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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

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)
(713) 296-6000
(Registrant's telephone number, including area code)

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 Select Market**

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
Non-accelerated filer	Smaller reporting company
	Emerging growth 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of registrant's Class A common stock, par value $0.0001 per share issued and outstanding as of October 31, 2019	74,929,305
Number of shares of registrant's Class C common stock, par value $0.0001 per share issued and outstanding as of October 31, 2019	250,000,000

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FORWARD-LOOKING STATEMENTS AND RISK

This report 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. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our 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 our examination of historical operating trends, production and growth forecasts of Apache Corporation’s Alpine High field development and other data in our 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,” or “continue” or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, our assumptions about:

- the market prices of oil, natural gas, natural gas liquids (NGLs), and other products or services;
- pipeline and gathering system capacity;
- 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 cyber attacks;
- 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;
- effects of competition;
- our ability to retain key members of our senior management and key technical employees;
- increases in interest rates;
- the effectiveness of our business strategy;
- changes in technology;
- market-related risks such as general credit, liquidity and interest-rate risks;
- the timing, amount and terms of our 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 our most recently filed Annual Report on Form 10-K, other risks and uncertainties in our third-quarter 2019 earnings release, other factors disclosed under Part II, Item 1A — Risk Factors of this Quarterly Report on Form 10-Q, and any other factors disclosed in the other filings that we make with the Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements. We assume no duty to update or revise our forward-looking statements based on changes in internal estimates or expectations or otherwise.

GLOSSARY OF TERMS

The following are abbreviations and definitions of certain terms used in this report 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 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 billion cubic feet of natural gas 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.
- *COMA.* Construction, Operations and Maintenance Agreement
- *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 thousand barrels of crude oil, condensate or NGLs 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.
- *NGLs.* Natural gas liquids. Hydrocarbons found in natural gas, which may be extracted as liquefied petroleum gas and natural gasoline.

Effective February 14, 2019 each of the Alpine High Entities' names were changed to replace "Alpine High" in each name with "Altus Midstream." As such, references to the Altus Midstream Entities and Altus Midstream Operating shall have the same meanings as ascribed to the Alpine High Entities and Alpine High Midstream, respectively, in the Company's most recently filed Annual Report on Form 10-K.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
REVENUES:				
Midstream services revenue — affiliate (Note 3)	$ 34,009	$ 25,437	$ 91,994	$ 50,053
Total revenues	34,009	25,437	91,994	50,053
COSTS AND EXPENSES:				
Operations and maintenance (1)	13,063	16,579	43,466	38,798
General and administrative (2)	3,242	1,865	8,314	5,126
Depreciation and accretion	11,710	5,483	28,468	14,404
Impairments	9,338	—	9,338	—
Taxes other than income	3,239	1,226	9,702	6,479
Total costs and expenses	40,592	25,153	99,288	64,807
Operating income (loss)	(6,583)	284	(7,294)	(14,754)
Unrealized derivative instrument loss	(3,769)	—	(3,769)	—
Interest income	617	—	3,584	—
Income from equity method interests, net	1,564	—	536	—
Other	—	—	(17)	—
Total other income (loss)	(1,588)	—	334	—
Financing costs, net of capitalized interest	522	—	1,508	—
NET INCOME (LOSS) BEFORE INCOME TAXES	(8,693)	284	(8,468)	(14,754)
Deferred income tax benefit	(505)	(18,924)	(510)	(9,733)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	(8,188)	19,208	(7,958)	(5,021)
Net income attributable to Preferred Unit limited partners	17,480	—	21,623	—
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	(25,668)	19,208	(29,581)	(5,021)
Net loss attributable to Apache limited partner	(20,804)	—	(23,524)	—
NET INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ (4,864)	$ 19,208	$ (6,057)	$ (5,021)
NET INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS, PER SHARE(3)				
Basic	$ (0.06)	$ 0.09	$ (0.08)	$ (0.03)
Diluted	$ (0.07)	$ 0.09	$ (0.09)	$ (0.03)
WEIGHTED AVERAGE SHARES (3)				
Basic	74,929	218,470	74,929	179,493
Diluted	324,929	218,470	324,929	179,493

(1) Includes amounts of $2.2 million and $2.3 million to related parties for the three months ended September 30, 2019 and 2018, respectively, and $7.1 million and $6.6 million for the nine months ended September 30, 2019 and 2018, respectively. Refer to Note 3 — Transactions with Affiliates.

(2) Includes amounts of $2.1 million and $1.8 million to related parties for the three months ended September 30, 2019 and 2018, respectively, and $4.7 million and $5.1 million for the nine months ended September 30, 2019 and 2018, respectively. Refer to Note 3 — Transactions with Affiliates.

(3) For periods prior to the Business Combination (as defined below), 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.

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

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	$ (8,188)	$ 19,208	$ (7,958)	$ (5,021)
OTHER COMPREHENSIVE LOSS, NET OF TAX:				
Share of equity method interests other comprehensive loss	(591)	—	(1,634)	—
COMPREHENSIVE INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	(8,779)	19,208	(9,592)	(5,021)
Comprehensive income attributable to Preferred Unit limited partners	17,480	—	21,623	—
Comprehensive loss attributable to Apache limited partner	(21,282)	—	(24,845)	—
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ (4,977)	$ 19,208	$ (6,370)	$ (5,021)

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

ALTUS MIDSTREAM COMPANY
CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 30, 2019	December 31, 2018
	(In thousands, except per share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,594	$ 449,935
Accounts receivable from Apache Corporation (Note 1)	1,135	—
Revenue receivables (Note 3)	11,726	10,914
Inventories and other	15,181	5,802
Assets held for sale	18,183	—
Prepaid assets and other	1,153	1,379
	49,972	468,030
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	1,494,658	1,251,217
Less: Accumulated depreciation and amortization	(51,608)	(24,320)
	1,443,050	1,226,897
OTHER ASSETS:		
Equity method interests	1,094,564	91,100
Deferred tax asset	68,598	67,558
Deferred charges and other	5,651	3,734
	1,168,813	162,392
Total assets	$ 2,661,835	$ 1,857,319
LIABILITIES, NONCONTROLLING INTERESTS, AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable to Apache Corporation (Note 1)	$ —	$ 13,595
Current debt (Note 6)	17,562	—
Other current liabilities (Note 7)	38,816	84,926
	56,378	98,521
LONG-TERM DEBT	235,000	—
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Asset retirement obligation	33,950	29,369
Deferred tax liability	3,089	2,643
Embedded derivative	98,228	—
Other non-current liabilities	1,206	—
	136,473	32,012
Total liabilities	427,851	130,533
COMMITMENTS AND CONTINGENCIES (Note 9)		
Redeemable noncontrolling interest — Apache limited partner	1,251,370	1,940,500
Redeemable noncontrolling interest — Preferred Unit limited partners	538,413	—
EQUITY:		
Class A Common Stock: $0.0001 par, 1,500,000,000 shares authorized, 74,929,305 shares issued and outstanding at September 30, 2019 and December 31, 2018	7	7
Class C Common Stock: $0.0001 par, 1,500,000,000 shares authorized, 250,000,000 shares issued and outstanding at September 30, 2019 and December 31, 2018	25	25
Additional paid-in capital	473,502	—
Accumulated deficit	(29,020)	(213,746)
Accumulated other comprehensive loss	(313)	—
	444,201	(213,714)
Total liabilities, noncontrolling interests, and equity	$ 2,661,835	$ 1,857,319

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

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018 [1]
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss including noncontrolling interests	$ (7,958)	$ (5,021)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized derivative instrument loss	3,769	—
Depreciation and accretion	28,468	14,404
Deferred income tax benefit	(510)	(9,733)
Income from equity method interests, net	(536)	—
Distributions from equity method interests	3,391	—
Impairments	9,338	—
Adjustment for non-cash transactions with affiliate[1]	—	(4,738)
Other	666	—
Changes in operating assets and liabilities:		
Increase in inventories and other	(676)	(1,412)
Decrease in prepaid and other	237	—
Increase in revenue receivables (Note 3)	(798)	(3,119)
Increase in accounts receivable from/payable to affiliate	(5,011)	—
Increase in accrued expenses	9,056	9,619
NET CASH PROVIDED BY OPERATING ACTIVITIES	39,436	—
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures [2]	(307,010)	—
Contributions to equity method interests	(337,412)	—
Acquisition of equity method interests	(670,625)	—
NET CASH USED IN INVESTING ACTIVITIES	(1,315,047)	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redeemable noncontrolling interest - Preferred Unit limited partners, net	611,249	—
Proceeds from revolving credit facility	235,000	—
Finance lease	(17,187)	—
Deferred facility fees	(792)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	828,270	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(447,341)	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	449,935	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,594	$ —
SUPPLEMENTAL CASH FLOW DATA:		
Accrued capital expenditures [3]	$ 24,306	$ 67,031
Finance lease liability[4]	29,000	—
Interest paid, net of capitalized interest	685	—

(1) In all periods 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, Apache contributed its investments in gas gathering, processing and transmission facilities of approximately $408.4 million that is included within equity and redeemable noncontrolling interests for the nine months ended September 30, 2018. Refer to Note 3 — Transactions with Affiliates for more information.

