EnLink Midstream, LLC
Form 10-K
March 31, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2013

OR

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from to

Commission file number: 001-36336

ENLINK MIDSTREAM, LLC

DELAWARE	**46-4108528**
(State of organization)	(I.R.S. Employer Identification No.)

2501 CEDAR SPRINGS RD. **DALLAS, TEXAS**	**75201**
(Address of principal executive offices)	(Zip Code)

(Exact name of registrant as specified in its charter)

(214) 953-9500

(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	**Name of Exchange on which Registered**
Common Units Representing Limited Liability Company Interests	The New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: **None.**

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

As of June 30, 2013, the last business day of the registrant s most recently completed second fiscal quarter, there was no public market for the registrant s common units. The registrant s common units began trading on the New York Stock Exchange (NYSE) on March 10, 2014.

At March 24, 2014, there were 48,512,295 common units and 115,495,669 Class B common units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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ENLINK MIDSTREAM, LLC

PART I

Item 1. ***Business***

General

EnLink Midstream, LLC (ENLC or the Company) is a Delaware limited liability company formed in October 2013. Effective as of March 7, 2014, EnLink Midstream, Inc. (formerly known as Crosstex Energy, Inc.) (EMI) merged with and into a wholly-owned subsidiary of the Company and Acacia Natural Gas Corp I, Inc. (New Acacia), formerly a wholly-owned subsidiary of Devon Energy Corporation (Devon), merged with and into a wholly-owned subsidiary of the Company (collectively, the mergers). Pursuant to the mergers, each of EMI and New Acacia became wholly-owned subsidiaries of the Company and the Company became publicly held. EMI owns common units representing an approximate 7% limited partner interest in EnLink Midstream Partners, LP (formerly known as Crosstex Energy, L.P.) (the Partnership) as of March 24, 2014 and also owns EnLink Midstream Partners GP, LLC (formerly known as Crosstex Energy GP, LLC) (the General Partner). New Acacia directly owns a 50% limited partner interest in EnLink Midstream Holdings, LP (Midstream Holdings). Midstream Holdings formerly was a wholly-owned subsidiary of Devon.

Concurrently with the consummation of the mergers, a wholly-owned subsidiary of the Partnership acquired the remaining 50% of the outstanding limited partner interest in Midstream Holdings and all of the outstanding equity interests in EnLink Midstream Holdings GP, LLC, the general partner of Midstream Holdings (together with the mergers, the business combination).

The Company s common units are traded on the New York Stock Exchange under the symbol ENLC. Our executive offices are located at 2501 Cedar Springs Rd., Dallas, Texas 75201, and our telephone number is (214) 953-9500. Our Internet address is www.enlink.com. In the Investors section of our website, we post the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: our annual reports on Form 10-K; our quarterly reports on Form 10-Q; our current reports on Form 8-K; and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings on our website are available free of charge.

In this report, the terms Company or Registrant as well as the terms ENLC, our, we, and us, or like terms, are sometimes used as referenc EnLink Midstream, LLC and its consolidated subsidiaries. References in this report to EnLink Midstream Partners, LP , the Partnership, ENLK or like terms refer to EnLink Midstream Partners, LP itself or EnLink Midstream Partners, LP together with its consolidated subsidiaries other than Midstream Holdings, and Midstream Holdings is sometimes used to refer to EnLink Midstream Holdings, LP itself or to EnLink Midstream Holdings, LP together with EnLink Midstream Holdings GP, LLC and their subsidiaries. References in this report to the Midstream Entities refer to EnLink Midstream Partners, LP and Midstream Holdings, together with their consolidated subsidiaries.

Our assets consist of equity interests in EnLink Midstream Partners, LP, EnLink Midstream Holdings, LP, E2 Energy Services, LLC and E2 Appalachian Compression, LLC (collectively, E2). EnLink Midstream Partners, LP is a publicly traded limited partnership engaged in the gathering, transmission, processing and marketing of natural gas and natural gas liquids, or NGLs, condensate and crude oil, as well as providing crude oil, condensate and brine services to producers. EnLink Midstream Holdings, LP is a partnership held by us and the Partnership engaged in the gathering, transmission and processing of natural gas. E2 is a services company focused on the Utica Shale play in the Ohio River Valley. Our interests in EnLink Midstream Partners, LP, EnLink Midstream Holdings, LP and E2 consist of the following:

- 16,414,830 common units representing an aggregate 7% limited partner interest in the Partnership as of March 24, 2014;

- 100.0% ownership interest in EnLink Midstream Partners GP, LLC, the general partner of the Partnership, which owns a 0.7% general partner interest as of March 24, 2014 and all of the incentive distribution rights in the Partnership;

- 50.0% limited partner interest in Midstream Holdings as of March 24, 2014; and

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- 93.7% interest in E2 Energy Services, LLC and a 92.5% interest in E2 Appalachian Compression, LLC, with the remainder owned by E2 management, as of March 24, 2014.

Each of the Partnership and Midstream Holdings is required by its partnership agreement to distribute all its cash on hand at the end of each quarter, less reserves established by its general partner in its sole discretion to provide for the proper conduct of the Partnership s or Midstream Holdings business, as applicable, or to provide for future distributions. Other than with respect to distributions to cover tax liabilities allocated to the members, the limited liability company agreements of each of E2 Energy Services, LLC and E2 Appalachian Compression, LLC provide that distributions will be made to the members at such time and in such amounts as determined by the board of directors of the applicable entity.

The incentive distribution rights in the Partnership entitle us to receive an increasing percentage of cash distributed by the Partnership as certain target distribution levels are reached. Specifically, they entitle us to receive 13.0% of all cash distributed in a quarter after each unit has received $0.25 for that quarter, 23.0% of all cash distributed after each unit has received $0.3125 for that quarter and 48.0% of all cash distributed after each unit has received $0.375 for that quarter.

