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 June 30, 2020

OR

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

For the transition period from _________ to _________

Commission File Number: 001-38048

Altus Midstream Company

(Exact name of registrant as specified in its charter)

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

One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400
(Address of principal executive offices) (Zip Code)
(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 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 July 29, 2020	3,746,460
Number of shares of registrant's Class C common stock, par value $0.0001 per share issued and outstanding as of July 29, 2020	12,500,000

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FORWARD-LOOKING STATEMENTS AND RISK

This Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q, including, without limitation, statements regarding the Company’s future financial position, business strategy, budgets, projected revenues, projected costs and plans, and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on the Company’s examination of historical operating trends, production and growth forecasts of Apache Corporation’s Alpine High field development and other data in the Company’s possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “could,” “expect,” “intend,” “project,” “estimate,” “anticipate,” “plan,” “believe,” “continue,” “seek,” “guidance,” “might,” “outlook,” “possibly,” “potential,” “should,” “would,” or similar terminology. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable under the circumstances, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company’s expectations include, but are not limited to, its assumptions about:

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

- the effectiveness of the Company’s business strategy;
- changes in technology;
- market-related risks, such as general credit, liquidity and interest-rate risks;
- the timing, amount and terms of the Company’s future issuances of equity and debt securities;
- 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 the Company’s most recently filed Annual Report on Form 10-K;
- other risks and uncertainties disclosed in the Company’s second-quarter 2020 earnings release;
- other factors disclosed under Part II, Item 1A-Risk Factors in the Company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020;
- 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 the Company makes with the Securities and Exchange Commission (SEC).

Other factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. 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. Except as required by law, the Company assumes no duty to update or revise its forward-looking statements, whether based on changes in internal estimates or expectations, new information, future developments, or otherwise.

GLOSSARY OF TERMS

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

- *Bbl.* One stock tank barrel of 42 United States (U.S.) gallons liquid volume used herein in reference to crude oil, condensate or NGLs.
- *Bbl/d.* One Bbl per day.
- *Bcf.* One billion cubic feet of natural gas.
- *Bcf/d.* One Bcf per day.
- *Btu.* One British thermal unit, which is the quantity of heat required to raise the temperature of a one-pound mass of water by one degree Fahrenheit.
- *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.
- *Formation.* A layer of rock which has distinct characteristics that differs from nearby rock.
- *MBbl.* One thousand barrels of crude oil, condensate or NGLs.
- *MBbl/d.* One MBbl per day.
- *Mcf.* One thousand cubic feet of natural gas.
- *Mcf/d.* One Mcf per day.
- *MMBbl.* One million barrels of crude oil, condensate or NGLs.
- *MMBtu.* One million British thermal units.
- *MMcf.* One million cubic feet of natural gas.
- *MMcf/d.* One MMcf per day.
- *NGLs.* Natural gas liquids. Hydrocarbons found in natural gas, which may be extracted as liquefied petroleum gas and natural gasoline.

Effective February 14, 2019, each of the Altus Midstream Entities' (as defined herein) names were changed to replace "Alpine High" in each name with "Altus Midstream."

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

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(In thousands, except per share data)			
REVENUES:				
Midstream services revenue — affiliate (Note 2)	$ 31,616	$ 24,139	$ 72,383	$ 57,985
Total revenues	31,616	24,139	72,383	57,985
COSTS AND EXPENSES:				
Operations and maintenance[(1)]	9,508	14,005	20,099	30,403
General and administrative[(2)]	2,988	2,081	7,166	5,072
Depreciation and accretion	4,062	9,107	7,976	16,758
Taxes other than income	3,347	3,888	6,790	6,463
Total costs and expenses	19,905	29,081	42,031	58,696
OPERATING INCOME (LOSS)	11,711	(4,942)	30,352	(711)
OTHER INCOME (LOSS):				
Unrealized derivative instrument loss	(10,585)	—	(72,569)	—
Interest income	2	806	9	2,967
Income (loss) from equity method interests, net	16,923	(1,297)	33,221	(1,028)
Other	(97)	(17)	(274)	(17)
Total other income (loss)	6,243	(508)	(39,613)	1,922
Financing costs, net of capitalized interest	292	478	565	986
NET INCOME (LOSS) BEFORE INCOME TAXES	17,662	(5,928)	(9,826)	225
Current income tax benefit	—	—	(696)	—
Deferred income tax benefit	—	(430)	—	(5)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	17,662	(5,498)	(9,130)	230
Net income attributable to Preferred Unit limited partners	18,764	4,143	37,026	4,143
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(1,102)	(9,641)	(46,156)	(3,913)
Net loss attributable to Apache limited partner	(847)	(7,348)	(36,048)	(2,720)
NET LOSS ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ (255)	$ (2,293)	$ (10,108)	$ (1,193)
NET LOSS ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS, PER SHARE[(3)]				
Basic	$ (0.07)	$ (0.61)	$ (2.70)	$ (0.32)
Diluted	$ (0.07)	$ (0.61)	$ (2.84)	$ (0.32)
WEIGHTED AVERAGE SHARES[(3)]				
Basic	3,746	3,746	3,746	3,746
Diluted	3,746	3,746	16,246	3,746

(1) Includes amounts of $1.3 million and $2.0 million associated with related parties for the three months ended June 30, 2020 and 2019, respectively, and $2.8 million and $4.9 million for the six months ended June 30, 2020 and 2019, respectively. Refer to Note 2—Transactions with Affiliates.

(2) Includes amounts of $1.6 million and $1.0 million associated with related parties for the three months ended June 30, 2020 and 2019, respectively, and $3.6 million and $2.6 million for the six months ended June 30, 2020 and 2019, respectively. Refer to Note 2—Transactions with Affiliates.

(3) Share and per share amounts have been retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note 9—Equity for further information.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	$ 17,662	$ (5,498)	$ (9,130)	$ 230
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Share of equity method interests other comprehensive income (loss)	390	(1,043)	(794)	(1,043)
COMPREHENSIVE INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	18,052	(6,541)	(9,924)	(813)
Comprehensive income attributable to Preferred Unit limited partners	18,764	4,143	37,026	4,143
Comprehensive loss attributable to Apache limited partner	(547)	(8,191)	(36,659)	(3,563)
COMPREHENSIVE LOSS ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ (165)	$ (2,493)	$ (10,291)	$ (1,393)

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

ALTUS MIDSTREAM COMPANY
CONSOLIDATED BALANCE SHEET
(Unaudited)

	June 30, 2020	December 31, 2019
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,880	$ 5,983
Accounts receivable from Apache Corporation (Note 1)	—	5,195
Revenue receivables (Note 3)	13,572	15,461
Inventories	3,771	4,027
Prepaid assets and other	1,713	1,071
	20,936	31,737
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	214,389	207,270
Less: Accumulated depreciation and amortization	(7,085)	(1,468)
	207,304	205,802
OTHER ASSETS:		
Equity method interests	1,408,479	1,258,048
Deferred charges and other	5,524	5,267
	1,414,003	1,263,315
Total assets	$ 1,642,243	$ 1,500,854
LIABILITIES, NONCONTROLLING INTERESTS, AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable to Apache Corporation (Note 1)	$ 165	$ —
Current debt (Note 5)	—	9,767
Other current liabilities (Note 6)	11,941	23,925
	12,106	33,692
LONG-TERM DEBT	493,000	396,000
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Asset retirement obligation	62,041	60,095
Embedded derivative	175,498	102,929
Other non-current liabilities	5,998	4,614
	243,537	167,638
Total liabilities	748,643	597,330
COMMITMENTS AND CONTINGENCIES (Note 7)		
Redeemable noncontrolling interest — Apache limited partner	230,631	701,000
Redeemable noncontrolling interest — Preferred Unit limited partners	592,625	555,599
EQUITY:		
Class A Common Stock: $0.0001 par, 1,500,000,000 shares authorized, 3,746,460 shares issued and outstanding at June 30, 2020 and December 31, 2019[(1)]	1	1
Class C Common Stock: $0.0001 par, 1,500,000,000 shares authorized, 12,500,000 shares issued and outstanding at June 30, 2020 and December 31, 2019[(1)]	1	1
Additional paid-in capital	473,532	39,822
Accumulated deficit	(402,741)	(392,633)
Accumulated other comprehensive loss	(449)	(266)
	70,344	(353,075)
Total liabilities, noncontrolling interests, and equity	$ 1,642,243	$ 1,500,854

(1) Share amounts have been retroactively restated to reflect the Company’s reverse stock split, which was effected June 30, 2020. Refer to Note 9—Equity for further information.

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

ALTUS MIDSTREAM COMPANY
STATEMENT OF CONSOLIDATED CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) including noncontrolling interests	$ (9,130)	$ 230
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized derivative instrument loss	72,569	—
Depreciation and accretion	7,976	16,758
Deferred income tax benefit	—	(5)
Income (loss) from equity method interests, net	(33,221)	1,028
Distributions from equity method interests	37,536	—
Other	489	(564)
Changes in operating assets and liabilities:		
(Increase) decrease in inventories	256	(484)
Increase in prepaid assets and other	(642)	(311)
Decrease in revenue receivables (Note 2)	1,889	1,930
(Increase) decrease in account receivables from/payable to affiliate	1,301	(3,347)
Increase in accrued expenses	6,392	6,453
Increase deferred credits and noncurrent liabilities	1,382	—
NET CASH PROVIDED BY OPERATING ACTIVITIES	86,797	21,688
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures(1)	(26,520)	(259,295)
Proceeds from sale of assets	6,773	—
Contributions to equity method interests	(154,386)	(210,238)
Distributions from equity method interests	4,211	—
Acquisition of equity method interests	—	(228,165)
Capitalized interest paid	(5,373)	—
NET CASH USED IN INVESTING ACTIVITIES	(175,295)	(697,698)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redeemable noncontrolling interest — Preferred Unit limited partners, net	—	611,249
Proceeds from revolving credit facility	97,000	—
Finance lease	(11,789)	(7,462)
Deferred facility fees	(816)	(792)
NET CASH PROVIDED BY FINANCING ACTIVITIES	84,395	602,995
DECREASE IN CASH AND CASH EQUIVALENTS	(4,103)	(73,015)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,983	449,935
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,880	$ 376,920
SUPPLEMENTAL CASH FLOW DATA:		
Accrued capital expenditures(2)	$ 1,409	$ 30,330
Finance lease liability(3)	—	29,000
Interest paid, net of capitalized interest	—	1,493
Cash received for income tax refunds	696	—

(1) Following the Business Combination (as defined herein), 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 2—Transactions with Affiliates for more information.