(2) Following the Business Combination, capital expenditure amounts represent the portion of the total settlements with Apache in the period that are capital in nature, pursuant to the terms of the Construction, Operations and Maintenance Agreement (COMA). Refer to Note 1 — Summary of Significant Accounting Policies and Note 3 — Transactions with Affiliates for more information.

(3) Includes $0.6 million due from Apache pursuant to the terms of the COMA. Refer to Note 3 — Transactions with Affiliates for more information.

(4) The Company entered into a finance lease in the first quarter of 2019. Refer to Note 1 — Summary of Significant Accounting Policies for more information.

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
(Unaudited)

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners [(2)]	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
			Shares[(1)]	Amount[(1)]	Shares[(1)]	Amount[(1)]				
	(In thousands)		(In thousands)							
For the Quarter Ended September 30, 2018										
Balance at June 30, 2018	$ —	$ —	6,197	$ —	211,847	$ 21	$ 857,127	$ (42,804)	$ —	$ 814,344
Issuance of shares	—	—	1,116	—	38,153	4	121,175	—	—	121,179
Net income	—	—	—	—	—	—	—	19,208	—	19,208
Balance at September 30, 2018	$ —	$ —	7,313	$ —	250,000	$ 25	$ 978,302	$ (23,596)	$ —	$ 954,731
For the Quarter Ended September 30, 2019										
Balance at June 30, 2019	$ 520,933	$ 1,272,652	74,929	$ 7	250,000	$ 25	$ 473,502	$ (24,156)	$ (200)	$ 449,178
Net income (loss)	17,480	(20,804)	—	—	—	—	—	(4,864)	—	(4,864)
Accumulated other comprehensive loss	—	(478)	—	—	—	—	—	—	(113)	(113)
Balance at September 30, 2019	$ 538,413	$ 1,251,370	74,929	$ 7	250,000	$ 25	$ 473,502	$ (29,020)	$ (313)	$ 444,201

(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) 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.

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED CHANGES IN EQUITY AND NONCONTROLLING INTERESTS — (Continued)
(Unaudited)

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners	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
			Shares(1)	Amount(1)	Shares(1)	Amount(1)				
	(In thousands)		(In thousands)							
For the Nine Months Ended September 30, 2018										
Balance at December 31, 2017	$ —	$ —	3,965	$ —	135,540	$ 14	$ 574,611	$ (18,575)	$ —	$ 556,050
Issuance of shares	—	—	3,348	—	114,460	11	403,691	—	—	403,702
Net loss	—	—	—	—	—	—	—	(5,021)	—	(5,021)
Balance at September 30, 2018	$ —	$ —	7,313	$ —	250,000	$ 25	$ 978,302	$ (23,596)	$ —	$ 954,731
For the Nine Months Ended September 30, 2019										
Balance at December 31, 2018	$ —	$ 1,940,500	74,929	$ 7	250,000	$ 25	$ —	$ (213,746)	$ —	$ (213,714)
Issuance of Series A Cumulative Redeemable Preferred Units(2)	516,790	—	—	—	—	—	—	—	—	—
Net income (loss)	21,623	(23,524)	—	—	—	—	—	(6,057)	—	(6,057)
Change in redemption value of noncontrolling interests	—	(664,285)	—	—	—	—	473,502	190,783	—	664,285
Accumulated other comprehensive loss	—	(1,321)	—	—	—	—	—	—	(313)	(313)
Balance at September 30, 2019	$ 538,413	$ 1,251,370	74,929	$ 7	250,000	$ 25	$ 473,502	$ (29,020)	$ (313)	$ 444,201

(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) 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.

These consolidated financial statements have been prepared by Altus Midstream Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). They reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods, on a basis consistent with the annual audited financial statements, with the exception of recently adopted accounting pronouncements discussed below. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10-Q should be read along with Altus Midstream Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (Form 10-K), which contains a summary of the Company's significant accounting policies and other disclosures. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Form 10-K.

Unless the context otherwise requires, "we," "us," "our," 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.

Nature of Operations

Through its consolidated subsidiaries, Altus Midstream 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, or has options to own, equity interests in a total of five Permian Basin pipelines. The Company's operations consist ofone reportable segment.

Organization

Altus 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. The Company closed 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 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 the Altus Midstream Entities. The Altus Midstream Entities comprise four Delaware limited partnerships (collectively, Altus Midstream Operating) and their general partner (Altus Midstream Subsidiary GP LLC, a Delaware limited liability company), 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 (Alpine High).

On November 9, 2018 (the Closing Date) and pursuant to the terms of that certain 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 equity consideration, comprising economic voting and non-economic voting shares in KAAC, and common units representing limited partner interests in Altus Midstream (Common Units). Following the Closing Date and in connection with the completion of the Business Combination, KAAC changed its name to Altus Midstream Company. Refer to Note 2 — Recapitalization Transaction, for further discussion.

Ownership of Altus Midstream LP

Upon the closing of the Business Combination and as of September 30, 2019, Altus' wholly-owned subsidiary, Altus Midstream GP LLC (Altus Midstream GP), was the sole general partner of Altus Midstream. The Company held approximately 23.1 percent of the outstanding Common Units of Altus Midstream, while Apache held the remaining 76.9 percent. Additionally, as of the Closing Date and as of September 30, 2019, Apache was the largest single holder of the Company's voting common stock, comprising 100 percent of non-economic Class C Common Stock and approximately 9.8 percent of economic Class A Common Stock.

On June 12, 2019, Altus Midstream 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 pursuant to the terms of a Second Amended and Restated Agreement of Limited Partnership of Altus Midstream (the Amended LPA), and the purchasers were admitted as 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.

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 Altus Midstream Common Units held by Altus and (ii) the number of outstanding shares of Class C Common Stock and the number of Altus Midstream Common Units held by Apache.

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

Altus Midstream Company has no independent operations or material assets other than its partnership interests in Altus Midstream, which constitutes all of its business. Altus Midstream 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. The deferred tax asset balance was $68.6 million and $67.6 million as of September 30, 2019 and December 31, 2018, respectively. Additionally, Altus Midstream 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 Preferred Unit holders. 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. Altus Midstream Company is the primary beneficiary of the VIE, and therefore should consolidate Altus Midstream because (i) Altus Midstream Company has the ability to direct the activities of Altus Midstream that most significantly affect its economic performance, and (ii) Altus Midstream Company has the right to receive benefits or the obligation to absorb losses that could be potentially significant to Altus Midstream.

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

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 Note15 — 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 three and nine month periods ended September 30, 2019, the Company recorded an impairment of$9.3 million on certain assets. 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 COMA. 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.

Leases

On January 1, 2019, the Company adopted Accounting Standards Update (ASU) 2016-02, "Leases (Topic 842)," which requires lessees to recognize separate right-of-use (ROU) assets and lease liabilities for most leases classified as operating leases under previous GAAP. Prior to adoption, the Financial Accounting Standards Board (FASB) issued transition guidance permitting an entity the option to not evaluate under ASU 2016-02 those existing or expired land easements that were not previously accounted for as leases, as well as an option to apply the provisions of the new standard at its adoption date instead of the earliest comparative period presented in the financial statements. The Company elected both transitional practical expedients. Under these transition options, comparative reporting was not required, and the provisions of the standard were applied prospectively to leases in effect at the date of adoption.

As allowed under the standard, the Company also applied practical expedients to carry forward its historical assessments of whether existing agreements contain a lease, classification of existing lease agreements, and treatment of initial direct lease costs. The Company also elected to exclude short-term leases (those with terms of 12 months or less) from the balance sheet presentation and accounts for non-lease and lease components as a single lease component for all asset classes. Short-term lease expense was not material for the third quarter and first nine months of 2019.

The Company determines if an arrangement is an operating or finance lease at the inception of each contract. If the contract is classified as an operating lease, Altus records an ROU asset and corresponding liability reflecting the total remaining present value of fixed lease payments over the expected term of the lease agreement. The expected term of the lease may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. In the normal course of business, the Company enters into various lease agreements for real estate and equipment related to its midstream activities which are typically classified as operating leases under the provisions of the standard. ROU assets are reflected within "Deferred charges and other" on the Company's consolidated balance sheet, and the associated operating lease liabilities are reflected within "Other current liabilities" and "Other noncurrent liabilities," as applicable.