We intend to pay distributions to our unitholders on a quarterly basis equal to the cash we receive, if any, from distributions from the Partnership and Midstream Holdings and, if applicable, E2, less reserves for expenses, future distributions and other uses of cash, including:

- federal income taxes, which we are required to pay because we are taxed as a corporation;

- the expenses of being a public company;

- other general and administrative expenses;

- capital contributions to the Partnership upon the issuance by it of additional partnership securities in order to maintain the general partner s then-current general partner interest, to the extent the board of directors of the general partner exercises its option to do so; and

- cash reserves our board of directors believes are prudent to maintain.

Our ability to pay distributions is limited by the Delaware Limited Liability Company Act, which provides that a limited liability company may not pay distributions if, after giving effect to the distribution, the company s liabilities would exceed the fair value of its assets. While our ownership of equity interests in the general partner, the Partnership, Midstream Holdings and E2 are included in our calculation of net assets, the value of these assets may decline to a level where our liabilities would exceed the fair value of our assets if we were to pay distributions, thus prohibiting us from paying distributions under Delaware law.

ENLINK MIDSTREAM PARTNERS, LP

EnLink Midstream Partners, LP (formerly known as Crosstex Energy, L.P.) is a publicly traded Delaware limited partnership formed in 2002. The Partnership s common units are traded on the New York Stock Exchange under the symbol ENLK. The Partnership s business activities are conducted through its subsidiary, EnLink Midstream Operating, LP (formerly known as Crosstex Energy Services, L.P.), a Delaware limited partnership (the Operating Partnership), and the subsidiaries of the Operating Partnership. The Partnership s executive offices are located at 2501 Cedar Springs Rd., Dallas, Texas 75201, and its telephone number is (214) 953-9500. The Partnership s Internet address is www.enlink.com. The Partnership posts the following filings in the Investors section of its website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: the Partnership s annual reports on Form 10-K; the Partnership s quarterly reports on Form 10-Q; the Partnership s current reports on Form 8-K; and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings on the Partnership s website are available free of charge.

EnLink Midstream GP, LLC (formerly known as Crosstex Energy GP, LLC), a Delaware limited liability company and our wholly-owned subsidiary, is the Partnership s general partner (the General Partner). The General Partner manages the Partnership s operations and activities.

ENLINK MIDSTREAM HOLDINGS, LP

EnLink Midstream Holdings, LP was formed in 2013 to hold substantially all of the midstream assets formerly held by Devon. We acquired a 50% limited partner interest in Midstream Holdings upon the consummation of the business combination. Midstream Holdings gathers, processes and transports natural gas, primarily for Devon. Midstream Holdings also fractionates NGLs into component NGL products. EnLink Midstream Holdings GP, LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Partnership, is the general partner of Midstream Holdings and manages Midstream Holdings operations and activities.

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E2 ENERGY SERVICES, LLC AND E2 APPALACHIAN COMPRESSION, LLC

E2 was formed in March 2013 to provide services for producers in the liquids-rich window of the Utica Shale play. E2 will build, own and operate three new natural gas compression and condensate stabilization facilities located in Noble and Monroe counties in the southern portion of the Utica Shale play in Ohio. We own approximately 93.7% of E2 Energy Services, LLC and approximately 92.5% of E2 Appalachian Compression, LLC, with the remainder owned by E2 management. We have pre-determined rights to purchase the management ownership interests of E2 in the future.

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The following diagram depicts the organization and ownership of us and our subsidiaries as of March 24, 2014:

Definitions

The following terms as defined generally are used in the energy industry and in this document:

/d = per day

Bbls = barrels

Bboe = billion Boe

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Bcf = billion cubic feet

Boe = six Mcf of gas per Bbl of oil

Btu = British thermal units

CO_2= Carbon dioxide

Mcf = thousand cubic feet

MMBtu = million British thermal units

MMcf = million cubic feet

NGL = natural gas liquid and natural gas liquids

Capacity volumes at the Partnership s and Midstream Holdings facilities are measured based on physical volume and stated in cubic feet (Bcf, Mcf or MMcf). Throughput volumes are measured based on energy content and stated in British thermal units (Btu or MMBtu). A volume capacity of 100 MMcf generally correlates to volume capacity of 100,000 MMBtu. Fractionated volumes are measured based on physical volumes and stated in gallons. Crude oil, condensate and brine services volumes are measured based on physical volume and stated in barrels (Bbls).

Our Operations

The Midstream Entities primarily focus on providing midstream energy services, including gathering, transmission, processing, fractionation and marketing, to producers of natural gas, NGLs, crude oil and condensate. The Partnership also provides crude oil, condensate and brine services to producers. Our midstream energy asset network includes approximately 7,300 miles of pipelines, 12 natural gas processing plants, six fractionators, 3.1 million barrels of NGL cavern storage, rail terminals, barge terminals, truck terminals and a fleet of approximately 100 trucks.

Our assets are comprised of systems and other assets owned by Midstream Holdings, in which we hold a 50% interest and the Partnership holds the remaining 50% interest, as well as systems and other assets in which the Partnership holds an interest through its wholly-owned subsidiaries, and are located in four primary regions:

- *Texas*. Our Texas assets consist of transmission pipelines with a capacity of approximately 1.3 Bcf/d, processing facilities with a total processing capacity of approximately 1.1 Bcf/d and gathering systems with total capacity of approximately 2.5 Bcf/d. Some of the primary assets comprising our Texas assets are as follows:

- *North Texas Pipeline and Acacia transmission system*. The Partnership s North Texas Pipeline (NTPL) is a 140-mile pipeline that connects production from the Barnett Shale to markets in north Texas with approximately 375 MMcf/d of capacity. Average throughput on the NTPL was approximately 342,000 MMBtu/d for the year ended December 31, 2013. The Acacia transmission system, which is owned by Midstream Holdings, consists of approximately 120 miles of pipeline and associated storage with approximately 920 MMcf/d of capacity. Average throughput on the Acacia transmission system was approximately 741,800 MMBtu/d for the year ended December 31, 2013.