(2) Includes $0.7 million due to Apache and $3.6 million due from Apache for the six months ended June 30, 2020 and 2019, respectively, pursuant to the terms of the COMA. Refer to Note 2—Transactions with Affiliates for more information.

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

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

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

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners[1]	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 Income (Loss)	Total Equity
			Shares[2]	Amount	Shares[2]	Amount				
	(In thousands)		(In thousands)							
For the Quarter Ended June 30, 2019										
Balance at March 31, 2019	$ —	$ 1,504,500	3,746	$ 1	12,500	$ 1	$ 440,658	$ (212,646)	$ —	$ 228,014
Issuance of Series A Cumulative Redeemable Preferred Units	516,790	—	—	—	—	—	—	—	—	—
Net income (loss)	3,364	(7,348)	—	—	—	—	—	(1,514)	—	(1,514)
Accretion of redeemable noncontrolling interest	779	—	—	—	—	—	—	(779)	—	(779)
Change in redemption value of noncontrolling interests	—	(223,657)	—	—	—	—	32,874	190,783	—	223,657
Accumulated other comprehensive loss	—	(843)	—	—	—	—	—	—	(200)	(200)
Balance at June 30, 2019	$ 520,933	$ 1,272,652	3,746	$ 1	12,500	$ 1	$ 473,532	$ (24,156)	$ (200)	$ 449,178
For the Quarter Ended June 30, 2020										
Balance at March 31, 2020	$ 573,861	$ 231,178	3,746	$ 1	12,500	$ 1	$ 473,532	$ (402,486)	$ (539)	$ 70,509
Net income (loss)	18,764	(847)	—	—	—	—	—	(255)	—	(255)
Accumulated other comprehensive income	—	300	—	—	—	—	—	—	90	90
Balance at June 30, 2020	$ 592,625	$ 230,631	3,746	$ 1	12,500	$ 1	$ 473,532	$ (402,741)	$ (449)	$ 70,344

(1) Certain redemption features embedded within the Preferred Units require bifurcation and measurement at fair value. For further detail, refer to Note 10—Series A Cumulative Redeemable Preferred Units.

(2) Share amounts have been retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note 9—Equity for further 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 — (Continued)
(Unaudited)

	Redeemable Noncontrolling Interest — Preferred Unit Limited Partners(1)	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(2)	Amount	Shares(2)	Amount				
	(In thousands)		(In thousands)							
For the Six Months Ended June 30, 2019										
Balance at December 31, 2018	$ —	$ 1,940,500	3,746	$ 1	12,500	$ 1	$ 30	$ (213,746)	$ —	$ (213,714)
Issuance of Series A Cumulative Redeemable Preferred Units	516,790	—	—	—	—	—	—	—	—	—
Net income (loss)	3,364	(2,720)	—	—	—	—	—	(414)	—	(414)
Accretion of redeemable noncontrolling interest	779	—	—	—	—	—	—	(779)	—	(779)
Change in redemption value of noncontrolling interests	—	(664,285)	—	—	—	—	473,502	190,783	—	664,285
Accumulated other comprehensive loss	—	(843)	—	—	—	—	—	—	(200)	(200)
Balance at June 30, 2019	$ 520,933	$ 1,272,652	3,746	$ 1	12,500	$ 1	$ 473,532	$ (24,156)	$ (200)	$ 449,178
For the Six Months Ended June 30, 2020										
Balance at December 31, 2019	$ 555,599	$ 701,000	3,746	$ 1	12,500	$ 1	$ 39,822	$ (392,633)	$ (266)	$ (353,075)
Net income (loss)	37,026	(36,048)	—	—	—	—	—	(10,108)	—	(10,108)
Change in redemption value of noncontrolling interests	—	(433,710)	—	—	—	—	433,710	—	—	433,710
Accumulated other comprehensive loss	—	(611)	—	—	—	—	—	—	(183)	(183)
Balance at June 30, 2020	$ 592,625	$ 230,631	3,746	$ 1	12,500	$ 1	$ 473,532	$ (402,741)	$ (449)	$ 70,344

(1) Certain redemption features embedded within the Preferred Units require bifurcation and measurement at fair value. For further detail, refer to Note 10—Series A Cumulative Redeemable Preferred Units.

(2) Share amounts have been retroactively restated to reflect the Company's reverse stock split, which was effected June 30, 2020. Refer to Note 9—Equity for further information.

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, 2019 (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, the "Company," "ALTM" and "Altus" refers to Altus Midstream Company and its consolidated subsidiaries. "Altus Midstream" refers to Altus Midstream LP and its consolidated subsidiaries. "Apache" refers to Apache Corporation and its consolidated subsidiaries.

Nature of Operations

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

Organization

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

On August 3, 2018, Altus Midstream LP was formed in Delaware as a limited partnership and wholly-owned subsidiary of KAAC. On August 8, 2018, KAAC and Altus Midstream LP entered into a contribution agreement (the Contribution Agreement) with certain wholly-owned subsidiaries of Apache , including 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 and surrounding areas (Alpine High).

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

Ownership of Altus Midstream LP

Following the Closing Date and in connection with the completion of the Business Combination, the Company's wholly-owned subsidiary, Altus Midstream GP LLC, a Delaware limited liability company (Altus Midstream GP), is the sole general partner of Altus Midstream LP. The Company operates its business through Altus Midstream LP and its subsidiaries, which include Altus Midstream Operating. The Company holds approximately 23.1 percent of the outstanding Common Units, and a controlling interest in Altus Midstream, while Apache holds the remaining 76.9 percent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Principles of Consolidation

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

The Company has no independent operations or material assets other than its partnership interests in Altus Midstream, which constitutes all of its business. Additionally, the Company's balance sheet reflects the presentation of noncontrolling interest ownership attributable to the limited partner interests in Altus Midstream held by Apache and the Series A Cumulative Redeemable Preferred Units holders (the Preferred Units). Refer to Note 9—Equity and Note 10—Series A Cumulative Redeemable Preferred Units for further information.

Variable Interest Entity

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

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

Redeemable Noncontrolling Interest — Apache Limited Partner

The Company's redeemable noncontrolling interest presented in the consolidated financial statements consists of Common Units representing limited partner interests in Altus Midstream held by Apache. Pursuant to certain provisions of the partnership agreement of Altus Midstream (as amended in connection with the Business Combination, and subsequent issuance of Preferred Units, the Amended LPA), the limited partner interests held by Apache are equal to the number of shares of the Company's Class C common stock, $0.0001 par value (Class C Common Stock), held by Apache.

The Company initially recorded the redeemable noncontrolling interest upon the issuance of the Common Units to Apache as part of the Business Combination and based on the recapitalization value ascribed at the Closing Date to the limited partner interest. All or a portion of these Common Units may be redeemed at Apache's option. The Company has the ability to settle the redemption option either (i) in shares of Class A common stock, $0.0001 par value (Class A Common Stock), on a one-for-one basis or (ii) in cash (based on the fair market value of the Class A Common Stock as determined pursuant to the Contribution Agreement), subject to customary conversion rate adjustments for stock splits, stock dividends, and reclassifications. Upon the future redemption or exchange of Common Units held by Apache, a corresponding number of shares of Class C Common Stock will be cancelled.

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

See discussion and additional detail further discussed in Note 9—Equity.

Redeemable Noncontrolling Interest — Preferred Unit Limited Partners

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

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

See discussion and additional detail further discussed in Note 10—Series A Cumulative Redeemable Preferred Units.

Equity Method Interests

The Company follows the equity method of accounting when it does not exercise control over its equity interests, but can exercise significant influence over the operating and financial policies of the entity. Under this method, the equity interests are carried originally at acquisition cost, increased by Altus' proportionate share of the equity interest's net income and contributions made by Altus, and decreased by Altus' proportionate share of the equity interest's net losses and distributions received by Altus. Please refer to Note 8—Equity Method Interests, for further details of the Company's equity method interests.

Use of Estimates

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

Fair Value Measurements

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

The valuation techniques that may be used to measure fair value include a market approach, an income approach and a cost approach. A market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. An income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations, including present value techniques, option-pricing models, and the excess earnings method. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Embedded features identified within the Company's agreements are bifurcated and measured at fair value at the end of each period on the Company's consolidated balance sheet. Such recurring fair value measurements are presented in further detail in Note 13—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.

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 between the two entities. Generally, cash in this amount will be transferred to or from 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 2—Transactions with Affiliates.

