UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

or

☐ 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 **001-38048**

Altus Midstream Company
(Exact name of registrant as specified in its charter)

Delaware	**81-4675947**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code **(713) 296-6000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.0001 par value	**ALTM**	**Nasdaq Global Market**

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒
Indicate by check mark whether the 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 ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒	Emerging growth company	☒
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ☐ No ☒

Aggregate market value of the voting and non-voting common equity held by non-affiliates of registrant as of June 30, 2020	$	40,944,771
Number of shares of registrant's Class A common stock, $0.0001 issued and outstanding as of January 31, 2021		3,746,460
Number of shares of registrant's Class C common stock, $0.0001 issued and outstanding as of January 31, 2021		12,500,000

Documents Incorporated By Reference

Portions of registrant's proxy statement relating to registrant's 2021 annual meeting of stockholders have been incorporated by reference in Part II and Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS AND RISK

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical facts included or incorporated by reference in this Annual Report on Form 10-K, including, without limitation, statements regarding the Company's future financial position, business strategy, budgets, projected revenues, projected costs and plans, and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on the Company's examination of historical operating trends, production and growth forecasts of Apache Corporation's Alpine High field development and other data in the Company's possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "could," "expect," "intend," "project," "estimate," "anticipate," "plan," "believe," "continue," "seek," "guidance," "might," "outlook," "possibly," "potential," "prospect," "should," "would," or similar terminology, but the absence of these words does not mean that a statement is not forward looking. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable under the circumstances, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations include, but are not limited to, its assumptions about:

- the scope, duration, and reoccurrence of any epidemics or pandemics (including, specifically, the coronavirus disease 2019 (COVID-19) pandemic) and the actions taken by third parties, including, but not limited to, governmental authorities, customers, contractors, and suppliers, in response to such epidemics or pandemics;
- the market prices of oil, natural gas, natural gas liquids (NGLs), and other products or services;
- pipeline and gathering system capacity and availability;
- production rates, throughput volumes, reserve levels, and development success of dedicated oil and gas fields;
- economic and competitive conditions;
- the availability of capital;
- cash flow and the timing of expenditures;
- capital expenditures and other contractual obligations;
- weather conditions;
- inflation rates;
- the availability of goods and services;
- legislative, regulatory, or policy changes;
- terrorism or cyberattacks;
- occurrence of property acquisitions or divestitures;
- the integration of acquisitions;
- a decline in oil, natural gas, and NGL production, and the impact of general economic conditions on the demand for oil, natural gas, and NGLs;
- the impact of environmental, health and safety, and other governmental regulations and of current or pending legislation;
- environmental risks;
- the effects of competition;
- the retention of key members of senior management and key technical personnel;

- increases in interest rates;
- the effectiveness of the Company's business strategy;
- changes in technology;
- market-related risks, such as general credit, liquidity, and interest-rate risks;
- the timing, amount, and terms of the Company's future issuances of equity and debt securities; and
- other factors disclosed under Item 1A—Risk Factors, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A—Quantitative and Qualitative Disclosures About Market Risk and elsewhere in this Annual Report on Form 10-K.

Other factors or events that could cause the Company's actual results to differ materially from the Company's expectations may emerge from time to time, and it is not possible for the Company to predict all such factors or events. All subsequent written or oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements. All forward-looking statements speak only as of the date of this Annual Report on Form 10-K. Except as required by law, the Company disclaims any obligation to update or revise these statements, whether based on changes in internal estimates or expectations, new information, future developments, or otherwise.

GLOSSARY OF TERMS

The following are abbreviations and definitions of certain terms used in this Annual Report on Form 10-K and certain terms which are commonly used in the exploration, production, and midstream sectors of the oil and natural gas industry:

- *Bbl.* One stock tank barrel of 42 United States (U.S.) gallons liquid volume used herein in reference to crude oil, condensate or NGLs.
- *Bbl/d.* One Bbl per day.
- *Bcf.* One billion cubic feet of natural gas.
- *Bcf/d.* One Bcf per day.
- *Btu.* One British thermal unit, which is the quantity of heat required to raise the temperature of a one-pound mass of water by one degree Fahrenheit.
- *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.
- *Formation.* A layer of rock which has distinct characteristics that differs from nearby rock.
- *MBbl.* One thousand barrels of crude oil, condensate or NGLs.
- *MBbl/d.* One MBbl per day.
- *Mcf.* One thousand cubic feet of natural gas.
- *Mcf/d.* One Mcf per day.
- *MMBbl.* One million barrels of crude oil, condensate or NGLs.
- *MMBtu.* One million British thermal units.
- *MMcf.* One million cubic feet of natural gas.
- *MMcf/d.* One MMcf per day.
- *NGLs.* Natural gas liquids. Hydrocarbons found in natural gas, which may be extracted as liquefied petroleum gas and natural gasoline.
- *Reserves.* Estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to market and all permits and financing required to implement the project.

References to “Altus” and the “Company” include Altus Midstream Company and its consolidated subsidiaries, unless otherwise specifically stated.

PART I

ITEMS 1. and 2. BUSINESS AND PROPERTIES

Corporate History

Altus Midstream Company was originally incorporated on December 12, 2016 in Delaware under the name Kayne Anderson Acquisition Corp. (KAAC) for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses. KAAC completed its initial public offering in the second quarter of 2017, after which its securities began trading on the Nasdaq Capital Market (Nasdaq).

On August 3, 2018, Altus Midstream LP was formed in Delaware as a limited partnership and wholly-owned subsidiary of the Company. On August 8, 2018, KAAC and Altus Midstream LP entered into a contribution agreement (the Contribution Agreement) with certain wholly-owned subsidiaries of Apache Corporation (Apache), including four Delaware limited partnerships (collectively, Altus Midstream Operating) and their general partner (Altus Midstream Subsidiary GP LLC, a Delaware limited liability company, and together with Altus Midstream Operating, the Altus Midstream Entities). The Altus Midstream Entities were formed by Apache between May 2016 and January 2017 for the purpose of acquiring, developing, and operating midstream oil and gas assets in the Alpine High resource play and surrounding areas (Alpine High).

On November 9, 2018 (the Closing Date) and pursuant to the terms of the Contribution Agreement, KAAC acquired from Apache the entire equity interests of the Altus Midstream Entities and options to acquire equity interests in five separate third-party pipeline projects (the Pipeline Options). The acquisition of the entities and the Pipeline Options is referred to herein as the Business Combination. In exchange, the consideration provided to Apache included economic voting and non-economic voting shares in KAAC and common partnership units representing limited partner interests in Altus Midstream LP (Common Units).

Following the Closing Date and in connection with the closing of the Business Combination:

- KAAC changed its name to Altus Midstream Company;
- Altus Midstream Company's wholly-owned subsidiary, Altus Midstream GP LLC, a Delaware limited liability company (Altus Midstream GP), is the sole general partner of Altus Midstream LP;
- Altus Midstream Company operates its business through Altus Midstream LP and its subsidiaries, which include Altus Midstream Operating (collectively, Altus Midstream);
- Altus Midstream Company holds approximately 23.1 percent of the outstanding Common Units and a controlling interest in Altus Midstream LP, while Apache holds the remaining 76.9 percent; and
- Altus Midstream Company's Class A common stock, $0.0001 par value (Class A Common Stock), continued trading on the Nasdaq under the new symbol "ALTM."

While Altus (formerly KAAC) was the surviving legal entity, the Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, Altus Midstream Company was treated as the acquired company for financial reporting purposes. As a result, historical operations of the entities comprising Altus Midstream Operating are deemed to be those of the Company. Thus, the financial statements and related information included in this Annual Report on Form 10-K reflect (i) the historical operating results of Altus Midstream Operating prior to the Closing Date, (ii) the net assets of Altus Midstream Operating at their historical cost, (iii) the consolidated results of Altus and Altus Midstream Operating after the Closing Date, and (iv) Altus' equity structure for all periods presented.

For further information on the initial public offering, the Business Combination and Altus' equity structure, refer to Note 2—Recapitalization Transaction and Note 11—Equity set forth in Part IV, Item 15 of this Annual Report on Form 10-K.

Business Overview

Altus Midstream Company has no independent operations or material assets outside its partnership interests in Altus Midstream, which are reported on a consolidated basis. The Company's segment analysis and presentation is the same as that of Altus Midstream. Altus Midstream owns gas gathering, processing, and transmission assets in the Permian Basin of West Texas, anchored by midstream service contracts to service Apache's production from Alpine High. Additionally, Altus owns equity interests in four intrastate Permian Basin pipelines (the Equity Method Interest Pipelines) that have access to various points along the Texas Gulf Coast. The Company's operations consist of one reportable segment.

Through the Company's website, www.altusmidstream.com, you can access, free of charge, electronic copies of the charters of the committees of Altus' Board of Directors, other documents related to corporate governance (including Altus' Code of Business Conduct), and documents the Company files with the Securities and Exchange Commission (SEC), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, as well as any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Access to these electronic filings is available as soon as reasonably practicable after Altus electronically files such material with, or furnishes it to, the SEC. You may also request printed copies of the Company's certificate of incorporation, bylaws, committee charters, or other governance documents free of charge by writing to Altus' corporate secretary at the address on the cover of this Annual Report on Form 10-K. From time to time, the Company also posts announcements, updates, and investor information on its website in addition to copies of all recent press releases. Information on Altus' website or any other website is not incorporated by reference into, and does not constitute a part of, this Annual Report on Form 10-K.

Assets of Altus Midstream

As of December 31, 2020, Altus Midstream's assets included approximately 182 miles of in-service natural gas gathering pipelines, approximately 46 miles of residue gas pipelines with four market connections, and approximately 38 miles of NGL pipelines. Three cryogenic processing trains, each with nameplate capacity of 200 MMcf/d, were placed into service during 2019. Other assets include an NGL truck loading terminal with six Lease Automatic Custody Transfer units and eight NGL bullet tanks with 90,000 gallon capacity per tank. The Company's existing gathering, processing, and transmission infrastructure is expected to provide capacity levels capable of fulfilling its midstream contracts to service Apache's production from Alpine High and potential third-party customers as market activity in the area continues to develop.

Equity Method Interest Pipelines

As of December 31, 2020, the Company owned equity interests in four Equity Method Interest Pipelines. Each Equity Method Interest Pipeline is operated by a third-party limited liability entity, as further described below. For a more in-depth discussion of the estimated capital resources, liquidity, and timing associated with each Equity Method Interest Pipeline, please see Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Part IV, Item 15, Note 10—Equity Method Interests, set forth in this Annual Report on Form 10-K.

Gulf Coast Express Pipeline

In December 2018, Altus Midstream closed on the exercise of its Pipeline Option with Kinder Morgan Texas Pipeline LLC (Kinder Morgan), thereby acquiring a 15 percent equity interest in the Gulf Coast Express Pipeline Project (GCX). Altus Midstream acquired an additional 1 percent equity interest in May 2019, for a total 16 percent equity interest in GCX. GCX is a long-haul natural gas pipeline with capacity of approximately 2.0 Bcf/d and transports natural gas from the Waha area in northern Pecos County, Texas, to the Agua Dulce Hub near the Texas Gulf Coast. GCX is operated by Kinder Morgan and was placed into service in September 2019.

EPIC Crude Oil Pipeline

In March 2019, Altus Midstream closed on the exercise of its Pipeline Option with EPIC Pipeline LP, thereby acquiring a 15 percent equity interest in the EPIC crude oil pipeline (EPIC). The long-haul crude oil pipeline extends from the Orla area in northern Reeves County, Texas to the Port of Corpus Christi, Texas, and has Permian Basin initial throughput capacity of approximately 600 MBbl/d. The project includes terminals in Orla, Pecos, Crane, Robstown, Hobson, and Gardendale, Texas with Port of Corpus Christi connectivity and export access. It services Delaware Basin, Midland Basin, and Eagle Ford Shale production. EPIC is operated by EPIC Consolidated Operations, LLC and was placed into service in early 2020.

Permian Highway Pipeline

In May 2019, Altus Midstream closed on the exercise of its Pipeline Option with Kinder Morgan, thereby acquiring an approximate 26.7 percent equity interest in the Permian Highway Pipeline (PHP). The long-haul natural gas pipeline has capacity of approximately 2.1 Bcf/d and transports natural gas from the Waha area in northern Pecos County, Texas to the Katy, Texas area with connections to U.S. Gulf Coast and Mexico markets. PHP is operated by Kinder Morgan and was placed into service in January 2021. PHP was in the commissioning phase and flowing partial volumes as of December 31, 2020.

Shin Oak NGL Pipeline

In July 2019, Altus Midstream closed on the exercise of its Pipeline Option with Enterprise Products Operating LLC (Enterprise Products), thereby acquiring a 33 percent equity interest in Breviloba LLC, which owns the Shin Oak NGL Pipeline (Shin Oak). The long-haul NGL pipeline has capacity of up to 550 MBbl/d and transports NGL production from the Orla area in northern Reeves County, Texas, through the Waha area in northern Pecos County, Texas, and on to Mont Belvieu, Texas. Shin Oak is operated by Enterprise Products and was placed into service during 2019.

Salt Creek NGL Pipeline

Altus Midstream's option to acquire a 50 percent equity interest in the Salt Creek NGL Pipeline, an intra-basin NGL pipeline, was not exercised and expired on March 2, 2020.

Altus' Relationship with Apache

About Apache

Apache is an independent energy company that explores for, develops, and produces natural gas, crude oil, and NGLs. As a result of the Business Combination, Apache is the largest single owner of the Company's voting common stock and also has an approximate 76.9 percent noncontrolling interest in Altus Midstream.

Additionally, as a result of the Business Combination, Apache received certain equity instruments, which may impact its ownership and the ownership interest of Altus Midstream LP's limited partners. For further information on the consideration received by Apache, please refer to Note 2—Recapitalization Transaction and Note 11—Equity, within Part IV, Item 15 of this Annual Report on Form 10-K.

Apache's Alpine High Resource Play

Altus' midstream infrastructure and facilities were initially constructed to service Apache's production from Alpine High. Alpine High lies in the southern portion of the Delaware Basin, primarily in Reeves County, Texas. The play contains multiple geologic formations and target zones spanning the hydrocarbon phase window from dry gas to wet gas to oil. During 2018 and 2019, Apache focused on geological testing and transitioned to initial tests of full-field development of the Alpine High play, drilling 100 wells and 82 wells, respectively. Given the prevailing gas and NGL price environment and disappointing performance of multi-well development pads in the second half of 2019, Apache materially reduced planned investment and future drilling plans at Alpine High.

This reduced investment level prompted Altus management to assess its long-lived infrastructure assets for impairment given the expected reduction to future throughput volumes. As a result of this assessment, Altus recorded impairments on its gathering, processing, and transmission assets in the fourth quarter of 2019. For further discussion of these impairments, please see Part II, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1—Summary of Significant Accounting Policies and Note 5—Property, Plant and Equipment in the Notes to Consolidated Financial Statements, each included within Part IV, Item 15 of this Annual Report on Form 10-K.

Agreements with Apache

The Company and/or its consolidated subsidiaries have entered into certain agreements with Apache. Those material agreements are described in further detail below.

Midstream Service Agreements

Apache has been Altus Midstream's most significant customer since operations commenced in the second quarter of 2017. Altus Midstream Operating has contracted to provide gas gathering, compression, processing, transmission, and NGL transmission services pursuant to acreage dedications provided by Apache, comprising the entire Alpine High acreage discussed above. Revenues under these contracts are 100 percent fee-based, resulting in no direct commodity price exposure attributable to these contracts. The Company is pursuing similar long-term commercial service contracts with third parties that could be accommodated by existing capacity.

In addition, Apache agreed that any gas produced from Apache-operated wells located within the dedication area that is owned by other working interest owners and royalty owners is dedicated to Altus Midstream, so long as Apache has the right to market such gas. The agreements are effective for primary terms beginning on July 1, 2018 and ending March 31, 2032. The primary term will automatically extend for two five-year periods unless Apache provides at least nine months' prior written notice of its election not to extend the primary term. The covenants under the agreements are intended to run with the land and will be binding on any transferee of the interests within the dedicated area.

During 2020, Altus Midstream entered into separate agreements to provide compressor maintenance, operations, and related services to Apache for a fixed monthly fee per compressor serviced. Please refer to Note 4—Revenue Recognition set forth in Part IV, Item 15 in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Operational Services Agreement

Prior to the Business Combination, Apache provided operations, maintenance, and management services to Altus Midstream Operating, pursuant to an agreement hereby referred to as the "Services Agreement." In accordance with the terms of the Services Agreement, Apache received a fixed fee per month for its overhead and indirect costs incurred on behalf of Altus Midstream Operating. Altus Midstream Operating had no banking or cash management activities prior to the Business Combination, and therefore, all costs incurred by Altus Midstream Operating were paid by Apache. In connection with the closing of the Business Combination, the Services Agreement was superseded by the COMA (as defined below).

Construction, Operations, and Maintenance Agreement

In connection with the closing of the Business Combination, the Company entered into a construction, operations, and maintenance agreement with Apache (the COMA), pursuant to which Apache provides certain services related to the design, development, construction, operation, management, and maintenance of the Company's assets, on the Company's behalf.

Under the COMA, the Company paid or will pay fees to Apache of (i) $3.0 million from November 9, 2018 through December 31, 2019, (ii) $5.0 million for the period of January 1, 2020 through December 31, 2020, (iii) $7.0 million for the period of January 1, 2021 through December 31, 2021, and (iv) $9.0 million annually thereafter, adjusted based on actual internal overhead and general and administrative costs incurred, until terminated. In addition, Apache may be reimbursed for certain internal costs and third-party costs incurred in connection with its role as service provider under the COMA.

The COMA will continue to be effective until terminated (i) upon the mutual consent of Altus and Apache, (ii) by either of Altus and Apache, at its option, upon 30 days' prior written notice in the event Apache or an affiliate no longer owns a direct or indirect interest in at least 50 percent of the voting or other equity securities of Altus, or (iii) by Altus if Apache fails to perform any of its covenants or obligations due to willful misconduct of certain key personnel and such failure has a material adverse financial impact on Altus.

Purchase Rights and Restrictive Covenants Agreement

At the closing of the Business Combination, Altus and Apache entered into a purchase rights and restrictive covenants agreement (the Purchase Rights and Restrictive Covenants Agreement). Under the Purchase Rights and Restrictive Covenants Agreement, until the later of the five-year anniversary of the Closing Date or the date on which Apache and its affiliates cease to own a majority of the Company's voting common stock, Apache is obligated to provide the Company with (i) the first right to pursue any opportunity (including any expansion opportunities) of Apache to acquire or invest, directly or indirectly (including equity interests), in any midstream assets or participate in any midstream opportunities located, in whole or part, within an area covering approximately 1.7 million acres in Reeves, Pecos, Brewster, Culberson, and Jeff Davis Counties in Texas, and (ii) a right of first offer on certain retained midstream assets of Apache.

Amended and Restated Agreement of Limited Partnership of Altus Midstream

At the closing of the Business Combination, the Company, Altus Midstream GP, and Apache entered into an amended and restated agreement of limited partnership of Altus Midstream LP, which was further amended in June 2019 pursuant to a second amended and restated agreement of limited partnership of Altus Midstream LP (the Amended LPA). Altus Midstream GP is the sole general partner of Altus Midstream LP and is ultimately responsible for all operational and administrative decisions of Altus Midstream including the day-to-day management of its business. Altus Midstream GP cannot be removed as the general partner of Altus Midstream LP except by its election and, subject to limited exceptions, may not transfer or assign its general partner interest. The Amended LPA contains certain provisions intended to ensure that a one-to-one ratio is maintained, at all times and subject only to limited exceptions, between (i) the number of outstanding shares of Class A Common Stock, and the number of Common Units held by Altus and (ii) the number of outstanding shares of Class C common stock $0.0001 par value (Class C Common Stock), and the number of Common Units held by Apache.

On June 12, 2019, Altus Midstream LP issued and sold Series A Cumulative Redeemable Preferred Units (the Preferred Units) in a private offering. Concurrently, the Preferred Units were established as a new class of partnership unit representing limited partner interests in Altus Midstream LP pursuant to the terms of the Amended LPA, and the purchasers were admitted as limited partners of Altus Midstream LP. For further details on the terms of the Preferred Units and the rights of the holders thereof, refer to Note 12—Series A Cumulative Redeemable Preferred Units, within Part IV, Item 15 of this Annual Report on Form 10-K.

Lease Agreements

Concurrent with the closing of the Business Combination, Altus Midstream entered into an operating lease agreement with Apache, relating to the use of certain office buildings, warehouse, and storage facilities located in Reeves County, Texas (the Lease Agreement). Under the terms of the Lease Agreement, Altus Midstream pays to Apache on a monthly basis the sum of (i) a base rental charge of $44,500 and (ii) an amount based on Apache's estimate of the annual costs it shall incur in connection with the ownership, operation, repair, and/or maintenance of the facilities. Unpaid amounts accrue interest until settled. The initial term of the Lease Agreement is four years and may be extended by Altus Midstream for three additional, consecutive periods of twenty-four months. To accommodate Altus Midstream's desire to vacate the leased premises, the Lease Agreement was amended in July 2020 to provide for its termination with respect to all or any portion of the leased premises which Apache may sell, with a pro rata rent reduction if Apache sells less than all of the leased premises.

In July of 2020, the Company entered into an operating lease agreement with Apache related to the use of certain of Altus's compressors. Under the terms of the agreement, Apache pays Altus fixed monthly lease payments of $110,000. The lease agreement has an initial term of thirty months and automatically extends on a month-to-month basis unless either party cancels the agreement. In November of 2020, Altus entered into a second operating lease agreement with Apache, which commenced in January of 2021. The terms of this agreement are the same as described above with the exception of monthly lease payments being $75,000. Altus will also earn a monthly fee to operate and maintain the compressors under lease. Refer to Note 4—Revenue Recognition for further discussion.

Title to Properties

The Company's interest in the property on which its assets are located derives from leases, easements, rights-of-way, permits, or licenses from landowners or governmental authorities, permitting the use of such land for its operations. The Company has leased or acquired easements, rights-of-way, permits, or licenses in these lands without any material challenge known to the Company relating to the title to the land upon which its assets are located, and Altus believes that it has satisfactory interests in such lands. In certain situations, the Company elected to allow Apache to acquire easements, rights-of-way, permits, and licenses from landowners to expedite the build-out of midstream infrastructure. Other than the aforementioned Apache real property, the Company has no knowledge of any challenge to the underlying fee title of any material lease, easement, right-of-way, permit, or license held by it or to its title to any material lease, easement, right-of-way, permit, or lease, and the Company believes that it has satisfactory title to all of its material leases, easements, rights-of-way, permits, and licenses.

Seasonality

While the results of gathering, processing, and transmission are not materially affected by seasonality, from time to time the Company's operations and construction of assets can be impacted by inclement weather.

Competition

The business of providing gathering, compression, processing, and transmission services for natural gas and NGLs is highly competitive. Altus faces strong competition in obtaining natural gas and NGL volumes, including from major integrated and independent exploration and production companies, interstate and intrastate pipelines, and other companies that gather, compress, treat, process, transmit, or market natural gas and NGLs. Competition for supplies is primarily based on geographic location of facilities in relation to production or markets, the reputation, efficiency, and reliability of the midstream company, and the pricing arrangements offered by the midstream company. For areas where acreage is not dedicated to Altus, the Company will compete with similar enterprises in providing additional gathering, compression, processing, and transmission services in the same area of operation.

Regulation

Natural Gas Pipeline Regulation

Under the Natural Gas Act (NGA), the Federal Energy Regulatory Commission (FERC) regulates the transportation of natural gas in interstate commerce. Intrastate transportation of natural gas is largely regulated by the state in which such transportation takes place. To the extent that the Company’s intrastate natural gas transportation system transports natural gas in interstate commerce, the rates, terms, and conditions of such services are subject to FERC jurisdiction under Section 311 of the Natural Gas Policy Act of 1978 (NGPA). The NGPA regulates, among other things, the provision of transportation services by an intrastate natural gas pipeline on behalf of a local distribution company or an interstate natural gas pipeline. Under Section 311 of the NGPA, rates charged for interstate transportation must be fair and equitable, and amounts collected in excess of fair and equitable rates are subject to refund with interest. The terms and conditions of service set forth in the Company’s statement of operating conditions for transportation service under Section 311 of the NGPA are also subject to FERC review and approval. Failure to observe the service limitations applicable to transportation services under Section 311, failure to comply with the rates approved by the FERC for Section 311 service, or failure to comply with the terms and conditions of service established in the pipeline’s FERC-approved statement of operating conditions could result in a change of jurisdictional status and/or the imposition of administrative, civil, and criminal remedies.

The Company’s intrastate natural gas operations are also subject to regulation by various agencies in Texas, principally the Railroad Commission of Texas (TRRC). Altus intrastate pipeline operations are also subject to the Texas Utilities Code and the Texas Natural Resources Code, as implemented by the TRRC. Generally, the TRRC is vested with authority to ensure that rates, operations, and services of gas utilities, including intrastate pipelines, are just and reasonable and not discriminatory. The rates the Company charges for transportation services are deemed just and reasonable under Texas law unless challenged in a customer or TRRC complaint. Failure to comply with the Texas Utilities Code or the Texas Natural Resources Code can result in the imposition of administrative, civil, and criminal remedies.

Natural Gas Gathering Regulation

Section 1(b) of the NGA exempts natural gas gathering facilities from the jurisdiction of the FERC. The Company believes that its natural gas gathering pipelines meet the traditional tests the FERC has used to establish whether a pipeline is a gathering pipeline that is not subject to FERC jurisdiction. However, the distinction between FERC-regulated transmission services and federally unregulated gathering services has been the subject of substantial litigation and varying interpretations. In addition, the FERC’s determinations as to whether a pipeline is a gathering pipeline are made on a case-by-case basis, so the classification and regulation of the Company’s natural gas pipeline system could be subject to change based on future determinations by the FERC and the courts. State regulation of gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements and complaint-based rate regulation.

The Company’s natural gas pipeline system is subject to regulation by the TRRC under the Texas Utilities Code and the Texas Natural Resources Code in the same manner as described above for intrastate pipeline transportation facilities. The Company’s natural gas gathering pipeline system is also subject to ratable take and common purchaser statutes in Texas. The ratable take statute generally requires gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. Similarly, the common purchaser statute generally requires gatherers to purchase without undue discrimination as to source of supply or producer. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another source of supply.

Natural Gas Liquids Pipeline Regulation

Transmission services rendered by Altus are subject to the regulation of the TRRC. The TRRC has the authority to regulate rates, though it generally has not investigated the rates or practices of intrastate pipelines in the absence of shipper complaints.

Employee Safety

Altus complies with the requirements of the Occupational Safety and Health Administration (OSHA) and comparable state laws that regulate the protection of the health and safety of workers. In addition, with respect to OSHA hazard communication standards, the Company believes that its operations are in substantial compliance with OSHA requirements, including general industry standards, hazard communication, record keeping requirements, and monitoring of occupational exposure to regulated substances.

Pipeline Safety Regulations

Some of Altus' pipelines are subject to regulation by the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to the Natural Gas Pipeline Safety Act of 1968 (NGPSA), with respect to natural gas, and the Hazardous Liquids Pipeline Safety Act of 1979 (HLPSA), with respect to NGLs. The NGPSA and HLPSA regulate safety requirements in the design, construction, operation, and maintenance of natural gas, crude oil, and NGL pipeline facilities, while the Pipeline Safety Improvement Act of 2002 (PSIA) establishes mandatory inspections for all U.S. crude oil, NGL, and natural gas transmission pipelines in high consequence areas (HCAs), the violation of which can result in administrative, civil, and criminal penalties, including civil fines, injunctions, or both.

PHMSA regularly revises its pipeline safety regulations. Recently, the TRRC adopted rules that require operators of natural gas and hazardous liquid gathering lines in rural areas to report accidents, conduct investigations, and perform necessary corrective action.

States are largely preempted by federal law from regulating pipeline safety for interstate lines but most are certified by the DOT to assume responsibility for enforcing federal intrastate pipeline regulations and inspection of intrastate pipelines. States may adopt stricter standards for intrastate pipelines than those imposed by the federal government for interstate lines; however, states vary considerably in their authority and capacity to address pipeline safety. State standards may include requirements for facility design and management in addition to requirements for pipelines. The Company believes that its pipeline operations are in substantial compliance with applicable PHMSA and state requirements; however, due to the possibility of new or amended laws and regulations or reinterpretation of existing laws and regulations, there can be no assurance that future compliance with PHMSA or state requirements will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Environmental Matters

Many of the operations and activities of Altus' pipelines, gathering systems, processing plants, and other facilities are subject to significant federal, state, and local environmental laws and regulations, the violation of which can result in administrative, civil, and criminal penalties, including civil fines, injunctions, or both. Compliance with existing and anticipated environmental laws and regulations increases the Company's overall costs of doing business, including costs of planning, constructing, and operating plants, pipelines, and other facilities, as well as capital expenditures necessary to maintain or upgrade equipment and facilities. Similar costs are likely upon changes in laws or regulations and upon any future acquisition of operating assets.

The Company believes that its operations are in substantial compliance with applicable environmental regulations and attempts to anticipate future regulatory requirements that might be imposed and plan accordingly. While any new or amended laws and regulations or reinterpretation of existing laws and regulations would not be expected to be any more burdensome to Altus than to other, similarly situated operators, there can be no assurance that future compliance with any new environmental requirements will not have an adverse effect on the Company's financial condition, results of operations, or cash flows.

Climate Change

Federal or state legislative or regulatory initiatives that regulate or restrict emissions of greenhouse gasses (GHGs) in areas in which Altus conducts business could adversely affect the availability of, or demand for, the products the Company stores, transmits, and processes and, depending on the particular program adopted, could increase the costs of Altus' operations, including costs to operate and maintain facilities, install new emission controls on facilities, acquire allowances to authorize GHG emissions, pay any taxes related to GHG emissions, and/or administer and manage a GHG emissions program. The Company may be unable to recover any such lost revenues or increased costs in the rates charged to customers, and any such recovery may depend on events beyond its control, including the provisions of any final legislation or regulations. Reductions in the Company's revenues or increases in expenses as a result of climate change initiatives could have adverse effects on the Company's business, financial condition, results of operations, or cash flows.

Finally, some scientific studies have concluded that increasing concentrations of GHGs in the atmosphere could lead to climate change, which could result in the increased frequency and severity of climate events, including storms, floods, and fires. If any such effects were to occur, there may be an increased potential for adverse effects on the Company's assets and operations.

Emerging Growth Company Status

Altus is an "emerging growth company," as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (JOBS Act). As such, the Company is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved, and reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements. If some investors find Altus securities less attractive as a result, there may be a less active trading market for Altus' securities and the prices of Altus' securities may be more volatile.

In addition, Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. While Altus has not opted out of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, the Company does not intend to take advantage of the benefits of this extended transition period.

Altus will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following April 4, 2022, the fifth anniversary of the completion of its initial public offering, (b) in which Altus has total annual gross revenue of at least $1.07 billion, or (c) in which Altus is deemed to be a large accelerated filer, which means the market value of Class A Common Stock that is held by non-affiliates exceeds $700.0 million as of the last business day of Altus' prior second fiscal quarter (typically June 30th), and (2) the date on which Altus has issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Employees

The Company has no employees. All individuals who conduct business for Altus are employed by Apache. Per the terms of the COMA, Apache operates, maintains and administers the Company's operations and also provides management services.

Offices

Altus does not own any real estate or other physical properties materially important to its operation. The Company's executive office is located at One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400. Refer to the *"Agreements with Apache—Lease Agreement"* section above for further discussion.

ITEM 1A. RISK FACTORS

The Company's business activities and the value of its securities are subject to significant hazards and risks, including those described below. If any of such events should occur, Altus' business, financial condition, liquidity, and/or results of operations could be materially harmed, and holders and purchasers of Altus' securities could lose part or all of their investments. Additional risks relating to Altus' securities may be included in the prospectuses for securities the Company may issue in the future.

RISKS RELATED TO THE COMPANY'S PRIMARY CUSTOMER AND MAJORITY OWNER

Altus derives a substantial portion of its revenue from Apache, and if Apache changes its business strategy, alters its current drilling and development plan on acreage dedicated to Altus, or otherwise significantly reduces the volumes of natural gas or NGLs with respect to which Altus performs midstream services, Altus' revenue would decline and its business, financial condition, results of operations, and cash flows would be materially and adversely affected.

Substantially all of the Company's current commercial agreements are with Apache, and as a result, Altus derives substantially all of its midstream services revenue from Apache. Accordingly, Altus will be subject to the operational and business risks of Apache, the most significant of which include the following:

- a failure to recommence or any further or subsequent reduction in or slowing of Apache's drilling and development plans for or deferrals of production from the acreage dedicated to the Company, including as a result of volatility in the price of crude oil, natural gas, and NGLs or the availability of capital to fund Apache's activities, which would directly and adversely impact demand for Altus' midstream services;
- drilling and operating risks, including potential environmental liabilities, associated with Apache's operations on the acreage dedicated to the Company;
- downstream processing and transportation capacity constraints and interruptions, including the failure of Apache to have sufficient contracted transportation capacity;
- adverse effects of increased or changed governmental and environmental regulation or enforcement of existing regulation; and
- Apache's financial condition, credit ratings, leverage, market reputation, liquidity, and cash flows.

Further, Altus does not have control over Apache's business decisions and operations, and Apache is under no obligation to adopt a business strategy that is favorable to the Company. Thus, Altus will be subject to the risk of cancellation of planned development, nonperformance of commitments with respect to future dedications, and other nonpayment or nonperformance by Apache, including with respect to its commercial agreements, which do not contain minimum volume commitments. Furthermore, there is no guarantee that Apache will extend any agreements with the Company beyond their initial terms or that Altus will be able to renew or replace these agreements on equal or better terms, or at all, upon their expiration. Any material nonpayment or nonperformance by Apache under its commercial agreements with the Company would have a significant adverse impact on Altus' business, financial condition, results of operations, and cash flows.

Altus does not have any employees and relies entirely on services provided by Apache's employees.

The Company does not have any employees. Instead, Altus relies entirely on Apache's employees to conduct the Company's business and activities pursuant to the COMA. There could be material competition for the time and effort of the Apache officers and employees who provide services to both Altus and Apache. If Apache's employees who provide services to the Company do not devote sufficient attention to the management and operation of Altus' business and activities, Altus' business, financial condition, results of operations, and cash flows could be materially and adversely affected.

Although the COMA provides for certain fixed annual limits on the support services fee payable to Apache through 2022, there is no limit on such fees thereafter. As a result, after 2022, Altus may be required to pay Apache higher fees than would be available from third parties. The COMA is subject to termination by Altus or Apache under certain circumstances, including if Apache and its affiliates no longer own a direct or indirect interest in at least 50 percent of the voting or other equity securities of the Company. Should the COMA be terminated by Altus or Apache, Altus will be required to attract and hire employees to perform the services currently performed by Apache's employees under the COMA or otherwise contract with third parties for the provision of such services, which, in either case, could subject Altus to substantial additional costs, could cause significant disruptions to Altus' business, may be on terms less favorable than the terms of the COMA, and as a result, Altus' financial condition, results of operations, and cash flows could be adversely affected.

Altus' executive officers and directors may face potential conflicts of interest in managing the Company's business.

Altus' executive officers and certain directors are also officers or employees of Apache. These relationships may create conflicts of interest regarding corporate opportunities and other matters. The resolution of any such conflicts may not always be in the Company's or its stockholders' best interests. In addition, these overlapping executive officers and directors allocate their time among Altus and Apache. These officers and directors face potential conflicts regarding the allocation of their time, which may adversely affect the Company's business, results of operations, and financial condition.

Substantially all of Altus' gathering and processing operations are located within the Southern Delaware Basin of West Texas, making it vulnerable to risks associated with having revenue-producing operations concentrated in one geographic area.

Altus' revenue-producing operations are geographically concentrated primarily within the Southern Delaware Basin of West Texas, which disproportionately exposes the Company to risks associated with regional factors and increases its exposure to unexpected events that may occur in this region, such as natural disasters. Furthermore, the Company may be exposed to increases in costs as a result of regional economic conditions and the availability of goods and services, such as a skilled labor force, which could become more expensive (or at certain times, unavailable) if the labor market in the Permian Basin were to tighten. Any of these risks could adversely affect the Company's financial condition, results of operations, or cash flows.

Apache may suspend, reduce, or terminate its obligations under its commercial agreements with Altus in certain circumstances, which could have a material adverse effect on Altus' financial condition, results of operations, and cash flow.

Altus is party to certain commercial agreements with Apache, which include provisions that permit Apache to suspend, reduce, or terminate its obligations under the agreement if certain events occur. These events include force majeure events that would prevent the Company from performing some or all of the required services under the applicable agreement. Apache, as the counterparty under these commercial agreements, has the discretion to make such decisions, which may significantly and adversely affect the Company. Any such reduction, suspension, or termination of Apache's obligations under these agreements would have a material adverse effect on the Company's financial condition, results of operations, and cash flow.

While Apache has granted Altus a right of first offer to provide additional midstream services and acquire Apache's retained midstream assets in Alpine High, Apache does not have to accept the Company's offer.

Apache has granted Altus a right of first offer to provide additional midstream services and acquire Apache's retained midstream assets in Alpine High. Although Apache granted Altus this right of first offer, the Company can make no assurances that the economic terms that it offers Apache will be acceptable to Apache, and another midstream services provider or a third party may be willing to make an offer to Apache on economic terms that Altus is unwilling or unable to offer. Altus' inability to take advantage of the opportunities with respect to the right of first offer could adversely affect its growth strategy.

A significant amount of the revenue currently generated by Altus is from contracts with Apache that contain most favored nations rights and other consent rights, limiting flexibility to offer certain rates or capacity to new shippers.

Certain of the Company's commercial agreements with Apache contain most favored nations rights (MFNs) that could result in lower rates being charged to Apache in the event that any of the rates being charged to other customers are less than the similar rates charged to Apache. Without Apache's consent, the MFNs effectively limit the Company's flexibility in negotiating rates for some of Altus' services with other shippers, because triggering the MFNs would lead to a reduction in the rates that the Company charges to Apache, which would adversely affect Altus' financial condition, results of operations, or cash flows. Additionally, certain of the commercial agreements may require Apache's consent to offer third-party customers priority of service in the Company's facilities that is at least equal to Apache's priority of service. If Apache refuses to grant such consent, the Company's ability to attract third-party customers to its midstream facilities could be negatively impacted.

If Apache elects to sell acreage that is dedicated to Altus to a third party, then the third party's financial condition could be materially worse than Apache's, and Altus could be subject to the nonpayment or nonperformance by the third party.

If Apache elects to sell acreage that is dedicated to the Company to a third party, then the third party's financial condition could be materially worse than Apache's. In such a case, the Company may be subject to risks of loss resulting from nonpayment or nonperformance by the third party, which risks may increase during periods of economic uncertainty. Furthermore, the third party may be subject to their own operating and regulatory risks, which increases the risk that they may default on their obligations to the Company. Any material nonpayment or nonperformance by the third party could adversely impact the business, financial condition, results of operations, and cash flows of the Company.

Apache owns a majority of Altus' outstanding voting shares and thus strongly influences all of Altus' corporate actions.

Apache and its affiliates beneficially own approximately 79 percent of Altus' outstanding voting common stock. Under the Stockholders Agreement, Apache is entitled to nominate up to seven directors to Altus' board of directors depending on its and its affiliates' ownership of Altus' outstanding voting common stock. As long as Apache and its affiliates own or control a significant percentage of Altus' outstanding voting power, it will have the ability to strongly influence all corporate actions, including those requiring stockholder approval, the election and removal of directors, the size of Altus' board of directors, any amendment of Altus' charter or bylaws, any action impacting the Equity Method Interest Pipelines or the ownership of such interests, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of Altus' assets, and will be able to cause or prevent a change in the composition of Altus' board of directors or a change in control of the Company that could deprive stockholders of an opportunity to receive a premium for their common stock as part of a sale of the Company. The interests of Apache may not align with the interests of Altus' other stockholders.

RISKS RELATED TO CONSTRUCTING OR MAINTAINING ASSETS AND OPERATING THE BUSINESS

The COVID-19 pandemic has and may continue to adversely impact the Company's business, financial condition, and results of operations, the global economy, and the demand for and prices of oil, natural gas, and NGLs. The unprecedented nature of the current situation makes it impossible for the Company to identify all potential risks related to the pandemic or estimate the ultimate adverse impact that the pandemic may have on its business.

The COVID-19 pandemic and the actions taken by third parties, including, but not limited to, governmental authorities, businesses, and consumers, in response to the pandemic have adversely impacted the global economy and created significant volatility in the global financial markets. Business closures, restrictions on travel, "stay-at-home" or "shelter-in-place" orders, and other restrictions on movement within and among communities have significantly reduced demand for and the prices of oil, natural gas, and NGLs. As of the date of this report, efforts to contain COVID-19 have not been successful in many regions, vaccination programs have encountered delays, and the global pandemic remains ongoing. A continued prolonged period of such reduced demand, the failure to timely distribute or the ineffectiveness of any vaccines, the failure to develop adequate treatments, and other adverse impacts from the pandemic may materially adversely affect the Company's business, financial condition, cash flows, and results of operations.

The Company's operations rely on Apache and its workforce being able to access the Company's various facilities. Additionally, because Apache has implemented remote working procedures for a significant portion of its workforce for health and safety reasons and/or to comply with applicable national, state, and/or local government requirements, the Company relies on such persons having sufficient access to applicable information technology systems, including through telecommunication hardware, software, and networks. If a significant portion of Apache's workforce cannot effectively perform their responsibilities, whether resulting from a lack of physical or virtual access, quarantines, illnesses, governmental actions or restrictions, information technology or telecommunication failures, or other restrictions or adverse impacts resulting from the pandemic, the Company's business, financial condition, cash flows, and results of operations may be materially adversely affected.

The unprecedented nature of the current situation resulting from the COVID-19 pandemic makes it impossible for the Company to identify all potential risks related to the pandemic or estimate the ultimate adverse impact that the pandemic may have on its business, financial condition, cash flows, or results of operations. Such results will depend on future events, which the Company cannot predict, including the scope, duration, and potential reoccurrence of the COVID-19 pandemic or any other localized epidemic or global pandemic, the distribution and effectiveness of vaccines and treatments, the demand for and the prices of oil, natural gas, and NGLs, and the actions taken by third parties, including, but not limited to, governmental authorities, customers, contractors, and suppliers, in response to the COVID-19 pandemic or any other epidemics or pandemics. The COVID-19 pandemic and its unprecedented consequences have amplified, and may continue to amplify, the other risks identified in this report.

Construction and maintenance of Altus' assets (including the Equity Method Interest Pipelines) subjects the Company to risks of construction delays, cost over-runs, and negative effects on its financial condition, results of operations, or cash flows.

The construction and maintenance of Altus' assets (including the Equity Method Interest Pipelines) and any additions or modifications to any such assets are complex projects that are subject to a number of factors beyond the Company's control, including numerous regulatory, environmental, political, and legal uncertainties, delays from third-party landowners or their refusal to provide necessary consents, the permitting process, complying with laws, unavailability or increased cost of or tariffs on materials, labor disruptions, labor availability, environmental hazards, protests, third-party legal actions, financing, accidents, weather, and other factors. If the Company undertakes these projects, it may not be able to complete them on schedule, at the budgeted cost, or at all. Any delay in the completion or continued maintenance of such assets or any increase in or change in the timing of capital expenditures necessary to fund such construction or maintenance may require the expenditure of significant amounts of capital and could adversely affect the Company's financial condition, results of operations, liquidity, or cash flows.

If the Company seeks to acquire assets or businesses but is unable to do so on economically acceptable terms or is unable to successfully integrate any acquired assets or operations, its future growth will be limited.

From time to time, the Company may evaluate and seek to acquire assets or businesses that it believes complement its existing business and related assets. The Company may acquire assets or businesses that it plans to use in a manner materially different from their prior owners' uses. Any acquisition involves potential risks, including the inability to integrate the operations of recently acquired businesses or assets, especially if the assets acquired are in a new business segment or geographic area, the failure to realize expected volumes, revenues, profitability, or growth, the failure to realize any expected synergies and cost savings, the assumption of unknown liabilities, the loss of customers or key employees from the acquired businesses, and potential environmental or regulatory liabilities and title problems.