- *Bridgeport processing facility*. The Bridgeport processing facility, which is owned by Midstream Holdings, is one of the largest processing plants in the U.S. with 790 MMcf/d of processing capacity and 15 MBbls/d of NGL fractionation capacity. Average throughput on the Bridgeport processing facility was 810,600 MMBtu/d for the year ended December 31, 2013.

- *Silver Creek processing complex*. The Partnership s Silver Creek processing complex includes three processing plants with an aggregate of 285 MMcf/d of processing capacity. Average throughput on the Silver Creek processing complex was 316,000 MMBtu/d for the year ended December 31, 2013.

- *Permian Basin Assets*. The Partnership s Permian Basin assets consist of its Deadwood natural gas processing plant, which has a total processing capacity of 58 MMcf/d and in which the Partnership has a 50% undivided working interest, and its Mesquite Terminal fractionator, which has 15,000 Bbls/d of NGL fractionation capacity. Average throughput on the Deadwood natural gas processing plant was 66,000 MMBtu/d for the year ended December 31, 2013.

- *Gulf Coast Fractionators*. Midstream Holdings is entitled to receive the economic benefits and burdens of the 38.75% interest in Gulf Coast Fractionators held by Devon. Gulf Coast Fractionators owns an NGL fractionator located on the Gulf Coast at Mont Belvieu, Texas. The facility has a capacity of approximately 145 MBbls/d.

- *Bridgeport and East Johnson County gathering systems*. The Bridgeport and East Johnson County gathering systems, which are owned by Midstream Holdings, are comprised of three natural gas gathering systems in the Barnett Shale, consisting of an aggregate of approximately 3,010 miles of gathering lines with an aggregate capacity of approximately 1.4 Bcf/d. These gathering systems had an aggregate average throughput of approximately 1,359,700 MMBtu/d for the year ended December 31, 2013.

- *Silver Creek gathering systems*. The Partnership s Silver Creek gathering systems consists of approximately 715 miles of gathering lines that have a total capacity of approximately 1.1 Bcf/d, with average throughput of approximately 700,000 MMBtu/d for the year ended December 31, 2013.

- *Howard Energy Partners*. Howard Energy Partners, or HEP, owns and operates over 500 miles of pipeline and a 200 MMcf/d processing plant, serving production from the Eagle Ford, Escondido, Olmos, Pearsall and other formations in south Texas. HEP s system has 145 MMcf/d of amine treating capacity and more than 9,000 horsepower of compression. As of December 31, 2013, the Partnership owned a 30.6% interest in HEP.

- *Oklahoma*. Our Oklahoma assets consist of processing facilities with a total processing capacity of approximately 550 MMcf/d and gathering systems with total capacity of approximately 605 MMcf/d. All of our Oklahoma assets are owned by Midstream Holdings and are comprised of the following:

- *Cana System*. The Cana system is a natural gas gathering and processing system located in the Cana-Woodford Shale in West Central Oklahoma. The Cana system includes a 350 MMcf/d processing facility. The Cana system also consists of approximately 413 miles of gathering lines that have a total capacity of approximately 530 MMcf/d and had an average throughput of approximately 320,700 MMBtu/d for the year ended December 31, 2013.

- *Northridge System*. The Northridge system is a natural gas gathering and processing system located in the Arkoma-Woodford Shale in Southeastern Oklahoma. The Northridge system includes a 200 MMcf/d processing facility. The Northridge system also consists of approximately 140 miles of gathering lines that have a total capacity of approximately 75 MMcf/d and had an average throughput of approximately 69,200 MMBtu/d for the year ended December 31, 2013.

- *Louisiana*. The Partnership s Louisiana assets consist of transmission pipelines with a capacity of approximately 2.0 Bcf/d, processing facilities with a total processing capacity of approximately 1.7 Bcf/d and gathering systems with total capacity of approximately 510 MMcf/d. The Partnership s Louisiana assets are as follows:

- *LIG Assets*. The LIG system includes gathering and transmission systems with total capacity of approximately 2.0 Bcf/d, processing facilities with a total processing capacity of approximately 335 MMcf/d and fractionation facilities with total capacity of 10,800 Bbls/d.

- The Partnership s LIG gathering and transmission pipeline system is one of the largest intrastate pipeline systems in Louisiana, consisting of approximately 2,000 miles of mainly transmission pipelines extending from the Haynesville Shale in north Louisiana to onshore production in south central and southeast Louisiana, which have approximately 2.0 Bcf/d of capacity. Average throughput on the LIG pipeline system was approximately 473,000 MMBtu/d for the year ended December 31, 2013.

- The LIG system also includes two processing facilities with a total processing capacity of 335 MMcf/d. Average throughput on the LIG processing facilities was 255,000 MMBtu/d for the year ended December 31, 2013.

- The Plaquemine plant forming part of the Partnership s LIG system has a fractionation capacity of 10,800 Bbls/d of raw-make NGL products, and total volume for fractionated liquids at Plaquemine averaged approximately 4,800 Bbls/d for the year ended December 31, 2013.

- *South Louisiana Processing and NGL Assets.* The Partnership s south Louisiana natural gas processing and NGL assets include 570 miles of liquids transport lines, approximately 1.4 Bcf/d of processing capacity and 3.1 million barrels of underground NGL storage.

