, what we know right now for 2018, I would say that's a fair estimate. That may change though in 2018, and it will change according to the producer's activity levels and need for future receipt points. And of course, 2019 is far enough out that I wouldn't want to prognosticate on capital in 2019.

Brian Joseph Brungardt
Analyst, Stifel, Nicolaus & Co., Inc.
Q

That's all I had. Thanks guys.

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

Thank you, Brian.

Operator: Our next question comes from Mirek Zak with Citigroup. Please go ahead.

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

Hi Mirek.

Mirek Zak
Analyst, Citigroup Global Markets, Inc.
Q

Hi. Good morning everyone. My first question is around Black Coyote. Can you guys speak about third-party opportunities around that, and if any of that translates into opportunities around your Delaware Lobo assets?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP
A

Well Mirek, it's Ben. I will start on the Black Coyote system, which will initially serve Devon's need for crude gathering in the STACK. The initial connection point will be the Showboat project that Devon highlighted in their operations report, about 25 wells beginning to come on in the first part of next year.

As far as third-party opportunities, there is certainly a third-party opportunity in Oklahoma for crude gathering. That could be in the form of an expansion of the Black Coyote system, it could be in the form of other gathering systems, because there is a variety of grades of crude that get produced in the STACK and so we will work with our existing customer and our potential other customers, to determine the right infrastructure to meet their needs to segregate the qualities that they want to see segregated.

Help me again on the Lobo part of your question?

Mirek Zak
Analyst, Citigroup Global Markets, Inc.
Q

Just seeing if this translates into opportunities around your Delaware and Lobo assets, possibly through shared customers or anything like that.

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

A

Yeah Mirek, this is Mac Hummel. We are looking at other crude opportunities in the Permian, both on the Midland side and on the Delaware side. I wouldn't say that there is a direct tie between the opportunity represented by the Oklahoma crude system, the Black Coyote system, and the opportunities we've got in Permian, but that does not change the fact, that we are actively looking at opportunities for crude gathering in the Permian.

Mirek Zak
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Great. And then on growth capital front, where do you see that going in the next few years, relative to, say the past couple of years, which saw a lot of infrastructure build-out? And do you see that moderating a little bit in general, lowering your needs for external capital, while still seeing top-line growth?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP

A

Yeah Mirek, this is Mike. That is going to be exactly what we are focused on. As you can see, the key drivers are going to be the continued growth in processing the associated gathering compression in Oklahoma. We are still on the same track, as we have talked about before, of every 12 to 18 months in the processing plant. It's going to be the continued expansion of the Permian system, as Steve mentioned, but I think one of the key things you see is that we are doing very capital-efficient projects, focusing on building out our core base systems. And so to your point, those are the, what I'll call lower capital cost, high-return projects. So that is our focus, and I do think you'll see that moderate.

However, I will say that, you will find other projects that we are doing, that could offset that, but again, we have a high bar to execute on those, and so we will talk about those when we have that opportunity. But as forward-looking capital, that's a good way to think about it.

Mirek Zak
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Good to know. And then just lastly, any changes in your philosophy around your IDRs at this point?

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

A

Yeah, Mirek, this is Barry, and I would say, no change. We have been consistent in our communication there, that we are not burdened at our partnership by the cost of capital associated with the IDRs. We have just begun to enter the 50% distribution, but we are very focused on it, we will continue to monitor it and make sure that we continue to feel that way. So, no change in our thought process.

Mirek Zak
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Great. Thanks. That's all for me.

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

A

Thank you.

Operator: Our next question comes from Ethan Bellamy with Baird. Please go ahead.

Ethan Heyward Bellamy
Analyst, Robert W. Baird & Co., Inc.

Q

Hey guys, good morning. Mike, looks like you got about $100-million MVC run rate, that I presume is about 80% Devon, and it looks like you got about $90-million accounts receivable balance with them. What's the feature of those MVCs, and that seems kind of like a lot of customer financing to me. How should we think about that financial relationship, and kind of more importantly, those contracts with Devon long-term, is there any chance that those get negotiated or is there any risk to that cash flow coming down in some future quarter?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP

A

So, this is Mike. Let's just talk about how to think about the numbers, but what we've reported for the quarter, was a run rate of about $14 million for the three months, and so we are right on track where we talked about, where for North Texas for example, we think for an annual number, we think it'd be around $50 million. Cana right now is running at about $4 million, we think that's going to change because the Hobson row, it was a little slower than we expected, but we do feel, over the latter-half of the year, we will be at or above MVCs.