Any assessment of these risks will be inexact and may not reveal or resolve all existing or potential problems associated with an acquisition. Realization of any of these risks could adversely affect the Company's financial condition, results of operations, and cash flows. If Altus consummates any future acquisition, its capitalization and results of operations may change significantly.

If third-party pipelines or other midstream facilities interconnected to the Company's gathering, processing, or transmission systems become partially or fully unavailable or if the volumes Altus gathers, processes, or transmits do not meet the quality requirements of the pipelines or facilities to which Altus connects, its cash flows could be adversely affected.

The Company's gathering, processing, and transmission assets connect to other pipelines or facilities owned and operated by unaffiliated third parties, and continuing access to such third-party pipelines, processing facilities, and other midstream facilities are not within the Company's control. These pipelines, plants, and other midstream facilities may become unavailable because of testing, turnarounds, maintenance, reduced capacity, regulatory requirements, and other curtailments of receipt or deliveries. If the Company's costs to access and transmit on these third-party pipelines significantly increase, if any of these pipelines or other facilities become unable to receive, transmit, or process product, or if the volumes the Company gathers or transmits do not meet the product quality requirements, then Altus' cash flows could be adversely affected.

Increased competitive pressure could adversely affect Altus' financial condition, results of operations, or cash flows.

Altus competes with similar enterprises in its industry, including large midstream companies that have greater financial resources and access to supplies than the Company. The principal elements of competition are rates, terms of service, and flexibility and reliability of service. Expansion or construction of competing gathering, processing, transmission, and storage systems and excess pipeline capacity would create additional competition for the services the Company provides to its customers.

Further, natural gas utilized as a fuel competes with other forms of energy available to end-users. Increased demand for such other forms of energy at the expense of natural gas could lead to a reduction in demand for Altus' midstream services and could intensify the negative impact of factors that decrease demand for natural gas in the markets served by the Company's systems, such as adverse economic conditions, weather, higher fuel costs, and taxes or other governmental or regulatory actions. All of these competitive pressures could adversely affect the Company's financial condition, results of operations, or cash flows.

Altus may not be able to retain or acquire new customers, which would reduce Altus' revenues and limit its future profitability.

The renewal or replacement of the Company's existing contracts with its customers at rates sufficient to maintain or increase current revenues and cash flows depends on a number of factors, some of which are beyond the Company's control, including competition and the price of, and demand for, commodities in the markets Altus serves. The inability of the Company to renew or replace its current or future contracts as they expire could have a negative effect on its profitability.

Altus does not own in fee the land on which its assets are located, which could result in disruptions to its operations.

The Company does not own in fee any of the land on which its midstream assets have been constructed. Altus' only interests in these properties are rights granted under surface use agreements, rights-of-way, surface leases, or other easement rights (collectively, Rights-of-Way), of which Apache and certain of its affiliates are a party, and such Rights-of-Way may limit or restrict Altus' access to or use of the surface estates, which may adversely affect Altus' operations. The Company is also subject to the possibility of more onerous terms or increased costs to retain necessary land use if Altus does not have valid Rights-of-Way or if such usage rights lapse or terminate. The loss of these rights could have a material adverse effect on the business, financial condition, results of operations, and cash flows of the Company.

A failure in Altus' computer systems or a terrorist or cyberattack on Altus or third parties with whom Altus does business may adversely affect the Company's ability to operate its business.

The Company is reliant on technology to conduct its business. The Company depends upon its operational and financial computer systems to process the data necessary to conduct almost all aspects of its business, including operating its pipelines and gathering and processing facilities, recording and reporting commercial and financial transactions, and receiving and making payments. Any failure of the Company's computer systems or those of its customers, suppliers, or others with whom it does business, including Apache, could materially disrupt the Company's ability to operate its business.

Cyberattacks against the Company may disrupt computer systems and operations and result in the theft of funds or data. In addition, the Company's pipeline systems may be targets of terrorist attacks or environmental activist group activities that could disrupt Altus' ability to conduct its business. Protecting against such threats may require the Company to expend significant additional resources, and any such attack or disruption could have a material adverse effect on Altus' business and results of operations.

Altus' business involves many hazards and operational risks, some of which may not be fully covered by insurance. The occurrence of a significant event that is not fully insured could adversely affect Altus' operations and financial condition.

The Company's operations are subject to the many hazards inherent in the gathering, compressing, processing, and transmission of natural gas and NGLs, including damage to pipelines, related equipment, and surrounding properties caused by hurricanes, floods, fires, explosions, other natural or anthropogenic disasters, acts of terrorism, and cyberattacks, leaks of natural gas, NGLs, and other hydrocarbons, and induced seismicity.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment, including information technology systems, and pollution or other environmental damage and may result in curtailment or suspension of the Company's related operations. In accordance with typical industry practice, Altus has appropriate levels of business interruption, property, and other insurance, but the Company is not fully insured against all risks incident to its business. If a significant accident or event occurs that is not fully insured, it could adversely affect Altus' financial condition, results of operations, or cash flows.

RISKS RELATED TO THE EQUITY METHOD INTEREST PIPELINES AND OTHER NON-OPERATED ASSETS

Altus owns or operates a portion of its business with one or more equity interest partners or in circumstances where Altus is not the operator, including the Equity Method Interest Pipelines, which may restrict its operational and corporate flexibility; actions taken by other partners or third-party operators may materially impact the Company's financial position and results of operations, and Altus may not realize the benefits it expects to realize from an equity interest.

As is common in the midstream industry, Altus owns or operates one or more of its properties with one or more equity interest partners, including the Equity Method Interest Pipelines, or contracts with a third-party to control operations. These relationships require the Company to share operational and other control or to defer to another party's control, such that it does not have the flexibility to control the development of these properties. If Altus does not timely meet its financial commitments in such circumstances, its rights to participate may be adversely affected. If an equity interest partner is unable or fails to pay its portion of development costs or if a third-party operator does not operate in accordance with the Company's expectations, the Company's costs of operations could be increased. Altus could also incur liability or not realize expected benefits as a result of actions taken by an equity interest partner or third-party operator. Actions taken by Apache may also negatively impact Altus' ownership in or the expected benefits from such assets. Disputes between Altus and the other party or parties in an equity interest may result in litigation or arbitration that would increase the Company's expenses, delay or terminate projects, and distract the Company's officers and directors from focusing their time and effort on Altus' business.

If any of the Equity Method Interest Pipelines experience cost overruns or do not generate the cash flows Altus expects, the Company's plans for growth and dividends will be impaired.

The Company's strategy to grow its business depends in part on the Equity Method Interest Pipelines. Altus can offer no assurance that the Equity Method Interest Pipelines will perform as expected. If applicable pipelines do not perform as expected, Altus may experience losses in relation to its equity interests. In addition, each of the Equity Method Interest Pipelines is subject to risks associated with cost over-runs, operational hazards, environmental matters, regulatory matters, creditworthiness of counterparties, and legal matters, as well as other risks and uncertainties, many of which are beyond the control of the operator of the pipeline. If any of these risks were to materialize, Altus' financial condition, results of operations, and cash flows could be adversely affected.

RISKS RELATED TO THE VOLUME OF PRODUCTS THE COMPANY SERVICES

Altus is dependent on the supply of commodities to its system, and any decrease in such supply or the volumes that Altus gathers, processes, or transmits would adversely affect its financial condition, results of operations, or cash flows.

The Company's financial performance depends to a large extent on the volumes of natural gas and NGLs gathered, processed, and transmitted on its assets, and decreases in such volumes would directly and adversely affect its financial condition, results of operations, or cash flows. These volumes can be influenced by factors beyond Altus' control, including regulations, weather, storage levels, increased use of alternative energy sources, decreased demand, and changes in production. The Company's financial condition, results of operations, or cash flows may also be adversely affected if the reserves or estimates thereof reported by the Company's customers, for which the Company does not obtain independent evaluations, is less than anticipated or if the infrastructure to gather and process supply into and out of the Company's systems are unavailable or inadequate. If the Company is unable to maintain or increase the volumes on its system, the Company's business, financial conditions, results of operations, or cash flows could be adversely affected.

The Company's exposure to commodity price risk may change over time.

The Company currently generates substantially all of its midstream services revenue pursuant to fee-based contracts under which the Company is paid based on the volumes that it gathers, processes, and transmits, rather than the underlying value of the commodity, and only has an immaterial portion of its revenues that are based on the underlying value of a commodity. However, Altus may enter into contracts or may acquire or develop additional midstream assets in a manner that increases its exposure to commodity price risk, which could adversely affect Altus' financial condition, results of operations, or cash flows.

RISKS RELATED TO CAPITAL EXPENDITURES

To maintain and grow its business, Altus is, and will be, required to make substantial capital expenditures.

To maintain and grow its business, Altus will need to make substantial capital expenditures to fund growth capital expenditures as well as its share of capital expenditures associated with the Equity Method Interest Pipelines. If the Company does not make sufficient or effective capital expenditures, it will be unable to maintain and grow its business, and, as a result, it may be unable to increase its cash flow over the long term. To fund Altus' capital expenditures, it will be required to use cash from its operations, incur debt, engage in structured financial transactions, or sell additional shares of Class A Common Stock or other equity securities.

Additionally, the Company's ability to obtain bank financing or its ability to access the capital markets for future equity or debt offerings may be limited by its then-current financial condition and the covenants in its then-current debt agreements, as well as by general economic conditions and uncertainties that are beyond its control. Also, due to Altus' relationship with Apache, material adverse changes affecting Apache could negatively impact the Company's ability to access the capital markets, including the pricing or other terms of any capital markets transactions, or engage in certain transactions that might otherwise be considered beneficial to the Company.

The capital and global credit markets have experienced volatility and disruption in the past, and further volatility and disruption may have an adverse effect on Altus's ability to access the credit markets to finance its operations or expansions.

The capital and global credit markets have experienced volatility and disruption in the past. In many cases during these periods, the capital markets have exerted downward pressure on equity values and reduced the credit capacity for certain companies. Similar or more severe levels of global market disruption and volatility may have an adverse effect on Altus resulting from, but not limited to, disruption of Altus' access to capital and credit markets, difficulty in obtaining financing necessary to expand facilities or acquire assets, increased financing costs, and increasingly restrictive covenants.

If Altus is unable to access capital at competitive rates, the Company's strategy of enhancing the earnings potential of its existing assets, including through capital-growth projects and acquisitions of complementary assets or businesses, may be affected adversely.

RISKS RELATED TO THE COMPANY'S FINANCIAL CONDITION AND OBLIGATIONS

Debt Altus incurs may limit its flexibility to obtain financing and to pursue other business opportunities.

The Company's current and future level of debt could have important consequences to it, and the Company's ability to obtain additional financing, if necessary, for working capital, capital expenditures, or other purposes may be impaired or such financing may not be available on favorable terms. The funds available for operations, future business opportunities, and the payment of dividends, if any, to the Company's stockholders will be reduced by that portion of its cash flows required to make interest payments on its debt, and the Company may be more vulnerable to competitive pressures or a downturn in its business or the economy generally.

Altus' ability to service any debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions and other factors, some of which are beyond its control. If the Company's operating results are not sufficient to service any future indebtedness, it will be forced to take actions such as reducing or eliminating dividends, reducing or delaying its business activities, investments, or capital expenditures, selling assets, or issuing equity. Altus may not be able to effect any of these actions on satisfactory terms or at all.

The discontinuation and uncertain cessation date of LIBOR, and the adoption of an alternative reference rate, may have a material adverse impact on Altus Midstream's floating rate indebtedness and financing costs.

Pursuant to the terms of Altus Midstream's revolving credit facility, Altus Midstream may elect to use London Interbank Offering Rate (LIBOR) as a benchmark for establishing the interest rate on floating interest rate borrowings under its revolving credit facility. On November 30, 2020, the ICE Benchmark Administration ("IBA") announced that it intends to continue publishing LIBOR until the end of June 2023, beyond the previously announced 2021 cessation date. The IBA announcement was supported by announcements from the United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, and the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency (the "U.S. Regulators"). However, both the FCA and U.S. Regulators in their announcements also advised banks to cease entering into new contracts referencing LIBOR after December 2021. These announcements indicate that the continuation of LIBOR on the current basis may not be assured after 2021 and will not be assured beyond 2023. In light of these recent announcements, the future of LIBOR at this time is uncertain, and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR's phase-out could cause LIBOR to perform differently than in the past or cease to exist.

In the United States, the Alternative Reference Rates Committee (the working group formed to recommend an alternative rate to LIBOR) has identified the Secured Overnight Financing Rate (SOFR) as its preferred alternative rate for LIBOR. There can be no guarantee that SOFR will become a widely-accepted benchmark in place of LIBOR. Although the full impact of the transition away from LIBOR, including the discontinuance of LIBOR publication and the adoption of SOFR as the replacement rate for LIBOR, remains unclear, these changes may have an adverse impact on Altus Midstream's floating rate indebtedness and financing costs under its revolving credit facility.

Altus is exposed to the credit risk of its customers and counterparties, including Apache, and their nonpayment or nonperformance could have an adverse effect on the Company's financial condition, results of operations, or cash flows.

The Company is subject to risks of loss resulting from nonpayment or nonperformance by its customers or other counterparties, including Apache. Any increase in the nonpayment or nonperformance by such parties could adversely affect Altus' financial condition, results of operations, or cash flows. Additionally, the combination of a reduction of cash flow resulting from lower commodity prices, a reduction in borrowing bases under reserve-based credit facilities, and the lack of availability of debt or equity financing may result in a significant reduction in the liquidity of such parties and their ability to make payment or perform on their obligations to the Company. Furthermore, some of the Company's customers or other counterparties may be leveraged and subject to their own operating and regulatory risks, which increases the risk that they may default.

Altus may be required to take write-downs, write-offs, or restructuring and impairment or other charges that could have a significant negative effect on its financial condition, results of operations, and stock price.

Altus cannot assure its stockholders that its due diligence will reveal all material issues that may be present in the businesses that it may acquire, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of its control will not later arise. As a result, Altus may be forced to later write down or write off assets, restructure its operations, or incur impairment or other charges that could result in losses. Even though these charges may be non-cash items and may not have an immediate impact on the Company's liquidity, the fact that it reports charges of this nature could contribute to negative market perceptions about the Company or its securities.

The Company's ability to utilize net operating losses and other tax attributes to reduce future taxable income may be limited if the Company experiences an ownership change.

As described in Note 13—Income Taxes within Part II, Item 8 of this Annual Report on Form 10-K, the Company has substantial net operating loss carryforwards (NOLs) and other tax attributes available to potentially offset future taxable income. If the Company were to experience an "ownership change" under Section 382 of the Internal Revenue Code of 1986, as amended, which is generally defined as a greater than 50 percentage point change, by value, in the Company's equity ownership by five-percent shareholders over a three-year period, the Company's ability to utilize its pre-change NOLs and other pre-change tax attributes to potentially offset its post-change income or taxes may be limited. Such a limitation could materially adversely affect the Company's operating results or cash flows by effectively increasing its future tax obligations.

Altus' ability to pay dividends depends on its ability to generate sufficient cash flow, which it may not be able to accomplish.

The Company's ability to pay dividends principally depends upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter based on, among other things, income from the Equity Method Interest Pipelines, the volumes of natural gas and NGLs it gathers and processes, commodity prices, and other factors impacting Altus' financial condition, some of which are beyond its control. In addition, under Delaware law, dividends on Altus' capital stock may only be paid from "surplus," which is the amount by which the fair value of Altus' total assets exceeds the sum of its total liabilities, including contingent liabilities, and the amount of its capital; if there is no surplus, cash dividends on capital stock may only be paid from Altus' net profits for the then-current and/or the preceding fiscal year.

Altus' only significant assets are ownership of the non-economic general partner interest and an approximate 23.1 percent limited partner interest in Altus Midstream LP, and such ownership may not be sufficient for Altus Midstream LP to make distributions or loans to Altus to enable it to pay any dividends or satisfy its other financial obligations.

Altus has no direct operations and no significant assets other than the ownership of the non-economic general partner interest and an approximate 23.1 percent limited partner interest in Altus Midstream LP. The Company depends on Altus Midstream LP for distributions, loans, and other payments to generate the funds necessary to meet its financial obligations and to pay dividends with respect to its Class A Common Stock. Subject to certain restrictions, Altus Midstream LP generally will be required to (i) make pro rata distributions to its partners, including the Company, on a quarterly basis in an amount at least sufficient to allow the Company to pay the Company's taxes and make tax advances to Altus Midstream LP's limited partners, other than the Company, in certain circumstances, and (ii) reimburse the Company for certain corporate and other overhead expenses. However, legal and contractual restrictions in agreements governing existing and future indebtedness of Altus Midstream LP, as well as the financial condition and operating requirements of Altus Midstream LP, may limit the Company's ability to obtain cash from Altus Midstream LP. In addition, Altus Midstream LP is required to pay specified quarterly distributions on its Series A Cumulative Redeemable Preferred Units before paying distributions on Common Units. The earnings from, or other available assets of, Altus Midstream LP may not be sufficient to make distributions or loans to the Company, to enable it to pay dividends on its Class A Common Stock, or to satisfy its other financial obligations. The Delaware Revised Uniform Limited Partnership Act generally restricts distributions to the extent that the liabilities of the limited partnership exceed the fair value of its assets.

Holders of Altus Midstream's Series A Cumulative Redeemable Preferred Units have rights, preferences, and privileges that are not held by, and are preferential to the rights of, holders of Common Units, and could dilute or otherwise adversely affect the holders of Common Units.

Altus Midstream is required to pay specified quarterly distributions on the Series A Cumulative Redeemable Preferred Units (the Preferred Units) before paying distributions on its Common Units. If Altus Midstream fails to pay the Preferred Unit distribution in respect of any quarter in full in cash, then Altus Midstream will not be permitted to declare or make any distributions on its Common Units until all accrued and accumulated but unpaid Preferred Unit distributions have been paid in full. In addition, Altus Midstream's cash payment of distributions on, and for redemption of, its Common Units is limited in amount and subject to satisfaction of leverage ratios.

The Preferred Units are redeemable at any time at the option of Altus Midstream and under certain circumstances, the Preferred Units are redeemable at the holders' option, in each case, at a price which incorporates an agreed return on the holders' investment. The Preferred Units also rank senior to the Common Units in distribution and liquidation rights, and holders of Preferred Units will be entitled to receive a liquidation preference that incorporates an agreed return on the holders' investment.

The Company depends on Altus Midstream for distributions, loans, and other payments to generate the funds necessary to meet the Company's financial obligations or to pay any dividends with respect to its Class A Common Stock. Obligations of Altus Midstream in respect of the Preferred Units may restrict, reduce, or render unavailable funds that otherwise may be available to be distributed, loaned, or paid to the Company by Altus Midstream or loaned to, or invested in, Altus Midstream by third parties.

For additional information regarding the Preferred Units, refer to Note 12—Series A Cumulative Redeemable Preferred Units within Part IV, Item 15 of this Annual Report on Form 10-K.

RISKS RELATED TO PERMITTING, REGULATIONS, AND OTHER LEGAL CHANGES

Altus may be unable to obtain or renew permits necessary for its operations, which could inhibit its ability to do business.

Performance of the Company's operations require that it obtain and maintain a number of federal, state, and local permits, licenses, and approvals, which is an expensive and lengthy process, with terms and conditions containing a significant number of prescriptive limits and performance standards in order to operate. All of these permits, licenses, approvals, limits, and standards require a significant amount of monitoring, record keeping, and reporting. Noncompliance or incomplete documentation may result in the imposition of fines, penalties, and injunctive relief. Moreover, the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits Altus requires to conduct its operations to be withheld, delayed, or burdened by restrictive requirements. A decision by a government agency to deny or delay the issuance of a new or existing material permit or other approval or to revoke or substantially modify an existing permit or other approval could adversely affect the Company's financial condition, results of operations, or cash flows.

Altus is subject to regulation by multiple governmental agencies, which could adversely impact its business, results of operations, and financial condition.

The Company is subject to regulation by multiple federal, state, and local governmental agencies, including those related to pipeline and environmental safety, and regulation by the stock exchange on which its common stock is listed. Proposals and proceedings that could affect the Company or its industry are regularly considered by Congress, as well as by state legislatures and federal and state regulatory commissions, agencies, and courts and stock exchanges. The Company cannot predict when or whether any such proposals or proceedings may become effective or the magnitude of the impact changes in or interpretations of laws, regulations, and exemptions may have on its business. However, additions to the regulatory burden on the Company and the midstream industry can increase the Company's cost of doing business and affect its profitability.

Altus' customers, including Apache, and suppliers are subject to the risk of increased federal, state, and local legislation and regulatory initiatives, which could adversely affect Altus' financial condition, results of operations, or cash flows.

The production of crude oil, natural gas, and NGLs by the Company's customers, including Apache, and the Company's suppliers are subject to regulation by multiple federal, state, and local governmental agencies, which may enact additional or more restrictive or onerous regulations, including those that may further regulate, restrict, or prohibit certain drilling methods, including hydraulic fracturing, or impose additional permit requirements and operational restrictions, such as a reduction or prohibition of venting or flaring, in certain jurisdictions or in environmentally sensitive areas. If additional levels of regulation and permits are required, that could lead to delays, increased operating costs, and process prohibitions for the Company's suppliers and customers that could reduce the volumes of natural gas and NGLs that move through the Company's systems, which could materially adversely affect its revenue and results of operations.

Climate change legislation, and regulatory initiatives could result in increased operating costs and reduced demand for the natural gas and NGLs services the Company provides.

Legislative bodies and governmental agencies have from time to time considered or adopted legislation or regulations to reduce emissions of GHGs. Wide-ranging policy debates regarding the impact of these gases and possible means for their regulation, along with efforts toward the adoption of international treaties or protocols that would address global climate change issues, are ongoing. Although it is not possible at this time to predict whether legislation or regulations may be adopted to address GHG emissions or how such measures would impact the Company's business, the imposition of reporting or permitting obligations on, or limiting emissions of GHGs from, Altus' equipment and operations could require the Company to incur additional costs, adversely affect its performance of operations, or adversely affect demand for the Company's services.

Altus may become subject to the requirements of the Investment Company Act of 1940, which would limit its business operations and require it to spend significant resources to comply with such act.

The Investment Company Act of 1940 (the Investment Company Act) defines an "investment company" as an issuer that is engaged in the business of investing, reinvesting, owning, holding, or trading in securities and owns investment securities having a value exceeding 40 percent of the issuer's unconsolidated assets, excluding cash items and securities issued by the federal government. It is possible that some or all of the interests in the Equity Method Interest Pipelines may be investment securities and that the value of those interests that are investment securities over time may exceed 40 percent of the applicable subsidiaries' unconsolidated assets, excluding cash and government securities, in which case such subsidiaries may meet this threshold definition of an investment company. However, the Investment Company Act provides certain exclusions from this definition and other alternative relief from the application of the Investment Company Act.

The ramifications of becoming an investment company, both in terms of the restrictions it would have on such subsidiary and the cost of compliance, would be significant. For example, in addition to expenses related to initially registering as an investment company, the Investment Company Act also would impose various restrictions with regard to the subsidiary's ability to enter into affiliated transactions, the diversification of its assets, and its ability to borrow money. If any of Altus' subsidiaries became subject to the Investment Company Act at some point in the future, then the subsidiary's ability to continue pursuing its business plan would be severely limited.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of Altus' income or other tax returns could adversely affect its financial condition and results of operations.

Altus is subject to income taxes in the United States, and its domestic tax liabilities may be subject to the allocation of expenses in differing jurisdictions. Altus' future effective tax rates could be subject to volatility or adversely affected by a number of factors, including changes in the valuation of Altus' deferred tax assets and liabilities, expected timing and amount of the release of any tax valuation allowances, tax effects of stock-based compensation, costs related to intercompany restructurings, changes in tax laws, regulations, or interpretations thereof, or lower than anticipated future earnings in jurisdictions where Altus has lower statutory tax rates and higher than anticipated future earnings in jurisdictions where Altus has higher statutory tax rates.

In addition, Altus may be subject to audits of its income, franchise, sales, and other transaction taxes by U.S. federal and state authorities. Outcomes from these audits could have an adverse effect on the Company's financial condition and results of operations.

RISKS RELATED TO THE COMPANY'S OWNERSHIP AND FILING STATUS

Altus is a "controlled company" within the meaning of the Nasdaq listing rules and, as a result, qualifies for, and intends to rely on, exemptions from certain corporate governance requirements.

Because Apache and its affiliates control a majority of Altus' outstanding voting common stock, Altus is a controlled company within the meaning of the Nasdaq corporate governance standards. Under the Nasdaq listing rules, a controlled company may elect not to comply with certain Nasdaq corporate governance requirements, including the requirements that a majority of the board of directors consist of independent directors, the nominating and governance committee be composed entirely of independent directors, and the compensation committee be composed entirely of independent directors. These requirements will not apply to Altus as long as it remains a controlled company, and Altus currently utilizes and intends to continue to utilize some, if not all, of these exemptions. Accordingly, Altus' stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the Nasdaq listing rules.

The JOBS Act permits "emerging growth companies" like Altus to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

Altus qualifies as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). As such, Altus is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies and of extended transition periods for as long as Altus continues to be an emerging growth company, including:

- the exemption from the independent registered public accounting firm attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- the exemptions from say-on-pay, say-on-frequency, and say-on-golden parachute voting requirements;
- an extended transition period for complying with new or revised accounting standards; and
- reduced disclosure obligations regarding executive compensation in Altus' periodic reports and proxy statements.

As a result, Altus' stockholders may not have access to certain information they deem important and may not be able to directly compare the Company's financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period, because of the potential differences in accounting standards used. Altus cannot predict if investors will find its Class A Common Stock less attractive if it relies on these exemptions. If some investors find Altus' Class A Common Stock less attractive as a result, there may be a less active trading market for its Class A Common Stock, and its stock price may be more volatile.

RISKS RELATED TO THE COMPANY'S WARRANTS

Although Altus has registered the shares of Class A Common Stock issuable upon exercise of the warrants under the Securities Act, such registration may not be in place when an investor desires to exercise warrants, thus precluding such investor from being able to exercise its warrants except on a cashless basis and potentially causing such warrants to expire worthless.

Although Altus has registered the shares of Class A Common Stock issuable upon exercise of the warrants under the Securities Act, it may not be able to maintain a current prospectus relating to the Class A Common Stock issuable upon exercise of the warrants until the expiration of the warrants in accordance with the provisions of the warrant agreement. Altus cannot assure holders that it will be able to do so if, for example, any facts or events arise which represent a fundamental change in the information set forth in such registration statement or prospectus, the financial statements contained or incorporated by reference therein are not current or correct, or the SEC issues a stop order. If the shares issuable upon exercise of the warrants are not registered under the Securities Act, Altus will be required to permit holders to exercise their warrants on a cashless basis.

However, no warrant will be exercisable for cash or on a cashless basis, and Altus will not be obligated to issue any shares to holders seeking to exercise their warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder or an exemption is available.

Notwithstanding the above, if Altus' Class A Common Stock is at the time of any exercise of a warrant not listed on a national securities exchange such that it satisfies the definition of a "covered security" under Section 18(b)(1) of the Securities Act, Altus may, at its option, require holders of warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act, and, in the event Altus so elects, it will not be required to file or maintain in effect a registration statement, but it will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. In no event will Altus be required to net cash settle any warrant or issue securities or other compensation in exchange for the warrants in the event that it is unable to register or qualify the shares underlying the warrants under applicable state securities laws. If the issuance of the shares upon exercise of the warrants is not so registered or qualified or exempt from registration or qualification, the holder of such warrant shall not be entitled to exercise such warrant, and such warrant may have no value and expire worthless. If and when the warrants become redeemable by Altus, it may exercise its redemption right even if it is unable to register or qualify the underlying shares of Class A Common Stock for sale under all applicable state securities laws.

Altus may amend the terms of the warrants in a manner that may be adverse to holders with the approval by the holders of at least 50 percent of the then-outstanding public warrants. As a result, the exercise price of your public warrants could be increased, the exercise period could be shortened, and the number of shares of Altus' Class A Common Stock purchasable upon exercise of a public warrant could be decreased, all without your approval.

Altus' public warrants were issued in connection with its initial public offering in registered form under a warrant agreement between American Stock Transfer & Trust Company, as warrant agent, and Altus. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 50 percent of the then-outstanding public warrants to make any change that adversely affects the interests of the registered holders. Accordingly, Altus may amend the terms of the public warrants in a manner adverse to a holder if holders of at least 50 percent of the then-outstanding public warrants approve of such amendment. Although Altus' ability to amend the terms of the public warrants with the consent of at least 50 percent of the then-outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the public warrants, shorten the exercise period, or decrease the number of shares of Altus' Class A Common Stock purchasable upon exercise of a public warrant.

There is no guarantee that Altus's warrants will ever be in the money prior to their expiration, and Altus may redeem unexpired warrants prior to their exercise at a time that is disadvantageous to warrant holders, thereby making the warrants worthless.

The exercise price for Altus' warrants is $230.00 per share of Class A Common Stock. There is no guarantee that the public warrants will ever be in the money prior to their expiration, and, as such, the warrants may expire worthless.

Additionally, Altus has the ability to redeem outstanding warrants at any time prior to their expiration, at a price of $0.01 per warrant, provided that the last reported sales price of its Class A Common Stock equals or exceeds $360.00 per share for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date Altus sends the notice of redemption to the warrant holders. If and when the warrants become redeemable by Altus, it may exercise its redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

Redemption of the outstanding warrants could force the warrant holders to exercise their warrants and pay the exercise price therefor at a time when it may be disadvantageous for them to do so, sell their warrants at the then-current market price when they might otherwise wish to hold their warrants, or accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of their warrants.

RISKS RELATED TO STOCK OWNERSHIP DILUTION

The warrants are exercisable for Altus' Class A Common Stock, which will, upon exercise, increase the number of shares eligible for future resale in the public market and result in dilution to Altus' stockholders.

Altus has outstanding public and private placement warrants to purchase shares of Class A Common Stock. To the extent such warrants are exercised, additional shares of Class A Common Stock will be issued, which will result in dilution to the then-existing holders of Altus' Class A Common Stock and increase the number of shares eligible for resale in the public market, which could adversely affect the market price of Altus' Class A Common Stock.

In the future, Apache may receive earn-out consideration in the form of shares of Class A Common Stock upon the achievement of certain stock price and operational goals, which would increase the number of shares eligible for future resale in the public market and result in dilution to Altus' stockholders.

Pursuant to the Contribution Agreement, Apache will have the right to receive earn-out consideration in the form of additional shares of Class A Common Stock if certain stock price and operational goals are achieved. To the extent such stock price or operational goals are achieved and Apache becomes entitled to receive a portion or all of the earn-out consideration, additional shares of Class A Common Stock will be issued, which will result in dilution to the then-existing holders of Class A Common Stock and increase the number of shares eligible for resale in the public market. The shares of Class A Common Stock issuable to Apache as earn-out consideration have been registered for resale with the SEC. Sales of substantial numbers of such shares by Apache in the public market could adversely affect the market price of Class A Common Stock.

The Preferred Units may be exchanged for shares of Altus' Class A Common Stock at a discount under certain circumstances, which could be dilutive to existing holders of its Class A Common Stock.

The Preferred Units may be exchanged for shares of Altus' Class A Common Stock at a discount under certain circumstances, which could be dilutive to existing holders of its Class A Common Stock. The number of shares of Class A Common Stock issued in any exchange would be based on its then-current trading price. Accordingly, the lower the trading price of Altus' Class A Common Stock at the time of any exchange, the greater the number of shares of Class A Common Stock that would be issued upon exchange of the Preferred Units, increasing potential dilution to existing holders of Altus' Class A Common Stock. Further, if the former holders of Preferred Units dispose of a substantial portion of their newly-exchanged Class A Common Stock in the public market, particularly over a short time period, it could adversely affect the market price for Altus' Class A Common Stock and possibly make it more difficult for Altus to issue additional Class A Common Stock in the future at an attractive price.

A significant portion of Altus' total outstanding shares may be sold into the market in the near future. This could cause the market price of its Class A Common Stock to drop significantly, even if its business is doing well.

Sales of a substantial number of shares of Class A Common Stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of Altus' Class A Common Stock. Additionally, Apache has the ability to redeem or exchange its Common Units for shares of Class A Common Stock on a one-for-one basis, subject to adjustments, and the Company has the ability to settle such redemption in cash. The shares of Class A Common Stock issuable to Apache upon redemption or exchange of Altus Midstream Common Units have been registered for resale with the SEC. Sales of substantial numbers of such shares by Apache in the public market could adversely affect the market price of Altus' Class A Common Stock.

RISKS RELATED TO RESTRICTIONS ON STOCKHOLDER ACTIONS

Altus' charter designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by its stockholders, which could limit its stockholders' ability to obtain a favorable judicial forum for disputes with Altus or its directors, officers, employees, or agents.

The charter provides that, unless Altus consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (Court of Chancery) will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for:

- any derivative action or proceeding brought on the Company's behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of the Company's directors, officers, or other employees to it or its stockholders;
- any action asserting a claim against the Company or any of its directors, officers, or employees arising pursuant to any provision of the DGCL, the charter, or the Company's bylaws; or
- any action asserting a claim against the Company or any of its directors, officers, or other employees that is governed by the internal affairs doctrine.

The above does not apply for such claims as to which:

- the Court of Chancery determines that it does not have personal jurisdiction over an indispensable party;
- exclusive jurisdiction is vested in a court or forum other than the Court of Chancery; or
- the Court of Chancery does not have subject matter jurisdiction.

Any person or entity purchasing or otherwise acquiring any interest in shares of the Company's capital stock will be deemed to have notice of, and consented to, the provisions of Altus' charter described in the preceding sentence. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that the stockholder finds favorable for disputes with the Company or its directors, officers, or other employees, which may discourage such lawsuits against the Company and such persons. Alternatively, if a court were to find these provisions of Altus' charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, the Company may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business, financial condition, or results of operations.

Altus' charter provides that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Accordingly, the charter provides that the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, the Securities Act, or any other claim for which the federal courts have exclusive jurisdiction.

GENERAL RISK FACTORS

If Altus fails to maintain an effective system of internal controls, it may not be able to report accurately its financial results or prevent fraud. As a result, current and potential holders of the Company's equity could lose confidence in its financial reporting, which would harm its business and cost of capital.

Effective internal controls are necessary for Altus to provide reliable financial reports, prevent fraud, and operate successfully as a public company. The Company cannot be certain that its efforts to maintain its internal controls will be successful, that it will be able to maintain adequate controls over its financial processes and reporting in the future, or that it will be able to continue to comply with its obligations under Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to maintain effective internal controls or to implement or improve the Company's internal controls could harm its operating results or cause it to fail to meet its reporting obligations. Ineffective internal controls could also cause investors to lose confidence in the Company's reported financial information, which would likely have a negative effect on the trading price of its equity interests.

If the performance of the Company does not meet the expectations of investors, stockholders, or financial analysts, the market price of Altus' securities may decline.

The price of the Company's securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond the Company's control, and such fluctuations could contribute to the loss of all or part of a stockholder's investment. Any of the factors listed below could have a material adverse effect on a stockholder's investment in the Company's securities, and its securities may trade at prices significantly below the price paid for them. In such circumstances, the trading price of the Company's securities may not recover and may experience a further decline.

Factors affecting the trading price of the Company's securities may include:

- actual or anticipated fluctuations in the Company's quarterly financial results or the quarterly financial results of companies perceived to be similar to it;
- changes in the market's expectations about Altus' operating results;
- success of competitors;
- Altus' operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning the Company or the market in general;
- operating and stock price performance of other companies that investors deem comparable to the Company;
- changes in laws and regulations affecting Altus' business;
- commencement of, or involvement in, litigation involving the Company;
- changes in the Company's capital structure, such as future issuances of securities or the incurrence of additional debt;
- sales and issuances of additional equity securities in the future to fund Altus' capital expenditures;
- the volume of shares of Altus' Class A Common Stock available for public sale;
- any major change in Altus' board of directors or management;
- sales of substantial amounts of Class A Common Stock by the Company's directors, executive officers, or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations, and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of the Company's securities irrespective of Altus' operating performance. The stock market in general and Nasdaq have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks and of the Company's securities may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to the Company could depress the Company's stock price regardless of its business, prospects, financial conditions, or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of December 31, 2020, the Company did not have any unresolved comments from the SEC staff that were received 180 or more days prior to year-end.

ITEM 3. LEGAL PROCEEDINGS

For further information regarding legal proceedings, see Note 9—Commitments and Contingencies in the Notes to Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common units (Units), Class A Common Stock, and warrants were each traded on the Nasdaq under the symbols "KAACU," "KAAC," and "KAACW," respectively, prior to the closing of the Business Combination. In connection with the closing of the Business Combination, the Units ceased trading, and the Class A Common Stock and warrants began trading on the Nasdaq under the symbols "ALTM" and "ALTMW," respectively. The Company's Units commenced public trading on March 30, 2017, and the Class A Common Stock and warrants commenced public trading on April 27, 2017.

The Company's warrants ceased trading on the Nasdaq at the opening of business on December 20, 2018 and since that time have been quoted on the over-the-counter markets operated by OTC Markets Group under the symbol "ALTMW." The warrants may still be exercised in accordance with their terms to purchase shares of the Company's Class A Common Stock. The table below sets forth the high and low prices of the warrants, as reported on the OTC Marketplace, for each of the quarterly periods presented. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

	Year Ended December 31,			
	2020		2019	
	High	Low	High	Low
First Quarter	$ 0.15	$ 0.01	$ 0.87	$ 0.40
Second Quarter	$ 0.04	$ —	$ 0.60	$ 0.25
Third Quarter	$ 0.05	$ 0.01	$ 0.40	$ 0.15
Fourth Quarter	$ 0.12	$ 0.01	$ 0.30	$ 0.07

On January 29, 2021, the Class A Common Stock had a closing price of $47.43, and the warrants had a closing price of $0.06.

Holders

On January 31, 2021, there were 101 holders of record of the Company's Class A Common Stock and one holder of its Class C Common Stock.

Dividends

Altus has not paid any cash dividends on its Class A Common Stock to date. On December 10, 2020, the Company announced that its Board of Directors declared a cash dividend on the Company's Class A Common Stock. The dividend on Class A Common Stock is payable March 31, 2021, to stockholders of record on February 26, 2021, at a rate of $1.50 per share. Based on Altus' current financial plan and related assumptions, the Company believes that cash from operations, a reduced capital program for its midstream infrastructure, and distributions from the Equity Method Interest Pipelines will generate cash flows in excess of capital expenditures that will provide sufficient cash to fund the Company's planned quarterly dividend during 2021.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about the Company's equity compensation plans is incorporated herein by reference to Altus' definitive proxy statement for its 2021 Annual Meeting of Stockholders.

Recent Sales of Unregistered Securities

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

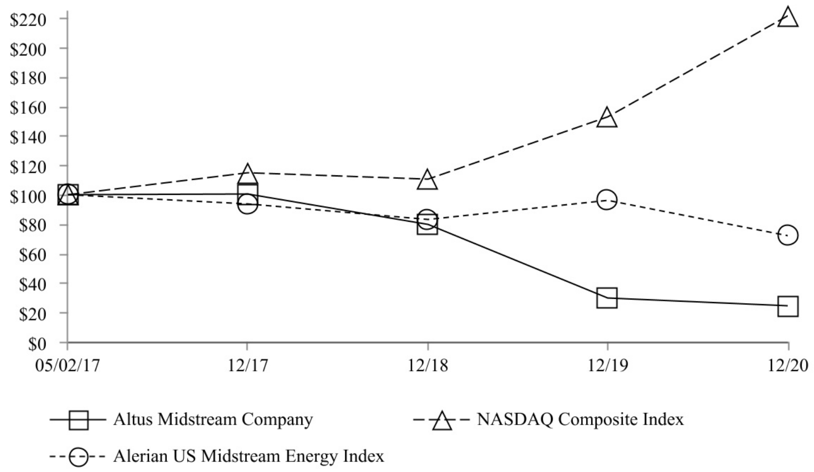
None.

Performance Graph

The following stock price performance graph is intended to allow review of stockholder returns, expressed in terms of the performance of the Company's common stock relative to both a broad equity market index and a published industry index. The information is included for historical comparative purposes only and should not be considered indicative of future stock performance. The graph compares the yearly percentage change in the cumulative total stockholder return on the Company's Class A Common Stock with the cumulative total return of both the Nasdaq Composite Index and the Alerian US Midstream Energy Index from April 30, 2017 through December 31, 2020. The stock performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

COMPARISON OF 44 MONTH CUMULATIVE TOTAL RETURN*

Among Altus Midstream Company, the Nasdaq Composite Index,
and the Alerian US Midstream Energy Index



* $100 invested on 5/2/17 in stock or 4/30/17 in index, including reinvestment of dividends.
Fiscal year ending December 31.

	5/2/2017	2017	2018	2019	2020
Altus Midstream Company	$ 100.00	$ 100.10	$ 79.69	$ 29.48	$ 24.46
Nasdaq Composite Index	100.00	114.59	110.42	152.76	221.37
Alerian US Midstream Energy Index	100.00	93.29	83.11	96.05	72.08

ITEM 6. SELECTED FINANCIAL DATA

Omitted.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K, and the risk factors and related information set forth in Part I, Item 1A and Part II, Item 7A of this Annual Report on Form 10-K. This section of this Annual Report on Form 10-K generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are omitted in this Annual Report on Form 10-K are incorporated by reference to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed on March 16, 2020.

Overview

Altus Midstream Company (the Company or Altus), through its ownership interest in Altus Midstream LP (Altus Midstream), owns gas gathering, processing, and transmission assets in the Permian Basin of West Texas, anchored by midstream service agreements to service Apache Corporation’s (Apache) production from its Alpine High resource play and surrounding areas (Alpine High). Additionally, the Company owns equity interests in four intrastate Permian Basin pipelines (the Equity Method Interest Pipelines) that have access to various points along the Texas Gulf Coast. The Company’s operations consist of one reportable segment.

The Company has no independent operations or material assets outside its ownership interest in Altus Midstream, which is reported on a consolidated basis. As of December 31, 2020, Altus Midstream’s assets included approximately 182 miles of in-service natural gas gathering pipelines, approximately 46 miles of residue gas pipelines with four market connections, and approximately 38 miles of NGL pipelines. Three cryogenic processing trains, each with nameplate capacity of 200 MMcf/d, were placed into service during 2019. Other assets include an NGL truck loading terminal with six Lease Automatic Custody Transfer units and eight NGL bullet tanks with 90,000 gallon capacity per tank. The Company’s existing gathering, processing, and transmission infrastructure is expected to provide capacity levels capable of fulfilling its midstream contracts to service Apache’s production from Alpine High and potential third-party customers.

As of December 31, 2020, the Company owns the following Equity Method Interest Pipelines:

- A 16 percent equity interest in the Gulf Coast Express Pipeline Project (GCX), which is owned and operated by Kinder Morgan Texas Pipeline, LLC (Kinder Morgan). GCX transports natural gas from the Waha area in West Texas to Agua Dulce near the Texas Gulf Coast. GCX was placed in service during 2019, with the total capacity of 2.0 Bcf/d fully subscribed under long-term contracts.

- A 15 percent equity interest in the EPIC crude oil pipeline (EPIC), which is operated by EPIC Consolidated Operations, LLC. EPIC transports crude oil from Orla, Texas in Northern Reeves County to the Port of Corpus Christi, Texas. EPIC was placed in service early 2020, with initial throughput capacity of approximately 600 MBbl/d.

- An approximate 26.7 percent equity interest in the Permian Highway Pipeline (PHP), which is also owned and operated by Kinder Morgan. PHP transports natural gas from the Waha area in northern Pecos County, Texas to the Katy, Texas area with connections to Texas Gulf Coast and Mexico markets. PHP was placed in service January 2021, with the total capacity of 2.1 Bcf/d fully subscribed under long-term contracts.

- A 33 percent equity interest in the Shin Oak NGL Pipeline (Shin Oak), which is owned by Breviloba, LLC, and operated by Enterprise Products Operating LLC. Shin Oak transports NGLs from the Permian Basin to Mont Belvieu, Texas. Shin Oak was placed in service during 2019, with total capacity of up to 550 MBbl/d.