- *Cajun-Sibon Pipeline System.* Currently, the Cajun-Sibon pipeline system consists of approximately 570 miles of raw make NGL pipelines with a current system capacity of approximately 70,000 Bbls/d. Average throughput on the Cajun-Sibon system was approximately 28,500 Bbls/d for the fourth quarter of 2013 when the new expanded pipeline commenced operation.

- *Processing Facilities.* The Partnership s processing facilities in south Louisiana include three gas processing plants with total processing capacity of 1.4 Bcf/d and throughput that averaged 399,000 MMBtu/d for the year ended December 31, 2013. The Partnership also has two fractionation facilities that have a capacity of 83,000 Bbls/d with throughput that averaged 27,300 Bbls/d for the year ended December 31, 2013.

- *Napoleonville Storage Facility.* The Napoleonville NGL storage facility is connected to the Partnership s Riverside facility and has a total capacity of 3.1 million barrels of underground storage comprised of two existing caverns.

- *Ohio River Valley.* The Partnership s Ohio River Valley operations are an integrated network of assets comprised of a 4,500-barrel-per-hour crude oil and condensate barge loading terminal on the Ohio River, a 20-spot operation crude oil and condensate rail loading terminal on the Ohio Central Railroad network and approximately 200 miles of crude oil and condensate pipelines in Ohio and West Virginia. The assets also include 500,000 barrels of above ground storage and a trucking fleet of approximately 100 vehicles comprised of both semi and straight trucks. The Partnership has eight existing brine disposal wells with an injection capacity of approximately 10,000 Bbls/d. The

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Partnership currently holds one additional brine well permit in Ohio. Additionally, the assets held by E2, in which our wholly-owned subsidiary owned approximately 93.7% of E2 Energy Services, LLC and approximately 92.5% of E2 Appalachian Compression, LLC, consist of three gas gathering compressor stations and condensate stabilization assets located in Noble and Monroe counties in the southern portion of the Utica Shale play in Ohio. The compressor stations have a total capacity of 340 MMcf/d and 44,000 horsepower of compression with condensate handling capacity of 16,000 Bbls/d. Commercial operations of one of the facilities, which we refer to as Upper Hill, commenced during January 2014. None of these facilities were in service as of December 31, 2013.

About Devon

Devon (NYSE: DVN) is a leading independent energy company engaged primarily in the exploration, development and production of crude oil, natural gas and NGLs. Devon s operations are concentrated in various onshore areas in the U.S. and Canada. As of December 31, 2013, Devon had a total equity market capitalization of over $25 billion and an investment-grade credit rating.

Pursuant to various gathering and processing agreements, Devon has dedicated approximately 795,000 net acres to Midstream Holdings. Please read Midstream Holdings Contractual Relationship with Devon below. Devon had approximately 2.2 BBoe of proved reserves in the U.S. as of December 31, 2013, of which approximately 1.2 BBoe, or 55%, was associated with this dedicated acreage. For the year ended December 31, 2013, Devon s average U.S. production was 517 MBoe/d, with approximately 240 MBoe/d, or 46%, associated with this dedicated acreage.

Devon is the largest natural gas producer in the Barnett and Cana-Woodford Shales, the largest NGL producer in the Barnett Shale and one of the largest NGL producers in the Cana-Woodford Shale. In 2013, Devon drilled 172 gross wells in the Barnett Shale with exploration and production capital expenditures of $530 million and drilled 118 gross wells in the Cana-Woodford Shale with exploration and production capital expenditures of approximately $560 million. As of December 31, 2013, Devon held 610,000 net acres in the Barnett Shale, 245,000 net acres in the Cana-Woodford Shale and 40,000 net acres in the Arkoma-Woodford Shale. Devon has drilled over 5,000 gross wells in the Barnett Shale since 2002 and in 2014 expects to drill approximately 90 gross wells with budgeted exploration and production capital expenditures of approximately $250 million. In the Cana-Woodford Shale, Devon expects to drill approximately 65 gross wells in 2014 with budgeted exploration and production capital expenditures of approximately $150 million. In addition to its current drilling schedule, Devon has identified thousands of additional drilling locations in each of these areas.

Our Business Strategies

Our primary business objective is to increase our cash available for distributions to our unitholders over time, which can only be achieved if the Partnership and Midstream Holdings execute the following strategies:

• *Organic Growth: pursue opportunities around the Midstream Entities existing footprint.* The Midstream Entities expect to grow certain of their systems organically over time by meeting Devon s and their other customers midstream service needs that result from their drilling activity in the Midstream Entities areas of operation. The Midstream Entities continually evaluate economically attractive organic expansion opportunities in existing or new areas of operation that allow the Midstream Entities to leverage their existing infrastructure, operating expertise and customer relationships by constructing and expanding systems to meet new or increased demand for the Midstream Entities services.

- *Dropdowns: maximize opportunities provided by Devon s sponsorship and assets held by the Company*. The Midstream Entities plan to execute their growth in part through pursuing accretive dropdown opportunities from Devon and the Company. The Midstream Entities expect to be given the opportunity over time to purchase the remaining 50% interest in Midstream Holdings held by us. The Partnership is a party to a preferential rights agreement with us and our wholly-owned subsidiary pursuant to which we granted the Partnership a right of first refusal, for a period of 10 years, with respect to (i) our interest in E2 and (ii) Devon s 50% interest in the Access Pipeline transportation system, to the extent in the future we obtain such interest pursuant to a first offer agreement between Devon and us. The Midstream Entities also believe there will continue to be significant opportunities as Devon continues to develop its oil and gas production. However, the Midstream Entities cannot be certain that these opportunities will be made available to them, or that they will choose to pursue any such opportunity.

- *Acquisitions: pursue strategic and accretive acquisitions*. The Midstream Entities pursue strategic and accretive acquisition opportunities within the midstream energy industry, both in new and existing lines of business, and geographic areas of operation.