Operating lease expense associated with the ROU assets is recognized on a straight-line basis over the lease term. Lease expense is reflected on the statement of consolidated operations commensurate with the leased activities and nature of the services performed. Fixed operating lease expense was $0.2 million and $0.5 million for the three and nine months ended September 30, 2019, respectively.

In addition, the Company periodically enters into finance leases that are similar to those leases classified as capital leases under previous GAAP. The Company currently has one short-term finance lease, which is included in "Property, Plant and Equipment" on the consolidated balance sheet, and the associated finance lease liability is reflected within "Current debt." The associated interest expense is reflected in the statement of consolidated operations within "Financing costs, net of capitalized interest." Depreciation on the Company's finance lease asset was $1.2 million and $3.7 million for the three and nine months ended September 30, 2019, respectively. Interest on the Company's finance lease asset was $0.2 million and $0.8 million for the three and nine months ended September 30, 2019, respectively.

The following table represents the Company's weighted average lease term and discount rate as ofSeptember 30, 2019:

	Operating Leases	Finance Lease
Weighted average remaining lease term	2.9 years	0.3 years
Weighted average discount rate	4.2%	4.2%

The undiscounted future minimum lease payments reconciled to the carrying value of the lease liabilities as ofSeptember 30, 2019 were as follows:

Net Minimum Commitments	Operating Leases[(1)]	Finance Lease[(2)]
	(In thousands)	
2019	$ 163	$ 7,954
2020	652	9,800
2021	622	—
2022	445	—
2023	—	—
Thereafter	—	—
Total future minimum lease payments	1,882	17,754
Less: imputed interest	(105)	(192)
Total lease liabilities	1,777	17,562
Current portion	(596)	(17,562)
Non-current portion	$ 1,181	$ —

(1) Amounts are primarily associated with the Lease Agreement (as defined below) entered into with Apache relating to the use of certain office buildings, warehouse and storage facilities as described in Note 3 — Transactions with Affiliates.

(2) Amounts represent the Company's finance lease obligation entered into during the first quarter of 2019 related to physical power generators being leased on a one-year term with the right to purchase.

The lease liability reflected in the table above represents the Company's fixed minimum payments that are settled in accordance with the lease terms. Actual lease payments during the period may also include variable lease components such as common area maintenance, usage-based sales taxes and rate differentials, or other similar costs that are not determinable at the inception of the lease. Variable lease payments for the three and nine months ended September 30, 2019 were $0.1 million and $0.3 million, respectively.

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued 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. The 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. This update is effective for Altus beginning in the first quarter of 2020, with early adoption permitted. The Company is in the process of finalizing its project plan for the implementation of the ASU and continues to evaluate and monitor standard setting activity. The Company does not believe the adoption and implementation of this ASU will have a material impact on its financial statements.

In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement," which changes the disclosure requirements for fair value measurements by removing, adding, and modifying certain disclosures. ASU 2018-13 is effective for financial statements issued for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this ASU on its related disclosures.

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.

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	Class B Common Stock(1)	Class C Common Stock
Shares outstanding prior to the Business Combination	37,732,112	9,433,028	—
Less: redemption of public shares(2)	(29,469,858)	—	—
Add: shares issued in private placement	57,234,023	—	—
Total shares outstanding prior to the Business Combination	65,496,277	9,433,028	—
Shares, in connection with the Business Combination:			
Forfeited (3)	—	(7,313,028)	—
Converted (1)	2,120,000	(2,120,000)	—
Total shares outstanding immediately prior to the Closing Date	67,616,277	—	—
Issued as consideration to Apache (4)	7,313,028	—	250,000,000
Total shares outstanding at the Closing Date	74,929,305	—	250,000,000

(1) 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.

(2) 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 29,469,858 shares were redeemed for an aggregate amount of approximately $298.8 million.

(3) 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, 7,313,028 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.

(4) 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, transportation, and NGL transportation, 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. For all of the periods presented, the Company's only customer was Apache, although Altus Midstream is pursuing contracts with third parties that could be accommodated by existing capacity.

Revenues generated under these agreements are presented on the Company's statement of consolidated 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 $2.2 million and $2.3 million for the three months ended September 30, 2019 and 2018, respectively, and $7.1 million and $6.6 million for the nine months ended September 30, 2019 and 2018, respectively. The Company incurred general and administrative (G&A) expenses of $2.1 million and $1.8 million for the three months ended September 30, 2019 and 2018, respectively, and $4.7 million and $5.1 million for the nine months ended September 30, 2019 and 2018, respectively, including expenses related to the operational services agreement and COMA as further described below.

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, which superseded the Services Agreement. 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 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, as may be adjusted upwards based on actual incurred costs, until terminated. The annual fee was negotiated as part of the Business Combination to reimburse Apache for indirect costs incurred in 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 directly incurred in connection with its role as service provider under the COMA. Apache records costs directly associated with midstream activity, where substantially all the services are rendered for Altus Midstream, to unique midstream cost centers that are subsequently charged to Altus Midstream on a monthly basis.

Lease Agreement

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 $0.3 million and $0.8 million for the three and nine months ended September 30, 2019, 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 for four years and may be extended by Altus Midstream forthree additional, consecutive periods oftwenty-four months.

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 $2.5 million and $7.1 million for the three and nine months ended September 30, 2018, respectively. 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.

4. REVENUE RECOGNITION

Revenue Recognition

The following table presents a disaggregation of the Company's midstream services revenue by service type.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
MIDSTREAM SERVICES REVENUE — AFFILIATE:				
Gas gathering	$ 4,604	$ 2,563	$ 10,914	$ 4,578
Gas processing	25,315	18,150	68,994	33,657
Transmission	3,388	4,671	11,219	11,756
NGL transmission	702	53	867	62
	$ 34,009	$ 25,437	$ 91,994	$ 50,053

The Company currently recognizes revenue pursuant to separate midstream service agreements entered into with Apache for the midstream services presented above. These midstream service agreements have no minimum volume commitments or firm transportation commitments, instead they are underpinned by acreage dedications covering Alpine High. Pursuant to these agreements, Altus Midstream is obligated to perform services on all volumes produced from the dedicated acreage, so long as Apache has the right to market the production. In exchange for the above services and in accordance with the terms of the midstream service agreements, the Company charges a fixed fee on a per-unit basis. Altus Midstream does not own or take title to the volumes that it handles.

These performance obligations are satisfied over time as Apache simultaneously receives and consumes the benefits of the services performed. Service revenues are recognized when the right to invoice has been met, since the amount that the Company has the right to invoice (based upon the fixed fee and throughput volumes) corresponds directly with the value received by Apache.

Pursuant to the terms of the Contribution Agreement, all accounts receivable from Apache (including revenue receivables) on or prior to September 30, 2018, are for the account of Apache. No cash settlement of such balances was contemplated prior to September 30, 2018 and as such, revenue receivables generated prior to this date were treated as a reduction to additional paid-in capital within equity. Following the Business Combination, service revenue invoices are provided to Apache on a monthly basis, pursuant to the terms of the COMA. Amounts owing to Apache under the terms of the COMA are reduced by the amounts of these invoices. Net cash settlement is performed on a monthly basis. The Company recognized services revenue earned but not yet invoiced to Apache of $11.7 million as of September 30, 2019.

5. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2019	December 31, 2018
	(In thousands)	
Gathering, processing and transmission systems and facilities	$ 1,304,175	$ 729,585
Construction in progress (1)	152,551	521,609
Finance lease asset	34,749	—
Other property and equipment	3,183	23
Total property, plant and equipment	1,494,658	1,251,217
Less: accumulated depreciation and amortization	(51,608)	(24,320)
Total property, plant and equipment, net	$ 1,443,050	$ 1,226,897

(1) Included in the Company's construction in progress is capitalized interest of $2.7 million and $6.9 million at September 30, 2019 and December 31, 2018, respectively.

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 date.

During the third quarter of 2019, the Company elected to cancel construction on a compressor station given the deferral of previous processing expansion plans. Certain of the components were then marketed by the Company, and it was determined that these components met the criteria to be classified as held for sale. Accordingly, management reclassified these components to current assets and they were initially measured at fair value less costs to sell. The fair value was determined using the market approach and Level 1 inputs. As a result, the assets were written down to their estimated fair value of $18.1 million, and the Company recorded an impairment of $9.3 million for the three and nine months ended September 30, 2019. The impairment is recorded within "Impairments" on the Company's statement of consolidated operations. Subsequent to September 30, 2019, the Company received cash proceeds of approximately $13 million in relation to the sale of certain of the assets classified as held for sale.

Other components of the compressor station totaling $8.7 million will be stored and used as inventory by the Company and are therefore recorded within inventory on the consolidated balance sheet as of September 30, 2019. These components will be recorded at the lower of cost or net realizable value at each balance sheet date.