The global economy and the energy industry have been deeply impacted by the effects of the coronavirus disease 2019 (COVID-19) pandemic and related governmental actions. Uncertainty in the oil markets and the negative demand implications of the COVID-19 pandemic continue to impact oil supply and demand. Altus management continues to monitor natural gas throughput volumes from Apache and capacity utilization of the Equity Method Interest Pipelines. During the second quarter of 2020, Apache shut in approximately 70 MMcf/d of production in response to low commodity prices, which fell as a result of lower demand and higher uncertainty associated with the COVID-19 pandemic. These volumes came back online during the third quarter of 2020 after prices began to recover. The Company remains focused on increasing third-party processing opportunities in addition to Alpine High; however, the current market situation has slowed the pace of this activity. Altus has no upcoming debt maturities, and the term of its revolving credit facility extends through November of 2023.

The Company is projected to be cash flow positive in 2021 following the start-up of PHP in January of 2021, with minimal expected future capital requirements. As such, the Company believes it has sufficient operating cash flows and liquidity to fund its future capital expenditures and its quarterly dividend declared by the Board of Directors in December of 2020.

The current crisis, however, is still evolving and may become more severe and complex. As a result, the COVID-19 pandemic may still materially and adversely affect Altus' results in a manner that is either not currently known or that the Company does not currently consider to be a significant risk to its business. For additional information about the business risks relating to the COVID-19 pandemic, please refer to Part II, Item 1A—Risk Factors of this Annual Report on Form 10-K.

Altus Midstream Operational Metrics

The Company uses a variety of financial and operational metrics to assess the performance of its operations and growth compared to expected plan estimates. These metrics include:

- Throughput volumes and associated revenues;
- Costs and expenses; and
- Adjusted EBITDA (as defined below).

Throughput Volumes and Associated Revenues

The Company's results are driven primarily by the volume of natural gas gathered, processed, compressed, and/or transmitted. For the periods presented, substantially all revenues were generated through fee-based agreements with Apache, a related party. The volumes of natural gas that Altus gathers or processes in future periods will depend on the production level of Apache's assets in areas Altus services and any additional third-party service contracts. The Company's assets were initially constructed to serve Apache's anticipated development of Alpine High and its surrounding areas. As such, the amount and pace of upstream development activity by Apache will directly impact Altus' aggregate gathering and processing volumes because the production rate of natural gas wells declines over time.

Apache, as part of its fourth quarter 2019 capital planning review, notified Altus of its intention to materially reduce its planned investment in the Alpine High play. This notification prompted Altus management to assess its long-lived infrastructure assets for impairment given the expected reduction to future throughput volumes. Altus subsequently recorded impairments on its gathering, processing, and transmission assets in the fourth quarter of 2019. For further discussion of these impairments, please see Note 1—Summary of Significant Accounting Policies and Note 5—Property, Plant and Equipment in the Notes to Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

In the second quarter of 2020, shut-ins and unplanned downtime, among other events, had a negative impact on throughput volumes and associated revenues. Apache shut in approximately 70 MMcf/d of production in response to low commodity prices, which fell as a result of lower demand and higher uncertainty associated with the COVID-19 pandemic. In addition, unplanned downtime to address moisture in the residue pipeline reduced throughput by approximately 40 MMcf/d. These volumes were back on-line at the beginning of the third quarter. In the fourth quarter of 2020, voluntary, price-related volume curtailments reduced throughput by approximately 26 MMcf/d.

The Company remains focused on increasing third-party processing opportunities in addition to Alpine High, and other producers are developing oil and gas plays in surrounding areas that may provide Altus opportunities to enter into third-party processing and gathering agreements. Producers' willingness to engage in new drilling is determined by a number of factors, all of which are affected by the COVID-19 pandemic, the most important of which are the prevailing and projected prices of oil, natural gas, and NGLs, the cost to drill and operate a well, the availability and cost of capital, and environmental and government regulations. Company management believes that its midstream assets are positioned in one of the most active regions for oil and gas exploration and development activities in the United States, and the Company is actively pursuing new supplies of natural gas and processing arrangements with third parties to increase throughput volumes in its systems.

For more information about the Company's relationship with Apache, please see the section entitled *Altus' Relationship with Apache* in Part I, Items 1 and 2 of this Annual Report on Form 10-K.

Costs and Expenses

Costs of product sales

Costs of product sales represent purchases of NGLs from a third party, which the Company then owns, controls and processes, prior to ultimate sale to customers. These costs are directly associated with the volume and amount of third-party contracts entered into and could fluctuate depending on market conditions and product prices.

Operations and maintenance

Operations and maintenance expenses primarily comprise those costs that are directly associated with the operations of the Company's assets. The most significant of these costs are associated with direct labor and supervision, power, repair and maintenance expenses, and equipment rentals. Fluctuations in commodity prices impact operating cost elements both directly and indirectly. For example, commodity prices directly impact costs such as power and fuel, which are expenses that increase (or decrease) in line with changes in commodity prices. Commodity prices also affect industry activity and demand, thus indirectly impacting the cost of items such as labor and equipment rentals.

Depreciation and accretion

Depreciation on the capitalized costs incurred to acquire and develop the Company's midstream assets is computed based on estimated useful lives and estimated salvage values. Also included within this expense is the accretion associated with estimated asset retirement obligations (ARO). Depreciation and accretion expense would be expected to increase during future periods in-line with additional infrastructure costs incurred; however, any future asset sales or long-lived asset impairments would decrease expected depreciation expense to commensurate levels.

General and administrative

General and administrative (G&A) expense represents indirect costs and overhead expenditures incurred by the Company associated with managing the midstream assets. These expenses primarily comprise fixed fees set forth in the Construction, Operations and Maintenance Agreement (COMA) entered into with Apache. Refer to Note 3—Transactions with Affiliates in the Notes to Consolidated Financial Statements set forth in Part IV of this Annual Report on Form 10-K for further information.

Taxes other than income

Taxes other than income are primarily related to ad valorem taxes on the Company's midstream assets.

Adjusted EBITDA

The Company defines Adjusted EBITDA as net income (loss) including noncontrolling interests before financing costs (net of capitalized interest), interest income, income taxes, depreciation, and accretion and adjusts such items, as applicable, from income from the Equity Method Interest Pipelines. Altus also excludes (when applicable) impairments, unrealized gains or losses on derivative instruments, and other items affecting comparability of results to peers. Company management believes Adjusted EBITDA is useful for evaluating operating performance and comparing results of operations from period-to-period and against peers without regard to financing or capital structure. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) including noncontrolling interests or any other measure determined in accordance with accounting principles generally accepted in the United States (GAAP) or as an indicator of the Company's operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing Altus' financial performance, such as cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. The presentation of Adjusted EBITDA should not be construed as an inference that the Company's results will be unaffected by unusual or non-recurring items. Additionally, the Company's computation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is not defined in GAAP

The GAAP measure used by the Company that is most directly comparable to Adjusted EBITDA is net income (loss) including noncontrolling interests. Adjusted EBITDA should not be considered as an alternative to the GAAP measure of net income (loss) including noncontrolling interests or any other measure of financial performance presented in accordance with GAAP. Adjusted EBITDA has important limitations as an analytical tool because it excludes some, but not all, items that affect net income (loss) including noncontrolling interests. Adjusted EBITDA should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. The Company's definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies in the industry, thereby diminishing its utility.

Reconciliation of non-GAAP financial measure

Company management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between Adjusted EBITDA as compared to net income (loss) including noncontrolling interests, and incorporating this knowledge into its decision-making processes. Management believes that investors benefit from having access to the same financial measure that the Company uses in evaluating operating results.

The following table presents a reconciliation of the GAAP financial measure of net income (loss) including noncontrolling interests to the non-GAAP financial measure of Adjusted EBITDA.

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Reconciliation of net income (loss) including noncontrolling interests to Adjusted EBITDA		
Net income (loss) including noncontrolling interests	$ 80,484	$ (1,338,900)
Add:		
Financing costs, net of capitalized interest	2,190	1,792
Income tax expense	—	64,900
Depreciation and accretion	15,945	41,480
Impairments	1,643	1,300,719
Unrealized derivative instrument loss	36,080	8,470
Equity method interests Adjusted EBITDA	111,675	29,251
Loss on sale of assets, net	2,234	605
Other	348	676
Less:		
Interest income	9	3,606
Income from equity method interests, net	58,739	19,069
Income tax benefit	696	—
Adjusted EBITDA	$ 191,155	$ 86,318

Results of Operations

The following table presents the Company's results of operations for the periods presented:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
REVENUES:		
Midstream services revenue — affiliate	$ 144,714	$ 135,798
Product sales — third parties	3,695	—
Total revenues	148,409	135,798
COSTS AND EXPENSES:		
Costs of product sales	2,988	—
Operations and maintenance	37,993	55,858
General and administrative	13,155	10,301
Depreciation and accretion	15,945	41,480
Impairments	1,643	1,300,719
Taxes other than income	15,069	13,231
Total costs and expenses	86,793	1,421,589
OPERATING INCOME (LOSS)	61,616	(1,285,791)
Unrealized derivative instrument loss	(36,080)	(8,470)
Interest income	9	3,606
Income from equity method interests, net	58,739	19,069
Other	(2,306)	(622)
Total other income	20,362	13,583
Financing costs, net of capitalized interest	2,190	1,792
NET INCOME (LOSS) BEFORE INCOME TAXES	79,788	(1,274,000)
Current income tax benefit	(696)	(15)
Deferred income tax expense	—	64,915
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	80,484	(1,338,900)
Net income attributable to Preferred Unit limited partners	75,906	38,809
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	4,578	(1,377,709)
Net income (loss) attributable to Apache limited partner	2,987	(1,008,039)
NET INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ 1,591	$ (369,670)
KEY PERFORMANCE METRICS:		
Adjusted EBITDA(1)	$ 191,155	$ 86,318
OPERATING DATA:		
Average throughput volumes of natural gas (MMcf/d)	499	509

(1) Adjusted EBITDA is not defined by GAAP and should not be considered an alternative to, or more meaningful than, net income (loss), operating income (loss), net cash provided by (used in) operating activities, or any other measures prepared under GAAP. For the definition and reconciliation of Adjusted EBITDA to its most directly comparable GAAP measure, see the section titled *Altus Midstream Operational Metrics—Adjusted EBITDA* above.

Since the Company commenced operations in the second quarter of 2017, its most significant customer has been Apache. Altus Midstream is pursuing similar long-term commercial service contracts with third-parties that could be accommodated by existing capacity. Altus' midstream service agreements with Apache contain no minimum volume commitments and as such, future results of operations may be materially impacted by Apache's production volumes from Alpine High and Altus' ability to contract third-party business. Refer to Part I, Item 1A—Risk Factors of this Annual Report on Form 10-K for further discussion.

Revenues

The following table summarizes the Company's revenues for the periods presented:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
REVENUES:		
Midstream services revenue — affiliate	$ 144,714	$ 135,798
Product sales — third parties	3,695	—
Total revenues	$ 148,409	$ 135,798

Midstream services revenue was primarily generated from fee-based midstream services provided under the terms of separate commercial midstream service agreements with Apache for the gas gathering, processing, and transmission of volumes from the dedicated area in the Alpine High field. Altus receives a per-unit fee based on the quantity of natural gas and natural gas liquid volumes that flow through its systems. During the periods presented, Altus did not own or take title to the affiliate volumes that were processed through its systems. Additionally, during 2020 the Company began providing compressor operations, maintenance, and related services to Apache in exchange for a fixed monthly fee per compressor unit serviced. For more details, please refer to Note 4—Revenue Recognition in the Notes to Consolidated Financial Statements included within Part IV, Item 15 of this Annual Report on Form 10-K.

Midstream services revenue from affiliate increased by $8.9 million to $144.7 million for the year ended December 31, 2020, as compared to $135.8 million for the year ended December 31, 2019. The increase was primarily driven by higher throughput of rich natural gas volumes due to increased capacity as a result of the three cryogenic processing trains coming on line starting in the second quarter of 2019, partially offset by lower throughput of lean natural gas volumes.

Beginning in 2020, product sales revenues, which totaled $3.7 million during the year, were generated from NGLs and condensates purchased and processed by Altus from a third party and subsequently sold to non-affiliated customers.

Costs and Expenses

The following table summarizes the Company's costs and expenses for the periods presented:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Costs of product sales	$ 2,988	$ —
Operations and maintenance	37,993	55,858
General and administrative	13,155	10,301
Depreciation and accretion	15,945	41,480
Impairments	1,643	1,300,719
Taxes other than income	15,069	13,231
Total costs and expenses	$ 86,793	$ 1,421,589

Costs of product sales

The $3.0 million in costs of product sales represent purchases of NGLs from a third party starting in 2020, which were used to support the product sales to third parties discussed above.

Operations and maintenance

Operations and maintenance expenses decreased by approximately $17.9 million to $38.0 million for the year ended December 31, 2020, as compared to $55.9 million for the year ended December 31, 2019, primarily driven by increased operational efficiency as a result of transitioning from mechanical refrigeration units to the Company's centralized Diamond cryogenic complex starting in the second quarter of 2019. The transition resulted in decreases in employee-related costs, contract labor, lower supplies expenses, and lower equipment rentals. These savings are coupled with an overall decrease in Company labor from headcount reductions, partially offset by higher electricity power usage.

General and administrative

G&A expense increased by $2.9 million to $13.2 million for the year ended December 31, 2020, as compared to $10.3 million for the year ended December 31, 2019, primarily driven by higher fees paid under the COMA, which escalate on an annual basis per the terms of the COMA Agreement. Refer to Note 3—Transactions with Affiliates within Part IV, Item 15 of this Annual Report on Form 10-K for more information related to this agreement, including future fee increases.

Depreciation and accretion

Depreciation and accretion expense decreased by $25.6 million to $15.9 million for the year ended December 31, 2020, as compared to $41.5 million for the year ended December 31, 2019. The decrease was primarily a result of the impairments recorded on the carrying value of the property, plant, and equipment at the end of 2019.

Impairments

During the fourth quarter of 2020, the Company sold certain of its power generators to a third party and, as a result, the remaining power generators owned by the Company were remeasured at fair value calculated based on the proceeds of such sale. This remeasurement resulted in an impairment of $1.6 million on these assets.

Apache, as part of its fourth quarter 2019 capital planning review, notified Altus that it had materially reduced its investment and future drilling plans at Alpine High. This notification prompted Altus management to assess its long-lived infrastructure assets for impairment, and as a result of this assessment, Altus recorded impairments of $1.3 billion on its gathering, processing, and transmission assets in the fourth quarter of 2019. Altus also recorded an impairment charge of $9.3 million in the third quarter of 2019 related to the cancellation of construction on a previously planned compressor station.

For further discussion of these impairments, please see Note 1—Summary of Significant Accounting Policies and Note 5—Property, Plant and Equipment in the Notes to Consolidated Financial Statements included within Part IV, Item 15 of this Annual Report on Form 10-K.

Taxes other than income

The increase in taxes other than income was driven by changes related to ad valorem taxes, which increased by $1.8 million to $14.7 million for the year ended December 31, 2020, as compared to $12.9 million for the year ended December 31, 2019. The $1.8 million increase reflects higher tax assessments related to the completion and timing of assets placed in service during the prior year.

Other Income (Loss) and Financing Costs, Net of Capitalized Interest

The components of other income, other loss, and financing costs, net of capitalized interest are presented below:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Unrealized derivative instrument loss	$ (36,080)	$ (8,470)
Interest income	9	3,606
Income from equity method interests, net	58,739	19,069
Other	(2,306)	(622)
Total other income	$ 20,362	$ 13,583
Interest expense	$ 9,775	$ 6,384
Amortization of deferred facility fees	1,148	889
Capitalized interest	(8,733)	(5,481)
Total Financing costs, net of capitalized interest	$ 2,190	$ 1,792

Unrealized derivative instrument loss

During the year ending December 31, 2020, the Company recognized an unrealized derivative instrument loss of $36.1 million in relation to an embedded exchange option identified upon the issuance and sale of Series A Cumulative Redeemable Preferred Units (the Preferred Units) in the second quarter of 2019. The recognized unrealized loss related to this embedded feature was $8.5 million for the year ended December 31, 2019. The associated derivative liability is recorded on the consolidated balance sheet at fair value. The fair value of the embedded derivative is determined (using an income approach) by a range of factors including expected future interest rates using the Black-Karasinski model, interest rate volatility, the Company's imputed interest rate, the expected timing of periodic cash distributions, the estimated timing for the potential exercise of the exchange option, and anticipated dividend yields of the Preferred Units. The value of the derivative during the year ending December 31, 2020 was primarily impacted by the decrease in the expected timing to exercise the exchange option feature. Refer to Note 12—Series A Cumulative Redeemable Preferred Units within Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

Interest Income

Interest income decreased $3.6 million for the year ended December 31, 2020, as compared to the year ended December 31, 2019, as a result of a decrease in the average cash and cash equivalents balance maintained by the Company throughout the year.

Income from equity method interests, net

As of December 31, 2020, the Company holds equity interests in four pipelines. Income from the Equity Method Interest Pipelines was primarily driven by the Company's proportionate share of net income from GCX and Shin Oak, partially offset by net losses attributable to EPIC. GCX and Shin Oak were placed into service during 2019, and 2020 reflected the first full year of earnings for these pipelines. EPIC was placed into service in early 2020 and operated at a net loss during 2020. PHP was in the commissioning phase and flowing partial volumes as of December 31, 2020, and was placed into service on January 1, 2021. Refer to Note 10—Equity Method Interests within Part IV, Item 15 of this Annual Report on Form 10-K for more information.

Financing costs, net of capitalized interest

Financing costs incurred, net of capitalized interest, includes increases in interest expense related to higher balances drawn on the Company's credit facility throughout the current year as compared to 2019; however, most of the interest expense on the Company's credit facility was eligible to have interest capitalized in all periods presented.

Provisions for income taxes

Current income tax benefit for the years ended December 31, 2020 and 2019 were a benefit of $696.0 thousand and $15.0 thousand, respectively. On March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 pandemic. Under the CARES Act, 100 percent of net operating losses arising in tax years beginning after December 31, 2017, and before January 1, 2021 may be carried back to each of the five preceding tax years of such loss. For the year ended December 31, 2020, the Company recorded a current income tax benefit of $696.0 thousand associated with a net operating loss carryback claim.

The Company recorded no deferred income tax expense for the year ended December 31, 2020, as compared to $64.9 million for the year ended December 31, 2019. The reduction to deferred income tax expense during the year ended December 31, 2020 as compared to the year ended December 31, 2019 was the result of an increase in valuation allowance against the Company’s deferred tax assets.

Please refer to Note 13—Income Taxes set forth in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

Key Performance Metric—EBITDA

Net income before income taxes was $79.8 million for the year ended December 31, 2020, an increase of $1.4 billion from a net loss before income taxes of $1.3 billion for the year ended December 31, 2019. The increase in net income before income taxes was primarily driven by an increase of $12.6 million in total revenues, $39.7 million of higher income from the Equity Method Interest Pipelines, a $17.9 million decrease in operations and maintenance expenses, a $1.3 billion decrease in impairment expense, and a $25.5 million decrease in depreciation and accretion expense compared to the prior year period (as discussed above). The increases to net income were offset by a $27.6 million increase to expense related to the fair value measurement of an embedded derivative at December 31, 2020, a $3.6 million decrease to interest income, a $3.0 million increase to costs of product sales, a $2.9 million increase to general administrative expenses, and $3.9 million of various other costs of the Company.

Adjusted EBITDA increased by $104.8 million for the year ended December 31, 2020 compared to the prior year period. Adjusted EBITDA, which excludes the impacts of depreciation, accretion, impairments, and the changes to the embedded derivative, benefited from an incremental $42.8 million increase related to excluding depreciation, and interest in the Company’s proportionate share of EBITDA from the Equity Method Interest Pipelines. This amount was further benefited by a decrease of $5.3 million, in aggregate, of various other insignificant costs of the Company.

For additional information, see the section titled *Altus Midstream Operational Metrics—Adjusted EBITA* above.

Capital Resources and Liquidity

The Company’s primary use of capital since inception has been for the initial construction of gathering and processing assets, as well as the acquisition of the Equity Method Interest Pipelines and associated subsequent construction costs. For 2021, the Company’s primary capital spending requirements are related to equity contributions associated with its proportionate share of remaining construction, commissioning, and maintenance costs relating to the Equity Method Interest Pipelines.

During 2020, the Company’s primary sources of cash were borrowings under the revolving credit facility, cash generated from operations, distributions from the Equity Method Interest Pipelines, and proceeds from the sale of assets. Based on Altus’ current financial plan and related assumptions, the Company believes that cash from operations, a reduced capital program for its midstream infrastructure, and distributions from the Equity Method Interest Pipelines will generate cash flows in excess of capital expenditures that will provide sufficient cash to fund the Company’s planned quarterly dividend during 2021.

Given the recent crude oil price collapse on lower demand and economic activity resulting from the COVID-19 pandemic and related governmental actions, the Company continues to monitor expected natural gas throughput volumes from Apache and capacity utilization of the Equity Method Interest Pipelines. Projections for 2021 remain dynamic. Altus' results, including projections related to capital resources and liquidity, could be materially affected by the continuing COVID-19 pandemic.

Altus Midstream Capital Requirements

During 2020 and 2019, capital spending for midstream infrastructure assets totaled $30.0 million and $342.7 million, respectively. Management believes its existing gathering, processing, and transmission infrastructure capacity is capable of fulfilling its midstream contracts to service Apache's production from Alpine High and any potential third-party customers. As such, the Company expects remaining capital requirements for its existing infrastructure assets during 2021 to be minimal.

Additionally, during the years ended December 31, 2020 and 2019, the Company made cash contributions totaling $327.3 million and $501.4 million, respectively, for the Equity Method Interest Pipelines, which includes the following equity interest ownership stakes:

- a 16.0 percent interest in GCX;
- a 15.0 percent interest in EPIC;
- an approximate 26.7 percent interest in PHP; and
- a 33.0 percent interest in Shin Oak.

The Company estimates it will incur approximately $30 million of additional capital contributions during 2021 for its equity interest associated with the commissioning and remaining construction costs in these joint venture pipelines, primarily associated with PHP. The Company anticipates its existing capital resources will be sufficient to fund the Company's future capital expenditures for the Equity Method Interest Pipelines and the Company' existing infrastructure assets. For further information on the Equity Method Interest Pipelines, refer to Note 10—Equity Method Interests in the Notes to Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K.

Altus Midstream Class A Common Stock Dividend and Common Units Distributions

On December 10, 2020, the Company announced that its Board of Directors declared a cash dividend of $1.50 per share on the Company's Class A Common Stock, totaling $5.6 million to be paid to stockholders in the first quarter of 2021. The Class A Common Stock dividend will be funded by a distribution from Altus Midstream to its common unitholders of $1.50 per Common Unit, totaling $24.4 million, of which $5.6 million is payable to the Company and the balance is payable to Apache. For more information please refer to Note 3—Transactions with Affiliates and Note 11—Equity in the Notes to the Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K.

With PHP, Shin Oak, GCX, and EPIC in service, the Company anticipates that its existing capital resources will be sufficient to fund the Company's continuing obligations, including future distribution payments required to fund the Company's planned quarterly dividend.

Sources and Uses of Cash

The following table presents the sources and uses of the Company's cash and cash equivalents for the periods presented.

	For the Year Ended December 31, 2020	2019
	(In thousands)	
Sources of cash and cash equivalents:		
Redeemable noncontrolling interest - Preferred Unit limited partners, net	$ —	$ 611,249
Proceeds from revolving credit facility	228,000	396,000
Proceeds from sale of assets	10,240	13,309
Capital distributions from equity method interests	17,419	—
Net cash provided by operating activities	164,294	76,273
	419,953	1,096,831
Uses of cash and cash equivalents:		
Capital expenditures[1]	(29,981)	(342,650)
Distributions paid to Preferred Unit limited partners	(23,124)	—
Contributions to and acquisition of equity method interests	(327,305)	(1,171,977)
Finance lease payments	(11,789)	(22,994)
Deferred facility fees	(816)	(792)
Capitalized interest paid	(8,733)	(2,370)
	(401,748)	(1,540,783)
Increase (decrease) in cash and cash equivalents	$ 18,205	$ (443,952)

(1) The table presents capital expenditures on a cash basis; therefore, the amounts may differ from those discussed elsewhere in this document, which include accruals.

Liquidity

The following table presents a summary of the Company's key financial indicators at the dates presented:

	December 31, 2020	December 31, 2019
	(In thousands)	
Cash and cash equivalents	$ 24,188	$ 5,983
Total debt	624,000	405,767
Available committed borrowing capacity	176,000	404,000

Cash and cash equivalents

At December 31, 2020 and December 31, 2019, the Company had $24.2 million and $6.0 million, respectively, in cash and cash equivalents. The majority of the cash is invested in highly liquid, investment-grade instruments with maturities of three months or less at the time of purchase.

Debt

As of December 31, 2020 and December 31, 2019, the Company had debt outstanding totaling $624.0 million and $405.8 million, respectively. At December 31, 2019, $9.8 million of debt outstanding was related to a finance lease obligation for which the term ended in the first quarter of 2020.

Available credit facilities

In November 2018, Altus Midstream entered into a revolving credit facility for general corporate purposes that matures in November 2023 (subject to Altus Midstream's two, one year extension options). The agreement for this revolving credit facility, as amended (the Amended Credit Agreement), provides aggregate commitments from a syndicate of banks of $800.0 million. The aggregate commitments include a letter of credit subfacility of up to $100.0 million and a swingline loan subfacility of up to $100.0 million. Altus Midstream may increase commitments up to an aggregate $1.5 billion by adding new lenders or obtaining the consent of any increasing existing lenders. As of December 31, 2020 and 2019, total outstanding borrowings were $624.0 million and $396.0 million, respectively, and no letters of credit were outstanding under this facility.

Altus Midstream's revolving credit facility is unsecured and is not guaranteed by the Company, Apache, or any of their respective subsidiaries.

At Altus Midstream's option, the interest rate per annum for borrowings under this amended credit facility is either a base rate, as defined, plus a margin, or the London Interbank Offered Rate (LIBOR), plus a margin. Altus Midstream also pays quarterly a facility fee at a rate per annum on total commitments. The margins and the facility fee vary based upon (i) the Leverage Ratio (as defined below) until Altus Midstream has a senior long-term debt rating and (ii) such senior long-term debt rating once it exists. The Leverage Ratio is the ratio of (1) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries to (2) EBITDA (as defined in the Amended Credit Agreement) of Altus Midstream and its restricted subsidiaries for the 12-month period ending immediately before the determination date. At December 31, 2020, the base rate margin was 0.05 percent, the LIBOR margin was 1.05 percent, and the facility fee was 0.20 percent. In addition, a commission is payable quarterly to the lenders on the face amount of each outstanding letter of credit at a per annum rate equal to the LIBOR margin then in effect. Customary letter of credit fronting fees and other charges are payable to issuing banks.

The Amended Credit Agreement contains restrictive covenants that may limit the ability of Altus Midstream and its restricted subsidiaries to, among other things, incur additional indebtedness or guaranty indebtedness, sell assets, make investments in unrestricted subsidiaries, enter into mergers, make certain payments and distributions, incur liens on certain property securing indebtedness, and engage in certain other transactions without the prior consent of the lenders. Altus Midstream also is subject to a financial covenant under the Amended Credit Agreement, which requires it to maintain a Leverage Ratio not exceeding 5.00:1.00 at the end of any fiscal quarter, starting with the quarter ended December 31, 2019, except that during the period of up to one year following a qualified acquisition, the Leverage Ratio cannot exceed 5.50:1.00 at the end of any fiscal quarter. Unless the Leverage Ratio is less than or equal to 4.00:1.00, the Amended Credit Agreement limits distributions in respect of Altus Midstream LP's capital to $30 million per calendar year until either (i) the consolidated net income of Altus Midstream LP and its restricted subsidiaries, as adjusted pursuant to the Amended Credit Agreement, for three consecutive calendar months equals or exceeds $350.0 million on an annualized basis or (ii) Altus Midstream LP has a specified senior long-term debt rating; in addition, before the occurrence of one of those two events, the Leverage Ratio must be less than or equal to 5.00:1.00. In no event can any distribution be made that would, after giving effect to it on a pro forma basis, result in a Leverage Ratio greater than (i) 5.00:1.00 or (ii) for a specified period after a qualifying acquisition, 5.50:1.00. The Leverage Ratio as of December 31, 2020 was less than 4.00:1.00.

The terms of Altus Midstream's Preferred Units also contain certain restrictions on distributions on Altus Midstream LP's Common Units, including the Common Units held by the Company, and any other units that rank junior to the Preferred Units with respect to distributions or distributions upon liquidation. Refer to Note 12—Series A Cumulative Redeemable Preferred Units in the Notes to Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K for further information. In addition, the amount of any cash distributions to Altus Midstream LP by any entity in which it has an interest accounted for by the equity method is subject to such entity's compliance with the terms of any debt or other agreements by which it may be bound, which in turn may impact the amount of funds available for distribution by Altus Midstream LP to its partners.

There are no clauses in the Amended Credit Agreement that permit the lenders to accelerate payments or refuse to lend based on unspecified material adverse changes. The Amended Credit Agreement has no drawdown restrictions or prepayment obligations in the event of a decline in credit ratings. However, the agreement allows the lenders to accelerate payment maturity and terminate lending and issuance commitments for nonpayment and other breaches, and if Altus Midstream or any of its restricted subsidiaries defaults on other indebtedness in excess of the stated threshold, is insolvent, or has any unpaid, non-appealable judgment against it for payment of money in excess of the stated threshold. Lenders may also accelerate payment maturity and terminate lending and issuance commitments if Altus Midstream undergoes a specified change in control or has specified pension plan liabilities in excess of the stated threshold. Altus Midstream was in compliance with the terms of the Amended Credit Agreement as of December 31, 2020.

There is no assurance that the financial condition of banks with lending commitments to Altus Midstream will not deteriorate. Altus closely monitors the ratings of the banks in the Company's bank group. Having a large bank group allows the Company to mitigate the potential impact of any bank's failure to honor its lending commitment.

Series A Cumulative Redeemable Preferred Units

On June 12, 2019, Altus Midstream issued and sold the Preferred Units in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the Closing). The Closing occurred pursuant to a Preferred Unit Purchase Agreement among Altus Midstream, the Company, and the purchasers party thereto, dated as of May 8, 2019. A total of 625,000 Preferred Units were sold at a price of $1,000 per Preferred Unit, for an aggregate issue price of $625.0 million. Altus Midstream received approximately $611.2 million in cash proceeds from the sale after deducting transaction costs and discounts to certain purchasers. These proceeds were used to fund ongoing capital contributions related to Altus' Equity Method Interest Pipelines and repayment of outstanding principal on the revolving credit facility (discussed above).

At the Closing, the partners of Altus Midstream entered into a second amended and restated agreement of limited partnership of Altus Midstream LP (the Amended LPA). The Amended LPA provides the terms of the Preferred Units, including the distribution rate, redemption rights, and rights to exchange the Preferred Units for shares of the Company's Class A Common Stock, as well as rights of holders of the Preferred Units to approve certain partnership business, financial, and governance-related matters. The Preferred Units have a perpetual term, unless redeemed or exchanged as described below. Pursuant to the Amended LPA:

- The Preferred Units entitle the holders thereof to receive quarterly distributions at a rate of 7 percent per annum, commencing with the quarter ended June 30, 2019. The rate increases to 10 percent per annum after the fifth anniversary of Closing and upon the occurrence of specified events. For any quarter ending on or prior to December 31, 2020, Altus Midstream could elect to pay distributions on the Preferred Units in-kind and did so in respect of quarters ended on and before March 31,2020.
- The Preferred Units are redeemable at Altus Midstream's option at any time in cash at a redemption price (the Redemption Price) equal to (a) the greater of (i) an 11.5 percent internal rate of return (increasing to 13.75 percent after the fifth anniversary of Closing), and (ii) a 1.3x multiple of invested capital plus (b) if applicable, the value of any accrued and unpaid distributions. The Preferred Units will be redeemable at the holder's option upon a change of control or liquidation of Altus Midstream and certain other events, including certain asset dispositions. Subject to compliance with minimum ownership requirements and redemption restrictions of the Amended LPA, Apache's election to cause its Common Units in Altus Midstream to be redeemed for shares of the Company's Class A Common Stock or cash (as further discussed in Note 11—Equity in the Notes to Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K) would not be a change of control.
- The Preferred Units will be exchangeable for shares of the Company's Class A Common Stock at the option of the Preferred Unit holders after the seventh anniversary of Closing or upon the occurrence of specified events. Each Preferred Unit will be exchangeable for a number of shares of Class A Common Stock equal to the Redemption Price divided by the volume-weighted average trading price of the Class A Common Stock on the Nasdaq Global Select Market for the 20 trading days immediately preceding the second trading day prior to the applicable exchange date, less a 6 percent discount.
- Each outstanding Preferred Unit has a liquidation preference equal to the Redemption Price payable before any amounts are paid in respect of Altus Midstream's Common Units and any other units that rank junior to the Preferred Units with respect to distributions or distributions upon liquidation.
- Altus Midstream is restricted from declaring or making cash distributions on its Common Units until all required distributions on the Preferred Units have been paid. In addition, before the fifth anniversary of Closing, aggregate cash distributions on, and redemptions of, Common Units are limited to $650.0 million of cash from ordinary course of operations if permitted under Altus Midstream's Amended Credit Agreement. Cash distributions on, and redemptions of, Common Units also are subject to satisfaction of leverage ratio requirements specified in the Amended LPA.

Distributions not paid in accordance with the terms of the Amended LPA attract an additional percentage per annum, cumulative to the distribution rates noted above. Altus Midstream's ability to exercise or satisfy redemption options in cash or pay quarterly distributions is predicated upon Altus Midstream's ability to generate sufficient cash from operations in addition to the availability of borrowing capacity under its existing revolving credit facility.

Since the Preferred Units could be exchangeable for a number of shares of Class A Common Stock equal to 20 percent or more of the Company's outstanding voting power, the Company submitted the potential issuance of such shares for approval of its stockholders (the Stockholder Approval) at its annual stockholder meeting in 2020 and obtained Stockholder Approval.

Off-Balance Sheet Arrangements

Other than the arrangements described herein, the Company has not entered into any transactions, agreements, or other contractual arrangements with unconsolidated entities that are reasonably likely to materially affect its liquidity or capital resource positions.

At the close of the Business Combination, Apache was granted the right to receive contingent consideration of up to 1,8750,00 shares of Class A Common Stock as follows:

- 625,000 shares if, during the calendar year 2021, the aggregate gathered gas from an area of dedication in Reeves, Pecos, Culberson, and Jeff Davis Counties in Texas that are assessed a low pressure gathering fee pursuant to that certain Amended and Restated Gas Gathering Agreement, dated August 8, 2018, between Apache and Altus Midstream Gathering, LP is equal to or greater than 574,380 million cubic feet.
- 625,000 shares if the per share closing price of the Class A Common Stock as reported by Nasdaq during any 30-day-trading period ending prior to the fifth anniversary of the Closing Date is equal to or greater than $280.00 for any 20 trading days within such 30-trading-day period.
- 625,000 shares if the per share closing price of the Class A Common Stock as reported by Nasdaq during any 30-trading-day period ending prior to the fifth anniversary of the Closing Date is equal to or greater than $320.00 for any 20 trading days within such 30-trading-day period.

All share amounts referenced above have been retrospectively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. For additional information regarding these arrangements, please see Note 11—Equity in the Notes to the Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K.

Contractual Obligations

Altus Midstream exercised four of the Company's five Pipeline Options acquired from Apache at the closing of the Business Combination. The fifth option to acquire interest in the Salt Creek NGL pipeline was not exercised, and expired during 2020. The Company may be required to fund its proportionate share of future capital expenditures for its equity interest share in the development of the pipelines as referenced. The Company estimates it will incur approximately $30 million during 2021 of additional capital contributions for its equity interests.

The Company's midstream assets service Altus Midstream's existing fee-based revenue agreements, which are underpinned by acreage dedications covering Alpine High. There are no minimum volume or firm transportation commitments. Pursuant to these agreements, Altus Midstream is obligated to perform low and high pressure gathering, processing, dehydration, compression, treating, conditioning, and transmission on all volumes produced from the dedicated acreage, so long as Apache has the right to market such gas. Although Altus believes its existing gathering, processing, and transmission infrastructure is expected to provide capacity levels capable of fulfilling its midstream contracts to service Apache's production and additional third-party customers, current capital spending may be increased in future periods if additional cryogenic processing capacity is needed, commensurate with any forecasted throughput increases.

During the fourth quarter of 2020, the Company entered into a three year fixed-rate power contract with a third-party. The Company estimates its minimum obligation will be $5.4 million, $4.7 million, and $3.6 million for 2021, 2022, and 2023, respectively. The actual amount incurred will vary based on usage.

Altus Midstream may also be subject to various contingent obligations that become payable only if certain events or rulings were to occur. The inherent uncertainty surrounding the timing of and monetary impact associated with these events or rulings prevents any meaningful accurate measurement, which is necessary to assess settlements resulting from litigation, regulatory, or environmental matters. As of December 31, 2020, there were no accruals or loss contingencies related to such matters. For a detailed discussion of the Company's environmental and legal contingencies, please see Note 9—Commitments and Contingencies in the Notes to Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K.

For additional information regarding the Company's obligations, please see Note 3—Transactions with Affiliates, Note 6—Debt and Financing Costs, and Note 9—Commitments and Contingencies in the Notes to the Consolidated Financial Statements set forth in Part IV, Item 15 of this Annual Report on Form 10-K.

Insurance Program

The Company has the benefit of insurance policies that include coverage for physical damage to assets, general liabilities, business interruption insurance, sudden and accidental pollution, and other risks. Altus' insurance coverage is subject to deductibles or retentions that Altus must satisfy prior to recovering on insurance. Additionally, the insurance coverage is subject to policy exclusions and limitations. There is no assurance that insurance coverage will adequately protect the Company against liability from all potential consequences and damages.

Future insurance coverage for the industry could increase in cost and may include higher deductibles or retentions. In addition, some forms of insurance may become unavailable.

Critical Accounting Estimates

Altus prepares its financial statements and the accompanying notes in conformity with GAAP, which require management to make estimates and assumptions about future events that affect the reported amounts in the financial statements and the accompanying notes. Altus identifies certain accounting policies involving estimation as critical based on, among other things, their impact on the portrayal of Altus' financial condition, results of operations, or liquidity and the degree of difficulty, subjectivity, and complexity in their deployment. Critical accounting estimates cover accounting matters that are inherently uncertain because the future resolution of such matters is unknown. Management routinely discusses the development, selection, and disclosure of each of the critical accounting policies. The following is a discussion of Altus' most critical accounting estimates.

Property, Plant, and Equipment

When assets are placed into service, management makes estimates with respect to useful lives and salvage values that management believes are reasonable. However, subsequent events could cause a change in estimates, thereby impacting future depreciation amounts. Uncertainties that may impact these estimates include, among others, changes in laws and regulations relating to environmental matters, including air and water quality, restoration and abandonment requirements, economic conditions, and supply and demand in the area. Depreciation is computed over the asset's estimated useful life using the straight-line method based on estimated useful lives and asset salvage values.

Impairment of Long-lived Assets

Long-lived assets used in operations, including gathering, processing, and transmission facilities, are evaluated for potential impairment when events or changes in circumstances indicate a possible significant deterioration in future cash flows expected to be generated by an asset group. Individual assets are grouped for impairment purposes based on a judgmental assessment of the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If there is an indication that the carrying amount of an asset may not be recovered, the asset is assessed for impairment through an established process in which changes to significant assumptions such as service prices, throughput volumes, and future development plans are reviewed. If, upon review, the sum of the undiscounted pre-tax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value. Because there is usually a lack of quoted market prices for long-lived assets, the fair value of the impaired assets is assessed by management using the income approach.

Under the income approach, the fair value of each asset group is estimated based on the present value of expected future cash flows. The income approach is dependent on a number of key factors and assumptions including estimates of forecasted throughput volumes, operating expenses, commercial development and capital costs, inflation expectations, discount rates, and other variables. Management also evaluates changes in Altus' business and economic conditions and their implications on future development plans and ultimate disposition of the assets. Global and regional economic conditions, including commodity prices and drilling activity by third party customers, may also affect estimated future cash flows.

The final measure of impairment to be recognized, if any, depends upon management's calculation using the income approach; however, management does consider other factors in determining the asset's fair value including indicative values at which similar assets were transferred in recent market transactions, if such data is available. Although the Company bases its fair value measurement of each asset group on assumptions it believes to be reasonable, those assumptions are inherently unpredictable and uncertain, and actual results could differ from the estimates. Negative revisions in throughput estimates, increases in future operating and capital costs, divestitures of significant components of an asset group, or sustained market deterioration in the oil and gas industry could lead to further reductions in expected future cash flows and possibly additional impairments in future periods.

Altus recorded impairments on its gathering, processing, and transmission assets and other fixed assets during 2020 and 2019. For discussion of these impairments, see Note 1—Summary of Significant Accounting Policies and Note 5—Property, Plant and Equipment in the Notes to Consolidated Financial Statements included in within Part IV, Item 15 of this Annual Report on Form 10-K.

Income Taxes

Altus' operations are subject to U.S. federal and state taxation on income. The Company records deferred tax assets and liabilities to account for the expected future tax consequences of events that have been recognized in the Company's financial statements and tax returns. Altus routinely assesses the ability to realize its deferred tax assets. If Altus concludes that it is more likely than not that some portion or all of the deferred tax assets will not be realized under accounting standards, the tax asset would be reduced by a valuation allowance. The Company recorded a full valuation allowance against its deferred tax asset as of December 31, 2020 and December 31, 2019.

The Company regularly assesses and, if required, establishes accruals for uncertain tax positions that could result from assessments of additional tax by taxing jurisdictions where the Company operates. The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, based on the technical merits of the position. These accruals for uncertain tax positions are subject to a significant amount of judgment and are reviewed and adjusted on a periodic basis in light of changing facts and circumstances considering the progress of ongoing tax audits, case law, and any new legislation. There was no material change in the Company's uncertain tax positions in the period.

Fair Value Measurements — Preferred Units Embedded Derivative

As noted in the discussion related to the Preferred Units above, the fair value of the embedded derivative is determined by a range of factors, including expected future interest rates using the Black-Karasinski model, the Company's imputed interest rate, interest rate volatility, the expected timing of periodic cash distributions, the estimated timing for the potential exercise of the exchange option, and anticipated dividend yields of the Preferred Units. The value of the unrealized derivative liability during the year end December 31, 2020 increased by $36.1 million, as compared to the year end December 31, 2019, primarily driven by a decrease in the expected timing to exercise of the exchange option. Absent any changes to interest rate assumptions period-over-period, the value of the embedded derivative would be expected to increase significantly due to a further decrease in the expected timing to exercise of the exchange option. In general, a one percent increase in the expected imputed interest rate assumption would significantly increase the value of the embedded derivative liability at any period end, while a one percent decrease would lead a similar decrease in value.

A summary of key assumptions used to value this instrument at December 31, 2020 and 2019 is included below:

	December 31, 2020	**December 31, 2019**
Range of Altus Midstream Company's Imputed Interest Rate	7.32-11.73%	9.6-12.68%
Interest Rate Volatility[(1)]	37.08%	21.89%
Expected Time to Exercise of the Exchange Option	5.45 Years	6.45 Years

(1) A 1% change in either direction of the interest rate volatility assumption in any period would not have a significant effect on the valuation of the embedded feature.

Refer to Note 12—Series A Cumulative Redeemable Preferred Units within Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosure About Market Risk

The Company is exposed to various market risks, including the effects of adverse changes in commodity prices and credit risk as described below. The Company continually monitors its market risk exposure, including the impact and developments related to the COVID-19 pandemic, which introduced significant volatility in the financial markets during 2020.

Commodity Price Risk

Currently, essentially all of the Company's midstream service agreements are fee-based, with no direct commodity price exposure to oil, natural gas, or NGLs, and only an immaterial portion of the agreements are based on the underlying value of a commodity. However, the Company is indirectly exposed to adverse changes in commodity prices through Apache and potential third-party customers' economic decisions to develop and produce oil and natural gas from which Altus receives revenues for providing gathering, processing, and transmission services.

Fluctuations in commodity prices also impact operating cost elements both directly and indirectly. For example, commodity prices directly impact costs such as power and fuel, which are expenses that increase or decrease in line with changes in commodity prices. Commodity prices also affect industry activity and demand, thus indirectly impacting the cost of items such as labor and equipment rentals. Management regularly reviews the Company's potential exposure to commodity price risk, and may periodically enter into financial or physical arrangements intended to mitigate potential volatility.