So I think the number to think about when you are talking about a run rate, MVC number for 2017 is more in that $50-million range. So that's a starting point.

With regards to how we think about the MVCs long term, I would think about them differently between Oklahoma and North Texas; on Oklahoma, if you look at what Devon has done and consistently talked about the future, is these large projects like the Hobson Row. They have another one starting in the fourth quarter of this year, so what we expect, is we will be at or around the MVCs in Oklahoma based on their activity.

When you move back to North Texas, it really is exactly consistent with what Steve walked through earlier in the call, if all the things we're seeing in North Texas and all the things Devon is doing in North Texas, that really can change that trajectory of the decline ultimately. So, we think that's going to be the main solution that we are going to be looking toward, is ultimately things where, if Devon sells Johnson County, of getting more activity there, Devon really looking at the refracs because of the success of those or third parties in refracs, as well as looking at the new well results we'll see over the latter half of the year. We think all those are a big positive for North Texas.

Ethan Heyward Bellamy
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And what about the AR balance?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP

A

For Devon you are talking about?

Ethan Heyward Bellamy
Analyst, Robert W. Baird & Co., Inc.
Q

I mean, I am just looking at the Q, and it looks like you guys have a significant AR balance?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP
A

No, it's a case of timing issue, is all that is.

Ethan Heyward Bellamy
Analyst, Robert W. Baird & Co., Inc.
Q

Okay.

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP
A

So, nothing more.

Ethan Heyward Bellamy
Analyst, Robert W. Baird & Co., Inc.
Q

All right. Thank you.

Operator: And our next question comes from David Amoss with Heikkinen Energy. Please go ahead.

David Meagher Amoss
Analyst, Heikkinen Energy Advisors LLC
Q

Good morning. Speaking about the earlier question about Midland Basin processing and your forecast to be 70% full by the end of the year, how should we think about the potential to FID that project to expand Riptide relative to utilization?

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

Well, we haven't really worked into our finalized projections beyond 2017. So right now, it's not a big project really to – from an expansion case, it's adding some residue compression, it's making some changes to our inlet facility. So it's not going to be a long-term project, it would just be about $30 million of capital spend, and it wouldn't take us long to put it into service. Is that kind of the color you were looking for?

David Meagher Amoss
Analyst, Heikkinen Energy Advisors LLC
Q

Yeah. I mean, so I read that say that you are going to do that in 2018, is that a fair assessment?

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

Hard to say, because again, we are well-positioned to do it very quickly. So it's not something that we feel like we've got to have a long-term plan for. It's something that we think that we could put together very quickly if we needed it, and it's already really been engineered out. So, if the volumes continue to increase, we are in a great position to pull the trigger on that, and make it happen rapidly.

David Meagher Amoss
Analyst, Heikkinen Energy Advisors LLC

Q

Okay, got it. Thanks. And then just a similar question in the Del [Delaware], it seems like you guys are doing a little bit of, just-in-time build out there. Is there a point, where you've had so much commercial success where, you are going to have to move forward with a more substantial build-out of processing in that region, possibly in 2018?

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

A

Yeah, this is Steve again, I am glad you recognized just-in-time building. We are absolutely trying to manage closely to that. But we are currently working on plans for the next stage of processing capacity in the Delaware, and we are working on developing what the scope and scale of that needs to be right now. So you are right on track with us making those plans and trying to figure out those next steps.

David Meagher Amoss
Analyst, Heikkinen Energy Advisors LLC

Q

Okay. Thanks and then last question on the Merge play, just your thoughts about initial activity there and how quickly that may become something more substantial?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP

A

Hi David, it's Ben. The Merge has been such a bright spot for us, and honestly, one that we didn't recognize had much potential at the time we made our acquisition about 18 months ago. But we have two major dedicated producers down there, in addition to a number of smaller producers, and those are Citizen Energy, who is doing a business combination, now will be called Roan Resources, and Jones. And I think that the market has not fully recognized the potential of the Merge, because until recently, there wasn't a public E&P company to champion that play, and now we are going to have two, that are really focused there, and they are both dedicated to EnLink.