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 $650.0 million until the consolidated net income of Altus Midstream and its restricted subsidiaries, as adjusted pursuant to the agreement (EBITDA), for the immediately preceding fiscal quarter equals or exceeds $175.0 million on an annualized basis (such period, the Initial Period). Upon achieving such EBITDA, the Initial Period ends and the aggregate commitments increase to $800.0 million. All 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. After the Initial Period, 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 September 30, 2019, total outstanding borrowings were $235.0 million and no letters of credit were outstanding under this facility. There were no outstanding borrowings or letters of credit as of December 31, 2018.

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 Inter-bank Offered Rate (LIBOR), plus a margin; in each case, the margin during the Initial Period is 0.05 percent greater than the margin after the Initial Period. 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 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 September 30, 2019, the base rate margin was 0.10 percent, the LIBOR margin was 1.10 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 one of the following financial ratios:

- during the Initial Period, a debt-to-capital ratio of not greater than 30.0 percent at the end of any fiscal quarter, determined by reference to (i) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries to (ii) (A) the consolidated partners' equity of Altus Midstream and its restricted subsidiaries plus (B) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries; and

- beginning with the quarter ending on the earlier of (i) March 31, 2020 or (ii) the last day of the fiscal quarter during which the Initial Period ends, a Leverage Ratio not exceeding 5.00:1.00 at the end of any fiscal quarter, 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.

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 September 30, 2019.

As of September 30, 2019, the Company had debt outstanding totaling $252.6 million, of which $17.6 million is related to a finance lease obligation. As a result of the debt outstanding and giving effect to the debt-to-capital ratio requirements under the credit agreement, the maximum amount of net assets available to be transferred from Altus Midstream to Altus Midstream Company was $0.9 billion. This amount of net assets available to be transferred does not include the proportionate share of net assets of entities in which Altus Midstream has an interest accounted for by the equity method. Additionally, the amount of any cash distributions that may be transferred from these entities to Altus Midstream is subject to compliance with the terms of any debt or similar agreements held by the entities, as applicable. The terms of Altus Midstream's Preferred Units also contain certain restrictions on distributions on Altus Midstream'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.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018(1)	2019	2018(1)
	(In thousands)			
Interest income	$ 617	$ —	$ 3,584	$ —
Interest income	$ 617	$ —	$ 3,584	$ —
Interest expense	$ 1,496	$ 2,504	$ 3,234	$ 7,054
Amortization of deferred facility fees	237	—	652	—
Capitalized interest	(1,211)	(2,504)	(2,378)	(7,054)
Financing costs, net of capitalized interest	$ 522	$ —	$ 1,508	$ —

(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 September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
	(In thousands)	
Accrued capital costs	$ 24,931	$ 80,696
Accrued taxes other than income	9,408	69
Accrued operations and maintenance expense	1,864	2,863
Accrued incentive compensation	1,362	468
Operating lease liability - current	596	—
Accrued interest	463	232
Other	192	598
Total other current liabilities	$ 38,816	$ 84,926

8. ASSET RETIREMENT OBLIGATION

The following table describes changes to the Company's asset retirement obligation (ARO) liability for the nine months ended September 30, 2019:

	(In thousands)
Asset retirement obligation at December 31, 2018	$ 29,369
Liabilities incurred during the period	3,406
Accretion expense	1,175
Asset retirement obligation at September 30, 2019	$ 33,950

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 September 30, 2019 and December 31, 2018, there were no accruals for loss contingencies.

Litigation

The Company is subject to governmental and regulatory controls arising in the ordinary course of business. It is the opinion of management that any claims and litigation involving the Company are not likely to have a material adverse effect on the Company's reported position or results of operations.

Environmental Matters

As an owner of the 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 us 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.

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.

Pursuant to the COMA with Apache, Altus Midstream will indirectly receive G&A support services including information technology, risk management, corporate planning, accounting, cash management, human resources, and other general corporate services. The COMA established a fixed annual support services fee to Apache of $3.0 million for the period from the execution of the COMA at the closing of the Business Combination through December 31, 2019, $5.0 million in 2020, and $7.0 million in 2021. Beginning in 2022 through the term of the COMA, the associated fee will be $9.0 million annually and may be adjusted upwards based on actual incurred costs.

Concurrent with the closing of the Business Combination, Altus Midstream entered into the Lease Agreement with Apache, 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 initial term of the Lease Agreement is for four years and may be extended by Altus Midstream for three additional, consecutive periods of twenty-four months.

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.

At September 30, 2019 and December 31, 2018, 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.

Following the exercise of each Pipeline Option, the Company will be required to fund its pro-rata portion of any future capital expenditures for the development of the respective pipeline projects as referenced in Note 10 — Equity Method Interests.

10. EQUITY METHOD INTERESTS

As of September 30, 2019, the Company had exercised four of its five Pipeline Options and, as a result, 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.

	September 30, 2019		December 31, 2018	
In thousands, unless stated	**Ownership**	**Amount**	**Ownership**	**Amount**
Gulf Coast Express Pipeline LLC	16.0%	$ 274,727	15.0%	$ 91,100
EPIC Crude Holdings, LP	15.0%	127,742	—%	—
Permian Highway Pipeline LLC	26.7%	224,152	—%	—
Breviloba, LLC	33.0%	467,943	—%	—
		$ 1,094,564		$ 91,100

As of September 30, 2019 and December 31, 2018, unamortized basis differences included in the equity method interest balances were$25.7 million and $5.8 million, respectively. These amounts represent differences in the Company's contributions to date and Altus' underlying equity in the separate net assets within the financial statements of the respective entities. Unamortized basis differences will be amortized into net income 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 thenine months ended September 30, 2019:

	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	169,131	82,499	62,895	22,887	337,412
Distributions	(3,391)	—	—	—	(3,391)
Equity income (loss), net	2,613	(4,849)	176	2,596	536
Accumulated other comprehensive loss	—	(1,718)	—	—	(1,718)
Balance at September 30, 2019	$ 274,727	$ 127,742	$ 224,152	$ 467,943	$ 1,094,564

Summarized Financial Information

The following table represents aggregated selected income statement data for the Company's equity method interests (on a100 percent basis):

	Three Months Ended September 30, 2019 (1)				Nine Months Ended September 30, 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**
				(In thousands)				
Revenues	$ 12,039	$ 8,015	$ —	$ 41,765	$ 16,476	$ 8,015	$ —	$ 78,749
Operating expenses	1,033	27,679	21	12,857	1,218	33,610	41	27,189
Operating income (loss)	11,006	(19,664)	(21)	28,908	15,258	(25,595)	(41)	51,560
Net income (loss)	11,776	(20,890)	554	28,908	17,090	(35,620)	785	51,560
Other comprehensive loss	—	(4,145)	—	—	—	(11,450)	—	—

(1) Although our interests in EPIC Crude Holdings, LP, Permian Highway Pipeline LLC, and Breviloba, LLC were acquired on February 4, 2019, May 17, 2019, and July 31, 2019, respectively, the financial results are presented for the entire three and nine month periods for comparability. Due to the timing for availability of financial statement information, summarized income statement data is presented on a one month delay for all equity interests.

11. EQUITY

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 Global Select Market under the symbol "ALTM." As of September 30, 2019, there were 74,929,305 and 250,000,000 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 our 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.

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 Warrants

As of September 30, 2019, there were 12,577,350 Public Warrants outstanding. Each whole Public Warrant entitles the holder to purchase one share of Class A Common Stock at a price of $11.50 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 $18.00 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 our 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 September 30, 2019, 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.

Redeemable Noncontrolling Interest - Apache Limited Partner

In conjunction with the issuance of the Class C Common Stock, Apache received 250,000,000 Altus Midstream Common Units, representing 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 or (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 September 30, 2019, the redeemable noncontrolling interest was recorded based on the initial fair value plus accumulated earnings and losses to date. The maximum redemption value at September 30, 2019 based on the 5-day VWAP was $713.1 million. At December 31, 2018, the redeemable noncontrolling interest was recorded at the maximum redemption value based on the 5-day VWAP.

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.

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 of7 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 may pay distributions in-kind.
- 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 a6 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 exchanged for a number of shares of Class A Common Stock equal to20 percent or more of the Company's outstanding voting power, the Company has agreed to submit the potential issuance of such shares for approval of its stockholders (the Stockholder Approval) at its annual stockholder meeting in 2020. In connection with the Closing, Apache, the Company, and certain purchasers of Preferred Units entered into a voting agreement pursuant to which Apache has agreed to vote all shares of common stock of the Company over which Apache has beneficial ownership in favor of the Stockholder Approval. The Amended LPA provides that the Preferred Units will not be exchangeable into more than 19.5 percent of the outstanding voting power of the Company unless the Stockholder Approval is obtained.

Accounting for the Preferred Units

Classification

The Preferred Units are accounted for on the Company's consolidated balance sheets 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)(i) the carrying amount of the Preferred Units determined in accordance with ASC 810, plus (ii) the fair value of the embedded derivative liability or (b) the accreted value of the net transaction price.