Interest Rate Risk

At December 31, 2020, Altus had $624.0 million of proceeds drawn on its revolving credit facility. The interest rate for the facility is variable, which exposes the Company to the risk of increased interest expense in the event of increases to short-term interest rates. If interest rates increased by 1.0 percent, annual consolidated interest expense would increase by approximately $6.3 million. Accordingly, results of operations, cash flows, financial condition, and the ability to make cash distributions could be adversely affected by significant increases in interest rates. Altus currently has no interest rate derivative instruments outstanding, but the Company continues to monitor its interest rate exposure and may enter into interest rate derivative instruments in the future if it determines that it is necessary to invest in such instruments in order to mitigate its interest rate risk.

Credit Risk

The Company is subject to credit risk resulting from nonpayment or nonperformance by, or the insolvency or liquidation of, Apache or third-party customers. Any increase in the nonpayment and nonperformance by, or the insolvency or liquidation of, the Company's customers could adversely affect the Company's results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary financial information required to be filed under this Item 8 are presented on pages F-1 through F-38 in Part IV, Item 15 of this Annual Report on Form 10-K and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's Chief Executive Officer and President, in his capacity as principal executive officer, and the Company's Chief Financial Officer and Treasurer, in his capacity as principal financial officer, evaluated the effectiveness of its disclosure controls and procedures as of December 31, 2020, the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation and as of the date of that evaluation, these officers concluded that the Company's disclosure controls and procedures were effective, providing effective means to ensure that the information the Company is required to disclose under applicable laws and regulations is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms and accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

The management report called for by Item 308(a) of Regulation S-K is incorporated herein by reference to the "Report of Management on Internal Control Over Financial Reporting," included on page F-1 in Part IV, Item 15 of this Annual Report on Form 10-K.

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act and is not required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act. As such, this Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information set forth under the captions "Election of Directors" and "Information About Our Executive Officers" in the proxy statement relating to the Company's 2021 Annual Meeting of Stockholders, which will be filed no later than 120 days after December 31, 2020 (the Proxy Statement), is incorporated herein by reference.

Code of Ethics

Pursuant to Rule 5610 of the Nasdaq Listing Rules, the Company is required to adopt a code of conduct for its directors, officers, and employees. The Company's Board of Directors has adopted the Code of Business Conduct (Code of Conduct), which was most recently revised in December 2020. The Code of Conduct also meets the requirements of a code of ethics under Item 406 of Regulation S-K. You can access the Company's Code of Conduct on the About - Governance page of the Company's website at www.altusmidstream.com. Any stockholder who so requests may obtain a printed copy of the Code of Conduct without charge by submitting a request to the Company's corporate secretary at the address on the cover of this Annual Report on Form 10-K. Changes in and waivers to the Code of Conduct for the Company's directors, chief executive officer, and certain senior financial officers will be posted on the Company's website within four business days and maintained for at least 12 months. Information on the Company's website or any other website is not incorporated by reference into, and does not constitute a part of, this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the captions "Securities Ownership and Principal Holders," "Securities Authorized for Issuance Under Equity Compensation Plans," and "Delinquent Section 16(a) Reports" (if such a caption is included) in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

See Note 3—Transactions with Affiliates of the Company's financial statements, under Item 8 above, for information regarding payments to or from Apache Corporation. The information set forth under the captions "Certain Business Relationships and Transactions" and "Director Independence" in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information set forth under the caption "Ratification of Appointment of Independent Auditor" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents included in this Annual Report on Form 10-K:

1. Financial Statements

2. Financial Statement Schedules

   Financial statement schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements and related notes.

   Pursuant to Rule 3-09 of Regulation S-X, the audited financial statements of Gulf Coast Express Pipeline LLC, Breviloba, LLC, Permian Highway Pipeline LLC, and EPIC Crude Holdings, LP, which are equity method interests of the Company, are included in the Annual Report on Form 10-K as Exhibits 99.1, 99.2, 99.3, and 99.4, respectively.

3. Exhibits

INDEX TO EXHIBITS

EXHIBIT NO.		DESCRIPTION
2.1***	–	Contribution Agreement, dated as of August 8, 2018, by and among Kayne Anderson Acquisition Corp., Altus Midstream LP, Apache Midstream LLC, Altus Midstream Gathering LP, Altus Midstream Pipeline LP, Altus Midstream Processing LP, Altus Midstream NGL Pipeline LP and Altus Midstream Subsidiary GP LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 8, 2018, SEC File No. 001-38048).
3.1	–	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
3.2	–	First Amendment to Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 1, 2020, SEC File No. 001-38048).
3.3	–	Bylaws (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 filed on March 7, 2017, SEC File No. 333-216514).
4.1	–	Description of Securities of the Registrant.Description of Securities of the Registrant (incorporated by reference to Exhibit 4.1 to Description of Securities of the Registrant.Description of Securities of the Registrant (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019, SEC File No. 001-38048). Company's Annual Report on Form 10-K for the year ended December 31, 2019, SEC File No. 001-38048).
4.2	–	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Company's Amendment No. 1 to Registration Statement on Form S-1/A filed on March 16, 2017, SEC File No. 333-216514).
4.3	–	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to the Company's Amendment No. 1 to Registration Statement on Form S-1/A filed on March 16, 2017, SEC File No. 333-216514).
4.4	–	Warrant Agreement, dated March 29, 2017, by and between American Stock Transfer & Trust Company, LLC and the Company (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 4, 2017, SEC File No. 001-38048).
4.5	–	Warrant Agreement, dated as of November 9, 2018, by and between American Stock Transfer & Trust Company, LLC and the Company (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
4.6	–	Stockholders Agreement, dated as of November 9, 2018, by and among Altus Midstream Company, Kayne Anderson Sponsor, LLC and Apache Midstream LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
4.7	–	Amended and Restated Registration Rights Agreement, dated as of November 9, 2018, by and among Altus Midstream Company, Kayne Anderson Sponsor, LLC, the other holders party thereto and Apache Midstream LLC (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
4.8	–	Registration Rights Agreement, dated as of June 12, 2019, by and among Altus Midstream Company and the security holders party thereto (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 14, 2019, SEC File No. 001-38048).
10.1	–	Credit Agreement, dated as of November 9, 2018, among Altus Midstream, LP, the lenders party thereto, the issuing banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, National Association, as Syndication Agent, Citibank, N.A., Bank of America, N.A., The Toronto-Dominion Bank, New York Branch, MUFG Bank Ltd., and The Bank of Nova Scotia, Houston Branch, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
10.2	–	First Amendment to Credit Agreement, dated as of April 17, 2019 but effective May 8, 2019, among Altus Midstream LP, the lenders party thereto, the swingline lender party thereto, the issuing banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 13, 2019, SEC File No. 001-38048).
10.3	–	Second Amendment to Credit Agreement, dated as of February 7, 2020, among Altus Midstream LP, the lenders party thereto, the swingline lender party thereto, the issuing banks party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 11, 2020, SEC File No. 001-38048).
10.4	–	Construction, Operations and Maintenance Agreement, dated as of November 9, 2018, by and between Altus Midstream Company and Apache Corporation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
10.5	–	Side Letter re: Waiver of Direct G&A Costs, dated as of April 23, 2019, by and between Altus Midstream Company and Apache Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed May 2, 2019, SEC File No. 001-38048).

10.6	–	Purchase Rights and Restrictive Covenants Agreement, dated as of November 9, 2018, by and between Altus Midstream Company and Apache Corporation (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
10.7	–	Lease Agreement, dated as of November 9, 2018, by and between Apache Corporation and Altus Midstream LP (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
10.8	–	First Amendment to Lease Agreement, dated effective July 27, 2020, by and between Apache Corporation and Altus Midstream LP (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, SEC File No. 001-38048)
10.9	–	Trademark License Agreement, dated as of November 9, 2018, by and between Apache Corporation and Altus Midstream LP (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
10.10	–	Trademark License Agreement, dated as of November 9, 2018, by and between Apache Corporation and Kayne Anderson Acquisition Corp. (n/k/a Altus Midstream Company) (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on November 13, 2018, SEC File No. 001-38048).
10.11‡	–	Intrastate Firm Natural Gas Transportation Service Agreement, dated April 1, 2017, by and between Apache Corporation and Altus Midstream Pipeline LLC (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K for year ended December 31, 2018, SEC File No. 001-38048).
10.12‡	–	Gas Processing Agreement, dated July 1, 2018, by and between Apache Corporation and Altus Midstream Processing LP (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K for year ended December 31, 2018, SEC File No. 001-38048).
10.13‡	–	Gas Gathering Agreement, dated July 1, 2018, by and between Apache Corporation and Altus Midstream Gathering LP (incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K for year ended December 31, 2018, SEC File No. 001-38048).
10.14‡	–	Residue Gas Transportation Services Agreement, dated July 1, 2018, by and between Apache Corporation and Altus Midstream NGL Pipeline LP (incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K for year ended December 31, 2018, SEC File No. 001-38048).
10.15†	–	Altus Midstream Company Restricted Stock Units Plan, dated December 17, 2018 (incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K for year ended December 31, 2018, SEC File No. 001-38048).
10.16†	–	Form of Director Grant Agreement, dated December 17, 2018 (incorporated by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K for year ended December 31, 2018, SEC File No. 001-38048).
10.17†	–	Altus Midstream Company 2019 Omnibus Compensation Plan, dated February 12, 2019, effective May 30, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 31, 2019, SEC File No. 001-38048).
10.18†	–	Altus Midstream Company Deferred Delivery Plan, dated May 30, 2019 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 31, 2019, SEC File No. 001-38048).
10.19	–	Second Amended and Restated Agreement of Limited Partnership of Altus Midstream LP, dated as of June 12, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 14, 2019, SEC File No. 001-38048).
10.20	–	First Amendment to Second Amended and Restated Agreement of Limited Partnership of Altus Midstream LP, dated as of June 30, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, SEC File No. 001-38048).
10.21	–	Voting Agreement, dated as of June 12, 2019, by and among Apache Corporation, Altus Midstream Company, and the purchasers party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 14, 2019, SEC File No. 001-38048).
21.1*	–	Subsidiaries of the Company.
23.1*	–	Consent of Ernst & Young LLP.
23.2*	–	Consent of Ernst & Young LLP.
23.3*	–	Consent of BDO USA, LLP.
23.4*	–	Consent of BDO USA, LLP.
23.5*	–	Consent of KPMG LLP.
24.1*	–	Power of Attorney (included on signature page hereto).
31.1*	–	Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2*	–	Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).

32.1**	–	Certification of the Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(b) and 18 U.S.C. 1350.
99.1*	–	Gulf Coast Express Pipeline LLC audited financial statements as of December 31, 2020.
99.2*	–	Breviloba, LLC audited financial statements as of December 31, 2020.
99.3*	–	Permian Highway Pipeline LLC audited financial statements as of December 31, 2020.
99.4*	–	EPIC Crude Holdings, LP audited financial statements as of December 31, 2020.
101.INS*	–	Inline XBRL Instance Document. (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH*	–	Inline XBRL Taxonomy Schema Document.
101.CAL*	–	Inline XBRL Calculation Linkbase Document.
101.DEF*	–	Inline XBRL Definition Linkbase Document.
101.LAB*	–	Inline XBRL Label Linkbase Document.
101.PRE*	–	Inline XBRL Presentation Linkbase Document.
104*	–	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith

*** Schedules and exhibits to this Exhibit have been omitted pursuant to Regulation S-K Item 601(b)(2). The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

† Management contracts or compensatory plans or arrangements required to be filed herewith pursuant to Item 15 hereof.

‡ Portions have been omitted pursuant to a request for confidential treatment.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALTUS MIDSTREAM COMPANY

/s/ Clay Bretches
Clay Bretches
Chief Executive Officer and President

Dated: February 25, 2021

POWER OF ATTORNEY

The officers and directors of Altus Midstream Company, whose signatures appear below, hereby constitute and appoint Clay Bretches and Ben C. Rodgers, and each of them (with full power to each of them to act alone), the true and lawful attorney-in-fact to sign and execute, on behalf of the undersigned, any amendment(s) to this report and each of the undersigned does hereby ratify and confirm all that said attorneys shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Clay Bretches Clay Bretches	Director, Chief Executive Officer, and President (principal executive officer)	February 25, 2021
/s/ Ben C. Rodgers Ben C. Rodgers	Director, Chief Financial Officer, and Treasurer (principal financial officer)	February 25, 2021
/s/ Rebecca A. Hoyt Rebecca A. Hoyt	Senior Vice President, Chief Accounting Officer and Controller (principal accounting officer)	February 25, 2021
/s/ Mark Borer Mark Borer	Director	February 25, 2021
/s/ Staci L. Burns Staci L. Burns	Director	February 25, 2021
/s/ Joe C. Frana Joe C. Frana	Director	February 25, 2021
/s/ D. Mark Leland D. Mark Leland	Director	February 25, 2021
/s/ Kevin S. McCarthy Kevin S. McCarthy	Director	February 25, 2021
/s/ Christopher J. Monk Christopher J. Monk	Director	February 25, 2021
/s/ Stephen P. Noe Stephen P. Noe	Director	February 25, 2021
/s/ Robert S. Purgason Robert S. Purgason	Director	February 25, 2021
/s/ Jon W. Sauer Jon W. Sauer	Director, Chairman of the Board, and Senior Vice President	February 25, 2021

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for the preparation and integrity of the consolidated financial statements appearing in this annual report on Form 10-K. The financial statements were prepared in conformity with accounting principles generally accepted in the United States and include amounts that are based on management's best estimates and judgments.

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. Our internal control over financial reporting is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written code of business conduct adopted by our Company's board of directors, applicable to all Company directors and all officers of our Company.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on our assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2020.

The Company's independent auditors, Ernst & Young LLP, a registered public accounting firm, are appointed by the Audit Committee of the Company's board of directors. Ernst & Young LLP have audited and reported on the consolidated financial statements of Altus Midstream Company and its subsidiaries. The report of the independent auditors follows this report on page F-2.

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act and is not required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act. As such, this annual report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting.

/s/ Clay Bretches
Chief Executive Officer and President
(principal executive officer)

/s/ Ben C. Rodgers
Chief Financial Officer and Treasurer
(principal financial officer)

/s/ Rebecca A. Hoyt
Senior Vice President, Chief Accounting Officer and Controller
(principal accounting officer)

Houston, Texas
February 25, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Altus Midstream Company:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Altus Midstream Company (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), cash flows and changes in equity and noncontrolling interests for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We did not audit the financial statements of Gulf Coast Express Pipeline LLC ("GCX"), an entity in which the Company has a 16% interest, for the years ended December 31, 2020 and 2019; EPIC Crude Holdings, LP ("EPIC"), an entity in which the Company has a 15% interest, for the year ended December 31, 2020; or Permian Highway Pipeline LLC ("PHP"), an entity in which the Company has an approximately 26.7% interest, for the year ended December 31, 2019. In the consolidated financial statements, the Company's equity method interest in GCX is stated at approximately $284 million and $292 million as of December 31, 2020 and 2019, respectively, and the Company's income from equity method interest, net, of GCX is stated at approximately $42 million and $18 million for the years ended December 31, 2020 and 2019, respectively. The Company's equity method interest in EPIC is approximately $177 million as of December 31, 2020, and the Company's loss from equity method interest, net, of EPIC is approximately $16 million for the year ended December 31, 2020. The Company's equity method interest in PHP is approximately $310 million as of December 31, 2019, and the Company's income from equity method interest, net, of PHP is approximately $0.4 million for the year ended December 31, 2019. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for GCX, EPIC and PHP, is based solely on the reports of the other auditors.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Houston, Texas
February 25, 2021

Report of Independent Registered Public Accounting Firm

Board of Directors and Members
Gulf Coast Express Pipeline LLC
Houston, Texas

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Gulf Coast Express Pipeline LLC (the "Company") as of December 31, 2020 and 2019, the related statements of income, members' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Emphasis of Matter — Significant Transactions with Related Parties

As discussed in Note 4 to the financial statements, the Company has entered into significant transactions with related parties.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2020.

February 19, 2021

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Owners
EPIC Crude Holdings, LP:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of EPIC Crude Holdings, LP and subsidiaries (the Partnership) as of December 31, 2020, the related consolidated statements of operations, changes in owners' equity, and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2020, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The consolidated financial statements of the Partnership as of December 31, 2019 and for the year then ended were audited by other auditors whose report dated March 11, 2020, expressed an unmodified opinion on those consolidated financial statements.

Basis for Opinion

These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Partnership's auditor since 2020.

San Antonio, Texas
February 25, 2021

Report of Independent Registered Public Accounting Firm

Board of Directors and Members
Permian Highway Pipeline, LLC.
Houston, Texas

Opinion on the Financial Statements

We have audited the accompanying balance sheet of Permian Highway Pipeline, LLC (the "Company") as of December 31, 2019, and the related statements of operations, members' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Emphasis of Matter — Significant Transactions with Related Parties

As discussed in Note 3 to the financial statements, the Company has entered into significant transactions with related parties.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2020.

Houston, Texas
March 16, 2020

ALTUS MIDSTREAM COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31,		
	2020	2019	2018
	(In thousands, except per share data)		
REVENUES:			
Midstream services revenue — affiliate (Note 3)	$ 144,714	$ 135,798	$ 76,750
Product sales — third parties	3,695	—	—
Total revenues	148,409	135,798	76,750
COSTS AND EXPENSES:			
Costs of product sales	2,988	—	—
Operations and maintenance(1)	37,993	55,858	53,922
General and administrative(2)	13,155	10,301	7,368
Depreciation and accretion	15,945	41,480	20,068
Impairments	1,643	1,300,719	—
Taxes other than income	15,069	13,231	7,633
Total costs and expenses	86,793	1,421,589	88,991
OPERATING INCOME (LOSS)	61,616	(1,285,791)	(12,241)
Unrealized derivative instrument loss	(36,080)	(8,470)	—
Interest income	9	3,606	1,608
Income from equity method interests, net	58,739	19,069	—
Other	(2,306)	(622)	—
Total other income	20,362	13,583	1,608
Financing costs, net of capitalized interest	2,190	1,792	107
NET INCOME (LOSS) BEFORE INCOME TAXES	79,788	(1,274,000)	(10,740)
Current income tax benefit	(696)	(15)	(1,041)
Deferred income tax (benefit) expense	—	64,915	(9,460)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	80,484	(1,338,900)	(239)
Net income attributable to Preferred Unit limited partners	75,906	38,809	—
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	4,578	(1,377,709)	(239)
Net income (loss) attributable to Apache limited partner	2,987	(1,008,039)	4,149
NET INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ 1,591	$ (369,670)	$ (4,388)
NET INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS, PER SHARE(3)			
Basic	$ 0.42	$ (98.68)	$ (0.51)
Diluted	0.28	(98.68)	(0.51)
WEIGHTED AVERAGE SHARES(3)			
Basic	3,746	3,746	8,656
Diluted	16,246	3,746	8,656

(1) Includes amounts of $5.4 million, $8.8 million, and $9.1 million associated with related parties for the years ended December 31, 2020, 2019, and 2018, respectively. Refer to Note 3—Transactions with Affiliates.

(2) Includes amounts of $7.0 million, $5.4 million, and $6.5 million associated with related parties for the years ended December 31, 2020, 2019, and 2018, respectively. Refer to Note 3—Transactions with Affiliates.

(3) Share and per share amounts have been retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note—11 Equity for further information.

The accompanying notes to consolidated financial statements are an integral part of this statement.

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

	For the Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	$ 80,484	$ (1,338,900)	$ (239)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:			
Share of equity method interests other comprehensive income (loss)	523	(1,152)	—
COMPREHENSIVE INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	81,007	(1,340,052)	(239)
Comprehensive income attributable to Preferred Unit limited partners	75,906	38,809	—
Comprehensive income (loss) attributable to Apache limited partner	3,389	(1,008,925)	4,149
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ 1,712	$ (369,936)	$ (4,388)

The accompanying notes to consolidated financial statements are an integral part of this statement.

ALTUS MIDSTREAM COMPANY
CONSOLIDATED BALANCE SHEET

	December 31, 2020	December 31, 2019
	(In thousands, except per share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 24,188	$ 5,983
Accounts receivable	1,033	—
Accounts receivable from Apache Corporation (Note 1)	446	5,195
Revenue receivables (Note 3)	11,378	15,461
Inventories	3,597	4,027
Prepaid assets and other	2,127	1,071
	42,769	31,737
PROPERTY, PLANT, AND EQUIPMENT:		
Property, plant, and equipment	208,870	207,270
Less: Accumulated depreciation and accretion	(13,034)	(1,468)
	195,836	205,802
OTHER ASSETS:		
Equity method interests	1,555,182	1,258,048
Deferred charges and other	5,843	5,267
	1,561,025	1,263,315
Total assets	$ 1,799,630	$ 1,500,854
LIABILITIES, NONCONTROLLING INTERESTS, AND EQUITY		
CURRENT LIABILITIES:		
Dividends payable	$ 5,620	$ —
Distributions payable to Apache Corporation (Note 1)	18,750	—
Current debt (Note 6)	—	9,767
Other current liabilities (Note 7)	5,613	23,925
	29,983	33,692
LONG-TERM DEBT	624,000	396,000
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Asset retirement obligation	64,062	60,095
Embedded derivative	139,009	102,929
Other noncurrent liabilities	5,539	4,614
	208,610	167,638
Total liabilities	862,593	597,330
COMMITMENTS AND CONTINGENCIES (Note 9)		
Redeemable noncontrolling interest — Apache limited partner	575,125	701,000
Redeemable noncontrolling interest — Preferred Unit limited partners	608,381	555,599
EQUITY:		
Class A Common Stock: $0.0001 par, 1,500,000,000 shares authorized, 3,746,460 shares issued and outstanding at December 31, 2020 and 2019[(1)]	1	1
Class C Common Stock: $0.0001 par, 1,500,000,000 shares authorized, 12,500,000 shares issued and outstanding at December 31, 2020 and 2019[(1)]	1	1
Additional paid-in capital	144,716	39,822
Accumulated deficit	(391,042)	(392,633)
Accumulated other comprehensive loss	(145)	(266)
	(246,469)	(353,075)
Total liabilities, noncontrolling interests, and equity	$ 1,799,630	$ 1,500,854

(1) Share amounts have been retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note 11—Equity for further information.

The accompanying notes to consolidated financial statements are an integral part of this statement.

ALTUS MIDSTREAM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2020	2019	2018[1]
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) including noncontrolling interests	$ 80,484	$ (1,338,900)	$ (239)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Unrealized derivative instrument loss	36,080	8,470	—
Depreciation and accretion	15,945	41,480	20,068
Deferred income tax expense (benefit)	—	64,915	(9,460)
Income from equity method interests, net	(58,739)	(19,069)	—
Distributions from equity method interests	80,747	25,316	—
Impairments	1,643	1,300,719	—
Adjustment for non-cash transactions with affiliate[1]	—	—	(4,238)
Other	3,368	907	—
Changes in operating assets and liabilities:			
(Increase) decrease in inventories	430	(620)	(5,058)
(Increase) decrease in prepaid assets and other	(56)	3,877	(1,045)
Increase in accounts receivable	(1,033)	—	—
(Increase) decrease in revenue receivables (Note 2)	4,083	(4,532)	(5,602)
(Increase) decrease in account receivables from/payable to affiliate	1,043	(6,361)	4,484
Increase in interest receivable	—	—	(226)
Increase in accrued expenses	280	71	1,977
Increase in deferred charges, deferred credits and other noncurrent liabilities	19	—	—
NET CASH PROVIDED BY OPERATING ACTIVITIES	164,294	76,273	661
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(29,981)	(342,650)	(84,000)
Proceeds from sale of assets	10,240	13,309	—
Contributions to equity method interests	(327,305)	(501,352)	—
Distributions from equity method interests	17,419	—	—
Acquisition of equity method interests	—	(670,625)	(91,100)
Capitalized interest paid	(8,733)	(2,370)	—
NET CASH USED IN INVESTING ACTIVITIES	(338,360)	(1,503,688)	(175,100)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redeemable noncontrolling interest - Preferred Unit limited partners, net	—	611,249	—
Distributions paid to Preferred Unit limited partners	(23,124)	—	—
Proceeds from revolving credit facility	228,000	396,000	—
Finance lease	(11,789)	(22,994)	—
Recapitalization transaction (Note 2)	—	—	628,154
Deferred facility fees	(816)	(792)	(3,780)
NET CASH PROVIDED BY FINANCING ACTIVITIES	192,271	983,463	624,374
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,205	(443,952)	449,935
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,983	449,935	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 24,188	$ 5,983	$ 449,935
SUPPLEMENTAL CASH FLOW DATA:			
Accrued capital expenditures[2]	$ 834	$ 18,573	$ 89,810
Finance lease liability[3]	—	9,767	—
Interest paid, net of capitalized interest	1,013	903	—
Cash received for income tax refunds	696	527	—

(1) Prior to the Business Combination, the Company had no banking or cash management activities. Transactions with Apache and asset transfers to and from the Company were not settled in cash and are therefore reflected as a component of equity and redeemable noncontrolling interests on the consolidated balance sheet. In addition to the above, Apache contributed its investments in gas gathering, processing, and transmission facilities of approximately $484.5 million, that is included within equity and redeemable noncontrolling interests for the year ended December 31, 2018. Refer to Note 3—Transactions with Affiliates for more information.

(2) Includes $0.4 million, $1.5 million, and $9.1 million of capital expenditures due to Apache for the years ended December 31, 2020, 2019, and 2018, respectively, pursuant to the terms of the Construction, Operations, and Maintenance Agreement entered into at the closing of the Business Combination. Refer to Note 3—Transactions with Affiliates for more information.

(3) The Company entered into a finance lease in the first quarter of 2019 for power generators, which ended during the first quarter of 2020. The Company then exercised its option to purchase the generators.

The accompanying notes to consolidated financial statements are an integral part of this statement.

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED CHANGES IN EQUITY AND NONCONTROLLING INTERESTS

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners[3]	Redeemable Noncontrolling Interest — Apache Limited Partner	Class A Common Stock		Class C Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Equity (Deficit)
			Shares[1][2]	Amount[1]	Shares[1][2]	Amount[1]				
	(In thousands)						(In thousands)			
Balance at December 31, 2017	$ —	$ —	198	$ —	6,777	$ 1	$ 574,641	$ (18,575)	$ —	$ 556,067
Issuance of shares	—	—	167	—	5,723	—	480,283	—	—	480,283
Effect of reverse recapitalization	—	1,272,066	3,381	1	—	—	(581,392)	—	—	(581,391)
Net income (loss)	—	4,149	—	—	—	—	—	(4,388)	—	(4,388)
Change in redemption value of noncontrolling interest	—	664,285	—	—	—	—	(473,502)	(190,783)	—	(664,285)
Balance at December 31, 2018	—	1,940,500	3,746	1	12,500	1	30	(213,746)	—	(213,714)
Issuance of Series A Cumulative Redeemable Preferred Units	516,790	—	—	—	—	—	—	—	—	—
Net income (loss)	38,809	(1,008,039)	—	—	—	—	—	(369,670)	—	(369,670)
Change in redemption value of noncontrolling interest	—	(230,575)	—	—	—	—	39,792	190,783	—	230,575
Accumulated other comprehensive loss	—	(886)	—	—	—	—	—	—	(266)	(266)
Balance at December 31, 2019	555,599	701,000	3,746	1	12,500	1	39,822	(392,633)	(266)	(353,075)
Distributions paid to Preferred Unit limited partners	(23,124)	—	—	—	—	—	—	—	—	—
Distributions payable to Apache limited partner	—	(18,750)	—	—	—	—	—	—	—	—
Common Dividends declared ($1.50 per share)	—	—	—	—	—	—	(5,620)	—	—	(5,620)
Net income	75,906	2,987	—	—	—	—	—	1,591	—	1,591
Change in redemption value of noncontrolling interests	—	(110,514)	—	—	—	—	110,514	—	—	110,514
Accumulated other comprehensive income	—	402	—	—	—	—	—	—	121	121
Balance at December 31, 2020	$ 608,381	$ 575,125	3,746	$ 1	12,500	$ 1	$ 144,716	$ (391,042)	$ (145)	$ (246,469)

(1) For periods prior to the Business Combination, the number of shares has been retroactively restated to reflect the number of shares received by Apache. For further detail of the Business Combination and associated financial statement presentation, please refer to Note 1—Summary of Significant Accounting Policies and Note 2—Recapitalization Transaction.

(2) Share amounts have been retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note 11—Equity for further information.

(3) Certain redemption features embedded within the Preferred Unit purchase agreement require bifurcation and measurement at fair value. For further detail, refer to Note 12—Series A Cumulative Redeemable Preferred Units.

The accompanying notes to consolidated financial statements are an integral part of this statement.

Unless the context otherwise requires, the "Company," "ALTM" and "Altus" refers to Altus Midstream Company and its consolidated subsidiaries. "Altus Midstream" refers to Altus Midstream LP and its consolidated subsidiaries. "Apache" refers to Apache Corporation and its consolidated subsidiaries. All references to the Company's Class A common stock, $0.0001 par value (Class A Common Stock), and Class C common stock, $0.0001 par value (Class C Common Stock), reflect such share amounts as retrospectively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note—11 Equity for further information.

Nature of Operations

Through its consolidated subsidiaries, the Company owns gas gathering, processing, and transmission assets in the Permian Basin of West Texas. Construction on the assets began in the fourth quarter of 2016, and operations commenced in the second quarter of 2017. Additionally, the Company owns equity interests in four separate Permian Basin pipeline entities that have access to various points along the Texas Gulf Coast. The Company's operations consist of one reportable segment.

Organization

The Company originally incorporated on December 12, 2016 in Delaware under the name Kayne Anderson Acquisition Corp. (KAAC) for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. KAAC completed its initial public offering in the second quarter of 2017.

On August 3, 2018, Altus Midstream LP was formed in Delaware as a limited partnership and wholly-owned subsidiary of KAAC. On August 8, 2018, KAAC and Altus Midstream LP entered into a contribution agreement (the Contribution Agreement) with certain wholly-owned subsidiaries of Apache, including four Delaware limited partnerships (collectively, Altus Midstream Operating) and their general partner (Altus Midstream Subsidiary GP LLC, a Delaware limited liability company, and together with Altus Midstream Operating, the Altus Midstream Entities). The Altus Midstream Entities were formed by Apache between May 2016 and January 2017 for the purpose of acquiring, developing, and operating midstream oil and gas assets in the Alpine High resource play and surrounding areas (Alpine High).

On November 9, 2018 (the Closing Date) and pursuant to the terms of the Contribution Agreement, KAAC acquired from Apache the entire equity interests of the Altus Midstream Entities and options to acquire equity interests in five separate third-party pipeline projects (the Pipeline Options). The acquisition of the entities and the Pipeline Options is referred to herein as the Business Combination. In exchange, the consideration provided to Apache included economic voting and non-economic voting shares in KAAC and common units representing limited partner interests in Altus Midstream LP (Common Units). Following the Closing Date and in connection with the completion of the Business Combination, KAAC changed its name to Altus Midstream Company.

Ownership of Altus Midstream LP

As of and following the Closing Date and in connection with the completion of the Business Combination, the Company's wholly-owned subsidiary, Altus Midstream GP LLC, a Delaware limited liability company (Altus Midstream GP), is the sole general partner of Altus Midstream LP. The Company operates its business through Altus Midstream LP and its subsidiaries, which include Altus Midstream Operating. The Company holds approximately 23.1 percent of the outstanding Common Units, and a controlling interest, in Altus Midstream, while Apache holds the remaining 76.9 percent. The Company's Class A Common Stock continued trading on the Nasdaq under the new symbol "ALTM."

Refer to Note 2—Recapitalization Transaction, for further discussion of the ownership structure and the partnership structure of Altus Midstream.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Principles of Consolidation

The consolidated financial results of Altus Midstream are included in the Company's consolidated financial statements due to the Company's 100 percent ownership interest in Altus Midstream GP, and Altus Midstream GP's control of Altus Midstream.

The Company has no independent operations or material assets other than its partnership interests in Altus Midstream, which constitutes all of its business. The Company's only material net assets separate from Altus Midstream relate to deferred taxes and the current and deferred income tax expense (benefit) associated with its investment in Altus Midstream in 2018. In the fourth quarter of 2019, the Company recorded a full valuation allowance against its net deferred tax assets. Accordingly, the deferred tax asset balance was nil as of the years ended December 31, 2020 and 2019. Additionally, the Company's balance sheet reflects the presentation of noncontrolling interest ownership attributable to the limited partner interests in Altus Midstream held by Apache and the holders of Series A Cumulative Redeemable Preferred Units (the Preferred Units). Refer to Note 13—Income Taxes, Note 11—Equity, and Note 12—Series A Cumulative Redeemable Preferred Units for further information.

Variable Interest Entity

Altus Midstream is a variable interest entity (VIE) because the partners in Altus Midstream with equity at risk lack the power, through voting or similar rights, to direct the activities that most significantly impact Altus Midstream's economic performance.

A reporting entity that concludes it has a variable interest in a VIE must evaluate whether it has a controlling financial interest in the VIE, such that it is the VIE's primary beneficiary and should consolidate. The Company is the primary beneficiary of Altus Midstream, and therefore should consolidate Altus Midstream because (i) the Company has the ability to direct the activities of Altus Midstream that most significantly affect its economic performance, and (ii) the Company has the right to receive benefits or the obligation to absorb losses that could be potentially significant to Altus Midstream.

Redeemable Noncontrolling Interest — Apache Limited Partner

The Company's redeemable noncontrolling interest presented in the consolidated financial statements consists of Common Units representing limited partner interests in Altus Midstream held by Apache. Pursuant to certain provisions of the partnership agreement of Altus Midstream (as amended in connection with the Business Combination, and subsequent issuance of Preferred Units, the Amended LPA), the limited partner interests held by Apache are equal to the number of shares of the Company's Class C Common Stock held by Apache (see Note 2—Recapitalization Transaction for further information).

The Company initially recorded the redeemable noncontrolling interest upon the issuance of the Common Units to Apache as part of the Business Combination and based on the recapitalization value ascribed at the Closing Date to the limited partner interest. All or a portion of these Common Units may be redeemed at Apache's option. The Company has the ability to settle the redemption option either (i) in shares of Class A Common Stock on a one-for-one basis or (ii) in cash (based on the fair market value of the Class A Common Stock as determined pursuant to the Contribution Agreement), subject to customary conversion rate adjustments for stock splits, stock dividends, and reclassifications. Upon the future redemption or exchange of Common Units held by Apache, a corresponding number of shares of Class C Common Stock will be cancelled.

The Company's policy is to record the redeemable noncontrolling interest represented by the Common Units held by Apache at the higher of (i) its initial fair value plus accumulated earnings/losses associated with the noncontrolling interest or (ii) the redemption value as of the balance sheet date.

See discussion and additional detail further discussed in Note 2—Recapitalization Transaction and Note 11—Equity.

Redeemable Noncontrolling Interest — Preferred Unit Limited Partners

On June 12, 2019, Altus Midstream issued and sold the Preferred Units in a private offering, and the purchasers of the Preferred Units were admitted as limited partners of Altus Midstream. The Preferred Units will be exchangeable for shares of the Company's Class A Common Stock at the option of the Preferred Unit holders after the seventh anniversary of the closing of the Preferred Unit offering or upon the occurrence of specified events, unless otherwise redeemed by Altus Midstream.

The Preferred Units are accounted for on the Company's consolidated balance sheet as a redeemable noncontrolling interest classified as temporary equity based on the terms of the Preferred Units. Certain redemption features embedded within the terms of the Preferred Units require bifurcation and measurement at fair value and are accounted for on the Company's consolidated balance sheet as a long-term liability embedded derivative.

See discussion and additional detail further discussed in Note 12—Series A Cumulative Redeemable Preferred Units and Note 15—Fair Value Measurements.

Equity Method Interests

The Company follows the equity method of accounting when it does not exercise control over its equity interests, but can exercise significant influence over the operating and financial policies of the entity. Under this method, the equity interests are carried originally at acquisition cost, increased by Altus' proportionate share of the equity interest's net income and contributions made by Altus, and decreased by Altus' proportionate share of the equity interest's net losses and distributions received by Altus. Please refer to Note 10—Equity Method Interests, for further details of the Company's equity method interests.

Financial Statement Presentation

While Altus Midstream Company (formerly KAAC) was the surviving legal entity, the Business Combination was accounted for as a reverse recapitalization. As such, Altus Midstream Company was treated as the acquired company for financial reporting purposes.

As a result of the Altus Midstream Entities being the accounting acquirer, the historical operations of the Altus Midstream Entities are deemed to be those of the Company. Thus, the financial statements included in this report reflect: (i) the historical operating results of the Altus Midstream Entities prior to the Business Combination; (ii) the net assets of the Altus Midstream Entities at their historical cost; (iii) the consolidated results of the Company and the Altus Midstream Entities following the closing of the Business Combination; and (iv) the Company's equity structure for all periods presented. No step-up in basis of the contributed assets and no intangible assets or goodwill was recorded in the Business Combination.

Use of Estimates

Preparation of financial statements in conformity with GAAP and disclosure of contingent assets and liabilities requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The Company evaluates its estimates and assumptions on a regular basis. Actual results may differ from these estimates and assumptions used in preparation of its financial statements, and changes in these estimates are recorded when known.

Fair Value Measurements

Accounting Standards Codification (ASC) 820-10-35, "Fair Value Measurement" (ASC 820), provides a hierarchy that prioritizes and defines the types of inputs used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs, which consist of unadjusted quoted prices for identical instruments in active markets. Level 2 inputs consist of quoted prices for similar instruments. Level 3 valuations are derived from inputs that are significant and unobservable; hence, these valuations have the lowest priority.

The valuation techniques that may be used to measure fair value include a market approach, an income approach and a cost approach. A market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

An income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations, including present value techniques, option-pricing models, and the excess earnings method. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Embedded features identified within the Company's agreements are bifurcated and measured at fair value at the end of each period on the Company's consolidated balance sheet. Such recurring fair value measurements are presented in further detail in Note 15—Fair Value Measurements. The Company also uses fair value measurements on a nonrecurring basis when certain qualitative assessments of its assets indicate a potential impairment. During the years ended December 31, 2020 and 2019, the Company recorded an impairment of $1.6 million and $1.3 billion, respectively, on certain assets. Refer to Property, Plant and Equipment—Impairment within this Note below and Note 5—Property, Plant and Equipment, for further detail.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with a maturity of three months or less at the time of purchase to be cash equivalents. These investments are carried at cost, which approximates fair value. As of December 31, 2020 and 2019, Altus Midstream had $24.2 million and $6.0 million, respectively, of cash and cash equivalents.

Revenue Receivable

For each period presented and upon commencement of operations, revenues were primarily generated from midstream services provided to Apache, which included gathering, processing, and transmission of natural gas. Revenue receivables represents revenues accrued that have been earned by Altus Midstream but not yet invoiced to Apache. There were no doubtful accounts written off, nor have we provided an allowance for doubtful accounts, as of December 31, 2020 and 2019.

Inventories

Inventories consist principally of equipment and material, stated at the lower of cost or net realizable value. As part of its impairment for long-lived assets, the Company recorded an inventory allowance of $11.1 million to its estimated net realizable value as of December 31, 2019. No additional inventory allowance was recorded for the year ended December 31, 2020.

Property, Plant, and Equipment

Property, plant, and equipment consists of the costs incurred to acquire and construct midstream assets including capitalized interest.

Depreciation

Depreciation is computed over each asset's estimated useful life using the straight-line method based on estimated useful lives and estimated asset salvage values. The estimated lives are generally 30 years for plants and facilities and 40 years for pipelines and such estimated useful lives were used to depreciate the Company's assets in 2019 and 2018. The estimation of useful life also takes into consideration anticipated production lives from the fields serviced by these assets, whether Apache-operated or third-party. Determination of depreciation expense requires judgment regarding the estimated useful lives and salvage values of property, plant, and equipment. As circumstances warrant, depreciation estimates are reviewed to determine if any changes in the underlying assumptions are necessary. Given the fourth quarter impairment discussed under *Impairment* below, and as discussed further in Note 5—Property, Plant and Equipment, the Company reassessed the useful life of its assets in January of 2020. This assessment resulted in a change to estimated useful lives on its impaired assets to 12 years. For the years ended December 31, 2020, 2019, and 2018 depreciation expense totaled $12.0 million, $39.8 million, and $18.7 million, respectively.

Asset Retirement Obligations and Accretion

The initial estimated asset retirement obligation related to property, plant, and equipment and subsequent revisions are recorded as a liability at fair value, with an offsetting asset retirement cost recorded as an increase to the associated property, plant, and equipment on the consolidated balance sheet. Revisions in estimated liabilities can result from changes in estimated inflation rates, changes in service and equipment costs, and changes in the estimated timing of an asset's retirement. Asset retirement costs are depreciated using a systematic and rational method similar to that used for the associated property, plant, and equipment. Accretion expense on the liability is recognized over the estimated productive life of the related assets and is included on the consolidated statements of operations under "Depreciation and accretion." For the years ended December 31, 2020, 2019, and 2018 accretion expense totaled $4.0 million, $1.6 million, and $1.3 million, respectively.

Capitalized Interest

Interest is capitalized as part of the historical cost of developing and constructing assets. Significant midstream development assets, including assets owned by Altus through its equity method interests, that have not commenced operations qualify for interest capitalization. Capitalized interest is determined by multiplying Altus Midstream's weighted-average borrowing cost of debt by the average amount of qualifying midstream assets. The amount of capitalized interest cannot be greater than actual interest incurred. Once an asset is placed into service, the associated capitalization of interest ceases and is expensed through depreciation over the asset's useful life.

Impairment

The Company assesses the carrying amount of its property, plant, and equipment whenever events or changes in circumstances indicate a possible significant deterioration in future cash flows expected to be generated by an asset group. Individual assets are grouped for impairment purposes based on the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other asset groups. If, upon review, the carrying amount of an asset group is greater than the sum of the undiscounted expected cash flows, an impairment loss is recognized for the excess of the carrying value over its fair value.

During the fourth quarter of 2020, the Company sold certain of its power generators and, as a result, the remaining power generators owned by the Company were remeasured at fair value based on the proceeds from such sale. This remeasurement resulted in an impairment of $1.6 million on these assets, and this nonrecurring fair value measurement is classified as Level 1 in the fair value hierarchy based on the negotiated sales price.

Apache, as part of its fourth quarter 2019 review of its capital expenditure program, notified Altus that it had materially reduced its investment plans and had no plans to drill new wells at Alpine High. This notification prompted Altus management to assess its long-lived infrastructure assets for impairment, and as a result of this assessment, Altus recorded impairments of $1.3 billion on its gathering, processing, and transmission assets in the fourth quarter of 2019. Altus also recorded an impairment charge of $9.3 million in the third quarter of 2019 related to the cancellation of construction on a previously planned compressor station. The fair values of the impaired assets were determined using a combination of the income approach and the market approach (when direct sales bids on equivalent equipment was provided from third parties). The income approach considered several internal estimates of future throughput volumes, processing rates, and costs. The assumptions were applied to develop future cash flow projections that were then discounted to estimated fair value, using a discount rate believed to be consistent with those applied by market participants. Altus has classified these nonrecurring fair value measurements as Level 3 in the fair value hierarchy.

No impairments were recorded for the year ended December 31, 2018.

These asset impairments are recorded within "Impairments" on the Company's consolidated statement of operations. Refer to Note 5—Property, Plant and Equipment, for further detail.

Accounts Receivable From/Payable To Apache

The accounts receivable from or payable to Apache represent the net result of Altus Midstream's monthly revenue, capital and operating expenditures, and other miscellaneous transactions to be settled with Apache as provided under the Construction, Operations and Maintenance Agreement (COMA) between the two entities. Generally, cash in this amount will be transferred to Apache in the month after the Company's transactions are processed and the net results of operations are determined. However, from time to time, the Company may estimate and transfer the cash settlement amount in the month the transactions are processed, in order to minimize related-party working capital balances. See discussion and additional detail in Note 3—Transactions with Affiliates.

Distributions to Apache

In December 2020, the general partner of Altus Midstream declared a cash distribution of $1.50 per Common Unit payable by Altus Midstream in the first quarter of 2021, totaling $24.4 million. Apache, through its 76.9 percent ownership of the outstanding Common Units, will receive approximately $18.8 million of this distribution. Please refer to Note 11—Equity for further information.

General and Administrative Expense

General and administrative (G&A) expense represents indirect costs and overhead expenditures incurred by the Company associated with managing the midstream assets.