I'd encourage you to go back and look at Jones' communication from, I believe it was late last month, about their initial wells, featuring a couple of their Bomhoff wells that we gather, spectacular results. We really, really like what we see in the Merge play, and we think the market is just beginning to understand it from the E&P side.

David Meagher Amoss
Analyst, Heikkinen Energy Advisors LLC

Q

That's helpful. Thank you.

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

A

Thank you, David.

Operator: Our next question comes from Craig Shere with Tuohy Brothers. Please go ahead.

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

A

Good morning Craig.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

Q

Good morning. I understand that you are really marrying future CapEx as close as possible with production and EBITDA to be capital efficient, that over time, the CapEx requirements might be more modest, but you have detailed a lot of potential projects, including ongoing Black Coyote spend, potential timing, and dollar size of the Delaware expansions, Midland Riptide expansion, potential to convert Louisiana gas pipes and others; are you able to kind of, give a sense into 2018 about the potential growth CapEx range, relative to 2017?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP

A

Hey, Craig, this is Mike. We haven't given guidance yet, but on an earlier question, we talked in and around that, where we were saying that all the projects you mentioned are, what I would call, more capital-efficient projects, where it's a continuation of building out our core positions in the growth areas. You referenced the crude system in Oklahoma, an incredibly capital-efficient project for us, and building right next to our G&P system. Riptide, Steve walked through on $30 million for $100 million of capacity and as you stated, we are trying to match capital to cash flows as best we can. So we haven't come out with specific guidance on 2018 yet, but I would say that we continue to push more toward, what we will call the efficient capital projects.

And you are seeing that also in big decisions like we talked on earlier, on the ONEOK, which was the right long-term decision for us, with ultimately business optionality, but incredibly capital efficient.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.

Q

I guess that segues into my next question Mike, which is, do you feel like you are getting over the hump of covering attractive growth capital needs in terms of the balance sheet, and any equity requirements in that we are just getting close to that nexus point, where you are going to have a very serious sequential EBITDA jump in fourth quarter, and then, next year is looking very interesting. At the same time, the major CapEx is a little behind us. Do you feel like from a balance sheet position, you are getting increasingly comfortable?

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

A

Craig, this is Barry, I want to start with that. I think you have acknowledged something that really is the headline from the report for this quarter, and that is, we have done a lot of great work over the last three years in the midst of, really a pretty challenging backdrop. But we are on the – right on the edge of really seeing the fruits of that good work, and when you look at the amount of capital that was required to invest on the front end, in places like the Midland Basin, the Delaware and now the Oklahoma, I think you've just hit the nail on the head.

We are at a point where we are really going to start seeing top-line results and bottom-line results from the investments that we've made there and while we don't expect the capital expenditures to go down, it will go down, if you think about it on a relative basis to the size of our overall asset base. And so we are really focused on, bolt-on, very efficient, quick return to profits if you will, types of investments, and I think that's what you've highlighted for us in your question.

Mike, do you want to add to that?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP
A

Yeah I would just say, Craig, we have been incredibly focused on our balance sheet during this time. We ended the quarter again this time with a debt-to-EBITDA of 3.9 times, and that's a big thing for us. And as you mentioned, as we see the cash come on from that, that continues to benefit the balance sheet. So we do feel we are in a good position there.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.
Q

Great. Last question, as we think about targeting distribution growth into 2018, is there any kind of longer-term coverage range you want to kind of share?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP
A

Yeah Craig, this is Mike. What we've talked about publicly on coverage at ENLK is 1.1 or greater. Ultimately, that, we always look at the risk of the business, and try to determine what coverage that should be, and as we've said to the market, we have very little direct commodity exposure. So we feel good at starting to look at distribution increases post that 1.1.