Activity related to the Preferred Units during the nine months ended September 30, 2019 is as follows:

	Nine Months Ended September 30, 2019	
	Units Outstanding	Financial Position(3)
	(In thousands, except for unit data)	
Redeemable noncontrolling interest - Preferred Units: beginning of period	—	$ —
Issuance of Preferred Units, net	625,000	516,790
Distribution of in-kind additional Preferred Units(1)	2,188	—
Allocation of Altus Midstream net income	N/A	20,844
Accreted value adjustment	N/A	779
Redeemable noncontrolling interest - Preferred Units: end of period	627,188	$ 538,413
Embedded derivative liability(2)		98,228
		$ 636,641

(1) Subsequent to the balance sheet date, Altus Midstream provided notice to the Preferred Unit holders of record at September 30, 2019 of the amount of the distribution on the Preferred Units for the quarter ended September 30, 2019. The holders also were notified that Altus Midstream elected to pay the entire amount of the approximate $11.0 million distribution in-kind in additional Preferred Units (PIK Units) on November 14, 2019. In total, 10,975.8 PIK Units will be issued in satisfaction of the required distribution.

(2) See Note 15 — Fair Value Measurements for discussion of the fair value changes in the embedded derivative liability during the period.

(3) As of September 30, 2019, the aggregate Redemption Price was $645.8 million, based on an internal rate of return of 11.5 percent.

N/A - not applicable.

13. INCOME TAXES

Altus Midstream Company is subject to U.S. federal income tax and Texas Margin tax. At September 30, 2019, Altus Midstream Company had a net deferred tax asset of $68.6 million, primarily related to its net operating loss carryforward and its investment in Altus Midstream LP. Altus Midstream LP is a partnership for federal income tax purposes and passes through its taxable income to its partners. Thus, Altus Midstream LP does not record a federal income tax provision. Altus Midstream LP is subject to the Texas Margin tax and as such, records a state income tax provision. At September 30, 2019, Altus Midstream LP had a net deferred state income tax liability of $3.1 million.

On June 12, 2019, Altus Midstream issued and sold the Preferred Units in a private offering that admitted additional limited partners with separate rights for the Preferred Unit holders. The Preferred Units are accounted for on the Company's consolidated balance sheet as a redeemable noncontrolling interest classified as temporary equity. For financial statement reporting purposes, the Company applies a two-step approach to subsequent measurement of the Preferred Units. Under this approach, net income is first allocated to the Preferred Unit holders in accordance with the terms of the Amended LPA. An additional adjustment may be made to increase the carrying amount after the attribution of net income, as further described in Note 12 — Series A Cumulative Redeemable Preferred Units. Both the allocation of net income and any subsequent adjustment based upon accretion of the net transaction price (if applicable) reflect income that will be taxable to the Preferred Unit holders. Accordingly, Altus Midstream Company's federal income tax provision reflects this income allocation as a reduction in the Company's effective tax rate.

During the three and nine months ended September 30, 2019, the Company's effective income tax rate was primarily impacted by the net loss attributable to Apache limited partner, subsequent measurement of the Preferred Units as described above, and the impact of state income taxes. During the three and nine months ended September 30, 2018, the Company's effective income tax rate was primarily impacted by the release of the valuation allowance.

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. Each quarter, the Company assesses the recognition amount and, as a result, may increase (expense) or reduce (benefit) the amount of interest and penalties. Interest and penalties are recorded as a component of income tax expense. The contributor of Altus Midstream's operating assets, Apache, is currently under IRS audit for the 2014-2017 tax years as part of its normal course of business.

14. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing net income (loss) available to Class A common shareholders by the weighted average numbers of shares outstanding during the period. Class C Common Stock is excluded from the weighted average shares outstanding immediately following the Closing Date for the calculation of basic net income 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) exchanges of outstanding Common Units of Altus Midstream and corresponding shares of its outstanding Class C Common Stock (ii) earn-out consideration and (iii) 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 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.

	Three Months Ended September 30,					
	2019			2018[(1)]		
	Loss	Shares	Per Share	Income	Shares	Per Share
	(In thousands, except per share data)					
Basic:						
Net income (loss) attributable to Class A common shareholders	$ (4,864)	74,929	$ (0.06)	$ 19,208	218,470	$ 0.09
Effective of dilutive securities:						
Redeemable noncontrolling interest — Apache limited partner	$ (19,222)	250,000		$ —	—	
Diluted:						
Net income (loss) attributable to Class A common shareholders	$ (24,086)	324,929	$ (0.07)	$ 19,208	218,470	$ 0.09

	Nine Months Ended September 30,					
	2019			2018[(1)]		
	Loss	Shares	Per Share	Loss	Shares	Per Share
	(In thousands, except per share data)					
Basic:						
Net loss attributable to Class A common shareholders	$ (6,057)	74,929	$ (0.08)	$ (5,021)	179,493	$ (0.03)
Effective of dilutive securities:						
Redeemable noncontrolling interest — Apache limited partner	$ (21,919)	250,000		$ —	—	
Diluted:						
Net loss attributable to Class A common shareholders	$ (27,976)	324,929	$ (0.09)	$ (5,021)	179,493	$ (0.03)

(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.

The diluted earnings per share calculation excludes the effect of an assumed exchange of the Preferred Units for shares of Class A Common Stock and the effect of the outstanding warrants of the Company to purchase an aggregate 18,941,631 shares of Class A Common Stock, since the associated impacts would have been anti-dilutive for all relevant periods presented. 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. Earn-out consideration granting Apache the right to receive up to 37,500,000 shares of Class A Common Stock is not included in the earnings per share calculation above, as the conditions for issuance were not satisfied as of the quarter ended September 30, 2019.

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, or 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 amount of Altus Midstream's revolving credit facility approximates fair value because the interest rate is variable and reflective of market rates. 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. There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the quarter ended September 30, 2019 or September 30, 2018.

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; the timing of periodic cash distributions and dividend yields of the Preferred Units. The embedded derivative liability had an initial fair value of $94.5 million at Closing. During the three and nine months ended September 30, 2019, the Company recorded an unrealized loss related to this derivative liability totaling $3.8 million, which is recorded in "unrealized derivative instrument loss" in the statement of consolidated operations.

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 valuation 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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the Company's consolidated financial statements and accompanying notes included under Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q, as well as the Company's consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (Form 10-K). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Form 10-K.

Unless the context otherwise requires, "we," "us," "our," 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.

Overview

Altus Midstream Company, through our ownership interest in 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 (Alpine High). Additionally, we own, or have options to own, equity interests in a total of five Permian Basin pipelines (the Pipeline Options), four of which go to various points along the Texas Gulf Coast, providing the Company with additional access to fully integrated, wellhead-to-water connectivity. Our operations comprise one reportable segment.

We have no independent operations or material assets outside our ownership interest in Altus Midstream, which we report on a consolidated basis. As of September 30, 2019, Altus Midstream's assets included approximately 178 miles of in-service natural gas gathering pipelines, approximately 55 miles of residue gas pipelines with four market connections, and approximately 38 miles of NGL pipelines. Two of three planned new cryogenic processing trains, each with nameplate capacity of 200 MMcf/d, were placed into service in the first nine months of 2019. Construction on the third train is complete and is expected to be in-service in the fourth quarter of 2019. Other assets include an NGL truck loading terminal with six lease automatic custody transfer (LACT) units and eight NGL bullet tanks with 90,000 gallon capacity per tank.

Corporate History

We were 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. We completed our initial public offering in the second quarter of 2017, after which our initial securities began trading on the NASDAQ Global Select Market.

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

On November 9, 2018 (the Closing Date) and pursuant to the terms of that certain Contribution Agreement, we acquired from Apache the entire equity interests of the Altus Midstream Entities and Pipeline Options to acquire equity interests in five separate third-party pipeline projects. We refer to the acquisition of the entities and the Pipeline Options as the Business Combination. In exchange, the consideration provided to Apache included economic voting and non-economic voting shares in Altus Midstream Company and common partnership units representing limited partner interests in Altus Midstream (Common Units). At the time of the Business Combination, we changed our name from Kayne Anderson Acquisition Corp. to Altus Midstream Company.

Presentation of Financial and Operating Information

While Altus Midstream Company (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, the historical operations of Altus Midstream Operating are deemed to be those of the Company. Thus, the financial statements and related information included in this Quarterly Report on Form 10-Q 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.