In connection with the closing of the Business Combination, the Company entered into the COMA, as described above, pursuant to which Apache will provide certain services related to the design, development, construction, operation, management, and maintenance of Altus Midstream's assets, on the Company's behalf. See discussion and additional detail further discussed in Note 3—Transactions with Affiliates.

Maintenance and Repairs

Routine maintenance and repairs are charged to expense as incurred. The Company had no non-routine maintenance or repair costs in any period presented.

Income Taxes

The Company is subject to federal income tax and recognizes deferred tax assets and liabilities based on the difference between the financial statement carrying value and tax basis of its investment in Altus Midstream. For federal income tax purposes, Altus Midstream is regarded as a partnership and not subject to income tax. Income and deductions associated with Altus Midstream and the Altus Midstream Entities flow through to the Company. As such, Altus Midstream and the Altus Midstream Entities do not record a federal income tax provision.

The Company, Altus Midstream, and the Altus Midstream Entities are also subject to the Texas margin tax. The Texas margin tax is assessed on corporations, limited liability companies, and limited partnerships. As such, each entity recognizes state deferred tax assets and liabilities based on the differences between the financial statement carrying value and tax basis of assets and liabilities on the balance sheet.

The Company routinely assesses the ability to realize its deferred tax assets. If the Company concludes that it is more likely than not that some or all of the deferred tax assets will not be realized, the tax asset is reduced by a valuation allowance. In connection with this assessment, the Company maintained a full valuation allowance against its net deferred tax asset as of December 31, 2020 and 2019.

Change in Accounting Policy

Historically, the Company reported income and loss from equity method interests on a one-month reporting lag. Effective October 1, 2019, the Company eliminated this one-month reporting lag. In accordance with ASC 810-10-45-13, "A Change in the Fiscal Year-End Lag Between Subsidiary and Parent" (ASC 810), the elimination of this previously existing reporting lag is considered a voluntary change in accounting principle in accordance with ASC 250-10-50, "Change in Accounting Principle." The Company believes that this change in accounting principle is preferable as it provides the Company with the ability to present the results of its equity method interests for the same period as all other consolidated results of the Company, which improves overall financial reporting to investors by providing the most current information available. The Company has not retrospectively applied the change in accounting principle since its impact to the consolidated balance sheet and related statements of operations and cash flows was immaterial for all periods. For more information on equity method interests owned by the Company, please refer to Note 10—Equity Method Interests.

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, "Financial Instruments-Credit Losses." The standard changes the impairment model for trade receivables, held-to-maturity debt securities, net investments in leases, loans, and other financial assets measured at amortized cost. This ASU requires the use of a new forward-looking "expected loss" model compared to the current "incurred loss" model, resulting in accelerated recognition of credit losses. The Company adopted this standard in the first quarter of 2020 with no material impact on its financial statements.

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes." This pronouncement is part of the Simplification Initiative and simplifies the accounting for income taxes by removing certain exceptions to the general principles of ASC Topic 740 "Income Taxes." In addition, the amendment improves consistent application of and simplifies GAAP for other areas of ASC Topic 740 by clarifying and amending existing guidance. This update is effective for the Company beginning in the first quarter of 2021, with early adoption permitted. The Company early adopted this standard in the first quarter of 2020 with no material impact on its financial statements.

New Pronouncements Issued But Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848),” which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate (LIBOR) or by another reference rate expected to be discontinued. In January 2021, the FASB issued ASU 2021-01, which clarified the scope and application of the original guidance. The guidance was effective beginning March 12, 2020 and can be applied prospectively through December 31, 2022. The Company is evaluating whether to apply any of these expedients and, if elected, will adopt these standards when LIBOR is discontinued.

In August 2020, the FASB issued ASU 2020-06, “Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40)” to improve financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity. This update is effective for the Company beginning in the first quarter of 2022, with early adoption permitted, using either the modified or fully retrospective method with a cumulative effect adjustment to the opening balance of retained earnings. The Company is evaluating the effect of adoption of the ASU and does not believe it will have a material impact on its financial statements.

In October 2020, the FASB issued ASU 2020-10, “Codification Improvements,” which clarifies or improves disclosure requirements for various topics to align with the SEC’s regulations. This update is effective for the Company beginning in the first quarter of 2021 and will be applied retrospectively. The Company is evaluating the effect of the adoption of the ASU and does not believe it will have a material impact on its financial statements.

2. RECAPITALIZATION TRANSACTION

Background and Summary

On August 8, 2018, KAAC and its then wholly-owned subsidiary, Altus Midstream LP, entered into the Contribution Agreement with certain wholly-owned subsidiaries of Apache, including the Altus Midstream Entities. The terms of the Contribution Agreement included that Altus Midstream would acquire from Apache, all of the outstanding equity interests in each of the Altus Midstream Entities and the Pipeline Options to acquire equity interests in certain third-party pipeline projects.

The Company consummated the Business Combination and certain other transactions contemplated by the Contribution Agreement on the Closing Date. On the Closing Date:

- Altus Midstream issued Common Units to Apache, and the Company issued to Apache an equivalent number of shares of a newly-created class of voting-only common stock (Class C Common Stock).
- The Company issued to Apache (i) newly issued shares of Class A Common Stock, (ii) warrants exercisable for shares of Class A Common Stock, and (iii) the right to receive additional shares of Class A Common Stock, based upon the achievement of certain price and operational thresholds.
- The Company contributed $628.2 million in cash to Altus Midstream and in return, Altus Midstream issued to the Company a number of Common Units equal to the total number of shares of the Company’s Class A Common Stock outstanding as of the Closing Date.

For further discussion of Apache’s right to receive additional shares of Class A Common Stock, and other outstanding equity instruments that may impact ownership interests and the limited partnership interests of Altus Midstream in future periods, please see Note 11—Equity.

Ownership of Altus

Upon the closing of the Business Combination and as of December 31, 2020, Altus’ wholly-owned subsidiary, Altus Midstream GP, was the sole general partner of Altus Midstream and the Company held an approximate 23.1 percent controlling interest in Altus Midstream. Altus Midstream’s other limited partner (Apache) held the remaining 76.9 percent noncontrolling interest.

Additionally, as of the Closing Date and at December 31, 2020, Apache was the largest single holder of the Company’s voting common stock, comprising 100 percent of newly-created, non-economic Class C Common Stock, and approximately 9.8 percent of economic, Class A Common Stock.

The Amended LPA contains certain provisions intended to ensure that a one-to-one ratio is maintained, at all times and subject only to limited exceptions, between (i) the number of outstanding shares of Class A Common Stock and the number of Common Units held by Altus and (ii) the number of outstanding shares of Class C Common Stock and the number of Common Units held by Apache.

For further discussion of the earn-out consideration provided to Apache and outstanding equity instruments that may impact ownership interests and the limited partnership interests of Altus Midstream in future periods, please see Note 11—Equity and Note 12—Series A Cumulative Redeemable Preferred Units.

Cash Contribution to Altus Midstream

As illustrated in the table below, the cash contribution to Altus Midstream was funded primarily from (i) the private placement of shares of Class A Common Stock to certain qualified institutional buyers and accredited investors, which closed immediately prior to the Business Combination, and (ii) the funds remaining from the Company's initial public offering, net of cash paid to shareholders who redeemed shares.

For further discussion of the significant transactions impacting the Company's ownership structure throughout the historical period, including the private placement, as well as the initial public offering and subsequent share redemptions, please see Note 11—Equity.

	Net Proceeds (In thousands)
Cash from private placement	$ 572,340
Cash remaining from initial public offering (net of redemptions)[1]	84,339
Issuance of newly-created Class C Common Stock to Apache	25
Less: deferred underwriter fees	(13,206)
Less: closing fees and other[2]	(15,344)
Net cash received by Altus Midstream LP at the Closing Date	$ 628,154

(1) Pursuant to the terms of KAAC's amended and restated certificate of incorporation, public stockholders had the opportunity, in connection with the Business Combination, to redeem shares of Class A Common Stock. A total of 1,473,493 shares (as retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020) were redeemed for an aggregate amount of approximately $298.8 million. Refer to Note 11—Equity, for further information.

(2) Includes the repayment of a loan with a related party. Refer to Note 3—Transactions with Affiliates, for further information.

Number of Shares at the Closing Date

The number of shares issued and outstanding immediately following the closing of the Business Combination is summarized in the table below.

number of shares	Class A Common Stock[1]	Class B Common Stock[1][2]	Class C Common Stock[1]
Shares outstanding prior to the Business Combination	1,886,606	471,646	—
Less: redemption of public shares[3]	(1,473,493)	—	—
Add: shares issued in private placement	2,861,701	—	—
Total shares outstanding prior to the Business Combination	3,274,814	471,646	—
Shares, in connection with the Business Combination:			
Forfeited[4]	—	(365,646)	—
Converted[2]	106,000	(106,000)	—
Total shares outstanding immediately prior to the Closing Date	3,380,814	—	—
Issued as consideration to Apache[5]	365,646	—	12,500,000
Total shares outstanding at the Closing Date	3,746,460	—	12,500,000

(1) Share amounts have been retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note 11—Equity for further information.

(2) Shares of Class B Common Stock, $0.0001 par value (Class B Common Stock), were purchased by the Sponsor, upon the Company's incorporation in December 2016. Class B Common Stock is identical to Class A Common Stock except that they automatically converted to Class A Common Stock at the time of the Business Combination.

(3) Pursuant to the terms of KAAC's amended and restated certificate of incorporation, public stockholders had the opportunity, in connection with the Business Combination, to redeem shares of Class A Common Stock. A total of 1,473,493 shares were redeemed for an aggregate amount of approximately $298.8 million.

(4) In connection with the Business Combination, the Sponsor agreed to forfeit shares of Class B Common Stock. As part of the consideration transferred in the Business Combination, 365,646 newly-issued shares of Class A Common Stock were issued to Apache, equivalent to the number of shares of Class B Common Stock forfeited by the Sponsor. Additionally, the Sponsor forfeited a number of warrants originally issued simultaneously with the public offering.

(5) The equity structure of the Altus Midstream Entities (the accounting acquirer) has been restated to reflect the number of shares of Altus Midstream Company (the accounting acquiree) issued in the recapitalization transaction. Please refer to the section below entitled *"Basis of Presentation of Equity Structure"* for further discussion.

Basis of Presentation of Equity Structure

As discussed in Note 1—Summary of Significant Accounting Policies, the Business Combination was accounted for as a reverse recapitalization, with Altus Midstream Company treated as the acquired company, and the Altus Midstream Entities treated as the acquirer, for financial reporting purposes. Therefore, the equity structure in the consolidated financial statements is that of the Company restated for all periods presented.

In accordance with guidance applicable to these circumstances, the equity structure has been restated in all comparative periods up to the Closing Date, to reflect the number of shares issued to Apache in connection with the recapitalization transaction. The value allocated to the shares issued to Apache reflects the capital structure of the Altus Midstream Entities prior to the Business Combination, which solely comprised capital contributions from Apache. Accordingly, shares of common stock issued to Apache in exchange for its ownership interests in the Altus Midstream Entities are retroactively restated from May 26, 2016 (inception), proportionate to the capital contributions made by Apache to the Altus Midstream Entities up to the Closing Date.

3. TRANSACTIONS WITH AFFILIATES

Revenues

The Company has contracted to provide services including gas gathering, compression, processing, transmission, and NGL transmission, pursuant to acreage dedications provided by Apache, comprising the entire Alpine High acreage. In accordance with the terms of these agreements, the Company receives prescribed fees based on the type and volume of product for which the services are provided. Additionally, beginning in 2020 Altus Midstream entered into three agreements to provide operating and maintenance services for Apache's compressors in exchange for a fixed monthly fee per compressor serviced.

Revenues generated under these agreements are presented on the Company's consolidated statement of operations as "Midstream services revenue — affiliate." Revenues earned that have not yet been invoiced to Apache are presented on the Company's consolidated balance sheet as "Revenue receivables." Refer to Note 4—Revenue Recognition, for further discussion.

Cost and Expenses

The Company has no employees, and prior to the Business Combination, the Company had no banking or cash management facilities. As such, the Company has contracted with Apache to receive certain operational, maintenance, and management services. In accordance with the terms of these agreements, the Company incurred operations and maintenance expenses of $5.4 million, $8.8 million, and $9.1 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Company incurred general and administrative expenses of $7.0 million, $5.4 million, and $6.5 million for the years ended December 31, 2020, 2019, and 2018 respectively, including expenses related to the operational services agreement and the COMA. Further information on the related-party agreements in place during the period is provided below.

Operational Services Agreement

Prior to the Business Combination, Apache provided operations, maintenance, and management services to Altus Midstream Operating, pursuant to a service agreement (the Services Agreement). In accordance with the terms of the Services Agreement, Apache received a fixed fee per month for its overhead and indirect costs incurred on behalf of Altus Midstream Operating. All costs incurred by Altus Midstream Operating were paid by Apache.

Construction, Operations, and Maintenance Agreement

At the closing of the Business Combination, the Company entered into the COMA with Apache. Under the terms of the COMA, Apache provides certain services related to the design, development, construction, operation, management, and maintenance of certain gathering, processing and other midstream assets, on behalf of the Company. In return, the Company paid or will pay fees to Apache of (i) $3.0 million for the period beginning on the execution of the COMA at the closing of the Business Combination through December 31, 2019, (ii) $5.0 million for the period of January 1, 2020 through December 31, 2020, (iii) $7.0 million for the period of January 1, 2021 through December 31, 2021 and (iv) $9.0 million annually thereafter, adjusted based on actual internal overhead and general and administrative costs incurred, until terminated. The annual fee was negotiated as part of the Business Combination to reimburse Apache for indirect costs of performing administrative corporate functions for the Company, including services for information technology, risk management, corporate planning, accounting, cash management, and others.

In addition, Apache may be reimbursed for certain internal costs and third-party costs incurred in connection with its role as service provider under the COMA. Costs incurred by Apache directly associated with midstream activity, where substantially all the services are rendered for Altus Midstream, are charged to Altus Midstream on a monthly basis.

The COMA stipulates that the Company shall provide reimbursement of amounts owing to Apache attributable to a particular month by no later than the last day of the immediately following month. Unpaid amounts accrue interest until settled.

The COMA will continue to be effective until terminated (i) upon the mutual consent of Altus and Apache, (ii) by either of Altus and Apache, at its option, upon 30 days' prior written notice in the event Apache or an affiliate no longer owns a direct or indirect interest in at least 50 percent of the voting or other equity securities of Altus, or (iii) by Altus if Apache fails to perform any of its covenants or obligations due to willful misconduct of certain key personnel and such failure has a material adverse financial impact on Altus.

Lease Agreements

Concurrent with the closing of the Business Combination, Altus Midstream entered into an operating lease agreement with Apache (the Lease Agreement) relating to the use of certain office buildings, warehouse and storage facilities located in Reeves County, Texas. Under the terms of the Lease Agreement, Altus Midstream shall pay to Apache on a monthly basis the sum of (i) a base rental charge of $44,500 and (ii) an amount based on Apache's estimate of the annual costs it expects to incur in connection with the ownership, operation, repair, and/or maintenance of the facilities. The Company incurred total expenses of $0.8 million, $1.1 million and $0.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, in relation to the Lease Agreement, which are included within operations and maintenance expenses. Unpaid amounts accrue interest until settled. The initial term of the Lease Agreement is four years and may be extended by Altus Midstream for three additional, consecutive periods of twenty-four months. To accommodate Altus Midstream's desire to vacate the leased premises, the Lease Agreement was amended in July 2020 to provide for its termination with respect to all or any portion of the leased premises which Apache may sell, with a pro rata rent reduction if Apache sells less than all of the leased premises.

The Company classified this lease as an operating lease and elected to account for lessee-related lease and non-lease components as a single lease component. The right-of-use (ROU) asset related to this lease is reflected within "Deferred charges and other" on the Company's consolidated balance sheet, and the associated operating lease liability is reflected within "Other current liabilities" and "Other noncurrent liabilities," as applicable.

Operating lease expense associated with ROU assets is recognized on a straight-line basis over the lease term. Lease expense is reflected on the consolidated statement of operations commensurate with the leased activities and nature of the services performed. The undiscounted future minimum lease payments as of December 31, 2020 are $0.6 million and $0.4 million for 2021 and 2022, respectively.

In July of 2020, Altus Midstream entered into an operating lease agreement with Apache related to the use of certain of Altus Midstream's compressors. Under the terms of the agreement, Apache pays Altus Midstream fixed monthly lease payments of $110,000, which are recorded as "Other" in the Company's consolidated statement of operations. The lease agreement has an initial term of thirty months and automatically extends on a month to month basis unless either party cancels the agreement. In November of 2020, Altus Midstream entered into a second operating lease agreement with Apache which commenced in January of 2021. The terms of this agreement are the same as described above with the exception of monthly lease payments being $75,000. Altus also earns a monthly fee to operate and maintain the compressors under lease. Refer to Note 4—Revenue Recognition for further discussion.

Capitalized Interest

Prior to the Business Combination, the Company's operations were funded entirely by contributions from Apache. Accordingly, Apache allocated a portion of interest on its corporate debt in determining capitalized interest associated with the development of Altus Midstream Operating. Commensurate with Apache's calculation, interest is capitalized as part of the historical cost of developing and constructing assets. Significant midstream development assets that have not commenced operations qualify for interest capitalization. The associated capitalized interest was determined by multiplying Apache's weighted-average borrowing cost of debt by the average amount of qualifying midstream assets. The amount of interest allocated and capitalized was $8.2 million for the year ended December 31, 2018. Management believes the methods used to allocate such expenses incurred by Apache on behalf of the Company are reasonable. Following the closing of the Business Combination, capitalized interest is determined based on interest expense incurred by Altus Midstream. Refer to Note 6—Debt and Financing Costs, for further information.

Distributions to Apache

In December 2020, the general partner of Altus Midstream declared a cash distribution of $1.50 per Common Unit payable by Altus Midstream in the first quarter of 2021, totaling $24.4 million. Apache, through its 76.9 percent ownership of the outstanding Common Units, will receive approximately $18.8 million of this distribution. Please refer to Note 11—Equity for further information.

Business Combination Agreements

Limited Partnership Agreement of Altus Midstream LP

In connection with the Business Combination, Altus Midstream Company, Altus Midstream GP, Altus Midstream LP, and Apache entered into an amended and restated limited partnership agreement of Altus Midstream LP, which was further amended in connection with the subsequent issuance of Preferred Units. The Amended LPA sets forth, among other things, the rights and obligations of (i) Altus Midstream GP as general partner and (ii) Altus Midstream Company, Apache, and Preferred Unit holders as limited partners of Altus Midstream LP. Altus Midstream GP is not entitled to reimbursement for its services as general partner. Refer to Note 1—Summary of Significant Accounting Policies, Note 2—Recapitalization Transaction, and Note 12—Series A Cumulative Redeemable Preferred Units, for further information.

Purchase Rights and Restrictive Covenants Agreement

At the closing of the Business Combination, the Company entered into a purchase rights and restrictive covenants agreement (the Purchase Rights and Restrictive Covenants Agreement) with Apache. Under the Purchase Rights and Restrictive Covenants Agreement, until the later of the five-year anniversary of the Closing and the date on which Apache and its affiliates cease to own a majority of the Company's voting common stock, Apache is obligated to provide (i) the first right to pursue any opportunity (including any expansion opportunities) of Apache to acquire or invest, directly or indirectly (including equity investments), in any midstream assets or participate in any midstream opportunities located, in whole or part, within an area covering approximately 1.7 million acres in Reeves, Pecos, Brewster, Culberson, and Jeff Davis Counties in Texas, and (ii) a right of first offer on certain retained midstream assets of Apache.

Transactions Prior to the Business Combination

Prior to the Business Combination, the Company engaged in certain transactions with Kayne Anderson Sponsor LLC, a Delaware limited liability company (the Sponsor). The Sponsor is a related party as during the periods presented, it owned more than 10 percent of the voting interests of the entity, resulting from the purchase of the Company's entire share capital upon incorporation in December 2016.

The nature of the majority of these transactions is associated with the Company's incorporation, public offering and Business Combination, as further described in Note 11—Equity. Other transactions with the Sponsor during the periods presented relate to a loan from the Sponsor and a separate administrative services agreement that were terminated at the closing of the Business Combination.

4. REVENUE RECOGNITION

The following table presents a disaggregation of the Company's revenue.

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Gas gathering and compression	$ 20,060	$ 17,077	$ 7,656
Gas processing	106,396	101,199	53,108
Transmission	14,548	15,942	15,848
NGL transmission	2,773	1,580	138
Other	937	—	—
Midstream services revenue — affiliate	144,714	135,798	76,750
Product sales — third parties	3,695	—	—
Total revenues	$ 148,409	$ 135,798	$ 76,750

The Company primarily generates revenue from its contracts with customers for the gathering, compression, processing, transmission, and sale of natural gas and NGLs in exchange for a fee per unit of volumes processed or delivered during a given month.

Midstream Services Revenue — Affiliate

Midstream services revenue is attributable to services performed for Apache pursuant to separate long-term commercial midstream agreements. As part of these agreements, substantially all of Apache's natural gas production from its existing and future owned or controlled properties within the dedicated area of its entire Alpine High resource play is provided to the Company, so long as Apache has the right to market such product. Providing the related service on each volumetric unit represents a single, distinct performance obligation that is satisfied over time as services are rendered. The Company does not own or take title to the volumes it services under these agreements. Altus Midstream, in return for its performance, receives a fee per volumetric unit serviced during a given month. The related service fee charged per unit is set forth for each contract year, subject to yearly fee escalation recalculations.

As the amount of volumes serviced are not subject to minimum commitments and each midstream service agreement contains provisions for fee recalculations, substantially all of the transaction price is variable at inception of each contract term. Revenue is measured using the output method based on the amount of volumes serviced each month and the applicable service fee and recognized over time in the amount to which Altus Midstream has the right to invoice, as performance completed to date corresponds directly with the value to its customers. The transaction price is not constrained as variability is resolved prior to the recognition of revenue.

Additionally, beginning in 2020, Altus Midstream entered into two separate agreements with Apache to provide compressor maintenance, operations, and other related services for various compressors at compressor stations owned by Apache. Altus Midstream receives a fixed monthly fee of $75,000 under the first contract and $29,000 under the second contract for each month that services are provided. Providing such services on each compressor unit represents a single, distinct performance obligation that is satisfied over time as services are rendered. Income generated from these contracts in 2020 totaled $0.9 million and is classified as "Other" within Midstream Services Revenue — Affiliate in the table above.

Product Sales Revenue

Product sales revenues are attributable to the sale of purchased and processed NGL volumes with third-party customers. As part of these agreements, Altus Midstream purchases volumes from a third party, which Altus Midstream then owns, controls and services, prior to ultimate sale to the customer. The physical delivery of each unit of quantity represents a single, distinct performance obligation that is satisfied at a point in time when control transfers to the customer, generally determined as the point of delivery. Prices are determined based on market-indexed values, adjusted for quality and other market-reflective differentials. As there are no provisions for minimum volume commitments and pricing is variable based on index values, revenue is measured by allocating an entirely variable market price to each performance obligation and recognized at a point in time when control is transferred to the customer. The transaction price is not constrained as variability is resolved prior to the recognition of revenue.

Sales revenues and associated expenses related to such third-party purchases are recorded as “Product sales — third parties” and “Costs of product sales,” respectively, in the Company’s consolidated statement of operations.

Payment Terms and Contract Balances

Payments are generally due the month immediately following the month of service. Amounts settled with Apache each month are based on the net amount owed to either party. Revenue receivables from the Company’s contracts with Apache totaled $11.4 million and $15.5 million, as of December 31, 2020 and 2019, respectively, as presented on the Company’s consolidated balance sheet. Sales revenue receivables from the Company’s contracts with third parties totaled $1.0 million and nil as of December 31, 2020 and 2019, respectively, as presented on the Company’s consolidated balance sheet.

In accordance with the provisions of ASC Topic 606, “Revenue from Contracts with Customers,” a variable transaction price for each short-term sale is allocated to each performance obligation as the terms of payment relate specifically to the Company’s efforts to satisfy its obligations. As such, the Company has elected the practical expedients available under the standard to not disclose the aggregate transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations as of the end of the reporting period.

5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment, at carrying value, is as follows:

	December 31, 2020	December 31, 2019
	(In thousands)	
Gathering, processing, and transmission systems and facilities	$ 204,643	$ 198,133
Construction in progress[(1)]	904	5,443
Other property and equipment	3,323	3,694
Total property, plant, and equipment	208,870	207,270
Less: accumulated depreciation and accretion	(13,034)	(1,468)
Total property, plant, and equipment, net[(2)]	$ 195,836	$ 205,802

(1) Included in construction in progress was capitalized interest of $0.6 million at December 31, 2019. There was no capitalized interest included in construction in progress as of December 31, 2020.

(2) Included in gathering, processing, and transmissions systems and facilities are compressors under lease to Apache totaling $6.2 million, net as of December 31, 2020.

The cost of property classified as “Construction in progress” is excluded from capitalized costs being depreciated. These amounts represent property that is not yet available to be placed into productive service as of the respective balance sheet dates.

During 2020, the Company sold various assets for total proceeds of $10.2 million. Included in these assets sales was the sale of 15 power generators. As a result of the sale, the remaining power generators owned by the Company were remeasured at fair value calculated based on the proceeds of this sale. This remeasurement resulted in an impairment of $1.6 million on these assets based on this fair value assessment, which were written down to their fair value of $2.3 million. The fair value of the assets was determined using the market approach based on the sales proceeds of the assets, which are classified as Level 1 inputs in the fair value hierarchy.

Property, plant, and equipment are evaluated for potential impairment when events or changes in circumstances indicate a possible significant deterioration in future cash flows expected to be generated by an asset group. In conjunction with Apache’s decision in the fourth quarter of 2019 to materially reduce funding to Alpine High, Altus management assessed its long-lived infrastructure assets for impairment given the expected reduction to future throughput volumes. As a result of this assessment, Altus recorded impairments totaling $1.3 billion on its gathering, processing, and transmission assets in the fourth quarter of 2019. The fair values of the impaired assets were determined to be $203.6 million as of the time of the impairment and were estimated using the income approach. Altus has classified these nonrecurring fair value measurements as Level 3 in the fair value hierarchy.

During 2019, the Company also elected to cancel construction on a compressor station, and, as a result, certain of its components were marketed for sale. Accordingly, these assets were measured at fair value less costs to sell. The Company recorded an impairment of $9.3 million on these assets, which were written down to their fair value of $18.2 million. The fair value of the assets was determined using the market approach based on estimated sales proceeds, classified as Level 1 inputs in the fair value hierarchy.

The Company entered into a finance lease during the first quarter of 2019 related to power generators leased on a one-year term with the right to purchase. The lease expired in January 2020, at which time the Company exercised its purchase option and purchased the power generators under lease for $9.8 million. Depreciation on the Company's finance lease asset was $5.0 million for the year ended December 31, 2019. Interest on the Company's finance lease assets was $0.9 million for the year ended December 31, 2019. No depreciation expense nor interest were recorded related to this finance lease for the year ended December 31, 2020.

6. DEBT AND FINANCING COSTS

In November 2018, Altus Midstream entered into a revolving credit facility for general corporate purposes that matures in November 2023 (subject to Altus Midstream's two, one year extension options). The agreement for this revolving credit facility, as amended (the Amended Credit Agreement), provides aggregate commitments from a syndicate of banks of $800.0 million. The aggregate commitments include a letter of credit subfacility of up to $100.0 million and a swingline loan subfacility of up to $100.0 million. Altus Midstream may increase commitments up to an aggregate $1.5 billion by adding new lenders or obtaining the consent of any increasing existing lenders. As of December 31, 2020 and 2019, total outstanding borrowings were $624.0 million and $396.0 million, respectively, and no letters of credit were outstanding under this facility.

Altus Midstream's revolving credit facility is unsecured and is not guaranteed by the Company, Apache, or any of their respective subsidiaries.

At Altus Midstream's option, the interest rate per annum for borrowings under this facility is either a base rate, as defined, plus a margin, or the London Interbank Offered Rate (LIBOR), plus a margin. Altus Midstream also pays quarterly a facility fee at a rate per annum on total commitments. The margins and the facility fee vary based upon (i) the Leverage Ratio (as defined below) until Altus Midstream has a senior long-term debt rating and (ii) such senior long-term debt rating once it exists. The Leverage Ratio is the ratio of (1) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries to (2) EBITDA (as defined in the Amended Credit Agreement) of Altus Midstream and its restricted subsidiaries for the 12-month period ending immediately before the determination date. At December 31, 2020, the base rate margin was 0.05 percent, the LIBOR margin was 1.05 percent, and the facility fee was 0.20 percent. In addition, a commission is payable quarterly to the lenders on the face amount of each outstanding letter of credit at a per annum rate equal to the LIBOR margin then in effect. Customary letter of credit fronting fees and other charges are payable to issuing banks.

The Amended Credit Agreement contains restrictive covenants that may limit the ability of Altus Midstream and its restricted subsidiaries to, among other things, incur additional indebtedness or guaranty indebtedness, sell assets, make investments in unrestricted subsidiaries, enter into mergers, make certain payments and distributions, incur liens on certain property securing indebtedness, and engage in certain other transactions without the prior consent of the lenders. Altus Midstream also is subject to a financial covenant under the Amended Credit Agreement, which requires it to maintain a Leverage Ratio not exceeding 5.00:1.00 at the end of any fiscal quarter, starting with the quarter ended December 31, 2019, except that during the period of up to one year following a qualified acquisition, the Leverage Ratio cannot exceed 5.50:1.00 at the end of any fiscal quarter. Unless the Leverage Ratio is less than or equal to 4.00:1.00, the Amended Credit Agreement limits distributions in respect of Altus Midstream LP's capital to $30 million per calendar year until either (i) the consolidated net income of Altus Midstream LP and its restricted subsidiaries, as adjusted pursuant to the Amended Credit Agreement, for three consecutive calendar months equals or exceeds $350.0 million on an annualized basis or (ii) Altus Midstream LP has a specified senior long-term debt rating; in addition, before the occurrence of one of those events, the Leverage Ratio must be less than or equal to 5.00:1.00. In no event can any distribution be made that would, after giving effect to it on a pro forma basis, result in a Leverage Ratio greater than (i) 5.00:1.00 or (ii) for a specified period after a qualifying acquisition, 5.50:1.00. The Leverage Ratio as of December 31, 2020 was less than 4.00:1.00.

The terms of Altus Midstream's Preferred Units also contain certain restrictions on distributions on Altus Midstream LP's Common Units, including the Common Units held by the Company, and any other units that rank junior to the Preferred Units with respect to distributions or distributions upon liquidation. Refer to Note 12—Series A Cumulative Redeemable Preferred Units for further information. In addition, the amount of any cash distributions to Altus Midstream LP by any entity in which it has an interest accounted for by the equity method is subject to such entity's compliance with the terms of any debt or other agreements by which it may be bound, which in turn may impact the amount of funds available for distribution by Altus Midstream LP to its partners.

There are no clauses in the Amended Credit Agreement that permit the lenders to accelerate payments or refuse to lend based on unspecified material adverse changes. The Amended Credit Agreement has no drawdown restrictions or prepayment obligations in the event of a decline in credit ratings. However, the agreement allows the lenders to accelerate payment maturity and terminate lending and issuance commitments for nonpayment and other breaches, and if Altus Midstream or any of its restricted subsidiaries defaults on other indebtedness in excess of the stated threshold, is insolvent, or has any unpaid, non-appealable judgment against it for payment of money in excess of the stated threshold. Lenders may also accelerate payment maturity and terminate lending and issuance commitments if Altus Midstream undergoes a specified change in control or has specified pension plan liabilities in excess of the stated threshold. Altus Midstream was in compliance with the terms of the Amended Credit Agreement as of December 31, 2020.

As of December 31, 2020 and 2019, the Company had debt outstanding totaling $624.0 million and $405.8 million, respectively. At December 31, 2019, $9.8 million of debt outstanding was related to a finance lease obligation for which the term ended in the first quarter of 2020. Refer to Note 5—Property, Plant and Equipment for further information related to this finance lease obligation.

Interest Income and Financing Costs, Net of Capitalized Interest

The following table presents the components of Altus Midstream's interest income and financing costs, net of capitalized interest:

	Year Ended December 31,		
	2020	2019	2018[1]
		(in thousands)	
Interest income	$ 9	$ 3,606	$ 1,608
Interest income	$ 9	$ 3,606	$ 1,608
Interest expense	$ 9,775	$ 6,384	$ 8,412
Amortization of deferred facility fees	1,148	889	107
Capitalized interest	(8,733)	(5,481)	(8,412)
Financing costs, net of capitalized interest	$ 2,190	$ 1,792	$ 107

(1) Prior to the Business Combination, the Company's operations were funded entirely by contributions from Apache. Accordingly, Apache allocated a portion of interest on its corporate debt in determining capitalized interest associated with the development of Alpine High infrastructure. Refer to Note 3—Transactions with Affiliates, for further information.

7. OTHER CURRENT LIABILITIES

The following table provides detail of the Company's other current liabilities at December 31, 2020 and 2019:

	December 31,	
	2020	2019
	(In thousands)	
Accrued incentive compensation	$ 1,466	$ 1,425
Accrued operations and maintenance expense	926	1,520
Accrued capital costs	464	17,035
Accrued professional and consulting fees	421	158
Accrued finance lease liability	—	1,989
Accrued taxes other than income	165	689
Other	2,171	1,109
Total other current liabilities	$ 5,613	$ 23,925

8. ASSET RETIREMENT OBLIGATION

The following table describes changes to the Company's asset retirement obligation (ARO) liability for the years ended December 31, 2020 and 2019:

	December 31,	
	2020	2019
	(In thousands)	
Asset retirement obligation, beginning balance	$ 60,095	$ 29,369
Liabilities incurred during the period	—	15,303
Accretion expense	3,967	1,639
Revisions in estimated liabilities	—	13,784
Asset retirement obligation, ending balance	$ 64,062	$ 60,095

ARO reflects the estimated present value of the amount of dismantlement, removal, site reclamation, and similar activities associated with the Company's infrastructure assets which include central processing facilities, gathering systems, and pipelines. Management utilizes independent valuation reports and estimates of current costs to project expected cash outflows for retirement obligations. Management estimates the ultimate productive life of the properties, a risk-adjusted discount rate, and an inflation factor in order to determine the current present value of this obligation. To the extent future revisions to these assumptions impact the present value of existing ARO, a corresponding adjustment is made to the property, plant, and equipment balance.

9. COMMITMENTS AND CONTINGENCIES

Accruals for loss contingencies arising from claims, assessments, litigation, environmental, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change. As of December 31, 2020 and 2019, there were no accruals for loss contingencies.

Litigation

The Company is subject to governmental and regulatory controls arising in the ordinary course of business. The Company is not aware of any pending or threatened legal proceedings against it at the time of the filing of this Annual Report on Form 10-K that would have a material impact on its financial position, results of operations, or liquidity.

Environmental Matters

As an owner of infrastructure assets and with rights to surface lands, the Company is subject to various local and federal laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the Company for the cost of pollution clean-up resulting from operations and subject the Company to liability for pollution damages. In some instances, Altus Midstream may be directed to suspend or cease operations. The Company maintains insurance coverage, which management believes is customary in the industry, although insurance does not fully cover against all environmental risks. Additionally, there can be no assurance that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered. The Company is not aware of any environmental claims existing as of December 31, 2020, that have not been provided for or would otherwise have a material impact on its financial position, results of operations, or liquidity.

Contractual Obligations

Altus Midstream's existing fee-based midstream services agreements, which have no minimum volume commitments or firm transportation commitments, are underpinned by acreage dedications covering Alpine High. Pursuant to these agreements, Altus Midstream is obligated to perform low and high pressure gathering, processing, dehydration, compression, treating, conditioning, and transportation on all volumes produced from the dedicated acreage, so long as Apache has the right to market such gas.

At the closing of the Business Combination, the Company entered into the COMA and the Lease Agreement with Apache, which include contractual obligations for the Company to pay certain management and lease rental fees, respectively, to Apache over the term of the agreements. Refer to Note 3—Transactions with Affiliates for further discussion.

During the fourth quarter of 2020, the Company entered into a three year fixed-rate power contract with a third-party. The Company estimates its minimum obligation will be $5.4 million, $4.7 million, and $3.6 million for 2021, 2022, and 2023, respectively. The actual amount incurred will vary based on usage.

In the second quarter of 2019, Altus Midstream issued and sold the Preferred Units. Under the terms of the Amended LPA, the Preferred Unit holders are entitled to receive quarterly distributions until such time as the Preferred Units are redeemed or exchanged. Refer to Note 12—Series A Cumulative Redeemable Preferred Units for further discussion regarding the terms of the Preferred Units and the rights of the holders thereof.

Additionally, the Company is required to fund its pro-rata portion of any future capital expenditures for the development of the pipeline projects as referenced in Note 10—Equity Method Interests.

At December 31, 2020 and 2019, there were no other material contractual obligations related to the entities included in the consolidated financial statements other than the performance of asset retirement obligations as referenced in Note 8—Asset Retirement Obligation and required credit facility fees discussed in Note 6—Debt and Financing Costs.

10. EQUITY METHOD INTERESTS

As of December 31, 2020, the Company owns the following equity method interests in Permian Basin long-haul pipeline entities. For each of the equity method interests, the Company has the ability to exercise significant influence based on certain governance provisions and its participation in the significant activities and decisions that impact the management and economic performance of the equity method interests.

	December 31, 2020		December 31, 2019	
In thousands, except for ownership percentages	**Ownership**	**Amount**	**Ownership**	**Amount**
Gulf Coast Express Pipeline LLC	16.0 %	$ 283,530	16.0 %	$ 291,628
EPIC Crude Holdings, LP	15.0 %	176,640	15.0 %	163,199
Permian Highway Pipeline LLC	26.7 %	615,186	26.7 %	310,421
Breviloba, LLC	33.0 %	479,826	33.0 %	492,800
		$ 1,555,182		$ 1,258,048

As of December 31, 2020 and 2019, unamortized basis differences included in the equity method interest balances were $37.7 million and $29.7 million, respectively. These amounts represent differences in the Company's initial costs paid to acquire the equity method interests and Altus' initial underlying equity in the respective entities, as well as capitalized interest related to Permian Highway Pipeline (PHP) construction costs. Unamortized basis differences are amortized into equity income (loss) over the useful lives of the underlying pipeline assets when they are placed into service.

The following table presents the activity in the Company's equity method interests for the years ended December 31, 2019 and 2020:

	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC	Total
			(In thousands)		
Balance at December 31, 2018	$ 91,100	$ —	$ —	$ —	$ 91,100
Acquisitions	15,274	51,810	161,081	442,460	670,625
Contributions	183,915	123,750	146,580	47,107	501,352
Distributions	(16,208)	—	—	(9,108)	(25,316)
Capitalized interest(1)	—	—	2,370	—	2,370
Equity income (loss), net	17,547	(11,209)	390	12,341	19,069
Other comprehensive loss	—	(1,152)	—	—	(1,152)
Balance at December 31, 2019	$ 291,628	$ 163,199	$ 310,421	$ 492,800	$ 1,258,048
Contributions	1,715	29,250	296,340	—	327,305
Distributions	(52,009)	—	—	(46,157)	(98,166)
Capitalized interest(1)	—	—	8,733	—	8,733
Equity income (loss), net	42,196	(16,332)	(308)	33,183	58,739
Other comprehensive income	—	523	—	—	523
Balance at December 31, 2020	$ 283,530	$ 176,640	$ 615,186	$ 479,826	$ 1,555,182

(1) Altus' proportionate share of the 2019 and 2020 PHP construction costs were funded with the revolving credit facility. Accordingly, Altus capitalized $2.4 million and $8.7 million of related interest expense during 2019 and 2020, respectively, which are included in the basis of the PHP equity interest.

Summarized Financial Information

The following represents selected income statement and balance sheet data for the Company's equity method interests (on a 100 percent basis):

	For the Year Ended December 31, 2020			
	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC
Statements of Income		(In thousands)		
Revenues	$ 366,185	$ 165,970	$ 7,220	$ 167,784
Operating income (loss)	266,219	(35,566)	(1,798)	102,526
Net income (loss)	264,956	(109,614)	(1,140)	102,048
Other comprehensive income	—	3,484	—	—

	For the Year Ended December 31, 2019(1)			
	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC
Statements of Income		(In thousands)		
Revenues	$ 132,103	$ 40,756	$ —	$ 129,559
Operating income (loss)	108,056	(67,763)	(93)	81,369
Net income (loss)	109,997	(72,535)	1,587	81,469
Other comprehensive loss	—	(7,681)	—	—

	For the Year Ended December 31, 2018[1][2]			
	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC
Statements of Income	(In thousands)			
Revenues	$ 2,609	$ —	$ —	$ —
Operating income (loss)	2,177	(7,430)	(61)	(674)
Net income (loss)	3,685	(8,939)	(61)	(674)

	As of December 31, 2020				2019[1]			
	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC
Balance Sheets	(In thousands)							
Current assets	$ 59,910	$ 122,995	$ 23,734	$ 53,206	$ 72,412	$ 190,474	$ 84,999	$ 93,169
Noncurrent assets	1,714,062	2,272,805	2,316,176	1,375,155	1,766,150	2,017,669	1,252,571	1,399,356
Total assets	$ 1,773,972	$ 2,395,800	$ 2,339,910	$ 1,428,361	$ 1,838,562	$ 2,208,143	$ 1,337,570	$ 1,492,525
Current liabilities	$ 32,997	$ 67,073	$ 95,863	$ 10,326	$ 48,128	$ 188,299	$ 203,657	$ 37,599
Noncurrent liabilities	526	1,187,615	—	2,389	605	956,744	—	1,108
Equity	1,740,449	1,141,112	2,244,047	1,415,646	1,789,829	1,063,100	1,133,913	1,453,818
Total liabilities and equity	$ 1,773,972	$ 2,395,800	$ 2,339,910	$ 1,428,361	$ 1,838,562	$ 2,208,143	$ 1,337,570	$ 1,492,525

(1) Although the Company’s interests in EPIC Crude Holdings, LP, Permian Highway Pipeline LLC, and Breviloba, LLC were acquired in March, May, and July of 2019, respectively, the financial results for all equity method interests are presented for the entire twelve months of 2018 and 2019 for comparability.
(2) Altus exercised its first pipeline equity option, Gulf Coast Express Pipeline LLC, in December 2018; however, the financial results are presented for the entire twelve months for comparability.

11. EQUITY

Reverse Stock Split

On June 30, 2020, the Company effected a reverse stock split of the Company’s Class A Common Stock and Class C Common Stock by a ratio of one-for-twenty. The par value and number of authorized shares of common stock and preferred stock were not affected by the reverse stock split. A corresponding number of Altus Midstream Common Units were also restated as part of the reverse stock split. All corresponding per-share and share amounts have been retroactively restated in this Annual Report on Form 10-K for all periods presented to reflect the reverse stock split.

Common Stock and Warrants

The Company’s second amended and restated certificate of incorporation authorizes the issuance of 1,500,000,000 shares of Class A Common Stock, $0.0001 par value and 1,500,000,000 shares of Class C Common Stock, $0.0001 par value. The Company’s shares of Class A Common Stock are listed on the Nasdaq under the symbol “ALTM.” As of December 31, 2020, there were 3,746,460 and 12,500,000 issued and outstanding shares of Class A Common Stock and Class C Common Stock, respectively.

Holders of each of the Class A Common Stock and Class C Common Stock vote together as a single class on all matters submitted to a vote of the Company’s stockholders, except as required by law. Only holders of Class A Common Stock are entitled to dividends or other liquidating distributions made by the Company. On December 10, 2020, the Company announced that its Board of Directors declared a cash dividend of $1.50 per share on the Company’s Class A common stock as further detailed below under the section titled “Common Stock Dividend.”

Shares of Class A Common Stock and certain warrants were originally issued in connection with the Company’s public offering, while shares of Class C Common Stock were newly-issued in connection with the Business Combination.

Public Offering

In the second quarter of 2017, KAAC completed the initial public offering of its units. Each unit comprised one share of Class A Common Stock and one third of one warrant (hereby referred to as the Public Warrants and discussed in further detail below). In the aggregate, 1,886,606 units were sold at an offering price of $200.00 per unit, including 136,606 units purchased pursuant to an over-allotment option granted to the underwriters.