- *Strong Balance Sheet: maintain an investment grade quality financial profile*. The Midstream Entities intend to maintain appropriate leverage and distribution coverage levels in line with other partnerships in the Midstream Entities sector that have received investment grade credit ratings. By maintaining an investment grade quality financial profile, the Midstream Entities believe that they will be able to pursue strategic acquisitions and large growth projects at a lower cost of capital, which enhances their competitiveness.

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Our Competitive Strengths

We believe that the Partnership and Midstream Holdings are well-positioned to execute their business strategies and to achieve their business objectives due to the following competitive strengths:

- *Devon s sponsorship*. The Midstream Entities expect their relationship with Devon will continue to provide them with significant business opportunities. Devon is one of the largest independent oil and gas producers in North America. Devon has a significant interest in promoting the success of the Midstream Entities business, due to its approximate 70% ownership interest in us and approximate 53% ownership interest in the Partnership.

- *Strategically-located assets*. The Midstream Entities assets are strategically located in areas with the potential for increasing throughput volume and cash flow generation. The Midstream Entities asset portfolio includes gathering and processing systems located in areas in which producer activity is focused on crude oil, condensate and NGLs. The Midstream Entities estimate that these liquids-focused production areas will generate approximately 75% of their combined 2014 gross operating margin. Due to the relatively high current price of crude oil and condensate as compared to natural gas, production in these areas offers the Midstream Entities customers higher margins and superior economics compared to basins in which the gas is relatively dry. This pricing environment offers expansion opportunities for certain of the Midstream Entities systems as producers attempt to increase their rich gas, crude oil and condensate production.

- *Stable cash flows*. Approximately 95% of the Midstream Entities combined cash flows are expected to be derived from fee-based services with no direct commodity exposure. Midstream Holdings has entered into 10-year, fixed-fee gathering and processing agreements with a subsidiary of Devon pursuant to which Midstream Holdings or its subsidiary will provide gathering, treating, compression, dehydration, stabilization, processing and fractionation services, as applicable, for natural gas delivered by Devon to Midstream Holdings gathering and processing systems in the Barnett, Cana-Woodford and Arkoma-Woodford Shales. These agreements provide Midstream Holdings with dedication of all of the natural gas owned or controlled by Devon and produced from or attributable to existing and future wells located on certain oil, natural gas and mineral leases covering lands within the acreage dedications, excluding properties previously dedicated to other natural gas gathering systems not owned and operated by Devon. These agreements also include five-year minimum volume commitments and annual rate escalators. Please read Midstream Holdings Contractual Relationship with Devon. The Midstream Entities will continue to focus on contract structures that reduce volatility and support long-term stability of cash flows.

- *Integrated midstream services*. The Midstream Entities span the energy value chain by providing natural gas, NGL, crude oil, condensate and water services across a diverse customer base. These services include gathering, compressing, treating, processing, transporting, storing and selling natural gas, producing, fractionating, transporting, storing and selling NGLs, and gathering, transporting, storing and trans-loading crude oil and condensate. The Midstream Entities believe their ability to provide all of these services gives them an advantage in competing for new opportunities because they can provide substantially all services that producers, marketers and others require to move natural gas, NGLs, crude oil and condensate from the wellhead to the market on a cost-effective basis.

- *Financial flexibility to pursue expansion and acquisition opportunities*. The Midstream Entities believe their stable cash flows, strong balance sheet and access to debt and equity capital markets provide them with the financial flexibility to competitively pursue acquisition and expansion opportunities and to execute their strategy across capital market cycles.

- *Experienced management team*. The Midstream Entities believe their management team has a proven track record of creating value through the development, acquisition, optimization and integration of midstream assets. The Midstream Entities management team has an average of over 20 years of experience in the energy industry. The Midstream Entities believe this team provides us with a strong foundation for evaluating growth opportunities and operating our assets in a safe, reliable and efficient manner.

We believe that the Midstream Entities will leverage their competitive strengths to successfully implement their strategy; however, their business involves numerous risks and uncertainties that may prevent the Midstream Entities from achieving their primary business objective. For a more complete description of the risks associated with the Midstream Entities businessplease see Item 1A. Risk Factors.

Midstream Holdings Contractual Relationship with Devon

Upon the consummation of the business combination, Midstream Holdings entered into a 10-year transportation contract with Devon for the Acacia transmission system as well as the following additional fee-based agreements with Devon:

Contract	Contract Term (Years)	Minimum Gathering Volume Commitment (MMcf/d)	Minimum Processing Volume Commitment (MMcf/d)	Minimum Volume Commitment Term (Years)	Annual Rate Escalators
Bridgeport gathering and processing contract(1)	10	850	650	5	CPI
East Johnson County gathering contract	10	125		5	CPI
Northridge gathering and processing contract	10	40	40	5	CPI
Cana gathering and processing contract	10	330	330	5	CPI

(1) The Bridgeport gathering and processing contract includes volume commitments to the Bridgeport processing facility as well as the Bridgeport gathering systems.

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Recent Growth Developments

Cajun-Sibon Phases I and II. In Louisiana, the Partnership is transforming its business that historically has been focused on processing offshore natural gas to a business that is focused on NGLs with additional opportunities for growth from new onshore supplies of NGLs. The Louisiana petrochemical market historically has relied on liquids from offshore production; however, the decrease in offshore production and increase in onshore rich gas production have changed the market structure. Cajun-Sibon Phases I and II will work to bridge the gap between supply, which aggregates in the Mont Belvieu area, and demand, located in the Mississippi River corridor of Louisiana, thereby building a strategic NGL position in this region.