Altus Midstream Operational Assessment

We use a variety of financial and operational metrics to assess the performance of our operations and growth compared to expected plan estimates. These metrics include:

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

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) including noncontrolling interests before financing costs (net of capitalized interest), interest income, income taxes, depreciation, and accretion and adjust such items, as applicable, from income from our equity method interests. We also exclude (when applicable) impairments, unrealized gains or losses on derivative instruments, and other items affecting comparability of results to peers. Our management believes Adjusted EBITDA is useful for evaluating our operating performance and comparing results of our 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 our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing our financial performance, such as our 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 our results will be unaffected by unusual or non-recurring items. Additionally, our 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. Our definitions of Adjusted EBITDA may not be comparable to similarly titled measures of other companies in our industry, thereby diminishing its utility.

Reconciliation of non-GAAP financial measures

Our 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. Our management believes that investors benefit from having access to the same financial measures 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 interest to the non-GAAP financial measure of Adjusted EBITDA.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Reconciliation of net income (loss) including noncontrolling interests to Adjusted EBITDA				
Net income (loss) including noncontrolling interests	$ (8,188)	$ 19,208	$ (7,958)	$ (5,021)
Add:				
Financing costs, net of capitalized interest	522	—	1,508	—
Deferred income tax benefit	(505)	(18,924)	(510)	(9,733)
Depreciation and accretion	11,710	5,483	28,468	14,404
Impairments	9,338	—	9,338	—
Unrealized derivative instrument loss	3,769	—	3,769	—
Equity method interests Adjusted EBITDA	2,707	—	2,873	—
Other	644	—	644	—
Less:				
Interest income	617	—	3,584	—
Income from equity method interests, net	1,564	—	536	—
Adjusted EBITDA	$ 17,816	$ 5,767	$ 34,012	$ (350)

Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
REVENUES:				
Midstream services revenue — affiliate	$ 34,009	$ 25,437	$ 91,994	$ 50,053
Total revenues	34,009	25,437	91,994	50,053
COSTS AND EXPENSES:				
Operations and maintenance	13,063	16,579	43,466	38,798
General and administrative	3,242	1,865	8,314	5,126
Depreciation and accretion	11,710	5,483	28,468	14,404
Impairments	9,338	—	9,338	—
Taxes other than income	3,239	1,226	9,702	6,479
Total costs and expenses	40,592	25,153	99,288	64,807
Operating income (loss)	(6,583)	284	(7,294)	(14,754)
Unrealized derivative instrument loss	(3,769)	—	(3,769)	—
Interest income	617	—	3,584	—
Income from equity method interests, net	1,564	—	536	—
Other	—	—	(17)	—
Total other income (loss)	(1,588)	—	334	—
Financing costs, net of capitalized interest	522	—	1,508	—
NET INCOME (LOSS) BEFORE INCOME TAXES	(8,693)	284	(8,468)	(14,754)
Deferred income tax benefit	(505)	(18,924)	(510)	(9,733)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	(8,188)	19,208	(7,958)	(5,021)
Net income attributable to Preferred Unit limited partners	17,480	—	21,623	—
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	(25,668)	19,208	(29,581)	(5,021)
Net loss attributable to Apache limited partner	(20,804)	—	(23,524)	—
NET INCOME (LOSS) ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ (4,864)	$ 19,208	$ (6,057)	$ (5,021)
KEY PERFORMANCE METRICS:				
Adjusted EBITDA (1)	$ 17,816	$ 5,767	$ 34,012	$ (350)
OPERATING DATA:				
Average throughput volumes of natural gas (MMcf/d)	467	392	464	286
Average volumes of natural gas processed (MMcf/d)	467	392	464	286

(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 definitions and reconciliations of Adjusted EBITDA most directly comparable to GAAP measures, see the section entitled "*Adjusted EBITDA*" above.

Our operations commenced in the second quarter of 2017 and since that time, our only customer has been Apache, although Altus Midstream is pursuing contracts with third-parties that could be accommodated by existing capacity. Our midstream service agreements with Apache contain no minimum volume commitments and as such, our future results of operations may be materially impacted, depending on Apache's production volumes from Alpine High and our ability to contract third-party business. Refer to Part I, Item 1A — Risk Factors of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and Part I, Item 3 — Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q, for further discussion.

For purposes of the following discussion, any increases or decreases "for the three months ended September 30, 2019" refer to the comparison of the three months ended September 30, 2019 to the three months ended September 30, 2018 and any increases or decreases "for the nine months ended September 30, 2019" refer to the comparison of the nine months ended September 30, 2019 to the nine months ended September 30, 2018.

Midstream Revenues

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
	(In thousands)			
REVENUES:				
Midstream services revenue — affiliate	$ 34,009	$ 25,437	$ 91,994	$ 50,053
Total revenues	$ 34,009	$ 25,437	$ 91,994	$ 50,053

All midstream services revenues were generated through our fee-based midstream service agreements with Apache. These services include gas gathering, processing, and transmission. The revenue earned from these services is directly related to the volume of natural gas and NGLs that flow through our systems, and we do not take ownership of the natural gas or NGLs handled for Apache.

Three months ended September 30, 2019 as compared to three months ended September 30, 2018

Midstream services revenue from affiliate increased by $8.6 million to $34.0 million for the three months ended September 30, 2019, as compared to $25.4 million for the three months ended September 30, 2018. The increase was primarily driven by higher throughput of rich natural gas volumes, which increased revenues by approximately $7.8 million for the three months ended September 30, 2019. Lean gas throughput volumes increased throughout the quarter, as Apache ramped up production following deferral of a portion of its gas volumes at Alpine High in April 2019 in response to price weakness in the region.

Nine months ended September 30, 2019 as compared to nine months ended September 30, 2018

Midstream services revenue from affiliate increased by $41.9 million to $92.0 million for the nine months ended September 30, 2019, as compared to $50.1 million for the nine months ended September 30, 2018. Approximately $28.7 million of the increase was primarily driven by higher throughput volumes of natural gas as Apache increased production from Alpine High. The volume increase was partially limited by Apache's deferral of a portion of its gas volumes at Alpine High beginning April 2019, in response to price weakness in the region. These volumes returned incrementally throughout the third quarter of 2019. A further $11.4 million is attributable to changes in rates pursuant to the terms of new midstream service agreements with Apache, which became effective during 2018.

Costs and Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
	(In thousands)			
Operations and maintenance	$ 13,063	$ 16,579	$ 43,466	$ 38,798
General and administrative	3,242	1,865	8,314	5,126
Depreciation and accretion	11,710	5,483	28,468	14,404
Impairments	9,338	—	9,338	—
Taxes other than income	3,239	1,226	9,702	6,479
Total costs and expenses	$ 40,592	$ 25,153	$ 99,288	$ 64,807

Three months ended September 30, 2019 as compared to three months ended September 30, 2018

Operations and maintenance

Operations and maintenance expenses decreased by $3.5 million to $13.1 million for the three months ended September 30, 2019, as compared to $16.6 million for the three months ended September 30, 2018, primarily driven by a decrease in employee related costs and lower repair and maintenance expenses as a result of transitioning to our centralized Diamond cryogenic complex from mechanical refrigeration units.

General and administrative expense

General and administrative (G&A) expense increased by $1.3 million to $3.2 million for the three months ended September 30, 2019, as compared to $1.9 million for the three months ended September 30, 2018, primarily driven by higher expenses incurred related to severance costs, insurance, legal, audit and other public company requirements. These increases were partially offset by lower employee related costs charged to Altus by Apache under the terms of the COMA.

Depreciation and accretion expense

Depreciation and accretion expense increased by $6.2 million to $11.7 million for the three months ended September 30, 2019, as compared to $5.5 million for the three months ended September 30, 2018. The $6.2 million increase represents the timing of placing assets into service following construction activity over the historical period. Depreciation and accretion expense is expected to increase over the next year as a result of the cryogenic plants being placed into service in the second half of 2019.

Impairments

The impairment charge of $9.3 million for the three months ended September 30, 2019 relates to the cancellation of construction on a previously planned compressor station. The Company expects to sell certain of the underlying components in the fourth quarter of 2019. Refer to Note 5 — Property, Plant and Equipment within Part I, Item 1 — Financial Statements of this Quarterly Report on Form 10-Q.

No impairments were recorded for the three months ended September 30, 2018.

Taxes other than income

The increase in taxes other than income was driven by ad valorem taxes, whichincreased by $2.0 million to $3.2 million for the three months ended September 30, 2019, as compared to $1.2 million for the three months ended September 30, 2018. The $2.0 million increase represents the higher tax assessment in the current year related to completion of construction of certain assets.

Nine months ended September 30, 2019 as compared to nine months ended September 30, 2018

Operations and maintenance

Operations and maintenance expenses increased by $4.7 million to $43.5 million for the nine months ended September 30, 2019, as compared to $38.8 million for the nine months ended September 30, 2018, primarily driven by higher operating costs including contract labor, equipment rentals and supplies as a result of increased throughput volumes.