Public Warrants

As of December 31, 2020, there were 12,577,350 Public Warrants outstanding. Each whole Public Warrant entitles the holder to purchase one twentieth of a share of Class A Common Stock at a price of $230.00 per share. The Public Warrants will expire five years after closing of the Business Combination or earlier upon redemption or liquidation. The Company may call the Public Warrants for redemption, in whole and not in part, at a price of $0.01 per warrant with not less than 30 days' notice provided to the Public Warrant holders. However, this redemption right can only be exercised if the reported last sale price of the Class A Common Stock equals or exceeds $360.00 per share for any 20 trading days within a 30-trading day period ending three business days prior to sending the notice of redemption to the Public Warrant holders.

Following the closing of the Business Combination, the Public Warrants continued trading under the symbol "ALTMW." On December 11, 2018, the Company received notice from the Staff of the Nasdaq of a delisting determination with respect to its Public Warrants for failure to satisfy the Nasdaq's minimum round lot holder listing requirement. The Public Warrants ceased trading on the Nasdaq at the opening of business on December 20, 2018. The delisting of the Public Warrants did not impact the listing or trading of the Company's Class A Common Stock.

Private Placement Warrants

As of December 31, 2020, there were 6,364,281 Private Placement Warrants, of which Apache holds 3,182,140. The Private Placement Warrants are identical to the Public Warrants discussed above, except (i) they will not be redeemable by the Company so long as they are held by the initial holders or their respective permitted transferees and (ii) they may be exercised by the holders on a cashless basis.

Business Combination

At a special meeting held on November 6, 2018 (the Special Meeting) the Business Combination was approved by holders of a majority of the outstanding shares of Class A and Class B Common Stock. Refer to Note 2—Recapitalization Transaction for further detail of the Business Combination, including the basis of presentation of the Company's equity structure in the consolidated financial statements. The paragraphs below provide further detail of the transactions that occurred in connection with the Special Meeting and the Business Combination:

Public Stockholder Redemptions

Pursuant to redemption rights granted to public stockholders by KAAC's amended and restated certificate of incorporation, an aggregate of 1,473,493 shares of Class A Common Stock were redeemed.

Sponsor Forfeiture

Pursuant to an agreement dated as of August 8, 2018 between KAAC and the Sponsor, an aggregate of 365,646 shares of Class B Common Stock and 3,182,140 Private Placement Warrants were forfeited by the Sponsor to KAAC.

Conversion of Class B Common Stock

In accordance with KAAC's amended and restated certificate of incorporation, 106,000 shares of Class B Common Stock that remained outstanding following the Sponsor forfeiture (described above) were converted into shares of Class A Common Stock on a one-for-one basis.

Private Placement

On November 9, 2018 KAAC issued and sold an aggregate of 2,861,701 shares of Class A Common Stock to certain qualified institutional buyers and accredited investors (including certain funds and client accounts advised by Kayne Anderson Capital Advisors, L.P., together with its affiliates, and directors, management and employees of KAAC, Kayne Anderson, and Apache) at a price of $200.00 per share.

Creation of Class C Common Stock

An amendment to the Company's first amended and restated certificate of incorporation was approved to create a new class of common stock - Class C Common Stock, $0.0001 par value. A total of 1,500,000,000 shares were authorized pursuant to the amendment. Holders of Class C Common Stock, together with holders of Class A Common Stock voting as a single class, will have the right to vote on all matters properly submitted to a vote of the stockholders, but holders of Class C Common Stock will not be entitled to any dividends or liquidating distributions.

Contribution to Altus Midstream LP

At the closing of the Business Combination and in accordance with the Contribution Agreement, KAAC contributed to Altus Midstream LP $628.2 million of cash. In return, it received 3,746,460 common units in Altus Midstream LP, equivalent to the number of shares of Class A Common Stock outstanding after consummation of the Business Combination.

Additionally, the Company received 18,941,631 Altus Midstream LP warrants (equivalent to the aggregate of the Public Warrants, Private Placement Warrants and Apache Warrants outstanding upon consummation of the Business Combination). Each whole warrant entitles the Company to purchase one twentieth of a common unit in Altus Midstream LP for an exercise price of $230.00 per common unit. These warrants are herein referred to as the (Partnership Warrants).

Consideration Received by Apache

In exchange for the equity interests in the Altus Midstream Entities and the Pipeline Options to acquire equity interests in five separate third-party pipeline projects, the consideration received by Apache at the closing of the Business Combination on November 9, 2018, included the following:

Equity consideration

- 365,646 shares of Class A Common Stock, equivalent to the number of shares of Class B Common Stock forfeited by the Sponsor to KAAC, as discussed above.
- 12,500,000 shares of Class C Common Stock, equivalent to the economic interest held by Apache in Altus Midstream LP at the closing of the Business Combination as a result of the issuance of Common Units.
- 3,182,140 warrants, equivalent to the number of Private Placement Warrants forfeited by the Sponsor.

Earn-out consideration

- Apache was granted the right to receive earn-out consideration of up to 1,875,000 shares of Class A Common Stock as follows:
    - 625,000 shares if, during the calendar year 2021, the aggregate gathered gas from an area of dedication in Reeves, Pecos, Culberson, and Jeff Davis Counties in Texas that is assessed a low pressure gathering fee pursuant to that certain Amended and Restated Gas Gathering Agreement, dated August 8, 2018, between Apache and Altus Midstream Gathering, LP is equal to or greater than 574,380 million cubic feet.
    - 625,000 shares if the per share closing price of the Class A Common Stock as reported by Nasdaq during any 30-trading-day period ending prior to the fifth anniversary of the Closing Date is equal to or greater than $280.00 for any 20 trading days within such 30-trading-day period.
    - 625,000 shares if the per share closing price of the Class A Common Stock as reported by Nasdaq during any 30-trading-day period ending prior to the fifth anniversary of the Closing Date is equal to or greater than $320.00 for any 20 trading days within such 30-trading-day period.

Redeemable Noncontrolling Interest — Apache Limited Partner

In conjunction with its ownership of the Class C Common Stock, Apache owns 12,500,000 Altus Midstream Common Units, approximately 76.9 percent of the total Common Units issued and outstanding. The financial results of Altus Midstream and its subsidiaries are included in the Company's consolidated financial statements as detailed in Note 1—Summary of Significant Accounting Policies, under the section titled "Principles of Consolidation."

Apache has the right, at any time, to cause Altus Midstream to redeem all or a portion of the Common Units issued to Apache, in exchange for shares of the Company's Class A Common Stock on a one-for-one basis or, at Altus Midstream's option, an equivalent amount of cash; provided that the Company may, at its option, effect a direct exchange of cash or Class A Common Stock for such Common Units in lieu of such a redemption by Altus Midstream. Upon the future redemption or exchange of Common Units held by Apache, a corresponding number of shares of Class C Common Stock held by Apache will be cancelled.

Apache's limited partner interest associated with the Common Units issued with the Class C Common Stock is reflected as a redeemable noncontrolling interest in the Company. The redeemable noncontrolling interest is recognized at the higher of (i) its initial fair value plus accumulated earnings/losses associated with the noncontrolling interest and (ii) the maximum redemption value as of the balance sheet date. The redemption value is determined based on a 5-day volume weighted average closing price of the Class A Common Stock (5-day VWAP) as defined in the Amended LPA, a Level 1 non-recurring fair value measurement. At December 31, 2020 and 2019, the redeemable noncontrolling interest was recorded based on the redemption value as of the balance sheet date of $575.1 million and $701.0 million, respectively.

For further discussion of Apache's right to receive additional shares of Class A Common Stock, and other outstanding equity instruments that may impact ownership interests and the limited partner interests of Altus Midstream in future periods, see Note 14—Net Income (Loss) Per Share.

Redeemable Noncontrolling Interest — Preferred Unit Limited Partners

On June 12, 2019, Altus Midstream issued and sold the Preferred Units in a private offering, and the purchasers of the Preferred Units were admitted as limited partners of Altus Midstream. The Preferred Units will be exchangeable for shares of the Company's Class A Common Stock at the option of the Preferred Unit holders after the seventh anniversary of Closing (as defined below) or upon the occurrence of specified events, unless otherwise redeemed by Altus Midstream. Refer to Note 12—Series A Cumulative Redeemable Preferred Units for further discussion.

Common Stock Dividend

On December 10, 2020, the Company announced that its Board of Directors declared a cash dividend of $1.50 per share on the Company's Class A Common Stock, totaling $5.6 million to be paid to stockholders in the first quarter of 2021. The common stock dividend will be funded by Altus Midstream LP's distribution to its common unitholders of $1.50 per Common Unit, totaling $24.4 million, of which $5.6 million is payable to the Company and the balance is payable to Apache. Refer to Note 3—Transactions with Affiliates for further discussion of the Common Unit distribution.

12. SERIES A CUMULATIVE REDEEMABLE PREFERRED UNITS

On June 12, 2019, Altus Midstream issued and sold the Preferred Units in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the Closing). The Closing occurred pursuant to a Preferred Unit Purchase Agreement among Altus Midstream, the Company, and the purchasers party thereto, dated as of May 8, 2019. A total of 625,000 Preferred Units were sold at a price of $1,000 per Preferred Unit, for an aggregate issue price of $625.0 million. Altus Midstream received approximately $611.2 million in cash proceeds from the sale after deducting transaction costs and discounts to certain purchasers.

At the Closing, the partners of Altus Midstream entered into the Amended LPA. The Amended LPA provides the terms of the Preferred Units, including the distribution rate, redemption rights, and rights to exchange the Preferred Units for shares of the Company's Class A Common Stock, as well as rights of holders of the Preferred Units to approve certain partnership business, financial, and governance-related matters. The Preferred Units have a perpetual term, unless redeemed or exchanged as described below. Pursuant to the Amended LPA:

- The Preferred Units entitle the holders thereof to receive quarterly distributions at a rate of 7 percent per annum, commencing with the quarter ended June 30, 2019. The rate increases to 10 percent per annum after the fifth anniversary of Closing and upon the occurrence of specified events. For any quarter ending on or prior to December 31, 2020, Altus Midstream could elect to pay distributions in-kind and did so in respect of quarters ended on and before March 31, 2020.
- The Preferred Units are redeemable at Altus Midstream's option at any time in cash at a redemption price (the Redemption Price) equal to (a) the greater of (i) an 11.5 percent internal rate of return (increasing to 13.75 percent after the fifth anniversary of Closing), and (ii) a 1.3x multiple of invested capital plus (b) if applicable, the value of any accrued and unpaid distributions. The Preferred Units will be redeemable at the holder's option upon a change of control or liquidation of Altus Midstream and certain other events, including certain asset dispositions. Subject to

compliance with minimum ownership requirements and redemption restrictions of the Amended LPA, Apache's election to cause its Common Units in Altus Midstream to be redeemed for shares of the Company's Class A Common Stock or cash (as further discussed in Note 11—Equity) would not be a change of control.

- The Preferred Units will be exchangeable for shares of the Company's Class A Common Stock at the option of the Preferred Unit holders after the seventh anniversary of Closing or upon the occurrence of specified events. Each Preferred Unit will be exchangeable for a number of shares of Class A Common Stock equal to the Redemption Price divided by the volume-weighted average trading price of the Class A Common Stock on the Nasdaq Global Select Market for the 20 trading days immediately preceding the second trading day prior to the applicable exchange date, less a 6 percent discount.
- Each outstanding Preferred Unit has a liquidation preference equal to the Redemption Price payable before any amounts are paid in respect of Altus Midstream's Common Units and any other units that rank junior to the Preferred Units with respect to distributions or distributions upon liquidation.
- Altus Midstream is restricted from declaring or making cash distributions on its Common Units until all required distributions on the Preferred Units have been paid. In addition, before the fifth anniversary of Closing, aggregate cash distributions on, and redemptions of, Common Units are limited to $650 million of cash from ordinary course of operations if permitted under the Amended Credit Agreement. Cash distributions on, and redemptions of, Common Units also are subject to satisfaction of leverage ratio requirements specified in the Amended LPA.

Since the Preferred Units could be exchangeable for a number of shares of Class A Common Stock equal to 20 percent or more of the Company's outstanding voting power, the Company submitted the potential issuance of such shares for approval of its stockholders (the Stockholder Approval) at its annual stockholder meeting in 2020 and obtained Stockholder Approval.

Classification

The Preferred Units are accounted for on the Company's consolidated balance sheet as a redeemable noncontrolling interest classified as temporary equity based on the terms of the Preferred Units, including the redemption rights with respect thereto.

Initial Measurement

The net transaction price as shown below was based on the negotiated transaction price, less issue discounts and transaction costs.

	June 12, 2019 (In thousands)
Transaction price, gross	$ 625,000
Issue discount	(3,675)
Transaction costs to other third parties	(10,076)
Transaction price, net	$ 611,249

Certain redemption features embedded within the terms of the Preferred Units require bifurcation and measurement at fair value. As such, the net transaction price shown in the table above was allocated to the preferred redeemable noncontrolling interest and the embedded features according to the associated initial fair value measurements as follows:

	June 12, 2019 (In thousands)
Redeemable noncontrolling interest - Preferred Units	$ 516,790
Long-term liability: Embedded derivative[1]	94,459
	$ 611,249

(1) See Note 15—Fair Value Measurements for further discussion on the nature and recognition of the embedded derivative.

Subsequent Measurement

The Company applies a two-step approach to subsequently measure the redeemable noncontrolling interest related to the Preferred Units, by first allocating a portion of the net income of Altus Midstream in accordance with the terms of the Amended LPA described above.

After consideration of the foregoing, the Company records an additional adjustment to the carrying value of the Preferred Unit redeemable noncontrolling interest at each period end, if applicable. The amount of such adjustment is determined based upon the accreted value method to reflect the passage of time until the Preferred Units are exchangeable at the option of the holder. Pursuant to this method, the net transaction price is accreted using the effective interest method, to the Redemption Price calculated at the seventh anniversary of Closing. The total adjustment is limited to an amount such that the carrying amount of the Preferred Unit redeemable noncontrolling interest at each period end is equal to the greater of (a) the sum of (i) the carrying amount of the Preferred Units determined in accordance with ASC 810, plus (ii) the fair value of the embedded derivative liability and (b) the accreted value of the net transaction price.

Activity related to the Preferred Units for the years ended December 31, 2019 and 2020 is as follows:

	Units Outstanding	Financial Position[(2)]
	(In thousands, except for unit data)	
Redeemable noncontrolling interest — Preferred Units: at December 31, 2018	—	$ —
Issuance of Preferred Units, net	625,000	516,790
Distribution of in-kind additional Preferred Units	13,163	—
Allocation of Altus Midstream net income	N/A	38,809
Redeemable noncontrolling interest — Preferred Units: at December 31, 2019	638,163	555,599
Distribution of in-kind additional Preferred Units	22,531	—
Cash distributions paid to Preferred Unit limited partners	—	(23,124)
Allocation of Altus Midstream net income	N/A	75,906
Redeemable noncontrolling interest — Preferred Units: at December 31, 2020	660,694	$ 608,381
Embedded derivative liability[(1)]		139,009
		$ 747,390

(1) See Note 15—Fair Value Measurements for discussion of the fair value changes in the embedded derivative liability during the period.
(2) The Preferred Units are redeemable at Altus Midstream's option at a redemption price (the Redemption Price), which as of December 31, 2020 was the greater of (i) an 11.5 percent internal rate of return and (ii) a 1.3 times multiple of invested capital. As of December 31, 2020, the Redemption Price would have been based on 1.3 times multiple of invested capital, which was $812.5 million, which is greater than using an 11.5 percent internal rate of return, which would equate to a redemption value of $716.6 million.

N/A - not applicable.

13. INCOME TAXES

The total income tax provision (benefit) consists of the following:

	Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Current income taxes:			
Federal	$ (696)	$ (15)	$ (1,041)
State	—	—	—
	(696)	(15)	(1,041)
Deferred income taxes:			
Federal	—	67,516	(10,464)
State	—	(2,601)	1,004
	—	64,915	(9,460)
Total	$ (696)	$ 64,900	$ (10,501)

The total income tax provision (benefit) differs from the amounts computed by applying the U.S. statutory income tax rate to net income (loss) before income taxes. A reconciliation of the tax on the Company's net income (loss) before income taxes and total tax expense (benefit) is shown below:

	Year Ended December 31,		
	2020	2019	2018
		(In thousands)	
Income tax expense (benefit) at U.S. statutory rate	$ 16,756	$ (267,540)	$ (2,255)
Income tax expense (benefit) attributable to Apache limited partner	(12,892)	205,844	(891)
Income tax benefit attributable to Preferred Unit limited partners	(3,676)	(1,879)	—
State tax expense (benefit)[1]	—	(2,610)	818
CARES Act tax impact	(266)	—	—
Valuation allowance[1]	(620)	130,988	(8,177)
All other, net	2	97	4
Income tax expense (benefit)	$ (696)	$ 64,900	$ (10,501)

(1) The change in state valuation allowance is included as a component of state income tax.

The net deferred tax assets reflect the tax impact of temporary differences between the asset and liability amounts carried on the balance sheet under GAAP and amounts utilized for income tax purposes. The net deferred tax assets consists of the following:

	December 31,	
	2020	2019
	(In thousands)	
Deferred tax assets:		
Investment in partnership	$ 92,881	$ 103,195
Asset retirement obligation	480	451
Net operating losses	37,675	26,749
Property, plant, and equipment	4,471	5,679
Other	—	—
Total deferred tax assets	135,507	136,074
Valuation allowance	(133,077)	(135,024)
Net deferred tax assets	2,430	1,050
Deferred tax liabilities:		
Property, plant, and equipment	—	—
Other	2,430	1,050
Net deferred tax assets	$ —	$ —

In 2020, the Company recorded a decrease in valuation allowance against its net deferred tax asset. The Company has assessed the future potential to realize these deferred tax assets and has concluded that it is more likely than not that these deferred tax assets will not be realized.

The Company reconciles its effective tax rate to its net income (loss) before income taxes. This includes net income (loss) before income taxes attributable to both the controlling and noncontrolling interests. As such, the Company's effective tax rate includes adjustments to remove income (loss) attributed to the noncontrolling interests. In 2020 and 2019, the Company recorded a tax benefit adjustment of $12.9 million and tax expense adjustment of $205.8 million, respectively, associated with income and losses allocated to Apache.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 pandemic. Under the CARES Act, 100 percent of net operating losses arising in tax years beginning after December 31, 2017 and before January 1, 2021 may be carried back to each of the five preceding tax years of such loss. For the year ended December 31, 2020, the Company recorded a current income tax benefit of $0.7 million associated with a net operating loss carryback claim.

In the first quarter of 2020, the Company early adopted ASU 2019-12, “Simplifying the Accounting for Income Taxes.” The Company’s adoption of ASU 2019-12 did not result in a material impact on the consolidated financial statements.

On June 12, 2019, Altus Midstream issued and sold the Preferred Units in a private offering. Concurrently, the Preferred Units were established as a new class of partnership unit representing limited partner interests in Altus Midstream pursuant to the terms of the Amended LPA, and the purchasers were admitted as limited partners of Altus Midstream. In 2020 and 2019, the Company recorded a tax benefit adjustment of $3.7 million and $1.9 million, respectively, associated with income allocated to the noncontrolling Preferred Unit limited partners of Altus Midstream. For further details on the terms of the Preferred Units and the rights of the holders thereof, refer to Note 12—Series A Cumulative Redeemable Preferred Units.

Altus is also subject to the Texas margin tax. Unlike federal income taxes, the Texas margin regime assesses tax on corporations, limited liability companies, limited partnerships, and disregarded entities. As such, the Company records deferred tax assets and liabilities for Texas margin tax based on the differences between the financial statement carrying value and tax basis of assets and liabilities on the balance sheet. The Texas margin tax associated with Apache's share of the liability is recorded as a component of the noncontrolling interest.

The Company has a federal net operating loss carryforward of $179.4 million, which has an indefinite carryforward period. The Company has recorded a full valuation allowance against the federal net operating loss because it is more likely than not that this attribute will not be realized.

The Company accounts for income taxes in accordance with ASC Topic 740, “Income Taxes,” which prescribes a minimum recognition threshold a tax position must meet before being recognized in the financial statements. Tax positions generally refer to a position taken in a previously filed income tax return or expected to be included in a tax return to be filed in the future that is reflected in the measurement of current and deferred income tax assets and liabilities. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31,		
	2020	**2019**	**2018**
		(In thousands)	
Balance at beginning of year	$ 2,057	$ —	$ —
Additions based on tax positions related to the prior year	—	—	—
Additions based on tax positions related to the current year	2,556	2,057	—
Reductions for tax positions of prior years	—	—	—
Balance at end of year	$ 4,613	$ 2,057	$ —

The Company records interest and penalties related to unrecognized tax benefits as a component of income tax expense. Each quarter the Company assesses the amounts provided for and, as a result, may increase (expense) or reduce (benefit) the amount of interest and penalties. The Company has recorded no interest or penalties associated with its unrecognized tax benefit. Uncertain tax positions may change in the next twelve months; however, the Company does not expect any possible change to have a significant impact on the results of operations or financial position. If incurred, Altus will record income tax interest and penalties as a component of income tax expense. The contributor of Altus Midstream LP’s operating assets, Apache Corporation, is currently under IRS audit for the 2014 through 2017 tax years.

14. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing net income (loss) attributable to Class A common shareholders by the weighted average number of shares of Class A Common Stock outstanding during the period. Class C Common Stock is excluded from the weighted average shares outstanding for the calculation of basic net income (loss) per share, as holders of Class C Common Stock are not entitled to any dividends or liquidating distributions.

The Company uses the “if-converted method” to determine the potential dilutive effect of (i) an assumed exchange of outstanding Common Units of Altus Midstream (and the cancellation of a corresponding number of shares of outstanding Class C Common Stock) for shares of Class A Common Stock, and (ii) an assumed exchange of the outstanding Preferred Units of Altus Midstream for shares of Class A Common Stock. The treasury stock method is used to determine the potential dilutive effect of its outstanding warrants. The dilutive effect of any earn-out consideration payable in shares is only included in periods for which the underlying conditions for the issuance are met.

The computation of basic and diluted net income (loss) per share for the periods presented in the consolidated financial statements is shown in the table below.

	For the Year Ended December 31,								
	2020			2019			2018[1]		
	Income[2]	Shares	Per Share	Loss	Shares[4]	Per Share[4]	Loss	Shares[4]	Per Share[4]
	(In thousands, except per share data)								
Basic:									
Net income (loss) attributable to Class A common shareholders	$ 1,591	3,746	$ 0.42	$ (369,670)	3,746	$ (98.68)	$ (4,388)	8,656	$ (0.51)
Effect of dilutive securities:									
Redeemable noncontrolling interest — Apache limited partner	$ 2,987	12,500		$ —	—		$ —	—	
Diluted[2][3]:									
Net income (loss) attributable to Class A common shareholders	$ 4,578	16,246	$ 0.28	$ (369,670)	3,746	$ (98.68)	$ (4,388)	8,656	$ (0.51)

(1) Shares of Class A Common Stock and Class C Common Stock issued to Apache in exchange for its ownership interests in the Altus Midstream Entities were retroactively restated from May 26, 2016 (inception) to the Closing Date, based on the proportionate value of the capital contributions made by Apache to the Altus Midstream Entities. The calculation of the weighted average shares outstanding from inception up to the Closing Date includes all shares issued to Apache, in order to reflect Apache’s 100 percent economic interest in the Altus Midstream Entities until that time. For further detail of the Business Combination and associated financial statement presentation, see Note 1—Summary of Significant Accounting Policies and Note 2—Recapitalization Transaction.

(2) The effect of an assumed exchange of outstanding Common Units of Altus Midstream (and the cancellation of a corresponding number of shares of outstanding Class C Common Stock) would have been anti-dilutive the years ended December 31, 2019 and 2018.

(3) The effect of an assumed exchange of the outstanding Preferred Units of Altus Midstream for shares of Class A Common Stock would have been anti-dilutive for all periods presented in which the Preferred Units were outstanding.

(4) Share and per share amounts have been retroactively restated to reflect the Company’s reverse stock split, which was effected June 30, 2020. Refer to Note 11—Equity for further information.

The diluted earnings per share calculation excludes the effects of the outstanding warrants of the Company to purchase an aggregate 947,082 shares of Class A Common Stock, since the associated impacts would have been anti-dilutive for all periods presented. Earn-out consideration granting Apache the right to receive additional shares of Class A Common Stock is also not included in the earnings per share calculation above, as the conditions for issuance were not satisfied as of the year ended December 31, 2020.

Further discussion of the Company’s outstanding common stock, warrants, and earn-out consideration as well as any applicable redemption rights is provided in Note 11—Equity. Further discussion of the Preferred Units and associated embedded features can be found in Note 12—Series A Cumulative Redeemable Preferred Units and Note 15—Fair Value Measurements, respectively.

15. FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities measured at fair value on a recurring basis consist of: cash and cash equivalents; revenue receivables; accounts receivable from/payable to Apache and an embedded derivative liability related to the issuance of Preferred Units (as further described above). This embedded derivative liability is recorded on the Company's consolidated balance sheet at fair value. The carrying amounts reported on the consolidated balance sheet for the Company's remaining financial assets and liabilities approximate fair value due to their short-term nature. The carrying amount of Altus Midstream's revolving credit facility approximates fair value because the interest rate is variable and reflective of market rates. There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the years ended December 31, 2020 or December 31, 2019.

The Company bifurcated and recognized the embedded derivative associated with the Preferred Units related to the exchange option provided to the Preferred Unit holders under the terms of the Amended LPA. The valuation of the embedded derivative (using an income approach) was based on a range of factors including expected future interest rates using the Black-Karasinski model, the Company's imputed interest rate, interest rate volatility, the expected timing of periodic cash distributions, the estimated timing for the potential exercise of the exchange option, and anticipated dividend yields of the Preferred Units. The Company recorded an unrealized loss of $36.1 million, $8.5 million and nil for the years ended December 31, 2020, 2019 and 2018, respectively, which are recorded in "Unrealized derivative instrument loss" in the consolidated statement of operations. Altus has classified these recurring fair value measurements as Level 3 in the fair value hierarchy.

As of the December 31, 2020 valuation date, the Company used the forward B-rated Energy Bond Yield curve to develop the following key unobservable inputs used to value this embedded derivative:

	Quantitative Information About Level 3 Fair Value Measurements				
	Fair Value at December 31, 2020		Valuation Technique	Significant Unobservable Inputs	Range/Value
	(In thousands)				
Preferred Units Embedded Derivative	$	139,009	Option Model	Altus Midstream Company's Imputed Interest Rate	7.32-11.73%
				Interest Rate Volatility	37.08%

A one percent increase in the imputed interest rate assumption would significantly increase the value of the embedded derivative liability at December 31, 2020, while a one percent decrease would lead to a similar decrease in value as of December 31, 2020. The assumed expected timing until exercise of the exchange option at December 31, 2020 was 5.45 years.

The Company has additional embedded derivatives in the Preferred Units related to the exchange option and redemption features that are accounted for separately from the Preferred Units. Level 3 valuations of the embedded derivatives are based on a range of factors including the likelihood of the event occurring, and these factors are assessed quarterly. There was no value associated with these additional identified embedded derivatives for any applicable period presented.

Altus Midstream Company (a Delaware corporation)
Listing of Subsidiaries as of December 31, 2020

Exact Name of Subsidiary and Name under which Subsidiary does Business	Jurisdiction of Incorporation or Organization
Altus Midstream GP LLC	Delaware
Altus Midstream LP	Delaware
Altus Midstream Subsidiary GP LLC	Delaware
Altus Midstream Gathering LP	Delaware
Altus Midstream Processing LP	Delaware
Altus Midstream NGL Pipeline LP	Delaware
Altus Midstream Pipeline LP	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-228467) of Altus Midstream Company and in the related Prospectus, and
(2) Registration Statement (Form S-8 No. 333-234475) of Altus Midstream Company;

of our report dated February 25, 2021, with respect to the consolidated financial statements of Altus Midstream Company, included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Houston, Texas
February 25, 2021

Exhibit 23.2

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

a. Registration Statement (Form S-3 No. 333-228467) of Altus Midstream Company and in the related prospectus, and
b. Registration Statement (Form S-8 No. 333-234475) of Altus Midstream Company;

of our report dated February 25, 2021, with respect to the financial statements of Breviloba, LLC included in this Annual Report (Form 10-K) of Altus Midstream Company for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Houston, Texas
February 25, 2021

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-228467) and Form S-8 (No. 333-234475) of Altus Midstream Company of our report dated February 19, 2021, relating to the financial statements of Gulf Coast Express Pipeline LLC, which appears in this Annual Report on Form 10-K of Altus Midstream Company.

/s/ BDO USA, LLP

Houston, Texas
February 25, 2021

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-228467) and Form S-8 (No. 333-234475) of Altus Midstream Company of our reports dated February 19, 2021 and March 16, 2020 relating to the 2020 and 2019 financial statements of Permian Highway Pipeline LLC, which appear in this Annual Report on Form 10-K of Altus Midstream Company.

/s/ BDO USA, LLP

Houston, Texas
February 25, 2021

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement (No. 333-228467) on Form S-3 and (No. 333-234475) on Form S-8 of Altus Midstream Company of our report dated February 25, 2021, with respect to the consolidated balance sheet of EPIC Crude Holdings, LP as of December 31, 2020, the related consolidated statements of operations, changes in owners' equity, and cash flows for the year then ended December 31, 2020, and the related notes, which report appears in the December 31, 2020, annual report on Form 10-K of Altus Midstream Company.

/s/ KPMG LLP

San Antonio, TX
February 25, 2021

EXHIBIT 31.1

CERTIFICATIONS

I, Clay Bretches, certify that:

1. I have reviewed this Annual Report on Form 10-K of Altus Midstream Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 25, 2021

/s/ Clay Bretches

Clay Bretches
Chief Executive Officer and President
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Ben C. Rodgers, certify that:

1. I have reviewed this Annual Report on Form 10-K of Altus Midstream Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2021

/s/ Ben C. Rodgers
Ben C. Rodgers
Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 32.1

ALTUS MIDSTREAM COMPANY

Certification of Principal Executive Officer and Principal Financial Officer

I, Clay Bretches, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Altus Midstream Company for the period ending December 31, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Altus Midstream Company.

Date: February 25, 2021

/s/ Clay Bretches

By:	Clay Bretches
Title:	Chief Executive Officer and President (Principal Executive Officer)

I, Ben C. Rodgers, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Altus Midstream Company for the period ending December 31, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Altus Midstream Company.

Date: February 25, 2021

/s/ Ben C. Rodgers

By:	Ben C. Rodgers
Title:	Chief Financial Officer and Treasurer (Principal Financial Officer)

FINANCIAL STATEMENTS
With Report of Independent Registered Public Accounting Firm

GULF COAST EXPRESS PIPELINE LLC

As of December 31, 2020 and 2019 and
For the Years Ended December 31, 2020, and 2019 and the Unaudited Period
from October 13, 2017 (Inception) to December 31, 2018

GULF COAST EXPRESS PIPELINE LLC
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Report of Independent Registered Public Accounting Firm

Board of Directors and Members
Gulf Coast Express Pipeline LLC
Houston, Texas

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Gulf Coast Express Pipeline LLC (the "Company") as of December 31, 2020 and 2019, the related statements of income, members' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Emphasis of Matter - Significant Transactions with Related Parties

As discussed in Note 4 to the financial statements, the Company has entered into significant transactions with related parties.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2020.

Houston, Texas
February 19, 2021

GULF COAST EXPRESS PIPELINE LLC
STATEMENTS OF INCOME
(In thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	October 13, 2017 (Inception) to December 31, 2018 (Unaudited)
Revenues	$ 366,185	$ 132,103	$ 2,609
Operating Costs and Expenses			
Operations and maintenance	7,409	1,900	16
Depreciation and amortization	59,456	19,272	244
General and administrative	7,058	2,194	172
Taxes, other than income taxes	26,043	681	—
Total Operating Costs and Expenses	99,966	24,047	432
Operating Income	266,219	108,056	2,177
Other Income (Expense)			
Interest income	132	1,577	1,508
Other	—	639	95
Total Other Income	132	2,216	1,603
Income Before Taxes	266,351	110,272	3,780
Income Tax Expense	(1,395)	(275)	—
Net Income	$ 264,956	$ 109,997	$ 3,780

The accompanying notes are an integral part of these financial statements.

GULF COAST EXPRESS PIPELINE LLC
BALANCE SHEETS
(In thousands)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 21,626	$ 32,764
Accounts receivable	13,585	10,674
Accounts receivable from affiliates	17,522	28,415
Natural gas imbalance receivable	7,065	546
Other current asset	112	13
Total current assets	59,910	72,412
Property, plant and equipment, net	1,714,062	1,766,129
Other non-current assets	—	21
Total Assets	$ 1,773,972	$ 1,838,562
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,389	$ 42,714
Accrued taxes, other than income taxes	18,642	3,434
Natural gas imbalance payable	9,921	722
Other current liabilities	2,045	1,258
Total current liabilities	32,997	48,128
Long-term liabilities and deferred credits	526	605
Total Liabilities	33,523	48,733
Commitments and contingencies (Note 6)		
Members' Equity	1,740,449	1,789,829
Total Liabilities and Members' Equity	$ 1,773,972	$ 1,838,562

The accompanying notes are an integral part of these financial statements.

GULF COAST EXPRESS PIPELINE LLC
STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	October 13, 2017 (Inception) to December 31, 2018 (Unaudited)
Cash Flows From Operating Activities			
Net income	$ 264,956	$ 109,997	$ 3,780
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	59,456	19,272	244
Changes in components of working capital:			
Accounts receivable	7,982	(37,447)	(1,642)
Accounts payable	(86)	868	465
Accrued taxes, other than income	15,184	3,457	—
Other current assets and liabilities	3,367	447	974
Other long-term assets and liabilities	(56)	286	298
Net Cash Provided by Operating Activities	350,803	96,880	4,119
Cash Flows From Investing Activities			
Capital expenditures	(47,605)	(1,172,136)	(572,151)
Net Cash Used in Investing Activities	(47,605)	(1,172,136)	(572,151)
Cash Flows From Financing Activities			
Contributions from Members	10,722	1,135,128	642,226
Distributions to Members	(325,058)	(101,302)	—
Net Cash (Used in) Provided by Financing Activities	(314,336)	1,033,826	642,226
Net (Decrease) Increase in Cash and Cash Equivalents	(11,138)	(41,430)	74,194
Cash and Cash Equivalents, beginning of period	32,764	74,194	—
Cash and Cash Equivalents, end of period	$ 21,626	$ 32,764	$ 74,194
Non-cash Investing and Financing Activities			
Net increase in property, plant, and equipment accruals			$ 257,742

The accompanying notes are an integral part of these financial statements.

GULF COAST EXPRESS PIPELINE LLC
STATEMENTS OF MEMBERS' EQUITY
(In thousands)

	Year Ended December 31,		October 13, 2017 (Inception) to December 31, 2018
	2020	**2019**	**(Unaudited)**
Beginning Balance	$ 1,789,829	$ 646,006	$ —
Net income	264,956	109,997	3,780
Contributions	10,722	1,135,128	642,226
Distributions	(325,058)	(101,302)	—
Ending Balance	$ 1,740,449	$ 1,789,829	$ 646,006

The accompanying notes are an integral part of these financial statements.

GULF COAST EXPRESS PIPELINE LLC
NOTES TO FINANCIAL STATEMENTS

1. General

We are a Delaware limited liability company, formed on October 13, 2017. When we refer to "us," "we," "our," "the Company," or "GCX," we are describing Gulf Coast Express Pipeline LLC.

The Members' interests in us are as follows:

- 34% - Kinder Morgan Texas Pipeline LLC (KMTP), an indirect subsidiary of Kinder Morgan, Inc. (KMI);
- 25% - DCP GCX Pipeline LLC (DCP), an indirect subsidiary of DCP Midstream, LP;
- 25% - Targa GCX Pipeline LLC (Targa), an indirect subsidiary of Targa Resources Corp.; and
- 16% - Altus Midstream LP (Altus), a subsidiary of Apache Corporation.

We were formed to develop, construct, own, operate and maintain the GCX Pipeline system. Beginning in Waha Hub near Coyanosa, Texas in the Permian Basin and extending to Agua Dulce, Texas, the 522-mile pipeline is designed to transport approximately 2 billion cubic feet per day of natural gas. The first 9 miles of the Midland Lateral (Phase 1 facilities) were placed in service in August 2018 and the remaining 40 miles was placed in service (Phase 1A facilities) in April 2019. The project was placed in full commercial operations in September 2019.

2. Summary of Significant Accounting Policies

Basis of Presentation

We have prepared our accompanying financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's Accounting Standards Codification, the single source of United States Generally Accepted Accounting Principles and referred to in this report as the Codification. Additionally, certain amounts from the prior year have been reclassified to conform to the current presentation.

Management has evaluated subsequent events through February 19, 2021, the date the financial statements were available to be issued.

Coronavirus Diseases 2019 (COVID-19)

The COVID-19 pandemic-related reduction in energy demand and the dramatic decline in commodity prices that began in the first quarter of 2020 has continued to cause disruptions and volatility. Sharp declines in the supply of and demand for energy related commodities due to the economic shutdown in the wake of the pandemic also affected the energy industry during 2020, and continues to do so. Further, significant uncertainty remains regarding the duration and extent of the impact of the pandemic (including the timing and distribution of vaccines) on the energy industry, including demand and prices for hydrocarbons.

Use of Estimates

Certain amounts included in or affecting our financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities, our revenues and expenses during the reporting period, and our disclosures, including as it relates to contingent assets and liabilities at the date of our financial statements. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Certain accounting policies are of more significance in our financial statement preparation process than others, and set out below are the principal accounting policies we apply in the preparation of our financial statements.

Cash Equivalents

We define cash equivalents as all highly liquid short-term investments with original maturities of three months or less.

Allowance for Credit Losses

Effective with our adoption of Accounting Standards Update (ASU) No. 2016-13, "*Financial Instruments–Credit Losses*" on January 1, 2020, we evaluate our financial assets measured at amortized cost and off-balance sheet credit exposures for expected credit losses over the contractual term of the asset or exposure. We consider available information relevant to assessing the collectability of cash flows including the expected risk of credit loss even if that risk is remote. We measure expected credit losses on a collective (pool) basis when similar risk characteristics exist and we reflect the expected credit losses on the amortized cost basis of the financial asset as of the reporting date.

Our financial instruments primarily consist of our accounts receivable from customers. We utilized historical analysis of credit losses experienced over the previous five years along with current conditions and reasonable and supportable forecasts of future conditions in our evaluation of collectability of our financial assets.

Prior to the adoption of ASU No. 2016-13, generally our evaluation of appropriate reserves for our accounts receivable was based on a historical analysis of uncollected amounts and we recorded adjustments for changed circumstances and customer-specific information.

We had no allowance for credit losses recorded as of December 31, 2020 and 2019.

Natural Gas Imbalances

Natural gas imbalances occur when the amount of natural gas delivered from or received by a pipeline system or storage facility differs from the scheduled amount of gas to be delivered or received. We value these imbalances due to or from shippers and operators at current index prices. Imbalances are settled in cash or made up in-kind. Imbalances due from others are reported on our accompanying Balance Sheets in "Natural gas imbalance receivable." Imbalances owed to others are reported on our accompanying Balance Sheets in "Natural gas imbalance payable." We classify all imbalances due from or owed to others as current as we expect to settle them within a year.

Property, Plant and Equipment, net

Our property, plant and equipment is recorded at its original cost of construction. For constructed assets, we capitalize all construction-related direct labor and material costs, as well as indirect construction costs. The indirect capitalized labor and related costs are an established amount in the Construction Management Agreement (CMA) which represents the estimate of labor and related costs associated with supporting construction projects. We expense costs for routine maintenance and repairs in the period incurred.

We use the composite method to depreciate our property, plant and equipment. Under this method, assets with similar economic characteristics are grouped and depreciated as one asset. When property, plant and equipment is retired, accumulated depreciation and amortization is charged for the original costs of the assets in addition to the costs to remove, sell or dispose of the assets, less salvage value. We do not recognize gains or losses upon normal retirement of assets under the composite depreciation method.

Asset Retirement Obligations (ARO)

We record liabilities for obligations related to the retirement and removal of long-lived assets used in our businesses. We record, as liabilities, the fair value of ARO on a discounted basis when they are incurred and can be reasonably estimated, which is typically at the time the assets are installed or acquired. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities increase due to the change in their present value, and the initial capitalized costs are depreciated over the useful lives of the related assets. The liabilities are eventually extinguished when the asset is taken out of service.

We are required to operate and maintain our natural gas pipeline system, and intend to do so as long as supply and demand for such services exists, which we expect for the foreseeable future. Therefore, we believe that we cannot reasonably estimate the ARO for the substantial majority of our assets because these assets have indeterminate lives. We continue to evaluate our ARO and future developments could impact the amounts we record. We had no ARO recorded as of December 31, 2020 and 2019.

Long-lived Asset Impairments

We evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the carrying values may not be recovered. These events include changes in the manner in which we intend to use a long-lived asset, decisions to sell an asset and adverse changes in market conditions or in the legal or business environment such as adverse actions by regulators. If an event occurs, which is a determination that involves judgment, we evaluate the recoverability of the carrying value of our long-lived asset based on the long-lived asset's ability to generate future cash flows on an undiscounted basis. If an impairment is indicated, or if we decide to sell a long-lived asset or group of assets, we adjust the carrying value of the asset downward, if necessary, to its estimated fair value.

Our fair value estimates are generally based on assumptions market participants would use, including market data obtained through the sales process or an analysis of expected discounted future cash flows. There were no impairments for the years ended December 31, 2020 and 2019, and for the period from October 13, 2017 (Inception) to December 31, 2018 (Unaudited).

Revenue Recognition

Revenue from Contracts with Customers

We review our contracts with customers using the following steps to recognize revenue based on the transfer of goods or services to customers and in amounts that reflect the consideration the company expects to receive for those goods or services. The steps include: (i) identify the contract; (ii) identify the performance obligations of the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and then (v) recognize revenue when (or as) the performance obligation is satisfied. Each of these steps involves management judgment and an analysis of the contract's material terms and conditions.

Our revenues are generated from the transportation of natural gas under firm service customer contracts with take-or-pay elements (principally for capacity reservation) where both the price and quantity are fixed. Generally, for these contracts: (i) our promise is to transfer (or stand ready to transfer) a series of distinct integrated services over a period of time, which is a single performance obligation; (ii) the transaction price includes both fixed and/or variable consideration which is determinable at contract inception and/or at each month end based on our right to invoice at month end for the value of services provided to the customer that month; and (iii) the transaction price is recognized as revenue over the service period specified in the contract as the services are rendered. In these arrangements, the customer is obligated to pay for services associated with its take-or-pay obligation regardless of whether or not the customer chooses to utilize the service in that period. Because we make the service continuously available over the service period, we recognize the take-or-pay amount as revenue ratably over such period based on the passage of time.

The natural gas we receive under our transportation contracts remains under the control of our customers. Under firm service contracts, the customer generally pays a two-part transaction price that includes (i) a fixed fee reserving the right to transport natural gas in our facilities up to contractually specified capacity levels (referred to as "reservation") and (ii) a fee-based per-unit rate for quantities of natural gas actually transported in excess of contractual quantities. In our firm service contracts we generally promise to provide a single integrated service each day over the life of the contract, which is fundamentally a stand-ready obligation to provide services up to the customer's reservation capacity prescribed in the contract. Our customers have a take-or-pay payment obligation with respect to the fixed reservation fee component, regardless of the quantities they actually transport. On interruptible service contracts, there is no fixed fee associated with these transportation services because the customer accepts the possibility that service may be interrupted at our discretion in order to serve customers who have firm service contracts. We do not have an obligation to perform under interruptible customer arrangements until we accept and schedule the customer's request for periodic service. The customer pays a transaction price based on a fee-based per-unit rate for the quantities actually transported.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. Our contract liabilities are related to capital improvements paid for in advance by certain customers, which we recognize as revenue on a straight-line basis over the initial term of the related customer contracts.

Refer to Note 5 for further information.

Environmental Matters

We capitalize or expense, as appropriate, environmental expenditures. We capitalize certain environmental expenditures required to obtain rights-of-way, regulatory approvals or permitting as part of the construction of facilities we use in our business operations. We accrue and expense environmental costs that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation. We generally do not discount environmental liabilities to a net present value, and we record environmental liabilities when environmental assessments and/or remedial efforts are probable and we can reasonably estimate the costs. Generally, our accrual of these environmental liabilities coincides with either our completion of a feasibility study or our commitment to a formal plan of action. We recognize receivables for anticipated associated insurance recoveries when such recoveries are deemed to be probable.