Change in Accounting Policy

Historically, the Company reported income and loss from equity method interests on a one-month reporting lag. Effective October 1, 2019, the Company eliminated this one-month reporting lag. In accordance with ASC 810-10-45-13, "A Change in the Fiscal Year-End Lag Between Subsidiary and Parent" (ASC 810), the elimination of this previously existing reporting lag is considered a voluntary change in accounting principle in accordance with ASC 250-10-50, "Change in Accounting Principle." The Company believes that this change in accounting principle is preferable as it provides the Company with the ability to present the results of its equity method interests for the same period as all other consolidated results of the Company, which improves overall financial reporting to investors by providing the most current information available. The Company has not retrospectively applied the change in accounting principle since its impact to the consolidated balance sheet and related statements of operations and cash flows was immaterial for all periods. For more information on equity method interests owned by the Company, please refer to Note 8—Equity Method Interests.

Recently Adopted Accounting Standards

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

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

2. TRANSACTIONS WITH AFFILIATES

Revenues

The Company has contracted to provide services including gas gathering, compression, processing, transmission, and NGL transmission, pursuant to acreage dedications provided by Apache, comprising the entire Alpine High acreage. In accordance with the terms of these agreements, the Company receives prescribed fees based on the type and volume of product for which the services are provided. For the periods presented, the Company's only significant customer was Apache.

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 3—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 $1.3 million and $2.0 million for the three months ended June 30, 2020 and 2019, respectively, and $2.8 million and $4.9 million for the six months ended June 30, 2020 and 2019, respectively. The Company incurred general and administrative (G&A) expenses of $1.6 million and $1.0 million for the three months ended June 30, 2020 and 2019, respectively, and $3.6 million and $2.6 million for the six months ended June 30, 2020 and 2019, respectively, including expenses related to the operational services agreement and the COMA as further described below. Further information on the related-party operating lease agreement in place during the period is also provided below.

Construction, Operations and Maintenance Agreement

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

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

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

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

Lease 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 $0.2 million and $0.3 million for the three months ended June 30, 2020 and 2019, respectively, and $0.4 million and $0.5 million for the six months ended June 30, 2020 and 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 four years and may be extended by Altus Midstream for three additional, consecutive periods of twenty-four months.

3. REVENUE RECOGNITION

<u>Revenue Recognition</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
MIDSTREAM SERVICES REVENUE — AFFILIATE:				
Gas gathering and compression	$ 4,394	$ 2,697	$ 10,114	$ 6,310
Gas processing	23,184	18,395	53,080	43,679
Transmission	3,226	2,977	7,401	7,831
NGL transmission	587	70	1,413	165
Other	225	—	375	—
	$ 31,616	$ 24,139	$ 72,383	$ 57,985

The Company generates revenue from its contracts with customers for the gathering, compression, processing, and transmission of natural gas and NGLs in exchange for a fee per unit of volumes processed during a given month. For all periods presented, revenues with affiliates recorded on the Company's consolidated statement of operations were attributable to services performed by Altus Midstream for Apache pursuant to separate long-term commercial midstream agreements comprising acreage dedications in Apache's entire Alpine High resource play.

As part of these agreements, substantially all of Apache's natural gas production from its existing and future owned or controlled properties within the dedicated area is provided to the Company, so long as Apache has the right to market such product. There are no provisions for minimum volume commitments under the existing agreements, and the Company does not own or take title to the volumes it services under these agreements. Altus Midstream, in return for its performance, receives a fee per unit of natural gas or NGLs received during a given month. The service fee charged per unit is set forth for each contract year, subject to yearly fee escalation recalculations.

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

Payment under the midstream service agreements are due the month immediately following the month of service. Amounts settled with Apache each month are based on the net amount owed to Altus Midstream or owed to Apache. Revenue receivables from the Company's contracts with Apache totaled $13.6 million and $15.5 million as of June 30, 2020 and December 31, 2019, respectively, as presented on the Company's consolidated balance sheet.

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

4. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2020	December 31, 2019
	(In thousands)	
Gathering, processing and transmission systems and facilities	$ 210,738	$ 198,133
Construction in progress[1]	328	5,443
Other property and equipment	3,323	3,694
Total property, plant and equipment	214,389	207,270
Less: accumulated depreciation and amortization	(7,085)	(1,468)
Total property, plant and equipment, net	$ 207,304	$ 205,802

(1) Included in construction in progress was capitalized interest of $0.6 million at December 31, 2019. There was no capitalized interest included in construction in progress as of June 30, 2020.

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

Property, plant, and equipment are evaluated for potential impairment when events or changes in circumstances indicate a possible significant deterioration in future cash flows expected to be generated by an asset group. In conjunction with Apache's decision in the fourth quarter of 2019 to materially reduce funding to Alpine High, Altus management assessed its long-lived infrastructure assets for impairment given the expected reduction to future throughput volumes. As a result of this assessment, Altus recorded impairments totaling $1.3 billion on its gathering, processing, and transmission assets in the fourth quarter of 2019. The fair values of the impaired assets were determined to be $203.6 million as of the time of the impairment and were estimated using the income approach. Altus has classified these nonrecurring fair value measurements as Level 3 in the fair value hierarchy. No impairments were recorded for the six months ended June 30, 2020 and 2019.

5. DEBT AND FINANCING COSTS

In November 2018, Altus Midstream entered into a revolving credit facility for general corporate purposes that matures in November 2023 (subject to Altus Midstream's two, one year extension options). The agreement for this revolving credit facility, as amended (the Amended Credit Agreement), provides aggregate commitments from a syndicate of banks of $800.0 million. The aggregate commitments include a letter of credit subfacility of up to $100.0 million and a swingline loan subfacility of up to $100.0 million. Altus Midstream may increase commitments up to an aggregate $1.5 billion by adding new lenders or obtaining the consent of any increasing existing lenders. As of June 30, 2020 and December 31, 2019, total outstanding borrowings were $493.0 million and $396.0 million, respectively, and no letters of credit were outstanding under this facility.

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

At Altus Midstream's option, the interest rate per annum for borrowings under this facility is either a base rate, as defined, plus a margin, or the London Interbank Offered Rate (LIBOR), plus a margin. Altus Midstream also pays quarterly a facility fee at a rate per annum on total commitments. The margins and the facility fee vary based upon (i) the Leverage Ratio (as defined below) until Altus Midstream has a senior long-term debt rating and (ii) such senior long-term debt rating once it exists. The Leverage Ratio is the ratio of (1) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries to (2) EBITDA (as defined in the Amended Credit Agreement) of Altus Midstream and its restricted subsidiaries for the 12-month period ending immediately before the determination date. At June 30, 2020, the base rate margin was 0.05 percent, the LIBOR margin was 1.05 percent, and the facility fee was 0.20 percent. In addition, a commission is payable quarterly to the lenders on the face amount of each outstanding letter of credit at a per annum rate equal to the LIBOR margin then in effect. Customary letter of credit fronting fees and other charges are payable to issuing banks.

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

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

There are no clauses in the Amended Credit Agreement that permit the lenders to accelerate payments or refuse to lend based on unspecified material adverse changes. The Amended Credit Agreement has no drawdown restrictions or prepayment obligations in the event of a decline in credit ratings. However, the agreement allows the lenders to accelerate payment maturity and terminate lending and issuance commitments for nonpayment and other breaches, and if Altus Midstream or any of its restricted subsidiaries defaults on other indebtedness in excess of the stated threshold, is insolvent, or has any unpaid, non-appealable judgment against it for payment of money in excess of the stated threshold. Lenders may also accelerate payment maturity and terminate lending and issuance commitments if Altus Midstream undergoes a specified change in control or has specified pension plan liabilities in excess of the stated threshold. Altus Midstream was in compliance with the terms of the Amended Credit Agreement as of June 30, 2020.

As of June 30, 2020 and December 31, 2019, the Company had debt outstanding totaling $493.0 million and $405.8 million, respectively. At December 31, 2019, $9.8 million of debt outstanding was related to a finance lease obligation for which the term ended in the first quarter of 2020.

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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Interest income	$ 2	$ 806	$ 9	$ 2,967
Interest income	$ 2	$ 806	$ 9	$ 2,967
Interest expense	$ 2,007	$ 1,030	$ 5,365	$ 1,739
Amortization of deferred facility fees	292	221	565	415
Capitalized interest	(2,007)	(773)	(5,365)	(1,168)
Financing costs, net of capitalized interest	$ 292	$ 478	$ 565	$ 986

6. OTHER CURRENT LIABILITIES

The following table provides detail of the Company's other current liabilities at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(In thousands)	
Accrued taxes other than income	$ 6,974	$ 689
Accrued operations and maintenance expense	1,339	1,520
Accrued incentive compensation	733	1,425
Accrued professional and consulting fees	692	158
Accrued capital costs	686	17,035
Accrued finance lease liability	—	1,989
Other	1,517	1,109
Total other current liabilities	$ 11,941	$ 23,925

7. 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 June 30, 2020 and December 31, 2019, there were no accruals for loss contingencies.

Litigation

The Company is subject to governmental and regulatory controls arising in the ordinary course of business. The Company is not aware of any pending or threatened legal proceedings against it at the time of the filing of this Quarterly Report on Form 10-Q.

On April 30, 2020, a case styled *Sierra Club v. US Army Corp of Engineers et al.* was filed in the United States District Court, Western District of Texas. Plaintiff seeks to invalidate verifications issued by the Army Corps of Engineers allowing Permian Highway Pipeline LLC to conduct dredging and filling activities and to enjoin certain further dredging and other ground disturbing activities in jurisdictional waters. Permian Highway Pipeline LLC has intervened in the suit in defense of the verifications and in opposition to any injunctive relief. The Company has a minority equity interest in Permian Highway Pipeline LLC.