General and administrative expense

G&A expense increased by $3.2 million to $8.3 million for the nine months ended September 30, 2019, as compared to $5.1 million for the nine months ended September 30, 2018, primarily driven by higher expenses incurred related to severance costs, insurance, legal, audit and other public filing requirements. These increases were partially offset by lower employee related costs charged to Altus by Apache under the terms of the COMA.

Depreciation and accretion expense

Depreciation and accretion expense increased by $14.1 million to $28.5 million for the nine months ended September 30, 2019, as compared to $14.4 million for the nine months ended September 30, 2018. The increase represents the timing of placing assets into service following construction activity over the historical period. Depreciation and accretion expense is expected to increase over the next year as a result of the cryogenic plants being placed into service in the second half of 2019.

Impairments

The impairment charge of $9.3 million for the nine months ended September 30, 2019 relates to the cancellation of construction on a previously planned compressor station. The Company expects to sell certain of the underlying components in the fourth quarter of 2019. Refer to Note 5 — Property, Plant and Equipment within Part I, Item 1 — Financial Statements of this Quarterly Report on Form 10-Q.

Taxes other than income

The increase in taxes other than income was driven by ad valorem taxes, whichincreased by $3.1 million to $9.5 million for the nine months ended September 30, 2019, as compared to $6.4 million for the nine months ended September 30, 2018. The $3.1 million increase represents the higher tax assessment in the current year related to completion of construction of certain assets.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018(1)	2019	2018(1)
	(In thousands)			
Unrealized derivative instrument loss	$ (3,769)	$ —	$ (3,769)	$ —
Interest income	617	—	3,584	—
Income from equity method interests, net	1,564	—	536	—
Other	—	—	(17)	—
Total other income (loss)	$ (1,588)	$ —	$ 334	$ —
Interest expense	$ 1,496	$ 2,504	$ 3,234	$ 7,054
Amortization of deferred facility fees	237	—	652	—
Capitalized interest	(1,211)	(2,504)	(2,378)	(7,054)
Financing costs, net of capitalized interest	$ 522	$ —	$ 1,508	$ —

(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.

Unrealized derivative instrument loss

During the three and nine month periods ending September 30, 2019, the Company recognized an unrealized loss of $3.8 million in relation to an embedded feature identified upon the issuance and sale of Series A Cumulative Redeemable Preferred Units (the Preferred Units) in the second quarter of 2019. The associated derivative 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; the Company's imputed interest rate; the timing of periodic cash distributions and dividend yields of the Preferred Units. Refer to Note 12 — Series A Cumulative Redeemable Preferred Units within Part I, Item 1 — Financial Statements of this Quarterly Report on Form 10-Q for further discussion.

Income from equity method interests

In the third quarter of 2019, the Company completed the acquisition of a 33 percent equity interest in Breviloba, LLC which owns the Shin Oak NGL pipeline project (Shin Oak). Income from equity method interests was positively impacted as a result of this acquisition, as well as from its proportionate share of net income generated by Gulf Coast Express Pipeline LLC, in which the Company has a 16 percent interest. Gulf Coast Express Pipeline LLC operates the Gulf Coast Express Pipeline Project (GCX) which ramped-up throughput volumes during the period, as the project moved toward full service at the end of September 2019. As of September 30, 2019, the Company had exercised four of its five Pipeline Options.

Financing costs, net of capitalized interest

For the three and nine month periods ending September 30, 2019, financing costs incurred, net of capitalized interest were $0.5 million and $1.5 million, respectively. These costs relate to interest, which is not capitalized, on finance lease obligations and amortization of fees on the revolving credit facility entered into by Altus Midstream in November 2018.

Provision for Income Taxes

Altus Midstream Company is subject to U.S. federal income tax and Texas Margin tax. At September 30, 2019, Altus Midstream Company had a net deferred tax asset of $68.6 million, primarily related to its net operating loss carryforward and its investment in Altus Midstream LP. Altus Midstream LP is a partnership for federal income tax purposes and passes through its taxable income to its partners. Thus, Altus Midstream LP does not record a federal income tax provision. Altus Midstream LP is subject to the Texas Margin tax and as such, records a state income tax provision. At September 30, 2019, Altus Midstream LP had a net deferred state income tax liability of $3.1 million.

On June 12, 2019, Altus Midstream issued and sold the Preferred Units in a private offering that admitted additional limited partners with separate rights for the Preferred Unit holders. The Preferred Units are accounted for on the Company's consolidated balance sheet as a redeemable noncontrolling interest classified as temporary equity. For financial statement reporting purposes, the Company applies a two-step approach to subsequent measurement of the Preferred Units. Under this approach, net income is first allocated to the Preferred Unit holders in accordance with the terms of the Amended LPA. An additional adjustment may be made to increase the carrying amount after the attribution of net income, as further described in Note 12 — Series A Cumulative Redeemable Preferred Units. Both the allocation of net income and any subsequent adjustment based upon accretion of the net transaction price (if applicable) reflect income that will be taxable to the Preferred Unit holders. Accordingly, Altus Midstream Company's federal income tax provision reflects this income allocation as a reduction in the Company's effective tax rate.

During the three and nine months ended September 30, 2019, the Company's effective income tax rate was primarily impacted by the net loss attributable to Apache limited partner, subsequent measurement of the Preferred Units as described above, and the impact of state income taxes. During the three and nine months ended September 30, 2018, the Company's effective income tax rate was primarily impacted by the release of the valuation allowance.

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. Each quarter, the Company assesses the recognition amount and, as a result, may increase (expense) or reduce (benefit) the amount of interest and penalties. Interest and penalties are recorded as a component of income tax expense. The contributor of Altus Midstream's operating assets, Apache, is currently under IRS audit for the 2014-2017 tax years as part of its normal course of business.

Key Performance Metrics

Three months ended September 30, 2019 as compared to three months ended September 30, 2018

The Company realized a net loss before income tax of $8.7 million and net income before income tax of $0.3 million for the three months ended September 30, 2019 and 2018, respectively. Adjusted EBITDA increased by $12.0 million for the three months ended September 30, 2019. The increase in Adjusted EBITDA is primarily due to an $8.6 million increase in midstream services revenue from affiliate coupled with a $3.5 million decrease in operations and maintenance expenses and a $2.7 million increase in the Company's proportionate share of EBITDA generated by its equity interests. These amounts were partially offset by a $2.0 million increase in taxes other than income and a $0.7 million increase in G&A expenses net of separation costs. Net loss before income taxes was detrimentally impacted by a $9.3 million impairment expense recorded in the third quarter of 2019, a $6.2 million increase in depreciation expense, and a $3.8 million expense arising from the fair value measurement of an embedded derivative at September 30, 2019.

Nine months ended September 30, 2019 as compared to nine months ended September 30, 2018

Net loss before income taxes decreased by $6.3 million and Adjusted EBITDA increased by $34.4 million for the nine months ended September 30, 2019, primarily due to a $41.9 million increase in midstream services revenue from affiliate coupled with a $2.8 million increase in the Company's proportionate share of EBITDA generated by its equity interests. These amounts were partially offset by a $4.7 million increase in operations and maintenance expenses, a $3.2 million increase in taxes other than income and a $2.5 million increase in G&A expenses net of separation costs. Net loss before income taxes was detrimentally impacted by a $13.9 million increase in depreciation expense, a $9.3 million impairment expense recorded in the third quarter of 2019, and a $3.8 million increase to expense arising from the fair value measurement of an embedded derivative at September 30, 2019.

Capital Resources and Liquidity

Altus Midstream Overview

The Company's proportionate share of costs relating to the Pipeline Options still under construction will require significant capital expenditures in excess of current cash on hand and operational cash flow. As of September 30, 2019, our primary use of capital has been for the initial construction of gathering and processing assets, as well as the exercise of four of the five Pipeline Options and associated subsequent construction costs, as further described below. Prior to the Business Combination, our primary source of liquidity was capital contributions from Apache. During the nine months ended September 30, 2019, the Company's primary sources of capital were proceeds from the issuance of the Preferred Units, borrowings under the revolving credit facility, and cash generated from operations. While certain of the Pipeline Options are being constructed, ongoing sources of liquidity are expected to be cash generated from operations, which is anticipated to increase over time, and revolving credit facility borrowing capacity.

Based on our current financial plan and related assumptions, we believe our operations and capital program for midstream operations will begin to generate operating cash flows in excess of investment expenditures by year-end 2020. We anticipate using our cash position, revolving credit facility borrowing capacity, and reinvested operating cash flow to fund our near-term capital requirements.

Altus Midstream Capital Requirements

As part of the Business Combination, we obtained the right, but not the obligation, to exercise five Pipeline Options. In the third quarter of 2019, we exercised our fourth Pipeline Option to acquire an approximate 33 percent ownership interest in Shin Oak for approximately $442 million. The project, which is already in service, is expected to have ultimate capacity of approximately 550 MBbl/d and transports NGLs primarily from the Permian Basin to Mont Belvieu, Texas. Shin Oak is owned by Breviloba, LLC (Breviloba) and is operated by Enterprise Products Operating LLC (Enterprise).