We routinely conduct reviews of potential environmental issues and claims that could impact our assets or operations. These reviews assist us in identifying environmental issues and estimating the costs and timing of remediation efforts. We also routinely adjust our environmental liabilities to reflect changes in previous estimates. In making environmental liability estimations, we consider the material effect of environmental compliance, pending legal actions against us, and potential third-party liability claims we may have against others. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in our income in the period in which they are reasonably determinable.

We are subject to environmental cleanup and enforcement actions from time to time. In particular, the Comprehensive Environmental Response, Compensation and Liability Act generally imposes joint and several liability for cleanup and enforcement costs on current and predecessor owners and operators of a site, among others, without regard to fault or the legality of the original conduct, subject to the right of a liable party to establish a "reasonable basis" for apportionment of costs. Our operations are also subject to federal, state and local laws and regulations relating to protection of the environment. Although we believe our operations are in substantial compliance with applicable environmental laws and regulations, risks of additional costs and liabilities are inherent in our operations, and there can be no assurance that we will not incur significant costs and liabilities. Moreover, it is possible that other developments could result in substantial costs and liabilities to us, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from our operations.

Although it is not possible to predict the ultimate outcomes, we believe that the resolution of environmental matters, and other matters to which we are a party, will not have a material adverse effect on our business. We had no accruals for any outstanding environmental matters as of December 31, 2020 and 2019.

Income Taxes

We are a limited liability company that is treated as a partnership for income tax purposes and are not subject to federal or state income taxes. Accordingly, no provision for federal or state income taxes has been recorded in our financial statements. The tax effects of our activities accrue to our Members who report on their individual federal income tax returns their share of revenues and expenses. However, we are subject to Texas margin tax (a revenue based calculation), which is presented as "Income Tax Expense" on our accompanying Statements of Income.

3. Property, Plant and Equipment, net

Our property, plant and equipment, net consisted of the following:

	Annual Depreciation Rates		December 31,		
			2020		2019
	%		(In thousands)		
Transmission facilities	3.33	$	1,772,123	$	1,710,399
Intangible plant	3.33		16,103		14,848
General plant	10.0 - 20.0		3,559		3,104
Accumulated depreciation and amortization			(78,973)		(19,517)
			1,712,812		1,708,834
Land			283		283
Construction work in progress(a)			967		57,012
Property, plant and equipment, net		$	1,714,062	$	1,766,129

(a) Includes a net decrease in accruals of approximately $40,215,000 in 2020 as compared to 2019.

4. Related Party Transactions

LLC Agreement

Under the terms of the LLC Agreement, KMTP, DCP, Targa and Altus are obligated to make capital contributions to fund the construction of our pipeline.

Affiliate Agreements

As of December 20, 2017, we entered into a CMA and an Operations and Maintenance Agreement (OMA) with KMTP to develop and construct the GCX pipeline and upon completion of each phase facility, to operate, maintain and administer the GCX pipeline. Pursuant to the CMA, we paid KMTP a capital overhead fee payable in monthly installments, which began in February 2018 and continued through the completion of the construction phases. Pursuant to the OMA, we pay KMTP an annual corporate overhead charge in monthly installments.

Affiliate Balances and Activities

We do not have employees. Employees of KMI provide services to us. In accordance with our governance documents, we reimburse KMI at cost.

The following table summarizes our other balance sheet affiliate balances not presented separately on the accompanying Balance Sheets:

		December 31,		
		2020		2019
		(In thousands)		
Natural gas imbalance receivable	$	6,839	$	147
Accounts payable		272		636
Natural gas imbalance payable		9,524		655

The following table shows revenues and costs from our affiliates:

	Year Ended December 31, 2020	Year Ended December 31, 2019	October 13, 2017 (Inception) to December 31, 2018 (Unaudited)
	(In thousands)		
Revenues	$ 206,804	$ 95,315	$ 1,549
Operations and maintenance	2,379	705	11
General and administrative(a)	6,092	1,754	59
Capitalized costs(a)	898	27,623	16,347

(a) Includes costs associated with the affiliate agreements described above.

Subsequent Event

In January 2021, we made distributions to our Members totaling $27,712,000.

5. Revenue Recognition

Disaggregation of Revenues

The following table presents our revenues disaggregated by revenue source and type of revenue for each revenue source:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018(a) (Unaudited)
	(In thousands)		
Revenue from contracts with customers			
Services			
Firm services	$ 363,007	$ 96,027	$ 2,603
Fee-based services	3,196	35,766	6
Other	(18)	310	—
Total revenues from contracts with customers	$ 366,185	$ 132,103	$ 2,609

(a) We had no revenues during the period from October 13, 2017 (Inception) to December 31, 2017. Revenue began with August 2018 Phase 1 facilities in-service date.

Contract Balances

We did not have any contract assets as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, our contract liability balances were $592,000 and $640,000, respectively. Of the contract liability balance at December 31, 2019, $48,000 was recognized as an adjustment to revenue during the year ended December 31, 2020.

Revenue Allocated to Remaining Performance Obligations

The following table presents our estimated revenue allocated to remaining performance obligations for contracted revenue that has not yet been recognized, representing our "contractually committed" revenue as of December 31, 2020 that we will invoice or transfer from contract liabilities and recognize in future periods:

Year		Estimated Revenue
		(In thousands)
2021	$	362,573
2022		362,573
2023		362,573
2024		363,566
2025		362,573
Thereafter		1,357,202
Total	$	3,171,060

Our contractually committed revenue, for purposes of the tabular presentation above, is generally limited to service customer contracts which have fixed pricing and fixed volume terms and conditions, generally including contracts with take-or-pay payment obligations. Our contractually committed revenue amounts generally exclude, based on the following practical expedient that we elected to apply, remaining performance obligations for contracts with variable volume attributes in which such variable consideration is allocated entirely to a wholly unsatisfied performance obligation.

Major Customers

The following table presents revenues from our largest customers, each of which exceeded 10% of our revenues as determined for each year individually and irrespective of the other periods presented below:

	Year Ended December 31,				October 13, 2017 (Inception) to December 31, 2018	
	2020		2019		(Unaudited)	
			(In thousands)			
Revenues from largest affiliated customer (number one)	$	66,796	$	29,546	$	1,549
Revenues from largest affiliated customer (number two)		53,143		28,805		
Revenues from largest affiliated customer (number three)		43,972		17,836		
Revenues from largest affiliated customer (number four)		42,623				
Revenues from largest non-affiliated customer		56,222		18,049		882

6. Litigation and Commitments

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our business that may result in claims against the Company. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend the Company. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

Legal Proceeding

Dispute with Pipe Supplier

In January 2018, GCX entered into an agreement with Borusan Mannesmann Boru Sanayi ve Ticaret A.S. (Borusan), a steel pipe producer in Turkey, under which Borusan supplied highly specialized steel pipe for the GCX project. Total pipe costs are approximately $172.5 million. During March 2018, the U.S. government, pursuant to Section 232 of the Trade Expansion Act of 1962 (Section 232), announced a 25% tariff on steel imported from Turkey, including steel pipe. The tariff was later increased to 50%. The amount of the Section 232 tariff applicable to the pipe supplied by Borusan to GCX is $74.3 million. GCX and Borusan each allege the other party is responsible to pay the tariff. During May 2018, GCX made a request to the U.S. Department of Commerce (DOC) for an exclusion from the Section 232 tariffs. On April 23, 2019, GCX was informed that its request for an exclusion was denied. On June 11, 2019, GCX resubmitted its request for an exclusion from the Section 232 tariff. GCX took possession of the Borusan supplied pipe in February 2019. Thereafter, GCX both exercised its legal right to set off the amount of the disputed tariff from unpaid invoices sent to GCX by Borusan and demanded that Borusan reimburse GCX for the amount of the tariff previously paid by GCX to Borusan. GCX is currently setting off $37.2 million from the amount Borusan claims it is owed and demanding that Borusan return $37.1 million to GCX. On January 28, 2020, GCX filed a lawsuit against Borusan in the U.S. District Court for the Southern District of Texas alleging breach of contract and seeking a judicial declaration of GCX's rights under the parties' agreement. On May 22, 2020, the DOC approved GCX's request for an exclusion from the Section 232 tariff. GCX and Borusan are taking steps to secure refunds of the Section 232 tariffs paid from the U.S. Bureau of Customs and Border Protection, and the lawsuit has been stayed while GCX and Borusan do so. The case is captioned *Gulf Coast Express Pipeline, LLC v. Borusan Mannesmann Boru Sanayi Ve Ticaret A.S.*

General

We had no accruals for any outstanding legal proceedings as of December 31, 2020 and 2019.

Commitments

As of December 31, 2020, we had capital commitments of approximately $2,377,000, for purchases related to construction work in progress.

Breviloba, LLC

Financial Statements
for the Year Ended December 31, 2020 and for the
Period July 31, 2019 Through December 31, 2019

Breviloba, LLC
Index to Financial Statements

Report of Independent Auditors

To the Management Committee and Members
Breviloba, LLC

We have audited the accompanying financial statements of Breviloba, LLC, which comprise the balance sheet as of December 31, 2020 and 2019, and the related statements of operations, cash flows and members' equity for the year ended December 31, 2020 and for the period July 31, 2019 through December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breviloba, LLC at December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and for the period July 31, 2019 through December 31, 2019 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, Texas
February 25, 2021

Breviloba, LLC
Balance Sheets

(in thousands of dollars)

	December 31, 2020		December 31, 2019	
Assets				
Current assets:				
Cash and cash equivalents (see Note 2)	$	45,346	$	90,600
Accounts receivable – trade		--		79
Accounts receivable – related parties (see Note 6)		7,808		2,399
Other current assets		52		91
Total current assets		53,206		93,169
Property, plant and equipment, net (see Note 3)		1,370,900		1,394,608
Intangible asset, net (see Note 4)		3,790		4,258
Spare parts inventory		465		490
Total assets	$	1,428,361	$	1,492,525
Liabilities and Members' Equity				
Current liabilities:				
Accounts payable – trade	$	624	$	24,619
Accounts payable – related parties (see Note 6)		74		6,889
Accrued ad valorem taxes payable		9,144		3,475
Other current liabilities		484		2,616
Total current liabilities		10,326		37,599
Asset retirement obligations (see Note 3)		1,197		1,108
Deferred tax liabilities		1,192		347
Commitments and contingent liabilities (see Note 2)				
Members' equity (see Note 5)		1,415,646		1,453,471
Total liabilities and members' equity	$	1,428,361	$	1,492,525

The accompanying notes are an integral part of these financial statements.

Breviloba, LLC
Statements of Operations

(in thousands of dollars)

	For the Year Ended December 31, 2020	For the Period July 31, 2019 Through December 31, 2019
Revenues:		
Transportation service agreements:		
Related party	$ 101,292	$ 41,229
Third party	780	326
Total transportation service agreements	102,072	41,555
Capacity arrangement:		
Related party	65,712	21,137
Total revenues (see Note 2)	167,784	62,692
Costs and expenses:		
Operating costs and expenses	23,055	8,207
Depreciation, accretion and amortization expense	40,124	15,859
General and administrative costs	2,079	854
Total costs and expenses	65,258	24,920
Operating income	102,526	37,772
Other income:		
Interest income	374	100
Income before income taxes	102,900	37,872
Provision for income taxes (see Note 2)	(852)	(347)
Net income	$ 102,048	$ 37,525

The accompanying notes are an integral part of these financial statements.

Breviloba, LLC
Statements of Cash Flows

(in thousands of dollars)

	For the Year Ended December 31, 2020	For the Period July 31, 2019 Through December 31, 2019
Operating activities		
Net income	$ 102,048	$ 37,525
Reconciliation of net income to net cash flows provided by operating activities:		
Depreciation, accretion and amortization expense	40,124	15,859
Net losses attributable to asset sales	49	--
Deferred income tax expense	845	347
Effect of changes in operating accounts:		
Decrease in accounts receivable – trade	79	1,692
Increase in accounts receivable – related parties	(5,587)	(2,227)
Decrease (increase) in other current assets	39	(61)
Decrease in accounts payable – trade	--	(8,908)
Increase (decrease) in accounts payable – related parties	(1,625)	1,615
Increase in other current liabilities	5,840	1,334
Net cash flows provided by operating activities	141,812	47,176
Investing activities		
Capital expenditures	(42,026)	(71,724)
Acquisition of intangible asset (see Note 4)	(4,688)	--
Acquisition of spare parts inventory	(492)	--
Proceeds from asset sales	13	--
Cash used in investing activities	(47,193)	(71,724)
Financing activities		
Cash contributions from Members	--	585,208
Cash distributions to Members	(139,873)	(470,060)
Cash provided by (used in) financing activities	(139,873)	115,148
Net change in cash and cash equivalents	(45,254)	90,600
Cash and cash equivalents, beginning of period	90,600	--
Cash and cash equivalents, end of period (see Note 2)	$ 45,346	$ 90,600
Supplemental disclosure of cash flow information		
Cash payments for state income taxes	$ 3	
Accruals for capital expenditures at end of period	$ 372	$ 26,680
Accrual for reimbursement to Enterprise in connection with intangible asset at December 31, 2019 (see Note 4)	$ --	$ 4,688

The accompanying notes are an integral part of these financial statements.

Breviloba, LLC
Statements of Members' Equity

(in thousands of dollars)

	Altus Midstream Processing LP (33%)	Enterprise Products Operating LLC (67%)	Total
Balance – July 31, 2019, immediately prior to Altus' exercise of option to acquire member interest (see Note 5)	--	1,300,798	1,300,798
Net income	12,383	25,142	37,525
Cash contributions from Members	489,567	95,641	585,208
Cash distributions to Members	(9,108)	(460,952)	(470,060)
Balance – December 31, 2019	492,842	960,629	1,453,471
Net income	33,676	68,372	102,048
Cash distributions to Members	(46,158)	(93,715)	(139,873)
Balance – December 31, 2020	$ 480,360	$ 935,286	$ 1,415,646

The accompanying notes are an integral part of these financial statements.

1. Company Organization and Nature of Operations

Company Organization

Breviloba, LLC is a Texas limited liability company formed in April 2017. Unless the context requires otherwise, references to "we," "us," "our," "Breviloba," or the "Company" within these notes are intended to mean the business and operations of Breviloba, LLC.

Effective July 31, 2019, Altus Midstream Processing LP ("Altus") acquired a 33% interest from Enterprise Products Operating LLC ("Enterprise"). At December 31, 2020, our membership interests were owned 67% by Enterprise and 33% by Altus.

Enterprise and Altus are referred to individually as "Member" and collectively as the "Members."

Description of Business

We own the Shin Oak NGL Pipeline ("Shin Oak"), which is a 664-mile pipeline that transports natural gas liquids ("NGLs") from the Permian Basin to Enterprise's NGL fractionation and storage complex located in Chambers County, Texas. In February 2019, the 24-inch diameter mainline segment of Shin Oak from Orla, Texas to Mont Belvieu was placed into limited commercial service with an initial transportation capacity of 250 thousand barrels per day ("MBPD"). In June 2019, an additional pipeline segment, the 20-inch diameter Waha lateral, was placed into service. Shin Oak is designed to provide 550 MBPD of transportation capacity.

Enterprise serves as operator of Shin Oak.

Enterprise Option Agreement

In May 2018, in conjunction with a long-term natural gas liquids ("NGL") supply agreement, Enterprise granted Apache Corporation ("Apache") an option to acquire up to a 33% equity interest in us. In November 2018, Apache contributed this option to Altus, which is its majority-owned subsidiary. In July 2019, Altus exercised the option and acquired a 33% equity interest in us (effective July 31, 2019). We amended our limited liability company agreement and reaffirmed Enterprise as operator of our pipeline upon Altus becoming a Member of the Company.

2. Significant Accounting Policies

Our financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP"). Dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars.

All statistical data (e.g., pipeline mileage, transportation capacity and similar operating and physical measurements) in these notes to financial statements are unaudited.

In preparing these financial statements, we have evaluated subsequent events for potential recognition or disclosure through February 25, 2021, the issuance date of the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents represent unrestricted cash on hand and may also include highly liquid investments with original maturities of less than three months from the date of purchase.

Accounts Receivable

Accounts receivable are with customers utilizing our pipeline. On a routine basis, we review all outstanding accounts receivable balances and record a reserve for amounts that we expect will not be fully recovered. We do not apply actual balances against any reserves until we have exhausted substantially all collection efforts.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." The new guidance, referred to as the current expected credit loss ("CECL") model, requires the measurement of expected credit losses for financial assets (e.g., accounts receivable) held at the reporting date based on historical experience, current economic conditions, and reasonable and supportable forecasts. These changes are expected to result in the more timely recognition of losses. The adoption of this new guidance on January 1, 2020 did not have a material impact on our financial statements.

We have no allowance for doubtful accounts at December 31, 2020 or 2019.

Commitments and Contingent Liabilities

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to us but which will only be resolved when one or more future events occur or fail to occur. Our management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. When assessing loss contingencies related to pending legal proceedings against us or unasserted claims that may result in such proceedings, our management and legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. We accrue an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. We do not record a contingent liability when the likelihood of loss is probable but the amount cannot be reasonably estimated or when the likelihood of loss is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and the impact would be material to our financial statements, we disclose the nature of the contingency and, where feasible, an estimate of the possible loss or range of loss. Loss contingencies considered remote are generally not disclosed or recognized unless they involve guarantees, in which case the guarantee would be disclosed.

We have no unconditional purchase commitments or contingent liabilities at December 31, 2020 or 2019.

Environmental Costs

Our operations are subject to extensive federal and state environmental regulations. Environmental costs for remediation are accrued based on estimates of known remediation requirements. Such accruals are based on management's best estimate of the ultimate cost to remediate a site and are adjusted as further information and circumstances develop. Those estimates may change substantially depending on information about the nature and extent of contamination, appropriate remediation technologies and regulatory approvals. Expenditures to mitigate or prevent future environmental contamination are capitalized. Ongoing environmental compliance costs are charged to expense as incurred. In accruing for environmental remediation liabilities, costs of future expenditures for environmental remediation are not discounted to their present value, unless the amount and timing of the expenditures are fixed or reliably determinable.

We have no accrued liabilities for environmental remediation projects at December 31, 2020 or 2019.

Estimates

Preparing our financial statements in conformity with GAAP requires us to make estimates that affect amounts presented in the financial statements. Our most significant estimates relate to (i) the useful lives and depreciation/amortization methods used for fixed and identifiable intangible assets and (ii) revenue and expense accruals. Actual results could differ materially from our estimates. On an ongoing basis, we review our estimates based on currently available information. Any changes in the facts and circumstances underlying our estimates may require us to update such estimates, which could have a material impact on our financial statements.

Fair Value Information

The carrying amounts of accounts receivable and accounts payable approximate their fair values based on their short-term nature.

Impairment Testing for Long-Lived Assets

Long-lived assets, which consist of intangible assets with finite useful lives and property, plant and equipment, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets with carrying values that are not expected to be recovered through future cash flows are written down to their estimated fair values. The carrying value of a long-lived asset is deemed not recoverable if it exceeds the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset's carrying value exceeds the sum of its undiscounted cash flows, a non-cash asset impairment charge equal to the excess of the asset's carrying value over its estimated fair value is recorded. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. We measure fair value using market price indicators or, in the absence of such data, appropriate valuation techniques.

We did not recognize any asset impairment charges during the year ended December 31, 2020 or for the period July 31, 2019 through December 31, 2019.

Income Taxes
We are organized as a pass-through entity for federal income tax purposes; therefore, our financial statements do not provide for such taxes. Our Members are individually responsible for their allocable share of our taxable income for federal income tax purposes.

Income taxes reflect our state tax obligations under the Revised Texas Franchise Tax (the "Texas Margin Tax"). Deferred income tax liabilities are recognized for temporary differences between our assets for financial reporting and tax purposes.

Based on our pre-tax book net income, our effective income tax rate was 0.8% for the year ended December 31, 2020 and 0.9% for the period July 31, 2019 through December 31, 2019.

Property, Plant and Equipment
Property, plant and equipment is recorded at cost. Expenditures for additions, improvements and other enhancements to property, plant and equipment are capitalized, and minor replacements, maintenance, and repairs that do not extend asset life or add value are charged to expense as incurred. When property, plant and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in results of operations for the respective period. In general, depreciation is the systematic and rational allocation of an asset's cost, less its residual value (if any), to the reporting periods it benefits. Our property, plant and equipment is depreciated using the straight-line method, which results in depreciation expense being incurred evenly over the life of an asset. Our estimate of depreciation expense incorporates management assumptions regarding the useful economic lives and residual values of our assets.

Asset retirement obligations ("AROs") consist of estimated costs of dismantlement, removal, site reclamation and similar activities associated with the retirement of property, plant and equipment assets. We recognize the fair value of a liability for an ARO in the period in which it is incurred and can be reasonably estimated, with the associated asset retirement cost capitalized as part of the carrying value of the asset. ARO amounts are measured at their estimated fair value using expected present value techniques. Over time, the ARO liability is accreted to its present value (through accretion expense) and the capitalized amount is depreciated over the remaining useful life of the related long-term asset. We will incur a gain or loss to the extent that our ARO liabilities are not settled at their recorded amounts.

See Note 3 for information regarding our property, plant and equipment and related AROs.

Revenues
We account for our revenue streams using ASC 606, *Revenue from Contracts with Customers*, which requires the recognition of revenue in a manner that fairly depicts the transfer of goods or services to customers in amounts that reflect the consideration we expect to receive for those goods or services. We apply this core principle using the five key steps outlined in ASC 606: (i) identify the contract; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the performance obligation is satisfied. Each of these steps involves management judgment and an analysis of the contract's material terms and conditions.

We classify our revenues as follows: (i) revenue from transportation service agreements ("TSAs") and (ii) revenue from pipeline capacity arrangements. Revenues from TSAs are determined by multiplying a fixed transportation tariff per gallon by the volume transported by shippers. We recognize revenue from TSAs when the shipper's volumes are redelivered. Revenues from capacity arrangements reflect a minimum amount billed whether the customer uses the capacity we make available to it, plus incremental contractual fees for throughput in excess of the minimum volume. Revenue is recognized in the period we make the capacity available. Revenue from incremental contractual fees for throughput in excess of the minimum volume are recognized when the associated volumes are redelivered. We believe these approaches to revenue recognition faithfully depict how we satisfy our performance obligations to shippers over time. The terms of our billings are typical of the midstream energy industry.
See Note 6 for a description of our related party revenue arrangements.

3. Property, Plant and Equipment

The historical cost of our property, plant and equipment and related accumulated depreciation balances were as follows at the dates indicated:

	Estimated Useful Life in Years	December 31, 2020	December 31, 2019
Pipeline assets	35	$ 1,433,774	$ 1,361,197
Transportation equipment	5	587	534
Land		3,482	3,644
Construction in progress		1,616	58,277
Total		1,439,459	1,423,652
Less accumulated depreciation		68,559	29,044
Property, plant and equipment, net		$ 1,370,900	$ 1,394,608

We began recognizing depreciation expense on our pipeline asset when it was placed into service in February 2019. Depreciation expense was $39.5 million for the year ended December 31, 2020 and $15.4 million for the period July 31, 2019 through December 31, 2019.

Asset Retirement Obligations
We have AROs in connection with certain right-of-way agreements. Property, plant and equipment at December 31, 2020 and 2019 includes $0.9 million and $1.0 million, respectively, of asset retirement costs that were capitalized as an increase in the associated long-lived asset.

The following table presents information regarding our asset retirement liabilities for the periods presented:

	For the Year Ended December 31, 2020	For the Period July 31, 2019 Through December 31, 2019
Balance of ARO at beginning of period	$ 1,108	$ 1,328
Revision in estimated cash flows	--	(263)
Accretion expense	89	43
Balance of ARO at end of period	$ 1,197	$ 1,108

The following table presents our forecast of accretion expense for the years indicated:

2021	2022	2023	2024	2025
$ 96	$ 103	$ 112	$ 121	$ 130

4. Intangible Asset

During 2019, we recognized an intangible asset related to a connection agreement with an affiliate of Enterprise for connecting its storage facility in Mont Belvieu, Texas to our pipeline. Payment for this asset was made in 2020. We will amortize this intangible asset over a ten year period, which commenced in February 2019 and corresponds to the tenure of our storage agreement with an affiliate of Enterprise (see Note 6). Amortization expense is computed using the straight-line method and was $0.5 million and $0.2 million for the year ended December 31, 2020 and for the period July 31, 2019 through December 31, 2019, respectively. Amortization expense for this intangible asset over the next five years is forecast to be $0.5 million annually.

5. Members' Equity

As a limited liability company, our Members are not personally liable for any of our debts, obligations or other liabilities. Income or loss amounts are allocated solely to our Members based on their respective membership interests. Cash contributions by and distributions to Members are also based on their respective membership interests.

Cash contributions from Members for the period July 31, 2019 through December 31, 2019 reflect amounts contributed to construct Shin Oak. As described in Note 1, Altus acquired a 33% member interest in us upon exercising the option granted by Enterprise and providing an initial contribution of $440.7 million, which we immediately distributed to Enterprise.

6. Related Party Transactions

Substantially all of our revenues for the year ended December 31, 2020 and for the period July 31, 2019 through December 31, 2019 were earned from Enterprise and its affiliates.

Revenues from Enterprise and its affiliates in connection with TSAs are based on actual volumes redelivered and a fixed transportation tariff of 4.5 cents per gallon (subject to annual escalations).

Payments are due from these customers within 10 days from receipt of invoices.

Although the TSAs do not reflect minimum volume commitments, they do feature volume dedications from multiple origin points in West Texas that may aggregate up to 450 MBPD. The TSAs with Enterprise provide for a ten-year primary term, followed by two five-year extensions (each solely at the discretion of Enterprise). If a TSA has not been cancelled by either us or Enterprise at the end of the second five-year extension, the agreement will go evergreen year-to-year at that point and be cancellable by either us or Enterprise at the end of an evergreen contract year. A separate TSA with an affiliate of Enterprise also provides for a ten-year primary term. If this TSA is not cancelled by the affiliate of Enterprise at the end of the primary term, the agreement will go evergreen year-to-year at that point and be cancellable by the affiliate of Enterprise at the end of an evergreen contract year.

Another affiliate of Enterprise utilizes Shin Oak for offloading mixed NGLs under a capacity arrangement that has an initial term of 15 years, with the option to extend the agreement for up to seven additional five-year terms at the election of the affiliate of Enterprise. The affiliate of Enterprise may cancel the capacity arrangement for any reason at any time during the term of the agreement by providing six months written notice to us. The capacity arrangement stipulates that the affiliate of Enterprise will pay us a monthly contractual fee of $5.1 million for the right to use 135 MBPD of available capacity on Shin Oak. We determine the amount of capacity available to the affiliate of Enterprise after first taking into account transportation commitments under our TSAs. The monthly contractual fee is subject to proportional reduction if (i) we determine that Shin Oak's available capacity is less than 135 MBPD or (ii) the affiliate of Enterprise chooses to use less than 135 MBPD of available capacity; however, the fee is subject to a floor amount of $3.8 million per month, which may be reduced further if we are able to utilize any unused transportation capacity for our account. The affiliate of Enterprise will owe us the floor amount (or the reduced floor amount) regardless of whether it actually utilizes the available capacity. Conversely, if we determine that Shin Oak has available capacity in excess of 135 MBPD, the affiliate of Enterprise has the right, but not the obligation, to use such excess capacity. To the extent such excess capacity is utilized by the affiliate of Enterprise, it will pay an incremental contractual fee that is in proportion to the monthly contractual fee of $5.1 million.

We have no employees. All of our operating functions, general and administrative support and project management services are provided by employees of Enterprise. For the year ended December 31, 2020 and for the period July 31, 2019 through December 31, 2019, we reimbursed Enterprise $1.9 million and $0.8 million, respectively, for payroll costs.

We reserve underground storage capacity in Mont Belvieu, Texas from an affiliate of Enterprise. The agreement commenced in February 2019 and has an initial term of 10 years, with the option to extend the term thereafter on a year-to-year basis (up to 40 such renewals) at the discretion of the affiliate of Enterprise. The base annual cost of this storage reservation is approximately $2.8 million, with additional charges for overstorage and other customary amounts when required. We incurred $2.9 million and $1.1 million of related party operating expense during the year ended December 31, 2020 and during the period July 31, 2019 through December 31, 2019, respectively, in connection with this agreement.

The following table summarizes our accounts receivable and accounts payable with related parties at the dates indicated:

	December 31, 2020	December 31, 2019
Accounts receivable – related parties		
Altus	$ 61	$ --
Enterprise and its affiliates	7,747	2,399
Total	$ 7,808	$ 2,399
Accounts payable – related parties		
Enterprise and its affiliates	74	6,889
Total	$ 74	$ 6,889

7. Risks and Uncertainties

Nature of Operations

The NGL volumes we transport originate from domestic resource basins, which naturally deplete over time. Many economic and business factors beyond our control can adversely affect the decision by producers to explore for and develop new reserves. These factors could include relatively low crude oil and natural gas prices, cost and availability of equipment and labor, regulatory changes, capital budget limitations, the lack of available capital or the probability of success in finding hydrocarbons. A decrease in exploration and development activities in the region served by Shin Oak could result in a decrease in transportation volumes on our pipeline, which could have a material adverse effect on our financial position, results of operations and cash flows.

Regulatory and Legal Risks

As part of our normal business activities, we are subject to various laws and regulations, including those related to environmental matters. In the opinion of management, compliance with existing laws and regulations is not expected to have a material effect on our financial position, results of operations or cash flows.

Also, in the normal course of business, we may be a party to lawsuits and similar proceedings before various courts and governmental agencies involving, for example, contractual disputes, environmental issues and other matters. We are not aware of any such matters at December 31, 2020 or 2019. If new information becomes available, we will establish accruals and/or make disclosures as appropriate.

Customer Concentration

Enterprise and its affiliates account for substantially all of our revenues. The loss of this customer group would have a material adverse effect on our financial position, results of operations and cash flows.

FINANCIAL STATEMENTS
With Report of Independent Auditor's

PERMIAN HIGHWAY PIPELINE LLC

As of December 31, 2020 and
For the Year Ended December 31, 2020

PERMIAN HIGHWAY PIPELINE LLC
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Independent Auditor's Report

Board of Directors and Members
Permian Highway Pipeline LLC
Houston, Texas

Opinion

We have audited the financial statements of Permian Highway Pipeline LLC (the "Company"), which comprise the balance sheet as of December 31, 2020, and the related statements of operations, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Significant Transactions with Related Parties

As discussed in Note 4 to the financial statements, the Company has entered into significant transactions with related parties.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ BDO USA, LLP

Houston, Texas

February 19, 2021

PERMIAN HIGHWAY PIPELINE LLC
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended December 31, 2020
Revenues	$ 7,220
Operating Costs and Expenses	
Operations and maintenance	2,453
Depreciation and amortization	5,969
General and administrative	81
Taxes, other than income taxes	515
Total Operating Costs and Expenses	9,018
Operating Loss	(1,798)
Other Income (Expense)	
Interest Income	512
Other, net	150
Total Other Income	662
Loss Before Income Taxes	(1,136)
Income Tax Expense	(4)
Net Loss	$ (1,140)

The accompanying notes are an integral part of this financial statement.

PERMIAN HIGHWAY PIPELINE LLC
BALANCE SHEET
(In thousands)

		December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$	12,622
Accounts receivable		248
Accounts receivable from affiliates		9,123
Other current assets		1,741
Total current assets		23,734
Property, plant and equipment, net		2,314,017
Deferred charges		2,159
Total Assets	$	2,339,910
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$	86,862
Accounts payable to affiliates		1,229
Accrued taxes, other than income taxes		6,363
Other current liabilities		1,409
Total current liabilities		95,863
Commitments and contingencies (Note 5)		
Members' Equity		2,244,047
Total Liabilities and Members' Equity	$	2,339,910

The accompanying notes are an integral part of this financial statement.

PERMIAN HIGHWAY PIPELINE LLC
STATEMENT OF CASH FLOWS
(In thousands)

		Year Ended December 31, 2020
Cash Flows From Operating Activities		
Net loss	$	(1,140)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		5,969
Change in components of working capital:		
Accounts receivable		(3,063)
Accounts payable		3,099
Accrued taxes, other than income taxes		(121)
Other current assets and liabilities		(128)
Other long-term assets and liabilities		(2,159)
Net Cash Provided by Operating Activities		2,457
Cash Flows From Investing Activities		
Capital expenditures		(1,180,206)
Net Cash Used in Investing Activities		(1,180,206)
Cash Flows From Financing Activities		
Contributions from Members		1,111,274
Net Cash Provided by Financing Activities		1,111,274
Net Decrease in Cash and Cash Equivalents		(66,475)
Cash and Cash Equivalents, beginning of period		79,097
Cash and Cash Equivalents, end of period	$	12,622

The accompanying notes are an integral part of this financial statement.

PERMIAN HIGHWAY PIPELINE LLC
STATEMENT OF MEMBERS' EQUITY
(In thousands)

	December 31, 2020
Beginning Balance	$ 1,133,913
Net loss	(1,140)
Contributions	1,111,274
Ending Balance	$ 2,244,047

The accompanying notes are an integral part of this financial statement.

PERMIAN HIGHWAY PIPELINE LLC
NOTES TO FINANCIAL STATEMENTS

1. General

We are a Delaware limited liability company, formed on August 8, 2018. When we refer to "us," "we," "our," "the Company," or "PHP," we are describing Permian Highway Pipeline LLC.

The Members' interests in us are as follows:

- 26.66665% - Kinder Morgan Texas Pipeline LLC (KMTP), an indirect subsidiary of Kinder Morgan, Inc. (KMI);
- 26.66665% - BCP PHP LLC (BCP), a portfolio company of Blackstone Energy Partners;
- 26.66670% - Altus Midstream Processing LP (Altus), a subsidiary of Apache Corporation; and
- 20% - an affiliate of an anchor shipper.

We were formed to develop, construct, own, operate and maintain the PHP pipeline system. Beginning in the Waha, Texas area and extending to the U.S. Gulf Coast and Mexico markets, the 430-mile pipeline is designed to transport up to approximately 2.1 billion cubic feet per day of natural gas. On November 1, 2020, the pipeline was placed into early in-service offering interruptible service only and was placed into full commercial service on January 1, 2021.

2. Summary of Significant Accounting Policies

Basis of Presentation

We have prepared our accompanying financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's Accounting Standards Codification, the single source of United States (U.S.) Generally Accepted Accounting Principles and referred to in this report as the Codification.

Management has evaluated subsequent events through February 19, 2021, the date the financial statements were available to be issued.

Coronavirus Diseases 2019 (COVID-19)

The COVID-19 pandemic-related reduction in energy demand and the dramatic decline in commodity prices that began in the first quarter of 2020 has continued to cause disruptions and volatility. Sharp declines in the supply of and demand for energy related commodities due to the economic shutdown in the wake of the pandemic also affected the energy industry during 2020, and continues to do so. Further, significant uncertainty remains regarding the duration and extent of the impact of the pandemic (including the timing and distribution of vaccines) on the energy industry, including demand and prices for hydrocarbons.

Use of Estimates

Certain amounts included in or affecting our financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities, our revenues and expenses during the reporting period, and our disclosures, including as it relates to contingent assets and liabilities at the date of our financial statements. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Certain accounting policies are of more significance in our financial statement preparation process than others, and set out below are the principal accounting policies we apply in the preparation of our financial statements.

Cash Equivalents

We define cash equivalents as all highly liquid short-term investments with original maturities of three months or less.

Allowance for Credit Losses

Effective with our adoption of Accounting Standards Update No. 2016-13, "*Financial Instruments–Credit Losses*" on January 1, 2020, we evaluate our financial assets measured at amortized cost and off-balance sheet credit exposures for expected credit losses over the contractual term of the asset or exposure. We consider available information relevant to assessing the collectability of cash flows including the expected risk of credit loss even if that risk is remote. We measure expected credit losses on a collective (pool) basis when similar risk characteristics exist and we reflect the expected credit losses on the amortized cost basis of the financial asset as of the reporting date.

Our financial instruments primarily consist of our accounts receivable from customers. We utilized historical analysis of credit losses experienced over the previous five years along with current conditions and reasonable and supportable forecasts of future conditions in our evaluation of collectability of our financial assets.

We had no allowance for credit losses recorded as of December 31, 2020.

Natural Gas Imbalances

Natural gas imbalances occur when the amount of natural gas delivered from or received by a pipeline system or storage facility differs from the scheduled amount of gas to be delivered or received. We value these imbalances due to or from shippers and operators at current index prices. Imbalances are settled in cash or made up in-kind. Imbalances due from others are reported on our accompanying Balance Sheet in "Other current assets." Imbalances owed to others are reported on our accompanying Balance Sheet in "Other current liabilities." We classify all imbalances due from or owed to others as current as we expect to settle them within a year.

Property, Plant and Equipment, net

Our property, plant and equipment is recorded at its original cost of construction. For constructed assets, we capitalize all construction-related direct labor and material costs, as well as indirect construction costs. The indirect capitalized labor and related costs are an established amount in the Construction Management Agreement (CMA) which represents the estimate of labor and related costs associated with supporting construction projects. We expense costs for routine maintenance and repairs in the period incurred.

We use the composite method to depreciate our property, plant and equipment. Under this method, assets with similar economic characteristics are grouped and depreciated as one asset. When property, plant and equipment is retired, accumulated depreciation and amortization is charged for the original costs of the assets in addition to the costs to remove, sell or dispose of the assets, less salvage value. We do not recognize gains or losses upon normal retirement of assets under the composite depreciation method.

Asset Retirement Obligations (ARO)

We record liabilities for obligations related to the retirement and removal of long-lived assets used in our businesses. We record, as liabilities, the fair value of ARO on a discounted basis when they are incurred and can be reasonably estimated, which is typically at the time the assets are installed or acquired. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities increase due to the change in their present value, and the initial capitalized costs are depreciated over the useful lives of the related assets. The liabilities are eventually extinguished when the asset is taken out of service.

We are required to operate and maintain our natural gas pipeline system, and intend to do so as long as supply and demand for such services exists, which we expect for the foreseeable future. Therefore, we believe that we cannot reasonably estimate the ARO for the substantial majority of our assets because these assets have indeterminate lives. We continue to evaluate our ARO and future developments could impact the amounts we record. We had no ARO recorded as of December 31, 2020.

Long-lived Asset Impairments

We evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the carrying values may not be recovered. These events include changes in the manner in which we intend to use a long-lived asset, decisions to sell an asset and adverse changes in market conditions or in the legal or business environment such as adverse actions by regulators. If an event occurs, which is a determination that involves judgment, we evaluate the recoverability of the carrying value of our long-lived asset based on the long-lived asset's ability to generate future cash flows on an undiscounted basis. If an impairment is indicated, or if we decide to sell a long-lived asset or group of assets, we adjust the carrying value of the asset downward, if necessary, to its estimated fair value.

Our fair value estimates are generally based on assumptions market participants would use, including market data obtained through the sales process or an analysis of expected discounted future cash flows. There were no impairments for the year ended December 31, 2020.

Revenue Recognition

Revenue from Contracts with Customers

We review our contracts with customers using the following steps to recognize revenue based on the transfer of goods or services to customers and in amounts that reflect the consideration the company expects to receive for those goods or services. The steps include: (i) identify the contract; (ii) identify the performance obligations of the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and then (v) recognize revenue when (or as) the performance obligation is satisfied. Each of these steps involves management judgment and an analysis of the contract's material terms and conditions.

Our early in-service revenues consist of non-firm services from our transportation agreements. Non-firm services (also called interruptible services) are provided to the customer on an "as available" basis. There is no fixed fee associated with these transportation services because the customer accepts the possibility that service may be interrupted at our discretion in order to serve customers who have firm service contracts. We do not have an obligation to perform under interruptible customer arrangements until we accept and schedule the customer's request for periodic service. The customer pays a transaction price based on a fee-based per-unit rate for the quantities actually transported.

Major Customers

For the year ended December 31, 2020, revenues from our four largest affiliated customers and largest non-affiliated customer were approximately \$1,957,000, \$1,689,000, \$1,353,000, \$1,295,000 and \$908,000, respectively, each of which exceeded 10% of our revenues.

Environmental Matters

We capitalize or expense, as appropriate, environmental expenditures. We capitalize certain environmental expenditures required to obtain rights-of-way, regulatory approvals or permitting as part of the construction of facilities we use in our business operations. We accrue and expense environmental costs that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation. We generally do not discount environmental liabilities to a net present value, and we record environmental liabilities when environmental assessments and/or remedial efforts are probable and we can reasonably estimate the costs. Generally, our accrual of these environmental liabilities coincides with either our completion of a feasibility study or our commitment to a formal plan of action. We recognize receivables for anticipated associated insurance recoveries when such recoveries are deemed to be probable.

We routinely conduct reviews of potential environmental issues and claims that could impact our assets or operations. These reviews assist us in identifying environmental issues and estimating the costs and timing of remediation efforts. We also routinely adjust our environmental liabilities to reflect changes in previous estimates. In making environmental liability estimations, we consider the material effect of environmental compliance, pending legal actions against us, and potential third-party liability claims we may have against others. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in our income in the period in which they are reasonably determinable.

We are subject to environmental cleanup and enforcement actions from time to time. In particular, the Comprehensive Environmental Response, Compensation and Liability Act generally imposes joint and several liability for cleanup and enforcement costs on current and predecessor owners and operators of a site, among others, without regard to fault or the legality of the original conduct, subject to the right of a liable party to establish a "reasonable basis" for apportionment of costs. Our operations are also subject to federal, state and local laws and regulations relating to protection of the environment. Although we believe our operations are in substantial compliance with applicable environmental laws and regulations, risks of additional costs and liabilities are inherent in our operations, and there can be no assurance that we will not incur significant costs and liabilities. Moreover, it is possible that other developments could result in substantial costs and liabilities to us, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from our operations.

Although it is not possible to predict the ultimate outcomes, we believe that the resolution of the environmental matters, and other matters to which we are a party, will not have a material adverse effect on our business. We had no accruals for any outstanding environmental matters as of December 31, 2020.

Income Taxes

We are a limited liability company that is treated as a partnership for income tax purposes and are not subject to federal or state income taxes. Accordingly, no provision for federal or state income taxes has been recorded in our financial statements. The tax effects of our activities accrue to our Members who report on their individual federal income tax returns their share of revenues and expenses. However, we are subject to Texas margin tax (a revenue based calculation), which is presented as "Income Tax Expense" on our accompanying Statement of Operations.

3. Property, Plant and Equipment, net

Our property, plant and equipment, net consisted of the following:

	Annual Depreciation Rates	December 31, 2020
	%	(In thousands)
Transmission facilities	3.33	$ 2,155,308
Intangible plant	3.33	45,958
Vehicles and shop equipment	10.0 - 20.0	1,637
Accumulated depreciation and amortization		(5,969)
		2,196,934
Land		2,816
Construction work in progress(a)		114,267
Property, plant and equipment, net		$ 2,314,017

(a) Includes a net decrease in accruals of approximately $112,587,000 in 2020 as compared to 2019.

4. Related Party Transactions

LLC Agreement

Under the terms of the LLC Agreement, our Members are obligated to make capital contributions to fund the construction of our pipeline.

Affiliate Agreements

As of September 4, 2018, we entered into a CMA and an Operations and Maintenance Agreement (OMA) with KMTP to develop and construct the PHP pipeline and to operate, maintain, and administer the pipeline and facilities once in-service or partially in-service. Pursuant to the CMA, we paid KMTP an owner fixed capital charge payable in monthly installments, which began in October 2018 and will pay until the completion of the construction phase or until we meet the maximum amount allowed to be paid per the CMA. The OMA requires us to pay KMTP an annual charge payable in equal monthly installments beginning with the full in-service of the pipeline system.

Affiliate Balances and Activities

We do not have employees. Employees of KMI provide services to us. In accordance with our governance documents, we reimburse KMI at cost.

The following table summarizes our other balance sheet affiliate balances not presented separately on the accompanying Balance Sheet:

	December 31, 2020
	(In thousands)
Deferred charges	$ 1,568
Natural gas imbalance payable(a)	875

(a) Included in "Other current liabilities" on our accompanying Balance Sheet.