Environmental Matters

As an owner of infrastructure assets and with rights to surface lands, the Company is subject to various local and federal laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the Company for the cost of pollution clean-up resulting from operations and subject the Company to liability for pollution damages. In some instances, Altus Midstream may be directed to suspend or cease operations. The Company maintains insurance coverage, which management believes is customary in the industry, although insurance does not fully cover against all environmental risks. Additionally, there can be no assurance that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered. The Company is not aware of any environmental claims existing as of June 30, 2020, that have not been provided for or would otherwise have a material impact on its financial position, results of operations, or liquidity.

Contractual Obligations

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

At the closing of the Business Combination, the Company entered into the COMA and the Lease Agreement with Apache, which include contractual obligations for the Company to pay certain management and lease rental fees, respectively, to Apache over the term of the agreements. Refer to Note 2—Transactions with Affiliates for further discussion.

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 10—Series A Cumulative Redeemable Preferred Units for further discussion regarding the terms of the Preferred Units and the rights of the holders thereof.

Additionally, the Company is required to fund its pro-rata portion of any future capital expenditures for the development of the pipeline projects as referenced in Note 8—Equity Method Interests.

At June 30, 2020 and December 31, 2019, there were no other material contractual obligations related to the entities included in the consolidated financial statements other than the performance of asset retirement obligations and required credit facility fees discussed in Note 5—Debt and Financing Costs.

8. EQUITY METHOD INTERESTS

As of June 30, 2020, the Company owned 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. The table below presents the ownership percentage held by the Company for each entity:

	Ownership	June 30, 2020 Amount	December 31, 2019 Amount
		(In thousands)	
Gulf Coast Express Pipeline LLC	16.0%	$ 286,833	$ 291,628
EPIC Crude Holdings, LP	15.0%	175,051	163,199
Permian Highway Pipeline LLC	26.7%	454,381	310,421
Breviloba, LLC	33.0%	492,214	492,800
		$ 1,408,479	$ 1,258,048

As of June 30, 2020 and December 31, 2019, unamortized basis differences included in the equity method interest balances were $34.7 million and $29.7 million, respectively. These amounts represent differences in the Company's contributions to date and the Company's 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 the six months ended June 30, 2020:

	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC	Total
			(In thousands)		
Balance at December 31, 2019	$ 291,628	$ 163,199	$ 310,421	$ 492,800	$ 1,258,048
Contributions	919	15,000	138,467	—	154,386
Distributions	(26,171)	—	—	(15,576)	(41,747)
Capitalized interest[1]	—	—	5,365	—	5,365
Equity income (loss), net[2]	20,457	(2,354)	128	14,990	33,221
Accumulated other comprehensive loss	—	(794)	—	—	(794)
Balance at June 30, 2020	$ 286,833	$ 175,051	$ 454,381	$ 492,214	$ 1,408,479

(1) Altus' proportionate share of the Permian Highway Pipeline (PHP) construction costs is funded with the revolving credit facility. Accordingly, Altus capitalized $5.4 million of related interest expense during the six months ended June 30, 2020, which is included in the basis of the PHP equity interest.

(2) As of June 30, 2020, the amount of consolidated retained earnings, net of amortized basis differences, which represents undistributed earnings, was $3.0 million from Breviloba, LLC.

Summarized Financial Information

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

	Six Months Ended June 30,							
	2020				2019[1]			
	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC	Gulf Coast Express Pipeline LLC	EPIC Crude Holdings, LP	Permian Highway Pipeline LLC	Breviloba, LLC
	(In thousands)							
Revenues	$ 182,231	$ 85,971	$ —	$ 83,120	$ 4,974	$ —	$ —	$ 46,928
Operating expenses	53,359	83,508	46	31,831	512	7,728	35	14,744
Operating income (loss)	128,872	2,463	(46)	51,289	4,462	(7,728)	(35)	32,184
Net income (loss)	128,470	(16,263)	480	46,345	5,382	(16,653)	422	32,184
Other comprehensive loss	—	(5,037)	—	—	—	(9,337)	—	

(1) Although the Company's interests in EPIC Crude Holdings, LP, Permian Highway Pipeline LLC, and Breviloba, LLC were acquired in March, May, and July of 2019, respectively, the financial results are presented for the six months ended June 30, 2019 for comparability.

9. EQUITY

Reverse Stock Split

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

Redeemable Noncontrolling Interest — Apache Limited Partner

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

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

Apache's limited partner interest associated with the Common Units issued with the Class C Common Stock is reflected as a redeemable noncontrolling interest in the Company. The redeemable noncontrolling interest is recognized at the higher of (i) its initial fair value plus accumulated earnings/losses associated with the noncontrolling interest and (ii) the maximum redemption value as of the balance sheet date. The redemption value is determined based on a 5-day volume weighted average closing price of the Class A Common Stock (5-day VWAP) as defined in the Amended LPA, a Level 1 non-recurring fair value measurement. At June 30, 2020, the redeemable noncontrolling interest of $230.6 million was recorded based on the initial fair value plus accumulated earnings and losses to date. The maximum redemption value at June 30, 2020 based on the 5-day VWAP was $151 million. At December 31, 2019, the redeemable noncontrolling interest was recorded at the maximum redemption value based on the 5-day VWAP of $701.0 million.

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 12—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 10—Series A Cumulative Redeemable Preferred Units for further discussion.

10. 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.

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 13—Fair Value Measurements for further discussion on the nature and recognition of the embedded derivative.

Subsequent Measurement

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

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

Activity related to the Preferred Units during the six months ended June 30, 2020 is as follows:

	Six Months Ended June 30, 2020	
	Units Outstanding	**Financial Position[(2)]**
	(In thousands, except for unit data)	
Redeemable noncontrolling interest — Preferred Units: at December 31, 2019	638,163	$ 555,599
Distribution of in-kind additional Preferred Units	22,531	—
Allocation of Altus Midstream net income	N/A	37,026
Redeemable noncontrolling interest — Preferred Units: at June 30, 2020	660,694	$ 592,625
Embedded derivative liability[(1)]		175,498
		$ 768,123

(1) See Note 13—Fair Value Measurements for discussion of the fair value changes in the embedded derivative liability during the period.

(2) As of June 30, 2020, the aggregate Redemption Price was $700.8 million, based on an internal rate of return of 11.5 percent.

N/A - not applicable.

11. INCOME TAXES

The Company is subject to U.S. federal income tax and the Texas margin tax. Altus Midstream LP is a partnership for federal income tax purposes and passes through its taxable income to its partners, the Company, Apache, and the Preferred Unit Holders. 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.

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

During the three and six months ended June 30, 2020, the Company's effective income tax rate was primarily impacted by an increase in valuation allowance. During the three and six months ended June 30, 2019, the Company's effective income tax rate was primarily impacted by net income attributable to the noncontrolling interest, income allocated to the Preferred Unit holders, accretion of the net transaction price, and the impact of state income taxes.

In the first quarter of 2020, the Company early adopted ASU 2019-12, "Simplifying the Accounting for Income Taxes." The Company's early adoption of ASU 2019-12 during the quarter ended March 31, 2020 using the prospective transition approach did not result in a material impact on the consolidated financial statements.

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.

12. NET LOSS PER SHARE

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

The Company uses the "if-converted method" to determine the potential dilutive effect of (i) an assumed exchange of outstanding Common Units of Altus Midstream (and the cancellation of a corresponding number of shares of outstanding Class C Common Stock) for shares of Class A Common Stock, (ii) earn-out consideration payable in shares of Class A Common Stock, and (iii) an assumed exchange of the outstanding Preferred Units of Altus Midstream for shares of Class A Common Stock. The treasury stock method is used to determine the potential dilutive effect of its outstanding warrants.

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

	Three Months Ended June 30,					
	2020			2019		
	Loss	Shares[1]	Per Share[1]	Loss	Shares[1]	Per Share[1]
	(In thousands, except per share data)					
Basic and diluted:						
Net loss attributable to Class A common shareholders	$ (255)	3,746	$ (0.07)	$ (2,293)	3,746	$ (0.61)
Effect of dilutive securities:						
Redeemable noncontrolling interest — Apache limited partner	$ —	—		$ —	—	
Diluted[2]:						
Net loss attributable to Class A common shareholders	$ (255)	3,746	$ (0.07)	$ (2,293)	3,746	$ (0.61)

	Six Months Ended June 30,					
	2020			2019		
	Loss	Shares[1]	Per Share[1]	Loss	Shares[1]	Per Share[1]
	(In thousands, except per share data)					
Basic:						
Net loss attributable to Class A common shareholders	$ (10,108)	3,746	$ (2.70)	$ (1,193)	3,746	$ (0.32)
Effect of dilutive securities:						
Redeemable noncontrolling interest — Apache limited partner	$ (36,048)	12,500		$ —	—	
Diluted[2]:						
Net loss attributable to Class A common shareholders	$ (46,156)	16,246	$ (2.84)	$ (1,193)	3,746	$ (0.32)

(1) Share and per share amounts have been retroactively restated to reflect the Company's reverse stock split which was effected June 30, 2020. Refer to Note 9—Equity for further information.

(2) The effect of the exchange of outstanding Common Units of Altus Midstream (and the cancellation of a corresponding number of shares of outstanding Class C Common Stock) would have been anti-dilutive for the three month periods ended June 30, 2020 and 2019, and also for the six month period ended June 30, 2019.

The diluted earnings per share calculation excludes the effects of the following, since the associated impacts would have been anti-dilutive for all relevant periods presented:

- an assumed exchange of the outstanding Preferred Units of Altus Midstream for shares of Class A Common Stock; and
- outstanding warrants of the Company to purchase an aggregate 947,082 shares of Class A Common Stock.

Further discussion of the Preferred Units and associated embedded features can be found in Note 10—Series A Cumulative Redeemable Preferred Units and Note 13—Fair Value Measurements, respectively. Earn-out consideration granting Apache the right to receive additional 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 June 30, 2020.

13. FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities measured at fair value on a recurring basis consist of: cash and cash equivalents; revenue receivables; accounts receivable from/payable to Apache; and an embedded derivative liability related to the issuance of Preferred Units (as further described above). This embedded derivative liability is recorded on the Company's consolidated balance sheet at fair value. The carrying 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 six months ended June 30, 2020 or year ended December 31, 2019.

The Company bifurcated and recognized the embedded derivative associated with the Preferred Units related to the exchange option provided to the Preferred Unit holders under the terms of the Amended LPA. The valuation of the embedded derivative (using an income approach) was based on a range of factors including: expected future interest rates using the Black-Karasinski model, the Company's imputed interest rate, the timing of periodic cash distributions and dividend yields of the Preferred Units. The Company recorded an unrealized loss of $10.6 million and $72.6 million for the three and six month periods ended June 30, 2020, respectively, which are recorded in "Unrealized derivative instrument loss" in the statement of consolidated operations. Altus has classified these recurring fair value measurements as Level 3 in the fair value hierarchy.

As of the June 30, 2020 valuation date, the Company used the forward B-rated Energy Bond Yield curve to develop the following key unobservable inputs used to value this embedded derivative:

	Quantitative Information About Level 3 Fair Value Measurements			
	Fair Value at June 30, 2020	**Valuation Technique**	**Significant Unobservable Inputs**	**Range/Value**
	(In thousands)			
Preferred Units Embedded Derivative	$ 175,498	Option Model	Altus Midstream Company's Imputed Interest Rate	14.16-15.57%
			Interest Rate Volatility	35.56%

The Company's comparative imputed interest rate at December 31, 2019 ranged from 9.60 percent to 12.68 percent, with an interest rate volatility assumption of 21.89 percent. A one percent increase in the imputed interest rate assumption would significantly increase the value of the embedded derivative at June 30, 2020, while a one percent decrease would have the directionally inverse affect as of June 30, 2020.

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, 2019 (Form 10-K). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Form 10-K.

Overview

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

The Company has no independent operations or material assets outside its ownership interest in Altus Midstream, which is reported on a consolidated basis. As of June 30, 2020, Altus Midstream’s assets included approximately 182 miles of in-service natural gas gathering pipelines, approximately 46 miles of residue gas pipelines with four market connections, and approximately 38 miles of NGL pipelines. Three cryogenic processing trains, each with nameplate capacity of 200 MMcf/d, were placed into service during 2019. Other assets include an NGL truck loading terminal with six Lease Automatic Custody Transfer units and eight NGL bullet tanks with 90,000 gallon capacity per tank. The Company’s existing gathering, processing, and transmission infrastructure is expected to provide capacity levels capable of fulfilling its midstream contracts to service Apache’s production from Alpine High and potential third-party customers.

As of June 30, 2020, the Company owns the following Equity Method Interest Pipelines:

- a 16 percent equity interest in the Gulf Coast Express Pipeline Project (GCX), which is owned and operated by Kinder Morgan Texas Pipeline, LLC (Kinder Morgan);
- a 15 percent equity interest in the EPIC crude oil pipeline (EPIC), which is owned by EPIC Pipeline LP and operated by EPIC Consolidated Operations, LLC;
- an approximate 26.7 percent equity interest in the Permian Highway Pipeline (PHP), which is also owned and operated by Kinder Morgan; and
- a 33 percent equity interest in the Shin Oak NGL Pipeline (Shin Oak), which is owned by Breviloba, LLC, and operated by Enterprise Products Operating LLC.

The global economy and the energy industry have been deeply impacted by the effects of the coronavirus disease 2019 (COVID-19) pandemic and related governmental actions. Uncertainty in the oil markets and the negative demand implications of the COVID-19 pandemic continue to impact oil supply and demand. Altus management continues to monitor natural gas throughput volumes from Apache and capacity utilization of its equity method interests. The Company remains focused on increasing third-party processing opportunities in addition to Alpine High; however, the current market situation has slowed the pace of this activity. Altus has no upcoming debt maturities, and the credit facility revolver extends through November of 2023 to provide liquidity to meet foreseeable investment needs. Additionally, the Company expects to be cash flow positive upon the start-up of PHP anticipated in early 2021, at which point future capital requirements are expected to be minimal.

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

Altus Midstream Operational Metrics

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

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

Throughput Volumes and Associated Revenues

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

In the second quarter of 2020, several events had a negative impact on throughput volumes and associated revenues. Apache shut in approximately 70 MMcf/d of production in response to low commodity prices, which fell as a result of lower demand and higher uncertainty associated with the COVID-19 pandemic. In addition, unplanned downtime to address moisture in the residue pipeline reduced throughput by approximately 40 MMcf/d. These volumes are now back on-line.

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

Costs and Expenses

Operations and maintenance

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

Depreciation and accretion

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

General and administrative

General and administrative (G&A) expense represents indirect costs and overhead expenditures incurred by the Company, associated with managing the midstream assets. These expenses primarily comprise fixed fees set forth in the Construction, Operations and Maintenance Agreement (COMA) entered into with Apache. Refer to Note 2—Transactions with Affiliates in the Notes to Consolidated Financial Statements set forth in Part I of this Quarterly Report on Form 10-Q for further information.

Taxes other than income

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

Adjusted EBITDA

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

Adjusted EBITDA is not defined in GAAP

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

Reconciliation of non-GAAP financial measure

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Reconciliation of net income (loss) including noncontrolling interests				
Net income (loss) including noncontrolling interests	$ 17,662	$ (5,498)	$ (9,130)	$ 230
Add:				
Financing costs, net of capitalized interest	292	478	565	986
Depreciation and accretion	4,062	9,107	7,976	16,758
Unrealized derivative instrument loss	10,585	—	72,569	—
Equity method interests Adjusted EBITDA	28,231	(60)	51,917	166
Other	—	—	290	—
Less:				
Gain on sale of assets, net	264	—	76	—
Interest income	2	806	9	2,967
Income (loss) from equity method interests, net	16,923	(1,297)	33,221	(1,028)
Income tax benefit	—	430	696	5
Other	2	—	2	—
Adjusted EBITDA	$ 43,641	$ 4,088	$ 90,183	$ 16,196

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
REVENUES:				
Midstream services revenue — affiliate	$ 31,616	$ 24,139	$ 72,383	$ 57,985
Total revenues	31,616	24,139	72,383	57,985
COSTS AND EXPENSES:				
Operations and maintenance	9,508	14,005	20,099	30,403
General and administrative	2,988	2,081	7,166	5,072
Depreciation and accretion	4,062	9,107	7,976	16,758
Taxes other than income	3,347	3,888	6,790	6,463
Total costs and expenses	19,905	29,081	42,031	58,696
OPERATING INCOME (LOSS)	11,711	(4,942)	30,352	(711)
OTHER INCOME (LOSS):				
Unrealized derivative instrument loss	(10,585)	—	(72,569)	—
Interest income	2	806	9	2,967
Income (loss) from equity method interests, net	16,923	(1,297)	33,221	(1,028)
Other	(97)	(17)	(274)	(17)
Total other income (loss)	6,243	(508)	(39,613)	1,922
Financing costs, net of capitalized interest	292	478	565	986
NET INCOME (LOSS) BEFORE INCOME TAXES	17,662	(5,928)	(9,826)	225
Current income tax benefit	—	—	(696)	—
Deferred income tax benefit	—	(430)	—	(5)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	17,662	(5,498)	(9,130)	230
Net income attributable to Preferred Unit limited partners	18,764	4,143	37,026	4,143
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(1,102)	(9,641)	(46,156)	(3,913)
Net loss attributable to Apache limited partner	(847)	(7,348)	(36,048)	(2,720)
NET LOSS ATTRIBUTABLE TO CLASS A COMMON SHAREHOLDERS	$ (255)	$ (2,293)	$ (10,108)	$ (1,193)
KEY PERFORMANCE METRICS:				
Adjusted EBITDA[(1)]	$ 43,641	$ 4,088	$ 90,183	$ 16,196
OPERATING DATA:				
Average throughput volumes of natural gas (MMcf/d)	434	363	505	463
Average volumes of natural gas processed (MMcf/d)	429	363	500	463

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

Since the Company commenced operations in the second quarter of 2017, its only significant customer has been Apache. Altus Midstream is pursuing similar long-term commercial service contracts with third-parties that could be accommodated by existing capacity. Altus' midstream service agreements with Apache contain no minimum volume commitments, and as such, future results of operations may be materially impacted by Apache's production volumes from Alpine High and Altus' ability to contract third-party business. Refer to Part I, Item 1A—Risk Factors of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, Part II, Item 1A—Risk Factors of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, and Part I, Item 3—Quantitative and Qualitative Disclosures About Market Risk and Part II, Item 1A—Risk Factors of this Quarterly Report on Form 10-Q, for further discussion.

Midstream Revenues

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
		(In thousands)		
REVENUES:				
Midstream services revenue — affiliate	$ 31,616	$ 24,139	$ 72,383	$ 57,985
Total revenues	$ 31,616	$ 24,139	$ 72,383	$ 57,985

Substantially all revenues were generated from fee-based midstream services provided under the terms of separate commercial midstream service agreements with Apache for the gas gathering, processing, and transmission of volumes from the dedicated area in the Alpine High field. Altus receives a per-unit fee based on the quantity of natural gas and natural gas liquid volumes that flow through its systems. During the periods presented, Altus did not own or take title to the volumes that were processed through its systems.