As a result, at September 30, 2019, we held the following interests in third-party operated pipelines:

- A 33.0 percent interest in Shin Oak.
- A 26.7 percent interest in the Permian Highway Pipeline Project (PHP). PHP is a long-haul pipeline under construction that is expected to have approximately 2.1 Bcf/d of natural gas transportation capacity. The pipeline will transport natural gas from the Waha area in northern Pecos County, Texas, to the Katy, Texas area, with connections to Texas Gulf Coast and other markets. PHP is anticipated to be in service in early 2021.
- A 16.0 percent interest in GCX, which delivers natural gas from the Waha area in West Texas to Agua Dulce near the Texas Gulf Coast. Full commercial service began at the end of September 2019 and the total capacity of 2.0 Bcf/d is fully subscribed under long-term contracts.
- A 15.0 percent interest in the EPIC Crude Oil Pipeline Project (EPIC). EPIC is currently under construction and is anticipated to be in service in January 2020. Upon completion, the pipeline is anticipated to have initial capacity of 590 MBbl/d and will transport crude oil from Orla, Texas to the Port of Corpus Christi, Texas.

The Company's remaining outstanding Pipeline Option can be exercised at any time up until January 31, 2020. With Shin Oak and GCX already in service, we anticipate that the Company's existing capital resources (discussed below) will be sufficient to fund the Company's obligations, primarily related to the remaining construction periods of PHP and EPIC.

With construction on all three planned cryogenic processing plants now complete, the Company's future growth capital requirements in relation to its gathering and processing assets may be directed toward the addition of further cryogenic processing capacity over the next several years, commensurate with throughput increases from Alpine High production and potential third-party volumes.

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 Nine Months Ended September 30, 2019	2018
	(In thousands)	
Sources of cash and cash equivalents:		
Redeemable noncontrolling interest - Preferred Unit limited partners, net	$ 611,249	$ —
Proceeds from revolving credit facility	235,000	—
Net cash provided by operating activities	39,436	—
	$ 885,685	$ —
Uses of cash and cash equivalents:		
Capital expenditures[1]	$ (307,010)	$ —
Equity method interests	(1,008,037)	—
Finance lease payments	(17,187)	—
Deferred facility fees	(792)	—
	(1,333,026)	—
Decrease in cash and cash equivalents	$ (447,341)	$ —

(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:

	September 30, 2019	December 31, 2018
	(In thousands)	
Cash and cash equivalents	$ 2,594	$ 449,935
Total debt	252,562	—
Available committed borrowing capacity	415,000	450,000

Cash and cash equivalents

At September 30, 2019 and December 31, 2018, we had $2.6 million and $449.9 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 September 30, 2019, the Company had outstanding debt of $252.6 million, of which $17.6 million is related to a finance lease obligation.

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 $650.0 million until the consolidated net income of Altus Midstream and its restricted subsidiaries, as adjusted pursuant to the agreement (EBITDA), for the immediately preceding fiscal quarter equals or exceeds $175.0 million on an annualized basis (such period, the Initial Period). Upon achieving such EBITDA, the Initial Period ends and aggregate commitments increase to $800.0 million. All 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. After the Initial Period, 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 September 30, 2019, total outstanding borrowings were $235.0 million and no letters of credit were outstanding under this facility. There were no outstanding borrowings or letters of credit as of December 31, 2018.

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 its 2018 amended credit facility is either a base rate, as defined, plus a margin, or the London Inter-bank Offered Rate (LIBOR), plus a margin. Altus Midstream also pays quarterly a facility fee at a per annum rate on total commitments. The margins and the facility fee vary based upon (i) the Leverage Ratio 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 September 30, 2019, the base rate margin was 0.10 percent, the LIBOR margin was 1.10 percent, and the facility fee was 0.20 percent. A commission is payable quarterly to 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 one of the following financial ratios:

- during the Initial Period, a debt-to-capital ratio of not greater than 30.0 percent at the end of any fiscal quarter, determined by reference to (i) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries to (ii) (A) the consolidated partners' equity of Altus Midstream and its restricted subsidiaries plus (B) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries; and

- beginning with the quarter ending on the earlier of (i) March 31, 2020 or (ii) the last day of the fiscal quarter during which the Initial Period ends, a Leverage Ratio not exceeding 5.00:1.00 at the end of any fiscal quarter, 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.

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, it does allow 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 September 30, 2019.

There is no assurance that the financial condition of banks with lending commitments to Altus Midstream will not deteriorate. We closely monitor the ratings of the banks in our 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 interests in the Pipeline Options and repayment of outstanding principal on the revolving credit facility (discussed above).

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 of7 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 may pay distributions in-kind.
- 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 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 exchanged 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 has agreed to submit the potential issuance of such shares for approval of its stockholders (the Stockholder Approval) at its annual stockholder meeting in 2020. In connection with the Closing, Apache, the Company, and certain purchasers of Preferred Units entered into a voting agreement pursuant to which Apache has agreed to vote all shares of common stock of the Company over which Apache has beneficial ownership in favor of the Stockholder Approval. The Amended LPA provides that the Preferred Units will not be exchangeable into more than 19.5 percent of the outstanding voting power of the Company unless the Stockholder Approval is obtained.

Off-Balance Sheet Arrangements

Other than the arrangements described in the Company's Annual Report on Form 10-K for the fiscal year endedDecember 31, 2018, the Company has not entered into any transactions, agreements, or other contractual arrangements with unconsolidated entities that are reasonably likely to materially affect our liquidity or capital resource positions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to various market risks, including the effects of adverse changes in commodity prices and credit risk as described below.

Commodity Price Risk

Currently all of our midstream service agreements are fee-based, with no direct commodity price exposure to oil, natural gas, or NGLs. However, we are 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 we receive 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 our potential exposure to commodity price risk, and may periodically enter into financial or physical arrangements intended to mitigate potential volatility.

Credit Risk

We are subject to credit risk resulting from nonpayment or nonperformance by, or the insolvency or liquidation of, Apache or potential third-party customers. Any increase in the nonpayment and nonperformance by, or the insolvency or liquidation of, our customers could adversely affect our results of operations.

ITEM 4. 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 our disclosure controls and procedures as of September 30, 2019, the end of the period covered by this report. 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 we are required to disclose under applicable laws and regulations is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

We periodically review the design and effectiveness of our disclosure controls, including compliance with various laws and regulations that apply to our operations. We make modifications to improve the design and effectiveness of our disclosure controls, and may take other corrective action, if our reviews identify deficiencies or weaknesses in our controls.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter endedSeptember 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not aware of any pending or threatened legal proceedings against us at the time of the filing of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Refer to Part I, Item 1A — Risk Factors of the Company's Annual Report on Form 10-K for the fiscal year endedDecember 31, 2018, Part II, Item 1A — Risk Factors of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019 and Part I, Item 3 — Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q. Except as stated herein, there have been no material changes to our risk factors since our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

ITEM 6. 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, Alpine High Gathering LP, Alpine High Pipeline LP, Alpine High Processing LP, Alpine High NGL Pipeline LP and Alpine High 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	–	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).
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.
101*	–	The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL: (i) Statement of Consolidated Operations, (ii) Statement of Consolidated Comprehensive Income (Loss), (iii) Consolidated Balance Sheet, (iv) Statement of Consolidated Cash Flows, (v) Statement of Consolidated Changes in Equity and Noncontrolling Interests and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	ALTUS MIDSTREAM COMPANY
Dated: October 31, 2019	/s/ Ben C. Rodgers
	Ben C. Rodgers *Chief Financial Officer and Treasurer* *(Principal Financial Officer)*
Dated: October 31, 2019	/s/ Rebecca A. Hoyt
	Rebecca A. Hoyt *Senior Vice President, Chief Accounting Officer, and Controller* *(Principal Accounting Officer)*

EXHIBIT 31.1

CERTIFICATIONS

I, Clay Bretches, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

/s/ Clay Bretches

Clay Bretches

Chief Executive Officer and President (Principal Executive Officer)

Date: October 31, 2019

EXHIBIT 31.2

CERTIFICATIONS

I, Ben C. Rodgers, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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.

/s/ Ben C. Rodgers

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

Date: October 31, 2019

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 quarterly report on Form 10-Q of Altus Midstream Company for the quarterly period ending September 30, 2019 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 presents, in all material respects, the financial condition and results of operations of Altus Midstream Company.

/s/ Clay Bretches

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

Date: October 31, 2019

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 quarterly report on Form 10-Q of Altus Midstream Company for the quarterly period ending September 30, 2019 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 presents, in all material respects, the financial condition and results of operations of Altus Midstream Company.

/s/ Ben C. Rodgers

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

Date: October 31, 2019