The following table shows revenues and costs from our affiliates:

	Year Ended December 31, 2020
	(In thousands)
Revenues	$ 6,294
Operations and maintenance	1,755
General and administrative	2
Capitalized costs(a)	42,806

(a) Includes costs associated with the affiliate agreements described above.

Subsequent Events

In January and February 2021, we received cash contributions from our Members totaling $73,093,000 and $3,867,000, respectively.

5. Litigation and Commitments

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our business that may result in claims against the Company. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend the Company. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

Legal Proceedings

Several lawsuits have been filed by landowners and various governmental and non-governmental organizations seeking, among other relief, to enjoin construction or operation of the PHP pipeline. On April 22, 2019, a lawsuit was filed in state court in Travis County, Texas by several landowners, a Texas county, and a municipality against PHP, the Texas Railroad Commission (RRC) and others alleging the administrative process by which gas utilities in Texas are granted certain permits and authority to exercise eminent domain violates the Texas Constitution. Plaintiffs seek, among other relief, a declaration against the RRC and to enjoin PHP from exercising eminent domain to acquire right-of-way on which to construct the PHP pipeline. On July 5, 2019, the state court entered a final judgment dismissing all claims against the RRC (and its Commissioners) for lack of jurisdiction, granting summary judgment in favor of PHP, and dismissing plaintiffs' application for an injunction against PHP as moot. Plaintiffs filed an appeal which is pending in the Court of Appeals for the Third District of Texas. The Court of Appeals heard oral argument on December 16, 2020. The case is captioned *Andrew Sansom, et al. v. Texas Railroad Commission, et al.* On January 25, 2020, a lawsuit was filed in the U.S. District Court for the W.D. of Texas—Austin Division, by several landowners against PHP and others; the plaintiffs filed an amended complaint on February 21, 2020. The lawsuit, as amended, alleges the PHP pipeline is an interstate pipeline (and not an intrastate pipeline), that PHP should have secured a Certificate of Public Convenience and Necessity from the U.S. Federal Energy Regulatory Commission for construction and operation of the PHP pipeline, and that PHP, by not doing so, deprived the plaintiffs of procedural and substantive protections afforded them under federal law including the Natural Gas Act (NGA). Plaintiffs seek, among other relief, a declaration that PHP is violating the NGA and to enjoin PHP from constructing or operating the PHP pipeline. PHP filed a motion to dismiss the case on March 3, 2020. The case is captioned *Belinda Kay Pence, et al. v. Permian Highway Pipeline, LLC, et al.* On February 5, 2020, a lawsuit was filed in the U.S. District Court for the W.D. of Texas—Austin Division, by several landowners, two Texas counties, two municipalities and a conservation district against PHP, the U.S. Department of Interior (DOI), the U.S. Fish and Wildlife Service (FWS), and others alleging violations of the Endangered Species Act (ESA), the Administrative Procedure Act (APA), and the National Environmental Policy Act (NEPA). Plaintiffs seek, among other relief, a declaration that PHP is violating the ESA and that the DOI and FWS are violating the APA and NEPA, and to enjoin PHP from constructing or operating the PHP pipeline. The court denied plaintiffs' application for a preliminary injunction on March 20, 2020. PHP filed a motion to dismiss the case on December 17, 2020. The U.S. Department of Justice, on behalf of the DOI and FWS, filed a motion to dismiss the case on January 15, 2021. The case is captioned *City of Austin, et al. v. Kinder Morgan Texas Pipeline, LLC, et al.* On April 30, 2020, a lawsuit was filed in the U.S. District Court for the W.D. of Texas—Austin Division, by the Sierra Club against the U.S. Army Corps of Engineers (ACOE), and others alleging violations of the APA and NEPA. Plaintiffs seek, among other relief, a declaration the ACOE violated the APA and NEPA and to enjoin the ACOE permit issued to PHP. PHP intervened in the case on June 24, 2020. The court denied plaintiffs' application for a preliminary injunction on August 28, 2020. The parties filed a stipulation of voluntary dismissal on February 11, 2021, and the case was dismissed by order dated February 12, 2021. The case was captioned *Sierra Club v. U.S. Army Corps of Engineers, et al.* On June 22, 2020, a lawsuit was filed in the U.S. District Court for the W.D. of Texas—Austin Division by several landowners and a non-profit water association against PHP alleging violations of the Safe Water Drinking Act (SWDA) and state law tort claims. Plaintiffs sought, among other relief, a declaration that PHP violated the SWDA and to enjoin certain construction activities of PHP. The case was settled during December 2020, and the court dismissed the case on January 4, 2021. The settlement amount was not material to our financial statements. The case was captioned *Albright, et al., v. PHP, et al.* PHP will continue to vigorously defend these cases. Although we believe that each of the foregoing cases lacks merit, in the event any of the plaintiffs are ultimately successful, the PHP pipeline may be enjoined or made subject to additional significant regulatory reviews which could materially impact the overall feasibility or economic benefits of the PHP pipeline which, in turn, would have a material adverse effect on us.

General

We had no accruals for any outstanding legal proceedings as of December 31, 2020.

Commitments

Capital Commitments

As of December 31, 2020, we had capital commitments of approximately $11,164,000 for purchases related to construction work in progress.

EPIC Crude Holdings, LP and Subsidiaries

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Owners
EPIC Crude Holdings, LP:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of EPIC Crude Holdings, LP and subsidiaries (the Partnership) as of December 31, 2020, the related consolidated statements of operations, changes in owners' equity, and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2020, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The consolidated financial statements of the Partnership as of December 31, 2019 and for the year then ended were audited by other auditors whose report dated March 11, 2020, expressed an unmodified opinion on those consolidated financial statements.

Basis for Opinion

These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Partnership's auditor since 2020.

San Antonio, Texas
February 25, 2021

EPIC Crude Holdings, LP and Subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

(Dollars in Thousands)

	2020	2019
Current assets		
Cash	9,433	15,212
Restricted cash	5,862	4,589
Account receivable	17,156	12,709
Related party receivable	55,009	45,247
Cash advance for asset purchased	-	82,300
Inventory	29,375	-
Prepaid expenses, deposits, and other current assets	6,160	3,734
Total current assets	122,995	163,791
Property and Equipment - net	2,267,630	2,038,549
Other assets		
Long-term deposits	5,175	5,175
Total assets	2,395,800	2,207,515
Current liabilities		
Accounts payable	8,203	79,385
Related party payable	6,902	12,177
Accrued expenses and other liabilities	35,281	90,118
Current derivative liability	4,197	5,991
Deferred revenue	740	-
Current portion of long-term debt	11,750	-
Total current liabilities	67,073	187,671
Long term liabilities		
Long-term debt, net of debt issuance costs	1,187,615	955,054
Long-term derivative liability	-	1,690
Total long-term liabilities	1,187,615	956,744
Total liabilities	1,254,688	1,144,415
Owners' equity		
Owners' equity	1,141,112	1,063,100
Total liabilities and owners' equity	2,395,800	2,207,515

Notes to the consolidated financial statements form an integral part of these statements.

EPIC Crude Holdings, LP and Subsidiaries

Consolidated Statement of Operations

Years Ended December 31, 2020 and 2019

(Dollars in Thousands)

	2020	2019
Transportation and terminal fees	$ 165,047	$ 40,756
Sales of crude oil	923	-
Total operating revenues	165,970	40,756
Operating expenses:		
Operations and maintenance	$ 69,743	$ 86,815
Loss on sale of assets	570	1,261
Inventory writedowns and project abandonments	24,476	-
Depreciation	88,257	4,825
General and administrative	18,490	15,618
Total operating expenses	201,536	108,519
Operating Loss	(35,566)	(67,763)
Other income (expense)		
Interest expense - net	(74,045)	(4,794)
Other income (expense)	(3)	22
Total other expense	(74,048)	(4,772)
Net Loss	$ (109,614)	$ (72,535)

Consolidated Statement of Comprehensive Loss:

Net loss	$ (109,614)	$ (72,535)
Changes in fair value of cash flow hedges	3,484	(7,681)
Comprehensive loss	$ (106,130)	$ (80,216)

Notes to the consolidated financial statements form an integral part of these statements.

EPIC Crude Holdings, LP and Subsidiaries

Consolidated Statement of Changes in Owners' Equity

Years Ended December 31, 2020 and 2019

(Dollars in Thousands)

Balance at December 31, 2018	$ 318,306
Contributions	825,010
Net loss	(72,535)
Other comprehensive loss	(7,681)
Balance at December 31, 2019	$ 1,063,100
Contributions	195,000
Distribution related to purchase of assets	(10,858)
Net loss	(109,614)
Other comprehensive income	3,484
Balance at December 31, 2020	$ 1,141,112

Notes to the consolidated financial statements form an integral part of these statements.

EPIC Crude Holdings, LP and Subsidiaries

Consolidated Statement of Cash Flows

Years Ended December 31, 2020 and 2019

(Dollars in Thousands)

	2020	2019
Cash flow from operating activities		
Net loss	$ (109,614)	$ (72,535)
Reconciling items:		
Depreciation of property and equipment	88,257	4,825
Amortization of debt issue costs	8,846	5,917
Inventory writedowns and project abandonments	24,476	-
Loss on sale of asset	570	1,261
Changes in operating assets and liabilities:		
Accounts receivable	(4,447)	(12,702)
Prepaid expenses, deposits and inventory	7,728	(3,352)
Accounts payable and accrued expenses	11,888	34,434
Related party payable	(15,037)	9,427
Deferred income	740	-
Long-term deposits	-	(4,445)
Net cash provided by/ (used in) operating activities	13,407	(37,170)
Cash flows from investing activities		
Repayments to parent	-	235,058
Capital expenditures	(440,812)	(1,636,693)
Cash advanced for asset purchase	-	(82,299)
Proceeds from disposal	166	551
Net cash used in investing activities	(440,646)	(1,483,383)
Cash flows from financing activities		
Proceeds from borrowings	250,000	1,000,000
Repayments of borrowings	(2,937)	(235,927)
Proceeds from short term note payable	3,489	-
Repayments of short term note payable	(364)	-
Cash advances (to)/from related parties	-	(136,726)
Contributions from partners	195,000	825,010
Distribution related to purchase of assets	(10,858)	-
Debt issuance costs	(11,597)	(50,863)
Net cash provided by financing activities	422,733	1,401,494
Net decrease in cash	(4,506)	(119,059)
Cash, including restricted cash, at beginning of year	19,801	138,860
Cash, including restricted cash, at end of year	$ 15,295	$ 19,801
Supplemental Disclosures		
Cash paid for interest	$ 75,847	$ 59,362
Supplemental Disclosures for Noncash Investing and Financing Activities		
Accounts payable and accrued capital expenditures	$ 10,117	$ 151,045

Notes to the consolidated financial statements form an integral part of these statements.

1. Operations and Nature of Business Presentation

Reporting Entity and Nature of Operations

EPIC Crude Holdings, LP (the "Partnership," "Company," "we," "our," or "us") is a Delaware limited partnership formed in September 2017. In 2019, Rattler Midstream, LLC, Dos Rios Crude Holdings, LLC and Altus Midstream Processing, LP all became limited partners in the Partnership and members of EPIC Crude Holdings GP, LLC, which is the general partner of EPIC Crude Holdings, LP.

The Partnership and its subsidiaries, EPIC Crude Marketing, LP; EPIC Crude Terminal Company, LP; EPIC Crude Pipeline, LP; and EPIC Crude Services, LP were created to acquire, construct, and operate crude oil midstream assets necessary to fulfill customer contracts to transport crude oil and condensate from West Texas to downstream infrastructure near Corpus Christi, Texas.

Final construction of the Company's nearly 700-mile large diameter pipeline originating near Orla, Texas and terminating near Corpus Christi, Texas was completed in the second quarter of 2020. The Company completed partial segments of its crude oil pipeline in 2019 and one of its two planned waterborne crude loading facilities in Corpus Christi, Texas. Additional connections to deliver crude oil to various refineries, third-party terminals and our second waterborne crude loading dock are ongoing and expected to be completed in 2021. The crude project is supported by long-term contracts with shippers that include firm commitments and acreage dedications.

2. Estimates and Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Partnership and its subsidiaries. Our reporting currency is U.S. dollars, and all references to dollars are U.S. dollars, unless stated otherwise. All significant intercompany balances and transactions have been eliminated in consolidation.

Corrections to Prior Period Financial Statements

During 2020, we identified an error related to the non-cash accrued capital expenditures classification within the Consolidated Statement of Cash Flows between operating and investing activities. The reclassification of the change in accounts payable related to capital expenditures for the year ended December 31, 2019 was previously reported within the operating section of the consolidated statement of cash flows and has correctly been reflected within the investing section of the consolidated statement in cash flows for the year ended December 31, 2019. The correction was not material to the prior period consolidated financial statements and resulted in:

- a decrease of $25 million to net cash used in operating activities on the Consolidated Statement of Cash Flows, changes in operating assets and liabilities – accounts payable and accrued expenses; and
- an increase of $25 million to net cash used in investing activities on the Consolidated Statement of Cash Flows, capital expenditures.

The correction of the error did not have any impact on the Consolidated Balance Sheet, Consolidated Statement of Operations, or Consolidated Statement of Owner's Equity as of or for the year ended December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires certain amounts included in or affecting our financial statements and related disclosures must be estimated, which requires us to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities, our revenues and expenses during the reporting period, and our disclosures, including as it relates to contingent assets and liabilities at the date of our financial statements. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts, and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

In preparing our consolidated financial statements and related disclosures, examples of certain areas that require more judgment relative to others include, but are not limited to, our use of estimates in determining: (i) timing of certain transactions, (ii) economic useful lives of our assets for depreciation and amortization, (iii) purchase accounting allocations, (iv) market value of inventory, (v) provisions for uncollectible accounts receivable, (vi) revenue recognition and (vii) contingency reserves related to environmental or litigation claims.

Recent Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which establishes the principles that lessees and lessors shall apply to report information about the amount, timing, and uncertainty of cash flows arising from a lease. The update requires lessees to record virtually all leases on their balance sheets. For lessors, this amended guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. In November 2019, the FASB issued Accounting Standards Update No. 2019-10 ("ASU 2019-10"), which deferred the effective date for the adoption of the lease guidance for one year from the original effective date. Based on the Coronavirus Disease 2019 ("COVID-19") pandemic, the FASB issued Accounting Standards Update No. 2020-05 ("ASU 2020-05"), which granted a limited deferral of the effective dates for ASU 2016-02 in June 2020. The limited deferral period is for one year, and the new effective date is for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Partnership has elected to take the limited deferral period granted in ASU 2020-05 and is currently evaluating the impact of its pending adoption of the new lease standard on its consolidated financial statements.

Financial Instruments – Credit Losses

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, "Financial Instruments - Credit Losses" (Topic 326) ("ASU 2016-13"), which requires organizations to measure all current expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 is expected to improve financial reporting by requiring timelier recording of credit losses on financial assets measured at amortized costs basis including, but not limited to loans, net investments in leases and off-balance sheet credit exposure. ASU 2016-13 eliminates the probable initial recognition threshold under the current incurred loss methodology for recognizing credit losses. The Partnership will incorporate forward-looking information and macroeconomic factors into its credit loss estimates. ASU 2016-13 requires enhanced disclosures to help investors and other financial statement users to better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In May 2019, the FASB issued ASU 2019-05, Financial Instruments - Credit Losses ("ASU 2019-05"), to provide targeted transition relief upon the adoption of ASU 2016-13. The amendment provides an entity with the option to irrevocably elect the fair value option on certain financial assets on transition. ASU 2016-13 and its subsequent amendments is effective for annual reporting periods beginning after December 15, 2022, including interim periods within those annual reporting periods.

The Partnership is currently evaluating the impact of its pending adoption of the new current expected credit loss standard on its consolidated financial statements.

Cash and Cash Equivalents

Cash includes bank deposits and all overnight cash sweep short-term investments that have a maturity of less than one day. We maintain our cash deposits with high credit quality financial institutions. At times, our cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limits.

Restricted Cash

Restricted cash is restricted as to withdrawal or use under the terms of certain financial credit agreements including cash held to meet certain reserve requirements under the terms of our credit agreements.

	December 31, 2020	December 31, 2019
Cash	$ 9,433	$ 15,212
Restricted Cash	5,862	4,589
Total cash, including restricted cash, shown in the Consolidated Statement of Cash Flows	$ 15,295	$ 19,801

Accounts Receivable

These amounts primarily consist of amounts due from customers net of allowance for doubtful accounts. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes, based on available customer-specific information and circumstances, the receivable is determined to be uncollectible. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables.

There was no allowance for doubtful accounts as of December 31, 2020 and 2019.

Inventory

Inventory consists principally of pipe, materials and spare parts held in primarily two warehouse locations. Inventory is held at lower of cost or market. The partnership recognized inventory write-offs of $12.6 million during the year ended December 31, 2020, primarily relating to adjustments to carrying value as of December 31, 2020 of large diameter pipe due to lower steel prices. This pipe is anticipated to be sold into the secondary market in future periods

Property, Plant and Equipment

Property and equipment are stated at cost less accumulated depreciation. Renewals and betterments that substantially extend the useful lives of the assets are capitalized. Maintenance and repairs that do not extend the useful life or add capacity are expensed when incurred. Additionally, we capitalize certain costs directly related to the construction of assets including internal labor costs, engineering costs and right-of-way easement costs. Depreciation expense is calculated on the straight-line method over the following estimated useful lives of the assets:

Furniture, fixtures, and office equipment	3 years
Right of Way	10 – 30 years
Machinery, equipment, and buildings	10 – 40 years
Vessels, towers, and tanks	25 – 30 years
Pipelines	30 years

Property, plant and equipment is evaluated for impairment whenever events or changes in business circumstances and market conditions indicate that the carrying amount of assets may not be recoverable. If such a review should indicate that the carrying amount of long-lived assets is not recoverable, we reduce the carrying amount of such assets to fair value.

Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. Debt issuance costs are being amortized to interest expense using the effective interest method over the term of the related debt.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, and gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on cash flow hedges, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Asset Retirement Obligations

We have determined that we are obligated by contractual or regulatory requirements to remove facilities or perform other remediation upon retirement of certain assets. The fair value of any asset retirement obligation ("ARO") is determined based on estimates and assumptions related to retirement costs, which the Partnership bases on historical retirement costs, future inflation rates and credit-adjusted risk-free interest rates.

An ARO is required to be recorded when a legal obligation to retire an asset exists and such obligation can be reasonably estimated. We will record an asset retirement obligation in the periods in which management can reasonably estimate the settlement dates.

Management was not able to reasonably measure the fair value of asset retirement obligations as of December 31, 2020 and 2019, in most cases because the settlement dates were indeterminable. Although some of our assets are subject to agreements or regulations that give rise to an ARO upon the discontinued use of these assets, AROs were not recorded because these assets have an indeterminate removal or abandonment date given the expected continued use of the assets with proper maintenance or replacement. The retirement obligations for these assets cannot be measured at this time.

Individual component assets have been and will continue to be replaced, but the pipelines and the terminal facilities will continue in operation as long as supply and demand for crude oil exists. Based on the widespread use of crude oil in industrial and refining activities, management expects supply and demand to exist for the foreseeable future. We have in place a continuous repair and maintenance program that keeps the pipelines and the terminal facilities in good operational condition. Therefore, although some of the individual assets may be replaced, the pipelines and the facilities themselves will remain intact indefinitely.

Revenue Recognition

The Partnership accounts for revenue from contracts with customers in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers*, and a series of related accounting standard updates included Accounting Standards Codification Topic 606. The principles for recognizing revenue under Topic 606 is an entity should recognize revenue as that entity satisfies its performance obligations which are represented by a promise in contract to transfer to a customer either a distinct good or service or a series of distinct goods or services over a period of time. Topic 606 requires that a contract's transaction price, which is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, is to be allocated to each performance obligation in the contract based on relative standalone selling prices and recognized as revenue when control of the goods or services transfers to the customer and the performance obligation is satisfied, whether that is a point in time or over a period of time.

Our customer service contracts primarily include two distinct services: (i) transportation services, and (ii) terminaling services. We provide disaggregated data for these two distinct services in *Footnote # 12 Revenue Recognition*. The contract structure for these services is consistent and discussed in further detail below. For the majority of these contracts, our promise is to transfer a distinct good or service (or bundle of goods or services) over a period of time, which represents a single performance obligation. The transaction price includes fixed and/or variable consideration which is generally determinable at contract inception and/or upon our right to invoice for the standalone value of services provided to the customer during the preceding time period which is commonly at month end or upon completion of services if the services were transferred over a period of time that is less than one month. If upon evaluation, we determined the contract contained multiple performance obligations we would identify and allocate the total contract consideration we expect to be entitled to, to each distinct performance obligation. The transaction price is recognized as revenue over the service period specified in the contract, either based on the passage of time or a units-based method for quantifying the transfer of services and satisfaction of our performance obligation over the service period or at a point in time.

We provide services on both a firm and interruptible basis. These particular type of services are distinct from one another in that the Partnership must stand ready to perform the services under firm customer contracts regardless of whether that customer actually requires us to perform the service. Firm service contracts are a promise to make capacity available to the customer at all times during the period(s) covered by the contract. As consideration for us making capacity available, firm service contracts are typically structured with a minimum volume commitment, which requires a customer to pay for a minimum quantity even if they choose not to use the capacity/service in the specified service period (referred to as "deficiency payments"). We typically recognize the portion of the transaction price associated with making capacity available that was unused by the customer ("volume shortfall"), which required a deficiency payment, as revenue depending on whether the contract allows the customer to deliver excess volumes in subsequent periods and "make-up" the volume shortfall. If contractually the customer cannot make up volume shortfalls in future periods, our performance obligation is satisfied, and revenue associated with any deficiency payments is generally recognized as the contractual service period expires. Consequently, if the customer can acquire the promised service in a future period and make-up the volume shortfall in a future period, we have a performance obligation to transfer services at the customer's request in the future. As the Company's performance obligation has not yet been satisfied, we defer any consideration received as deficiency payments as a liability, and will recognize a proportionate amount as revenue once either: (i) the customer makes-up the volume shortfall and we have fully satisfied our obligation thru performance or (ii) the customer becomes unable to exercise their right to make-up the volume shortfall (e.g., there is insufficient capacity to make-up the volumes or the service period expires). For services transferred from the Company to the customer over a period of time we recognize the transaction price as revenue as those units of service are transferred to the customer in the specified service period (i.e., customer utilizes transportation capacity made available by the Company and receives the transfer of services from the Company during the service period).

For interruptible service contracts, where the Company transfers transportation or terminaling services over a period of time we recognize the transaction price as revenue as those units of service are transferred to the customer in the specified service period, generally over a period of one month.

Operating Costs and Expenses

Operating expenses include all costs incurred to provide customers with transportation services and maintain Partnership assets, including compensation for operations personnel, vehicle expenses, fuel, cathodic protection, chemicals, utilities required for operations and maintenance and repair activities. General and administrative expenses include all partnership related expenses, insurance and compensation for executive and administrative personnel.

Accounting for Price Risk Management Activities – Interest

The Company engages in price risk management activities for nontrading purposes to manage forward interest rate risk. The Partnership does not engage in speculative trading. During 2019, the Partnership entered into interest rate swap agreements to hedge its floating interest rate risk on a portion of its issued and outstanding term loan.

All derivative instruments are recorded in the consolidated balance sheets at their fair values. Changes in the derivative instrument's fair value are recorded currently in earnings, unless the derivative qualifies as a cash flow hedge.

Changes in the fair value of derivative instruments designated as cash flow hedges, to the extent they are effective in offsetting cash flows attributable to the hedged risk, are recorded in other comprehensive loss until the hedged item is recognized in earnings. There was no ineffectiveness recognized during the years ended December 31, 2020 and 2019.

The company paid $13.6 million and $1.3 million related to its interest rate swaps during 2020 and 2019, respectively. The interest rate swaps expire in March 2021.

Income Taxes

For U.S. federal income tax purposes, the Partnership's income is not directly subject to income tax and the Partnership is treated as a pass-through entity. Limited Partnerships (LPs) are formed in accordance with the laws of the state in which they are organized. LPs, such as the Partnership, are treated as partnerships or disregarded entities for federal income tax purposes, depending upon the structure. All income, expenses, gains and losses are passed through to and reported by its owner and ultimately flow to individual taxpayers. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements. The Partnership is subject to the Texas state gross margin tax. The provision for state income taxes is immaterial for the years ended December 31, 2020 and 2019.

Certain transactions may be subject to accounting treatment for income tax that differs from the presentation under GAAP. Accordingly, items of net income or loss and balances in the member's capital accounts may differ between the balances presented in the accompanying financial statements and the balances shown in the respective income tax returns.

The Partnership has evaluated tax positions taken or expected to be taken and concluded that there are no uncertain tax positions requiring adjustment to the consolidated financial statements for the years ended December 31, 2020 and 2019. The Partnership tax years are open to income tax examinations by U.S. federal, state or local tax authorities for tax years 2017, 2018, and 2019. Conclusions regarding the evaluation are subject to review and may change based on factors including, but not limited to, ongoing analysis of tax laws, regulations and interpretations thereof.

The Partnership accounts for deferred income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future taxes attributable to the difference between financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets are also recognized for the future tax benefits attributable to the expected utilization of tax net operating loss carryforwards. In the event future utilization is determined to be unlikely, a valuation allowance is provided to reduce the tax benefits from such assets. There were no deferred tax assets or liabilities recorded as of December 31, 2020 or 2019.

Contingencies

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Partnership, but which will only be resolved when one or more future events occur or fail to occur. The Partnership's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Partnership or unasserted claims that may result in such proceedings, the Partnership's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Partnership's consolidated financial statements based on the available facts and circumstances surrounding the matter in question. If the estimated loss has a range of possible outcomes and all outcomes are equally possible, we accrue the lowest amount within the possible range. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Risks and Uncertainties

The Company's future financial condition and results of operations are highly dependent on throughput volumes being transported through the Company's pipeline. Customer demand is based on the demand and prices received by customers for their oil, gas and natural gas liquids production. Commodity prices are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil, gas and natural gas liquids, and market uncertainty, and a variety of additional factors beyond the Company's control. These factors include the supply of oil and gas reserves in our areas of operations, the level of consumer demand, weather conditions, government regulations and taxes, the price and availability of alternative fuels, and overall economic conditions. A decline in oil, gas and natural gas liquids prices may adversely affect the Company's cash flow, liquidity, and profitability as customers reduce the amount of drilling activity in our areas of operations.

3. Fair Value Measurements and Disclosures

The requirements of ASC 820, *Fair Value Measurements and Disclosures* apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The fair value of the Company's cash, cash equivalents, and trade accounts receivable and payable approximates the carrying amounts of such instruments due to their short maturity. The fair value of the Company's debt approximates the carrying amounts of such instrument due to the variable interest rate.

The Company obtains fair value measurements for derivative instruments from reputable pricing services. The fair value measurements are based on option pricing and discounted cash flow models which consider observable data that include forward market prices, volatilities and risk-free interest rates. The general classification of such instruments pursuant to the valuation hierarchy is set forth below.

The following table represents liabilities measured at fair value on a recurring basis, as reported on the consolidated balance sheets as of December 31, 2020 and 2019, and by level within the fair value measurement hierarchy (dollars in thousands):

		Fair Value Measurements at December 31, 2020		
	Total Fair Value	Level 1	Level 2	Level 3
Interest rate derivatives	$ (4,197)	$ -	$ (4,197)	$ -

		Fair Value Measurements at December 31, 2019		
	Total Fair Value	Level 1	Level 2	Level 3
Interest rate derivatives	$ (7,681)	$ -	$ (7,681)	$ -

4. Accounts Receivable

Accounts receivable consist of the following (dollars in thousands):

	December 31,	
	2020	2019
Trade receivables	$ 15,879	$ 11,995
Related party receivables	55,009	45,247
Other receivables	1,277	714
Accounts Receivable, gross	$ 72,165	$ 57,956

Trade receivables arise from the transportation of crude oil and terminal services provided to our customers. There is $22.9 million of trade receivables due as of December 31, 2020 from transportation and terminaling services provided, $7.1 million of which is included in the related party receivables.

Related party receivables represent amounts owed to the Partnership for transportation and terminaling services and for reimbursement of certain construction related activities that were performed under a single agreement or performance requirement by a vendor for the benefit of the Partnership and a related party and are critical to the construction and operations of the Partnership's pipelines and terminals. See *Footnote # 13 Related Party Transactions* for further discussion of these transactions.

5. Property, Plant and Equipment

Property, plant and equipment is comprised primarily of office equipment, furniture, and fixtures and crude oil transportation pipelines and associated facilities that were placed in-service in 2020 and 2019. The Partnership has placed in service a 700-mile pipeline originating near Orla, Texas and terminating near Corpus Christi, Texas at two waterborne crude loading facilities, various refineries, and third-party terminals in the Corpus Christi, Texas region. The Company placed $1.923 billion and $313.4 million of assets into service during the years ended December 31, 2020 and 2019, respectively, primarily related to pipeline assets and associated facilities in West Texas and Corpus Christi, Texas, as well as our first crude waterborne crude loading facility in Corpus Christi, Texas.

Property, plant and equipment, net as of December 31, 2020 and 2019 consisted of the following (dollars in thousands):

	December 31, 2020	December 31, 2019
Land	$ 10,669	$ -
Office equipment, furniture and fixtures	113,030	16,684
Pipeline	1,441,794	207,065
Machinery, equipment and buildings	214,933	8,141
Vessels, towers and tanks	228,553	6,453
ROW	292,305	75,068
Construction in progress - pipeline	59,486	1,730,022
Property, plant and equipment, gross	$ 2,360,770	$ 2,043,433
Less: Accumulated depreciation and amortization	(93,140)	(4,883)
Property, plant and equipment - less depreciation expense	$ 2,267,630	$ 2,038,550

Depreciation is provided using the straight-line method based on the estimated useful life of each asset. Depreciation expense for the year ended December 31, 2020 and 2019, was $88.3 million and $4.8 million, respectively.

We recognized the following capitalized interest amount in property, plant and equipment for the periods ended December 31, 2020 and 2019 as presented of $24.1 million and $60.7 million, respectively.

The partnership recognized impairment costs of $11.9 million for the year ended December 31, 2020, primarily related to the abandonment of the Saragosa lateral pipeline project in West Texas and recorded as Inventory writedowns and project abandonments on the Consolidation Statement of Operations.

6. Long-Term Debt

Our outstanding long-term debt obligations consisted of the following (dollars in thousands):

	December 31, 2020	December 31, 2019
Term Loan due 2026	$ 1,172,063	$ 1,000,000
Revolving Credit Facility	75,000	-
Less: Deferred debt issuance costs	(47,697)	(44,946)
Total Debt	$ 1,199,366	$ 955,054
Less: Current Maturities	(11,750)	-
Total Long-term debt, less current maturities	$ 1,187,616	$ 955,054

Term Loan Credit Agreement

The Partnership has a Term Loan Credit Agreement dated March 1, 2019 which provides secured project financing in an aggregate principal amount of up to $1 billion due 2026 ("Term Loan"). Term Loan proceeds were used to pay off the outstanding Bridge Loan amount of $250 million and fund continued project construction costs. The Term Loan Credit Agreement was amended in February 2020 to provide for an additional $100 million Incremental Term Loan. The Partnership also entered into an additional Term Loan agreement in February 2020 with the same lender for additional principle amount of $75 million due 2026. Borrowings under all of our Term Loans bear interest at the LIBOR plus an applicable margin or a base rate as defined in the Term Loan Credit Agreements. The Term Loan Credit Agreement provides for a $75 million secured revolving credit facility commitment ("Revolving Credit Facility") due 2024 for which any borrowings bear interest at the LIBOR plus an applicable margin or a base rate as defined in the Term Loan Credit Agreement. We had $75 million of borrowings under the revolving facility during 2020. The interest rate on the total amount outstanding under the Term Loan as of December 31, 2020 and 2019 was 5.26% and 7.04%, respectively. The interest rate on the total amount outstanding on the Revolving Credit Facility as of December 31, 2020 was 4.98%.

Substantially all of our assets and equity are pledged as collateral under the Term Loan Credit Agreement. The Agreement contains customary representations and warranties and various covenants that limit the Partnership's ability to, among other things, incur indebtedness, grant liens, enter into mergers, dispose of assets, or enter sales-leaseback transactions. In addition, the Agreement requires the Partnership to maintain the following financial covenants:

- Minimum debt service coverage ratio of 1.1x commencing the 2nd full fiscal quarter occurring after completion
- Maximum superpriority leverage ratio of 1.0x commencing the 2nd full fiscal quarter occurring after completion. The superpriority leverage ratio is calculated using only superpriority debt as defined by the Credit Agreement, which included only the outstanding balance of the Revolving Credit Facility as of December 31, 2020.

The Partnership was in compliance with financial covenants related to our debt agreements as of December 31, 2020.

Bridge Term Loan Credit Agreement
The Partnership had a promissory note ("Bridge Loan") with its EPIC Crude Parent, LP outstanding as of December 31, 2018 due December 2019 which was paid off in full in March 2019 with the proceeds from the Term Loan Credit Agreement discussed above.

Maturities of the Term Loan for each of the five succeeding years are as follows (in thousands):

Years Ending December 31,		
2021	$	11,750
2022		11,750
2023		11,750
2024		11,750
2025		11,750
Thereafter		1,113,313
Total	$	1,172,063

7. Short-Term Notes Payable

The Partnership entered into two short-term notes during the year ended December 31, 2020 for financing of its insurance policies. The balance of the short-term notes at December 31, 2020 is $3.1 million, which is included in Accrued Expense and Other Liabilities on the Consolidated Balance Sheet. The weighted average interest rate for the notes at December 31, 2020 is 3.06%.

8. Commitments and Contingent Liabilities

The Partnership is subject to various regulatory, civil and legal claims and proceedings covering a wide range of matters that arise in the ordinary course of our business activities. Although no assurances can be given, management believes any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the consolidated financial condition or results of operations of the Partnership. We disclose contingencies where an adverse result may be material, or in the decision of management, we conclude the matter should be disclosed.

The Partnership does not have any contingent liabilities recorded as of December 31, 2020 or 2019.

Litigations Claims

August 21, 2020 Corpus Christi Ship Channel Dredging Incident
On August 21, 2020, a partially submerged third-party pipeline located along the Corpus Christi Ship Channel near a crude export facility owned by EPIC Crude Terminal Company, LP ("EPIC Terminal"), a wholly owned subsidiary of the Company, ruptured and released propane gas into the air. A dredge barge owned and operated by a contactor retained by EPIC Terminal to perform dredging operations was in the vicinity at the time of the rupture and caught fire when the propane gas ignited. Five crewmembers of the barge were killed and several other crewmembers were injured. No EPIC Terminal personnel were injured. EPIC Terminal is fully cooperating with the U.S. Coast Guard, the Port of Corpus Christi Authority, and the

National Transportation Safety Board (the "NTSB"), among others, while the cause of the incident is being investigated. Neither the Company nor any of its subsidiaries is a party of interest in the NTSB investigation. As of February 23, 2021, the Company is a party to three individual lawsuits filed in state court by or on behalf of two contractor crewmembers injured or killed in connection with the incident. In addition, the Company is a party to and has asserted various damages claims in a federal maritime proceeding initiated by the dredging contractor. The contractor's carriers have accepted EPIC Terminal's tender as an additional insured under the contractor's insurance policies, and EPIC Terminal has noticed the contractor of its defense and indemnity obligations to EPIC Terminal and its affiliates pursuant to the parties' services agreement. The Company is unable to predict the outcome of these matters at this time but believes that their resolution will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

July 30, 2019 Line Strike by Pumpco

On July 30, 2019, during construction of crude pipeline owned by EPIC Crude Pipeline, LP ("EPIC Crude"), a wholly owned subsidiary of the Company, an employee of a contractor retained by EPIC Crude to construct its pipeline struck a nearby third-party pipeline with a trencher. No injuries were sustained, but the line strike resulted in the release of crude oil from the third-party pipeline. The appropriate regulatory authorities were notified, and remediation efforts by the contractor and EPIC Crude commenced immediately. The affected landowners have made certain demands to both the contractor and EPIC Crude but have not initiated litigation. The contractor's carriers have acknowledged EPIC Crude's status as an additional insured under the contractor's insurance policies. The Company is unable to predict the outcome of this matter at this time but believes that its resolution will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Additional Matters

The Partnership maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to a maximum of $250,000. The Partnership has not experienced any losses in such accounts.

9. Owners' Equity

Owner's equity is composed of Class A units which represent limited partner interests in us. The holders of our Class A units are entitled to participate in our distributions (to the extent distributions are made) and are entitled to exercise the rights and privileges available to limited partners under our partnership agreement. No other class of units is issued and outstanding as of December 31, 2020.

In 2019, EPIC Crude Parent, LP, sold: (i) a 10% equity stake in the Partnership to Rattler Midstream, LLC, (ii) a 30% equity stake in the Partnership to Dos Rios Crude Holdings, LLC, and (iii) a 15% equity stake in the Partnership to Altus Midstream Processing, LP. The transactions noted herein reduced EPIC Crude Parent, LP's overall ownership of the Partnership to 45%. There have been no other equity transactions, other than contributions to the Partnership during 2020 and 2019 of which all contributions were made in proportion to each limited partner's ownership noted above.

10. Derivative Financial Instrument

Interest Rate Derivative Activities

The Company held four interest rate swap contracts in 2020 and 2019.

The aggregate fair value of the Company's derivative instruments included in the accompanying balance sheets consists of the following (dollars in thousands):

	Balance Sheet Location	Derivative Designation	Total Fair Value Measurement at December 31, 2020	2019
Interest rate derivatives	Current derivative liability	Designated as hedging instruments	$ (4,197)	$ (5,991)
Interest rate derivatives	Long-term derivative liability	Designated as hedging instruments	-	(1,690)
Total derivatives			$ (4,197)	$ (7,681)

At December 31, 2020 and 2019, the fair value of derivatives did not include any offsetting amounts in the consolidated balance sheets.

The following table details the location of gains (losses) on the Company's derivatives recognized in the accompanying consolidated statements of comprehensive income (loss) (dollars in thousands):

	Statement of Comprehensive Income (Loss) Location	Derivative designation	December 31, 2020	2019
Interest rate derivatives	Other comprehensive income	Designated as hedging instruments	$ 3,484	$ (7,681)

11. Major Customers

At December 31, 2020, the Partnership's trade receivables balance was related to nearly 20 customers. Of those, 5 customers made up approximately 93% of the trade receivables balance as of December 31, 2020 and 83% of total revenues for the year ended December 31, 2020.

At December 31, 2019, the Partnership's trade receivables balance was related to eleven customers. Of those, four customers made up approximately 98% of the trade receivables balance as of December 31, 2019 and 87% of total revenues for the year ended December 31, 2019.

12. Revenue Recognition

We provide pipeline transportation and terminaling services, which includes product storage, on a firm and interruptible basis. For our firm transportation service, we typically promise to transport on a stand-ready basis the customer's minimum volume commitment amount. The customer is obligated to pay for its volume commitment amount, regardless of whether the customer flows volumes into our pipeline. The customer pays a transaction price typically based on a per-unit rate for quantities transported, including amounts attributable to deficiency quantities. Our firm terminaling services generally follow the same recognition principles, however the nature of the contracted service is different in that we are not transporting volume for the customer but are delivering/loading product onto an ocean-going vessel at our waterborne terminal facility or providing crude oil storage. Non-firm transportation and terminaling services are provided to our customers when and to the extent we determine the requested capacity is available in our pipeline system and/or terminal facilities. The customer pays a per-unit rate for actual quantities of product transported, loaded onto a vessel or stored within our facilities. Firm and interruptible services, ultimately have the same end goal by our customers which is transporting product from origin to destination and loading product across our dock and/or storing volumes for future consumption.

Disaggregation of Revenues

The following table present our revenues disaggregated by source of revenue for the years ended as indicated (dollars in thousands).

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from contracts with customers		
Services		
Pipeline Transportation	$ 142,397	$ 39,325
Terminaling and Storage	22,650	1,111
Total services revenues	165,047	40,436
Crude oil sales (1)	923	320
Total revenues from contracts with customers	$ 165,970	$ 40,756

(1) Sale of crude oil retained as pipeline loss allowance

The Company recorded revenues of $9.9 million and $0 associated with minimum volume commitments in which the customer did not fulfill their obligation to transport, load or store the entirety of their reserved capacity during the years ended December 30, 2020 and 2019, respectively. Of the $9.9 million the majority of revenue recognized is related to minimum volume commitments for pipeline transportation of $8.9 million.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, invoicing and cash collections. We recognize contract assets in those instances where billing occurs subsequent to revenue recognition, and our right to invoice the customer is conditioned on something other than the passage of time. Conversely, we recognize contract liabilities when invoicing precedes the recognition of revenue as a future performance obligation exists. The Partnership did not have any recorded contract assets or liabilities as of December 31, 2019 primarily due to the fact that all services performed during the year ended December 31, 2019 were on an interruptible basis under an interim tariff filed with the Federal Energy Regulatory Commission ("FERC") that was only in effect temporarily until our entire pipeline system was complete. The Company began providing services under our non-interim FERC tariff effective April 1, 2020. As of December 31, 2020 we had $0.7 million recorded as deferred revenue for consideration received, or invoiced and due, for which we do have an enforceable obligation to perform in the future.

13. Related Party Transactions

The Partnership paid common control and affiliated related parties approximately $8.4 million and $16.5 million for certain operating expenses and reimbursement of general and administrative expenses during the years ended December 31, 2020 and 2019, respectively. The Partnership had approximately $6.9 million and $2.5 million payable to related parties for these expenses as of December 31, 2020 and 2019, respectively.

The Partnership provided $30.9 million and $5.1 million transportation and terminaling services to equity partner affiliates which are reflected the Partnership's revenues for the year ended December 31, 2020 and 2019, respectively. The Partnership had approximately $7.1 million and $1.3 million due from related parties for these services as of December 31, 2020 and 2019, respectively.

The Partnership entered into a six-month pipeline capacity lease with a common control related party to utilize an idle pipeline to transport crude oil from Benedum, Texas to Robstown, Texas. This capacity lease allowed the Partnership to connect its West Texas pipeline assets to its Gulf Coast pipeline assets while the 30-inch diameter pipeline remained under construction. Under the terms of the capacity lease, the Partnership paid $13.1 million and $64.9 million for the leased asset to transport crude oil during the period ended December 31, 2020 and 2019, respectively, and $6.5 million remained outstanding as of December 31, 2019. The capacity lease expired in February 2020. All costs associated with the capacity lease are included in operating expenses on the statement of operations.

The Partnership paid a common control related party approximately $108.2 million during 2019 for reimbursement of costs incurred to acquire multi-line rights-of-way easements, land purchases, and certain capital project related property, plant and equipment. Rights-of-way easements were assigned to the Partnership by the related party upon documentation of fully executed and properly recorded easements and submission for reimbursement of costs by the related party. The Partnership had $3.4 million due to this related party as of December 31, 2019 for the reimbursement of such costs. There were no significant related party transactions during 2020 for reimbursement of costs related to multi-line rights-of-way easements and land purchases, other than the 16-inch pipeline purchase transaction discussed below. The balance of the related party payable at December 31, 2019 was paid during the year ended December 31, 2020.

The Partnership reached an agreement in principle with a common control related party to purchase a section of 16-inch pipeline and paid the related party $82.3 million during 2019. The closing of the transaction occurred on April 30, 2020 and included the following assets, which were recorded as property, plant and equipment at net asset value (in thousands):

Office equipment, furniture and fixtures	$	2,946
Pipeline		60,507
Machinery, equipment and buildings		1,405
ROW		6,585
Total	$	71,443

As the related party that sold the property, plant and equipment is under common control with the Partnership, we did not step-up the basis in the property, plant and equipment and recognized the difference between the purchase price and the net asset value as a distribution, which amounted to $10.9 million during the year ended December 31, 2020.

The Partnership made $24.7 million and $43.9 million in payments during 2020 and 2019, respectively, to and/or on behalf of a common control related party for the construction related activities associated with the leak detection and telecommunication system that is critical to the operational viability of the Partnership's pipeline system. All costs are reimbursable to the Partnership by the related party, and $41.8 million and $43.9 million remains outstanding and owed to the Partnership as of December 31, 2020 and 2019, respectively, and is recorded as Related party receivable in the Consolidated Balance Sheets.

14. Subsequent Events

The Partnership has evaluated subsequent events through February 25, 2021, the date the consolidated financial statements were available to be issued and noted no events that merit disclosure.