The Partnership began this transformation by restarting its Eunice fractionator during 2011 at a rate of 15,000 Bbls/d of NGLs. The Partnership expanded the Eunice fractionator to a rate of 55,000 Bbls/d with Cajun-Sibon Phase I (Phase I). Phase I of the Partnership s pipeline extension project was completed in November 2013 and connects Mont Belvieu supply lines in east Texas to Eunice, providing a direct link to its fractionators in south Louisiana markets. The Phase I Eunice fractionator expansion, which also was completed in early November 2013, has increased the Partnership s interconnected fractionation capacity in Louisiana to approximately 97,000 Bbls/d of raw-make NGLs.

The Phase I expansion added 130-miles of 12-inch diameter pipeline to the Partnership s existing 440-mile Cajun-Sibon NGL pipeline system, connecting Mont Belvieu to the Partnership s Eunice fractionator. Phase I of the pipeline currently has a capacity of 70,000 Bbls/d for raw make NGLs. The Phase I NGL pipeline extension originates from interconnects with major Mont Belvieu supply pipelines and provides connections for NGLs from the Permian Basin, Barnett Shale, Eagle Ford and other areas to the Partnership s NGL fractionation facilities and key NGL markets in south Louisiana. Phase I is anchored by a five-year ethane sales agreement with Williams Olefins, a subsidiary of the Williams Companies, and a five year natural gasoline sales agreement with another company. The Partnership has entered into yearly sales agreements for all other purity products.

The Partnership has commenced construction of Cajun-Sibon Phase II which will further enhance its Louisiana NGL business with significant additions to the Cajun-Sibon Phase I infrastructure including further fractionation expansion. Phase II will include the addition of four pumping stations, totaling 13,400 horsepower, that will facilitate increasing NGL supply capacity from Phase I s 70,000 Bbls/d to 120,000 Bbls/d; the construction of a new 100,000 Bbls/d fractionator at the Plaquemine gas processing plant site; the conversion of the Partnership s Riverside fractionator to a butane-and-heavier facility; and the construction of 57 miles of NGL pipeline that will originate at the Eunice fractionator and connect to the new Plaquemine fractionator, which will provide optionality to move purity products around the Louisiana-liquids market. The Partnership will also construct a 32-mile, 16-inch diameter extension of LIG s Bayou Jack lateral, which will provide gas services to customers in the Mississippi River corridor, replacing the conversion of supply lines that the Partnership currently uses for liquid service. The Partnership expects Phase II will be in service during the second half of 2014.

Phase II is anchored by 10-year sales agreements with Dow Hydrocarbons and Resources, or Dow, to deliver up to 40,000 Bbls/d of ethane and 25,000 Bbls/d of propane produced at the Partnership s new Plaquemine fractionator into Dow s Louisiana pipeline system. The Partnership will also deliver 70,000 MMBtu/d of natural gas to Dow s Plaquemine facility.

The Partnership believes the Cajun-Sibon project not only represents a tremendous growth step by leveraging its Louisiana assets, but that it also creates a significant platform for continued growth of our NGL business. The Partnership believes this project, along with its existing assets, will provide a number of additional opportunities to grow this business, including expanding market optionality and connectivity, upgrading products, expanding rail imports, exporting NGLs and expanding fractionation and product storage capacity.

Bearkat Natural Gas Gathering and Processing System. In the fourth quarter of 2013, the Partnership commenced construction of a new natural gas processing complex and rich gas gathering pipeline system in the Permian Basin. The initial construction included treating, processing and gas takeaway solutions for regional producers. The project, which will be fully owned by the Partnership, is supported by a 10-year, fee-based contract.

The new-build processing complex, called Bearkat, will be strategically located near the Partnership s existing Deadwood joint venture assets in Glasscock County, Texas. The processing plant will have an initial capacity of 60 MMcf/d, increasing the Partnership s total operated processing capacity in the Permian to approximately 115 MMcf/d. The Partnership will also construct a 30-mile high-pressure gathering system upstream of the Bearkat complex to provide additional gathering capacity for producers in Glasscock and Reagan Counties.

Additionally, in February 2014, the Partnership entered into an agreement to construct a new 35-mile, 12-inch diameter high-pressure pipeline that will provide critical gathering capacity for the Bearkat natural gas processing complex. The pipeline will have a capacity of approximately 100 MMcf/d and will provide gas takeaway solutions for constrained producer customers in Howard, Martin and Glasscock counties. The entire project is expected to be completed in the second half of 2014.

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Riverside Crude Facility Expansion. In June 2013, the Partnership completed the Phase II expansion of its Riverside facility located on the Mississippi River in southern Louisiana. The Riverside facility s capacity to transload crude oil and condensate from railcars to the Partnership s barge facility increased to approximately 15,000 Bbls/d of crude oil and condensate. Phase II additions to the Riverside facility include a 100,000 barrel above-ground crude oil and condensate storage tank, a rail spur with a 26-spot crude oil and condensate railcar unloading rack and a crude offloading facility with pumps and metering as well as a truck unloading bay. As part of the Phase II expansion, the Riverside facility was modified so that sour crude can be unloaded in addition to sweet crude.

Our Assets

Our assets consist of gathering systems and transmission pipelines, processing and fractionation facilities, storage facilities and ancillary assets. The following tables provide information about our assets as of and for the year ended December 31, 2013:

				Year Ended December 31, 2013
Gathering and Transmission Pipelines	**Approximate Length (Miles)**	**Compression(1) (HP)**	**Estimated Capacity (MMcf/d)**	**Average Throughput (Thousands of MMBtu/d)**
Texas Assets:				
Partnership Assets	855	131,834	1,475	1,042,000
Midstream Holdings Assets*	3,132	261,266	2,330	2,101,500
Oklahoma Assets:				
Cana System*	413	92,499	530	320,700
Northridge System*	140	17,895	75	69,200
Louisiana Assets:				
LIG System	1,925	83,378	1,965	473,000
South Louisiana Assets	570		(2)	(3)
Total	7,035	586,872	6,375	4,006,400

Assets wholly-owned by the Partnership.