I will say though, that we always are focused on the underlying commodity price that's driving that, and that's a big factor in how we think about this. I did mention earlier, that we have to have consistent and durable distribution increases, that the market can look to, and that's a big thing we are focused on. So – but using that coverage is a good starting point.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.
Q

Just as a quick follow-up on that, we are seeing some midstream peers not being uncomfortable with even higher coverage, to the degree that they still have robust growth CapEx, and they don't want to rely on external funding as much. To the degree your opportunity set remains strong, could we expect you to kind of allow that distribution coverage, as EBITDA kicks in, to be comfortably above the 1.1?

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP
A

That's a factor we'll look at. So to your point, if we continue to see robust capital and look at the capital markets, and see what those capital markets really allow us to do, we will balance that with distribution coverage. But we do think, under all circumstances, distribution – growth in distribution coverage is a good thing, and is a precursor to distribution growth. So that could be an option we would look at.

Craig K. Shere
Analyst, Tuohy Brothers Investment Research, Inc.
Q

Great. Thank you.

Operator: Our next question comes from Matthew Phillips with Guggenheim. Please go ahead.

Matthew Phillips
Analyst, Guggenheim Securities LLC

Q

Hey guys, thanks for taking my question. Going back to Oklahoma a bit here, your volumes seem to ramp pretty significantly in the second half of the year to hit the guidance you have laid out. I mean, I am getting to around 1.3 BCF a day for the second half on the gathering side. I mean, do you think you can hit the space on current rig count in the basin? I mean, what should we be looking for there?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP

A

This is Ben. I want to distinguish a little bit between the guidance that Mike reiterated in the script, which is for the whole company, versus all the moving pieces that lie under that in the various segments. So, very much on track to meet the adjusted EBITDA guidance as Mike described; now within the segments, things have moved around some, and not surprisingly. In the case of Oklahoma, we have had a little bit slower start to the first half, and so I don't necessarily expect the second half is going to be robust enough to hit the projection that we gave at the beginning of the year. But the bigger picture is, how has the resource played out, and the resource looks better today, than it did even last quarter, and massively better than it did at the time we made the acquisition a year ago.

And so, as I look into 2018, I see continued robust growth in Oklahoma, going forward from where we are today.

Michael J. Garberding
President and Chief Financial Officer, EnLink Midstream Partners LP

A

This is Mike, and I do want to reiterate the confidence we have on that exit rate. So that, to me, is the one point with the revision of guidance we want to keep pulling toward, is the belief we have and the confidence we have in executing to that, and Oklahoma, as you said, is a big piece of that.

Matthew Phillips
Analyst, Guggenheim Securities LLC

Q

Got it. Thanks. And anecdotally, we've heard instances of frac hits in the basin that's reducing IP rates on some of the newer wells. I mean, is this something that you all are starting to see at all, or are concerned in terms of expected volume growth over the next year or so?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP

A

Hi, this is Ben again, not at all. Not at all. I think that what we have seen over the past quarter, I feel like the market is constantly looking in this environment for bad news and I think that the normal course of producers, understanding what they have and the best way to develop it, inevitably involves some trial and error. And I think the market has seized on some that feel more like the error side, than the successful trial side.

If you look at some of the positives that have happened over the last quarter, I would focus on, for example Devon's Privott results, single well, 6,000 BOE IP-24, best well ever drilled in the STACK.

Look at Newfield's report from last night, the Stark nine well test, trending above their type curve, those wells come to us. Now we are very-very confident in the quality of the resource in the STACK, and we think we are only going to see it get better from here. We acknowledge that it's going to take our producers some time, to understand exactly the best way to develop the resource.

Matthew Phillips
Analyst, Guggenheim Securities LLC

Q

Got it. So you think it's more of a man-bites-the-dog story and that the negative news is getting more play than the higher volume of positive results?

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP

A

Absolutely.

Matthew Phillips
Analyst, Guggenheim Securities LLC

Q

Got it. Okay. Thank you.

Benjamin D. Lamb
Executive Vice President of Corporate Development, EnLink Midstream Partners LP

A

Thank you, Matthew.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

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

Thank you, Stephen, for facilitating our call today and for everybody on the call, I just want to thank you for participation, and thank you for your support, and hope you have a great rest of the day and rest of your summer. Talk to you soon.

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