Three months ended June 30, 2020 as compared to three months ended June 30, 2019

Midstream services revenue from affiliate increased by $7.5 million to $31.6 million for the three months ended June 30, 2020, as compared to $24.1 million for the three months ended June 30, 2019. The increase was primarily driven by higher throughput of rich natural gas volumes due to increased capacity as a result of the three cryogenic processing trains coming on line starting in the second quarter of 2019.

Six months ended June 30, 2020 as compared to six months ended June 30, 2019

Midstream services revenue from affiliate increased by $14.4 million to $72.4 million for the six months ended June 30, 2020, as compared to $58.0 million for the six months ended June 30, 2019. The increase was primarily driven by higher throughput of rich natural gas volumes due to increased capacity as a result of the three cryogenic processing trains coming on line starting in the second quarter of 2019.

Costs and Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
		(In thousands)		
Operations and maintenance	$ 9,508	$ 14,005	$ 20,099	$ 30,403
General and administrative	2,988	2,081	7,166	5,072
Depreciation and accretion	4,062	9,107	7,976	16,758
Taxes other than income	3,347	3,888	6,790	6,463
Total costs and expenses	$ 19,905	$ 29,081	$ 42,031	$ 58,696

Three months ended June 30, 2020 as compared to three months ended June 30, 2019

Operations and maintenance

Operations and maintenance expenses decreased by $4.5 million to $9.5 million for the three months ended June 30, 2020, as compared to $14.0 million for the three months ended June 30, 2019, primarily driven by increased operational efficiency as a result of transitioning from mechanical refrigeration units to the Company's centralized Diamond cryogenic complex starting in the second quarter of 2019. The transition resulted in decreases in employee-related costs, contract labor, lower supplies expenses, and lower equipment rentals. These savings are coupled with an overall decrease in Company labor from headcount reductions.

General and administrative

G&A expense increased by $0.9 million to $3.0 million for the three months ended June 30, 2020, as compared to $2.1 million for the three months ended June 30, 2019, primarily driven by higher employee-related costs charged to Altus by Apache under the terms of the COMA, insurance costs, and incentive and stock compensation.

Depreciation and accretion

Depreciation and accretion expense decreased by $5.0 million to $4.1 million for the three months ended June 30, 2020, as compared to $9.1 million for the three months ended June 30, 2019. The decrease was a result of impairments recorded on the carrying value of the property, plant, and equipment at the end of 2019.

Taxes other than income

The decrease in taxes other than income was driven by changes related to ad valorem taxes, which decreased by $0.5 million to $3.3 million for the three months ended June 30, 2020, as compared to $3.8 million for the three months ended June 30, 2019. The $0.5 million decrease reflect adjustments in estimated tax assessments related to the completion of construction and capacity utilization of certain assets.

Six months ended June 30, 2020 as compared to six months ended June 30, 2019

Operations and maintenance

Operations and maintenance expenses decreased by $10.3 million to $20.1 million for the six months ended June 30, 2020, as compared to $30.4 million for the six months ended June 30, 2019, primarily driven by increased operational efficiency as a result of transitioning from mechanical refrigeration units to the Company's centralized Diamond cryogenic complex starting in the second quarter of 2019. The transition resulted in decreases in employee-related costs, contract labor, lower supplies expenses, and lower equipment rentals. These savings are coupled with an overall decrease in Company labor from headcount reductions.

General and administrative

G&A expense increased by $2.1 million to $7.2 million for the six months ended June 30, 2020, as compared to $5.1 million for the six months ended June 30, 2019, primarily driven by higher expenses incurred related to professional fees, higher employee-related costs charged to Altus by Apache under the terms of the COMA, insurance and severance costs. These increases were partially offset by lower incentive and stock compensation.

Depreciation and accretion

Depreciation and accretion expense decreased by $8.8 million to $8.0 million for the six months ended June 30, 2020, as compared to $16.8 million for the six months ended June 30, 2019. The decrease was a result of impairments recorded to the carrying value of the property, plant, and equipment at the end of 2019.

Taxes other than income

The increase in taxes other than income was driven by ad valorem taxes, which increased by $0.3 million to $6.6 million for the six months ended June 30, 2020, as compared to $6.3 million for the six months ended June 30, 2019.

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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Unrealized derivative instrument loss	$ (10,585)	$ —	$ (72,569)	$ —
Interest income	2	806	9	2,967
Income (loss) from equity method interests, net	16,923	(1,297)	33,221	(1,028)
Other	(97)	(17)	(274)	(17)
Total other income (loss)	$ 6,243	$ (508)	$ (39,613)	$ 1,922
Interest expense	$ 2,007	$ 1,030	$ 5,365	$ 1,739
Amortization of deferred facility fees	292	221	565	415
Capitalized interest	(2,007)	(773)	(5,365)	(1,168)
Financing costs, net of capitalized interest	$ 292	$ 478	$ 565	$ 986

Unrealized derivative instrument loss

During the three and six months ended June 30, 2020, the Company recognized an unrealized loss of $10.6 million and $72.6 million, respectively, 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. The value of the derivative during the six months ended June 30, 2020 changed significantly based on the volatility of expected future interest rates, mainly given current macroeconomic factors associated with the COVID-19 pandemic and related governmental actions. Refer to Note 13—Fair Value Measurements within Part I, Item 1—Financial Statements of this Quarterly Report on Form 10-Q for further discussion.

Income from equity method interests, net

Income from equity method interests increased $18.2 million and $34.2 million for the three and six months ended June 30, 2020, respectively, as compared to the three and six months ended June 30, 2019. The increase was primarily generated from the Company's proportionate share of net income in the GCX and Shin Oak pipelines, in which the Company owns a 16 percent and 33 percent interest, respectively. GCX was placed into service in September of 2019, and Shin Oak was in-service when the Company acquired its equity interest in the pipeline during the third quarter of 2019.

Interest Income

Interest income decreased $0.8 million and $3.0 million for the three and six months ended June 30, 2020, respectively, as compared to the three and six months ended June 30, 2019, as a result of a decrease in cash and cash equivalents.

Financing costs, net of capitalized interest

Financing costs incurred, net of capitalized interest, decreased $0.2 million and $0.4 million for the three and six months ended June 30, 2020, respectively, as compared to the three and six months ended June 30, 2019. The decrease is primarily driven by the expiration of the finance lease obligation in January 2020, for which its interest expense was not eligible to be capitalized. The decrease in interest expense, net of capitalized interest, was slightly offset by higher amortization of fees on increased draw downs on the revolving credit facility.

Provision for Income Taxes

During the three and six months ended June 30, 2020, the Company recognized a current income tax benefit of nil and $0.7 million, respectively, as compared to nil for the three and six months ended June 30, 2019. On March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 pandemic. Under the CARES Act, 100 percent of net operating losses arising in tax years beginning after December 31, 2017, and before January 1, 2021 may be carried back to each of the five preceding tax years of such loss. In the first quarter of 2020, the Company recorded a current income tax benefit of $0.7 million associated with a net operating loss carryback claim.

The Company recorded no deferred income tax expense during the three and six months ended June 30, 2020, as compared to $0.4 million and nil for the three and six months ended June 30, 2019, respectively. The reduction to deferred income tax expense in the first and second quarter of 2020 is the result of an increase in valuation allowance against the Company's deferred tax assets.

Key Performance Metrics

Three months ended June 30, 2020 as compared to three months ended June 30, 2019

Net income before income taxes was $17.7 million for the three months ended June 30, 2020, an increase of $23.6 million from a net loss before income taxes of $5.9 million for the three months ended June 30, 2019. In addition to the movements in relation to Adjusted EBITDA discussed below, the net income before income taxes was impacted by a $10.6 million increase to expense related to the fair value measurement of an embedded derivative at June 30, 2020. Adjusted EBITDA increased by $39.5 million for the three months ended June 30, 2020 compared to the prior year period, primarily due to a $28.3 million increase in the Company's proportionate share of EBITDA generated by its equity method interests, a $7.5 million increase in midstream services revenue from affiliate coupled with a $4.5 million decrease in operations and maintenance expenses and a $0.5 million decrease in taxes other than income. These amounts were offset by individually insignificant increases, in aggregate, of $1.3 million to G&A and other expenses.

Six months ended June 30, 2020 as compared to six months ended June 30, 2019

Net loss before income taxes was $9.8 million for the six months ended June 30, 2020, a decrease of $10.1 million from a net income before income taxes of $0.2 million for the six months ended June 30, 2019. In addition to the movements in relation to Adjusted EBITDA discussed below, the net loss before income taxes was primarily driven by a $72.6 million increase to expense related to the fair value measurement of an embedded derivative at June 30, 2020. Adjusted EBITDA increased by $74.0 million for the six months ended June 30, 2020 compared to the prior year period, primarily due to a $51.8 million increase in the Company's proportionate share of EBITDA generated by its equity method interests, a $14.4 million increase in midstream services revenue from affiliate coupled with a $10.3 million decrease in operations and maintenance expenses. These amounts were offset by individually insignificant increases, in aggregate, of $2.5 million to G&A and other expenses.

Capital Resources and Liquidity

The Company’s primary use of capital since inception has been for the initial construction of gathering and processing assets, as well as the acquisition of the Equity Method Interest Pipelines and associated subsequent construction costs. For 2020, the Company’s primary use of capital will be for equity contributions associated with its proportionate share of costs relating to the Equity Method Interest Pipelines still under construction.

During the six months ended June 30, 2020, the Company’s primary sources of cash were borrowings under the revolving credit facility, cash generated from operations, distributions from equity method interests, and proceeds from sale of assets. Based on Altus’ current financial plan and related assumptions, the Company believes that cash from operations, a reduced capital program for its midstream infrastructure, and distributions from equity method interests will begin to generate operating cash flows in excess of capital expenditures by the first quarter of 2021.