* Assets owned by Midstream Holdings, in which we hold a 50% interest and the Partnership holds the remaining 50% interest as of March 24, 2014.

(1) Includes power generation units.

(2) Estimated capacity for South Louisiana liquid pipeline transportation is 70 MBbls/d.

(3) Average throughput on the expanded Cajun-Sibon pipeline, which commenced operations in October 2013, was 28,500 Bbls/d for the fourth quarter of 2013.

Processing Facilities	Processing Capacity (MMcf/d)	Year Ended December 31, 2013 Average Throughput (MMBtu/d)
Texas Assets		
Partnership Assets	314	349,000
Midstream Holdings Assets*	790	810,600
Oklahoma Assets		
Cana System*	350	278,700
Northridge System*	200	121,000
Louisiana Assets		
LIG Assets	335	255,000
South Louisiana Assets	1,375	399,000
Total	3,364	2,213,300

Assets wholly-owned by the Partnership.

* Assets owned by Midstream Holdings, in which we hold a 50% interest and the Partnership holds the remaining 50% interest as of March 24, 2014.

Fractionation Facilities	Estimated NGL Fractionation Capacity (MBbls/d)	Average Throughput (MBbls/d)
Texas Assets		
Partnership Assets	15	(2)
Midstream Holdings Assets*	15	(2)
Louisiana Assets		
LIG Assets	11	5
South Louisiana Assets	83	27
Gulf Coast Fractionators(1)	56	44
Total	180	76

Assets wholly-owned by the Partnership.

* Assets owned by Midstream Holdings, in which we hold a 50% interest and the Partnership holds the remaining 50% interest as of March 24, 2014.

(1) Volumes are shown net to Midstream Holdings net contractual right to the burdens and benefits of a 38.75% economic interest in Gulf Coast Fractionators held by Devon.

(2) The Partnership s Texas fractionation facility is connected to its Deadwood processing plant in the Permian Basin and the Midstream Holdings fractionation facility is connected to our Bridgeport processing plant. These fractionation facilities provide operational flexibility for the related processing plants, but are not the primary fractionation facilities for the NGLs produced by the processing plants. Under the Partnership s current contracts, it does not earn fractionation fees for operating these fractionation facilities so throughput volumes through these facilities are not captured on a routine basis and are not significant to its operating margins.

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Texas Assets. Our Texas assets consist of systems and other assets owned by Midstream Holdings, in which we own a 50% interest and the Partnership holds the remaining 50% interest, as well as systems and other assets in which the Partnership holds an interest through its wholly-owned subsidiaries. These assets include transmission pipelines with a capacity of approximately 1.3 Bcf/d, processing facilities with a total processing capacity of approximately 1.1 Bcf/d and gathering systems with total capacity of approximately 2.5 Bcf/d.

- *Transmission Systems*. Our transmission systems in Texas include approximately 260 miles of pipeline with an aggregate capacity of approximately 1.3 Bcf/d and consist of the following:

- *North Texas Pipeline*. The Partnership s North Texas Pipeline (NTPL) is a 140-mile pipeline extending from an area near Fort Worth, Texas to a point near Paris, Texas and connects production from the Barnett Shale to markets in north Texas accessed by the Natural Gas Pipeline Company of America, LLC, Kinder Morgan, Inc., Houston Pipeline Company, L.P., Atmos Energy Corporation and Gulf Crossing Pipeline Company, LLC. The NTPL has approximately 375 MMcf/d of capacity and 18,960 horsepower of compression and, for the year ended December 31, 2013, the average throughput on the NTPL was approximately 342,000 MMBtu/d.

- *Acacia transmission system*. The Acacia transmission system, which is owned by Midstream Holdings, is a 120-mile pipeline that connects production from the Barnett Shale to markets in north Texas accessed by Atmos Energy, Brazos Electric, Enbridge Energy Partners, Energy Transfer Partners, Enterprise Product Partners and GDF Suez. The Acacia transmission system has approximately 920 MMcf/d of capacity and 17,000 horsepower of compression and, for the year ended December 31, 2013, average throughput was approximately 741,800 MMBtu/d. Devon is the Acacia transmission system s only customer and has entered into a 10-year transportation agreement that covers transmission services on the Acacia transmission pipeline and includes annual rate escalators.

- *Processing Facilities*. Our processing facilities in Texas include five gas processing plants with total processing throughput that averaged 1,159,600 MMBtu/d for the year ended December 31, 2013 and consist of the following:

- *Bridgeport processing facility*. Our Bridgeport natural gas processing facility, located in Wise County, Texas, approximately 40 miles northwest of Fort Worth, Texas, is owned by Midstream Holdings and is one of the largest processing plants in the U.S. with seven cryogenic turboexpander plants that have an aggregate of 790 MMcf/d of processing capacity and 15 MBbls/d of NGL fractionation capacity. For the year ended December 31, 2013, throughput volumes at the Bridgeport processing facility averaged 810,600 MMBtu/d of natural gas. Devon is the Bridgeport facility s largest customer with approximately 744,600 MMBtu/d of natural gas processed for the year ended December 31, 2013, which represented approximately 92% of the total volumes processed at the facility during such period. Devon and Midstream Holdings have entered into a 10-year, fixed-fee gathering and processing agreement pursuant to which Midstream Holdings will provide processing services for natural gas delivered by Devon to the Bridgeport processing facility. This contractual arrangement includes a five-year minimum volume commitment from Devon of 650 MMcf/d of natural gas delivered to the Bridgeport processing facility as well as annual rate escalators.