Given the recent crude oil price collapse on lower demand and economic activity resulting from the COVID-19 pandemic and related governmental actions, the Company continues to monitor expected natural gas throughput volumes from Apache and capacity utilization of its Equity Method Interest Pipelines. Projections for 2020 and 2021 remain dynamic. Altus' results, including projections related to capital resources and liquidity, could be materially affected by the continuing COVID-19 pandemic.

Altus Midstream Capital Requirements

During the six months ended June 30, 2020 and 2019, capital spending for midstream infrastructure assets totaled $26.5 million and $259.3 million, respectively. Management believes its existing gathering, processing, and transmission infrastructure capacity is capable of fulfilling its midstream contracts to service Apache’s production from Alpine High and any potential third-party customers. As such, the Company expects remaining capital requirements for its existing infrastructure assets during 2020 to be primarily related to maintenance of these assets.

Additionally, during the six months ended June 30, 2020 and 2019, the Company made cash contributions of $154.4 million and $438.4 million, respectively, for certain of its Equity Method Interest Pipelines as described below:

- 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 EPIC, which began full service during the second quarter of 2020. The pipeline has initial capacity of approximately 600 MBbl/d and transports crude oil from Orla, Texas to the Port of Corpus Christi, Texas.
- An approximate 26.7 percent interest in PHP, 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 33.0 percent interest in Shin Oak, which transports NGLs primarily from the Permian Basin to Mont Belvieu, Texas. Shin Oak, which was in-service when the Company acquired its equity interest in the pipeline during the third quarter of 2019, has capacity of approximately 550 MBbl/d.

With Shin Oak, GCX, and EPIC already in service, the Company anticipates that its existing capital resources will be sufficient to fund the Company’s continuing obligations, primarily related to the remaining construction of PHP.

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 Six Months Ended June 30, 2020	2019
	(In thousands)	
Sources of cash and cash equivalents:		
Redeemable noncontrolling interest — Preferred Unit limited partners, net	$ —	$ 611,249
Proceeds from revolving credit facility	97,000	—
Proceeds from sale of assets	6,773	—
Capital distributions from equity method interests	4,211	—
Net cash provided by operating activities	86,797	21,688
	$ 194,781	$ 632,937
Uses of cash and cash equivalents:		
Capital expenditures[(1)]	$ (26,520)	$ (259,295)
Contributions to and acquisition of equity method interests	(154,386)	(438,403)
Finance lease payments	(11,789)	(7,462)
Deferred facility fees	(816)	(792)
Capitalized interest paid	(5,373)	—
	(198,884)	(705,952)
Decrease in cash and cash equivalents	$ (4,103)	$ (73,015)

(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:

	June 30, 2020	December 31, 2019
	(In thousands)	
Cash and cash equivalents	$ 1,880	$ 5,983
Total debt	493,000	405,767
Available committed borrowing capacity	307,000	404,000

Cash and cash equivalents

As of June 30, 2020 and December 31, 2019, the Company had $1.9 million and $6.0 million, respectively, in cash and cash equivalents. The majority of the cash is invested in highly liquid, investment-grade instruments with maturities of three months or less at the time of purchase.

Debt

As of June 30, 2020 and December 31, 2019, the Company had debt outstanding totaling $493.0 million and $405.8 million, respectively. At December 31, 2019, $9.8 million of debt outstanding was related to a finance lease obligation which expired during the first quarter of 2020.

Available credit facilities

In November 2018, Altus Midstream entered into a revolving credit facility for general corporate purposes that matures in November 2023 (subject to Altus Midstream's two, one-year extension options). The agreement for this revolving credit facility, as amended (the Amended Credit Agreement), provides aggregate commitments from a syndicate of banks of $800.0 million. The aggregate commitments include a letter of credit subfacility of up to $100.0 million and a swingline loan subfacility of up to $100.0 million. Altus Midstream may increase commitments up to an aggregate $1.5 billion by adding new lenders or obtaining the consent of any increasing existing lenders. As of June 30, 2020 and December 31, 2019, total outstanding borrowings were $493.0 million and $396.0 million, respectively, and no letters of credit were outstanding under this facility.

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

At Altus Midstream's option, the interest rate per annum for borrowings under this amended credit facility is either a base rate, as defined, plus a margin, or the London Interbank Offered Rate (LIBOR), plus a margin. Altus Midstream also pays quarterly a facility fee at a rate per annum on total commitments. The margins and the facility fee vary based upon (i) the Leverage Ratio (as defined below) until Altus Midstream has a senior long-term debt rating and (ii) such senior long-term debt rating once it exists. The Leverage Ratio is the ratio of (1) the consolidated indebtedness of Altus Midstream and its restricted subsidiaries to (2) EBITDA (as defined in the Amended Credit Agreement) of Altus Midstream and its restricted subsidiaries for the 12-month period ending immediately before the determination date. At June 30, 2020, the base rate margin was 0.05 percent, the LIBOR margin was 1.05 percent, and the facility fee was 0.20 percent. In addition a commission is payable quarterly to the lenders on the face amount of each outstanding letter of credit at a per annum rate equal to the LIBOR margin then in effect. Customary letter of credit fronting fees and other charges are payable to issuing banks.

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

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

There are no clauses in the Amended Credit Agreement that permit the lenders to accelerate payments or refuse to lend based on unspecified material adverse changes. The Amended Credit Agreement has no drawdown restrictions or prepayment obligations in the event of a decline in credit ratings. However, the agreement allows the lenders to accelerate payment maturity and terminate lending and issuance commitments for nonpayment and other breaches, and if Altus Midstream or any of its restricted subsidiaries defaults on other indebtedness in excess of the stated threshold, is insolvent, or has any unpaid, non-appealable judgment against it for payment of money in excess of the stated threshold. Lenders may also accelerate payment maturity and terminate lending and issuance commitments if Altus Midstream undergoes a specified change in control or has specified pension plan liabilities in excess of the stated threshold. Altus Midstream was in compliance with the terms of the Amended Credit Agreement as of June 30, 2020.

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

Series A Cumulative Redeemable Preferred Units

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

Off-Balance Sheet Arrangements

Other than the arrangements described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, the Company has not entered into any transactions, agreements, or other contractual arrangements with unconsolidated entities that are reasonably likely to materially affect the Company's liquidity or capital resource positions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to various market risks, including the effects of adverse changes in commodity prices and credit risk as described below. The Company continually monitors its market risk exposure, including the impact and developments related to the COVID-19 pandemic, which has introduced significant volatility in the financial markets subsequent to the year ended December 31, 2019.

Commodity Price Risk

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

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

Interest Rate Risk

At June 30, 2020, Altus had $493.0 million of loans outstanding under its revolving credit facility. The interest rate for the facility is variable, which exposes the Company to the risk of increased interest expense in the event of increases to short-term interest rates. If interest rates increased by 1.0 percent, consolidated interest expense would have increased by approximately $1.2 million for the quarter ended June 30, 2020. Accordingly, the results of operations, cash flows, financial condition, and the ability to make cash distributions could be adversely affected by significant increases in interest rates. Altus currently has no interest rate derivative instruments outstanding, but the Company continues to monitor its interest rate exposure and may enter into interest rate derivative instruments in the future if it determines that it is necessary to invest in such instruments in order to mitigate its interest rate risk.

Credit Risk

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

ITEM 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 the Company's disclosure controls and procedures as of June 30, 2020, the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation and as of the date of that evaluation, these officers concluded that the Company's disclosure controls and procedures were effective, providing effective means to ensure that the information the Company is required to disclose under applicable laws and regulations is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms and accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

The Company periodically reviews the design and effectiveness of its disclosure controls, including compliance with various laws and regulations that apply to operations. The Company makes modifications to improve the design and effectiveness of its disclosure controls, and may take other corrective action, if the Company's reviews identify deficiencies or weaknesses in its controls.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting, including any changes related to the COVID-19 pandemic and the transition to a remote working environment.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not aware of any pending or threatened legal proceedings against it at the time of the filing of this Quarterly Report on Form 10-Q.

On April 30, 2020, a case styled *Sierra Club v. US Army Corp of Engineers et al.* was filed in the United States District Court, Western District of Texas. Plaintiff seeks to invalidate verifications issued by the Army Corps of Engineers allowing Permian Highway Pipeline LLC to conduct dredging and filling activities and to enjoin certain further dredging and other ground disturbing activities in jurisdictional waters. Permian Highway Pipeline LLC has intervened in the suit in defense of the verifications and in opposition to any injunctive relief. The Company has a minority equity interest in Permian Highway Pipeline LLC.

ITEM 1A. RISK FACTORS

Please 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, 2019, Part II, Item 1A-Risk Factors of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, and Part I, Item 3—Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q.

The global economy and the energy industry have been deeply impacted by the effects of the coronavirus disease 2019 (COVID-19) pandemic and related governmental actions. Uncertainty in the oil markets and the negative demand implications of the COVID-19 pandemic continue to impact oil supply and demand. The COVID-19 pandemic and its unprecedented consequences have amplified certain risks identified in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, including, without limitation, risks related to: the demand for and prices of oil, natural gas, and NGLs; economic and competitive conditions; the availability of capital; cash flow and the timing of expenditures; inflation rates; the availability of goods and services; legislative, regulatory or policy changes; terrorism or cyberattacks; property acquisitions or divestitures; the impact of health and safety and other governmental regulations; the effectiveness of the Company's business strategy; market-related risks; the timing, amount and terms of the future issuances of debt and equity securities; the completion and performance of the third-party pipelines in which the Company holds a minority equity interest; and the Company's exposure to customer, partner, and counterparty credit risk. Given the uncertainty regarding the duration and scope of the COVID-19 pandemic and its prolonged impact on the global economy and the energy industry, there can be no assurance that the pandemic will not materially and adversely affect the Company's business, financial condition, cash flows, and results of operations in the future.