- *Silver Creek processing complex*. The Partnership s Silver Creek processing complex, located in Weatherford, Azle and Fort Worth, Texas, includes three processing plants. The Partnership s Silver Creek plants have a total of 285 MMcf/d of processing capacity, with the Azle Plant, Silver Creek Plant and Goforth Plant accounting for 50 MMcf/d, 200 MMcf/d and 35 MMCf/d of processing capacity, respectively. For the year ended December 31, 2013, throughput volumes at the Silver Creek processing facility averaged 316,000 MMBtu/d of natural gas.

- *Permian Basin assets*. The Partnership s Permian Basin assets consist of its Deadwood natural gas processing plant and our Mesquite Terminal fractionator. The Partnership has a 50% undivided working interest in the Deadwood processing facility which is located in Glasscock County, Texas. The Deadwood plant is supported by acreage dedication from a major producer in the Permian Basin. The Deadwood processing facility has a total capacity of 58 MMcf/d and total processing throughput that averaged 66,000 MMBtu/d for the year ended December 31, 2013. The Mesquite Terminal, which has 15,000 BBls/d of fractionation capacity, is located in Midland County and serves as a terminal for third party raw-make NGLs. The Partnership is also transloading crude oil and condensate at this facility.

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- *Gulf Coast Fractionators*. Midstream Holdings is entitled to receive the economic benefits and burdens of the 38.75% interest in Gulf Coast Fractionators held by Devon, with the remaining interests owned 22.50% by Phillips 66 and 38.75% by Targa Resources Partners. Gulf Coast Fractionators owns an NGL fractionator located on the Gulf Coast at Mont Belvieu, Texas. Phillips 66 is the operator of the fractionator. Gulf Coast Fractionators receives raw mix NGLs from customers, fractionates the raw mix and redelivers the finished products to the customers for a fee. The facility has a capacity of approximately 145 MBbls/d. For the year ended December 31, 2013, Gulf Coast Fractionators contributed $14.8 million of income on equity investments, on a pro forma basis giving effect to the business combination.

- *Gathering Systems*. Our gathering systems in Texas include approximately 3,725 miles of pipeline with total throughput of approximately 2,059,700 MMBtu/d and consist of the following:

- *Bridgeport rich gathering system*. This rich natural gas gathering system, which is owned by Midstream Holdings, consists of approximately 2,440 miles of pipeline segments with approximately 145,000 horsepower of compression. A substantial majority of the natural gas gathered on the system is delivered to the Bridgeport processing facility. Devon is the largest customer on the Bridgeport rich gathering system with approximately 792,000 MMBtu/d of natural gas gathered for the year ended December 31, 2013, which represented approximately 92% of the total throughput on the system during such period. As described above, Devon and Midstream Holdings have entered into a 10-year, fixed-fee gathering and processing agreement pursuant to which Midstream Holdings will provide gathering services on the Bridgeport system, which includes a five-year minimum volume commitment from Devon of a combined 850 MMcf/d of natural gas delivered for gathering into the Bridgeport rich and Bridgeport lean gathering systems.

- *Bridgeport lean gathering system*. This lean natural gas gathering system, which is owned by Midstream Holdings, consists of approximately 300 miles of pipeline segments with approximately 59,000 horsepower of compression. Natural gas gathered on this system is delivered to the Acacia transmission system and intrastate pipelines without processing. Devon is the largest customer on the Bridgeport lean gathering system with approximately 256,600 MMBtu/d of natural gas gathered for the year ended December 31, 2013, which represented approximately 98% of the total throughput on the system during such period. As described above, Devon and Midstream Holdings have entered into a 10-year, fixed-fee gathering and processing agreement that covers gathering services on the Bridgeport system.

- *East Johnson County gathering system*. This natural gas gathering system, which is owned by Midstream Holdings, consists of approximately 270 miles of pipeline segments. Natural gas gathered on this system is delivered to intrastate pipelines without processing. Devon is the largest customer on the East Johnson County gathering system with approximately 220,200 MMBtu/d of natural gas gathered for the year ended December 31, 2013, which represented approximately 93% of the total throughput on the system during such period. Devon and Midstream Holdings have entered into a 10-year, fixed-fee gathering agreement pursuant to which Midstream Holdings will provide gathering services on the East Johnson County gathering system, which includes a five-year minimum volume commitment from Devon of 125 MMcf/d of natural gas delivered for gathering into the East Johnson County gathering system as well as annual rate escalators.

- *Silver Creek gathering systems*. The Partnership s Silver Creek gathering systems includes two gathering systems. The Partnership s north Texas gathering system, which we refer to as NTG, consists of approximately 680 miles of gathering lines with approximately 112,874 horsepower of compression and had an average throughput of approximately 690,000 MMBtu/d for the year ended December 31, 2013. The Denton system consists of approximately 35 miles of gathering lines and had an average throughput of approximately 10,000 MMBtu/d for the year ended December 31, 2013.

- *Howard Energy Partners*. HEP owns and operates over 500 miles of pipeline and a 200 MMcf/d processing plant, serving production from the Eagle Ford, Escondido, Olmos, Pearsall and other formations in south Texas and pursues a growth strategy focused on the needs of south Texas producers. Howard s system has 145 MMcf/d of amine treating capacity and more than 9,000 horsepower of compression. In 2011 and 2012, the Partnership made capital contributions totaling $87.3 million to HEP in exchange for an individual ownership interest in HEP. As of December 31, 2013, the Partnership owned a 30.6% interest in HEP and accounted for this investment under the equity method of accounting. The Partnership includes its equity investment in HEP in its corporate segment. In December 2013, Alinda Capital Partners acquired a 59% capital interest in HEP from Quanta Capital Solutions and GE Energy Financial Services. The Partnership contributed an additional $30.6 million to HEP during the year ended December 31, 2013 to fund the Partnership s 30.6% share of HEP s expansion costs. The Partnership also received cash distributions totaling $17.5 million from HEP during the year ended December 31, 2013.

Oklahoma Assets