Any discussion of the impact of the COVID-19 pandemic included in this Quarterly Report on Form 10-Q speaks only as of the filing date of this Quarterly Report on Form 10-Q and is subject to change without notice, as the Company cannot predict all risks related to this rapidly evolving event.

ITEM 5. OTHER INFORMATION

The registrant elects to disclose under this Item 5 the following information otherwise disclosable in a report on Form 8-K under "Item 1.01 Entry into a Material Definitive Agreement":

Effective July 27, 2020, Apache Corporation, a Delaware corporation ("Landlord"), and Altus Midstream LP, a Delaware limited partnership ("Tenant"), entered into a First Amendment to Lease Agreement (the "First Amendment"), which amends the Lease Agreement between Landlord and Tenant, dated effective November 9, 2018 (the "Lease"). Altus Midstream Company, a Delaware corporation (the "Company"), indirectly controls, and owns an equity interest in, Tenant. Landlord owns an equity interest in Tenant and a controlling equity interest in the Company.

The Lease covers Tenant's lease from Landlord of certain real property and buildings in Reeves County, Texas for an initial term of four years expiring in November 2022. To accommodate Tenant's desire to vacate the leased premises, the First Amendment provides for termination of the Lease with respect to all or any portion of the leased premises which Landlord may sell, with a pro rata rent reduction if Landlord sells less than all of the leased premises. The First Amendment also terminates Tenant's conditional right to use a man-camp on land owned by Landlord near the leased premises.

The foregoing summary of the First Amendment and the Lease does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the First Amendment, a copy of which is filed as Exhibit 10.2 to this report, and the Lease, a copy of which is filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on November 13, 2018, each of which is incorporated herein by reference.

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	–	First Amendment to Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 1, 2020, SEC File No. 001-38048).
3.3	–	Bylaws (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 filed on March 7, 2017, SEC File No. 333-216514).
10.1*	–	First Amendment to Second Amended and Restated Agreement of Limited Partnership of Altus Midstream LP, dated as of June 30, 2020.
10.2*	–	First Amendment to Lease Agreement, dated effective July 27, 2020, by and between Apache Corporation and Altus Midstream LP.
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 June 30, 2020, 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:	July 30, 2020	/s/ Ben C. Rodgers
		Ben C. Rodgers *Chief Financial Officer and Treasurer* *(Principal Financial Officer)*
Dated:	July 30, 2020	/s/ Rebecca A. Hoyt
		Rebecca A. Hoyt *Senior Vice President, Chief Accounting Officer, and Controller* *(Principal Accounting Officer)*

EXHIBIT 10.1

FIRST AMENDMENT TO
SECOND AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
ALTUS MIDSTREAM LP

Dated as of June 30, 2020

This FIRST AMENDMENT TO SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP (this "First Amendment") of Altus Midstream LP, a Delaware limited partnership (the "Partnership"), dated as of the date first written above, is adopted, executed and agreed to by Altus Midstream GP LLC (the "General Partner"), a Delaware limited liability company, as the sole general partner of the Partnership.

WHEREAS, the Partnership was formed as a limited partnership pursuant to and in accordance with the Delaware Act (as defined in the Existing Limited Partnership Agreement, as defined herein) by filing a Certificate of Limited Partnership of the Partnership (the "Certificate") with the Secretary of State of the State of Delaware on August 3, 2018;

WHEREAS, the General Partner, as the sole general partner of the Partnership, entered into a Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of June 12, 2019 (together with all schedules, exhibits and annexes thereto, the "Existing Limited Partnership Agreement"), with each of the Limited Partners (as defined in the Existing Limited Partnership Agreement) set forth on the signature pages thereto;

WHEREAS, the stockholders of the Corporation (as defined in the Existing Limited Partnership Agreement) have approved of an amendment to the Second Amended and Restated Certificate of Incorporation of the Corporation to effect a reverse stock split of all outstanding shares of the Corporation's Common Stock (as defined in the Existing Limited Partnership Agreement), by a ratio of one-for-twenty (the "Reverse Stock Split"), with any stockholder that otherwise would be entitled to a fractional share of Common Stock as a result of the Reverse Stock Split instead being entitled to a payment of cash in lieu of such fractional share;

WHEREAS, in accordance with Section 3.04 of the Limited Partnership Agreement, the Corporation shall not effect the Reverse Stock Split unless accompanied by an identical combination of the Partnership's Common Units (as defined in the Existing Limited Partnership Agreement), including payment of cash in lieu of fractional Common Units;

WHEREAS, the General Partner desires to amend the Existing Limited Partnership Agreement consistent with its sole power and authority pursuant to Section 16.03 of the Existing Limited Partnership Agreement to make clear that such payments of cash in lieu of fractional Common Units do not violate any provisions of the Existing Limited Partnership Agreement or require prior approval of the Series A Preferred Unitholders (as defined in the Existing Limited Partnership Agreement) or any other person;

NOW, THEREFORE, in consideration of the mutual covenants, rights and obligations set forth herein and other good and valuable consideration, the receipt and sufficiency of which the General Partner hereby acknowledges and confesses, the parties hereto hereby agree as follows:

1. Amendment. Section 4.01(b)(v) of the Existing Limited Partnership Agreement is hereby amended to add the following proviso at the end of such subsection: "; and *provided further*, *that*, the Partnership may at any time make payments of cash in lieu of the issuance of any fractional Units in connection with any subdivision or combination of Series A Junior Securities or Series A Parity Securities in accordance with Section 3.04."

2. Approvals. Consistent with its sole power and authority pursuant to Section 16.03 of the Existing Limited Partnership Agreement, this First Amendment has been adopted and approved solely by the General Partner.

3. Continuing Effect. Except as modified by this First Amendment, the Existing Limited Partnership Agreement shall remain in full force and effect in all respects.

4. Governing Law. This First Amendment shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed or caused to be executed on its behalf this First Amendment to Second Amended and Restated Agreement of Limited Partnership as of the date first written above.

GENERAL PARTNER:

ALTUS MIDSTREAM GP LLC

By: /s/ Ben C. Rodgers
Name: Ben C. Rodgers,
Title: Chief Financial Officer and Treasurer

[Signature page to First Amendment to Second Amended and Restated Agreement of Limited Partnership]

EXHIBIT 10.2

FIRST AMENDMENT TO
LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this ***"Amendment"***), is made and entered into by and between APACHE CORPORATION, a Delaware corporation **("*Landlord*")**, and Altus Midstream LP, a Delaware limited partnership **("*Tenant*")**, on and effective as of July 27, 2020 (the "***Amendment Effective Date***").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Lease Agreement by and between Landlord and Tenant, dated effective November 9, 2018 (the "***Lease***"), Landlord leases to Tenant, and Tenant leases from Landlord, the Premises (as defined in the Lease) and Tenant may elect use the Man-Camp (as defined in the Lease) subject to the terms specified in the Lease;

WHEREAS, Tenant desires to vacate the Premises and has no need to use the Man-Camp; and

WHEREAS, Landlord and Tenant desire to amend the Lease to facilitate a sale of the Premises and related adjustment of certain Lease terms.

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, Landlord and Tenant hereby agree as follows:

1. Undefined capitalized terms used herein, including Exhibit A hereto, have the meaning given them in the Lease. The Lease is amended as follows:

    a. Effective upon Landlord's sale and conveyance of all or any portion of the Shared Land, the Term and the Lease automatically shall terminate as to the portion of the Premises so sold and conveyed and neither Landlord nor Tenant shall have any further right or obligation under the Lease with respect thereto except (i) for those under provisions that expressly survive any expiration or termination of the Term or the Lease and (ii) Rent and other obligations accrued before, and remaining unpaid or unperformed on, the date of such termination. If less than all of the Shared Land is sold and conveyed, then thereupon (i) the Lease shall terminate only as to that portion of the Premises which is subject to any such partial sale and conveyance, and (ii) Rent shall be adjusted as set forth in Exhibit A attached hereto and incorporated herein by this reference.

    b. Tenant's rights to use the Man-Camp expire and cease as of the Amendment Effective Date.

2. The Lease remains in full force and effect in accordance with its terms as amended by Section 1 of this Amendment. If there is any conflict between the Lease and this Amendment, this Amendment shall control.

3. This Amendment shall be governed by, and construed in accordance with, the law of the State of Texas, without regard to any conflicts of law provisions that might require the application of the laws of any other jurisdiction.

4. The parties may execute this Amendment in multiple original counterparts, each of which shall have the full force and effect of an original, but constituting only one instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, intending to be legally bound hereby, as of the date first above written.

LANDLORD

APACHE CORPORATION

By: /s/ Timothy R. Custer

Timothy R. Custer

Senior Vice President, Commercial

TENANT

ALTUS MIDSTREAM LP

By: Altus Midstream GP LLC, its General Partner

By: /s/ Clay Bretches

Clay Bretches

Chief Executive Officer and President

Exhibit A to
First Amendment to Lease Agreement

Upon Closing of Sale of Less than 100% of Shared Land		
Area Depicted on Exhibit A to Lease	**Base Rent/Month for Remainder of Term**	**Operating Rent for Remainder of Term**
Upon sale of less than 100% of Shared Land, sold Shared Land is excluded from Lease.	Reduced by product of $1,750 multiplied by Tenant's Share (after giving effect to any adjustments in column 3 of this table) ("Shared Land Rent Adjustment")	Addressed below in respect of specific sales.
Upon sale of Shared Land upon which Field Office 100% Midstream is located, Field Office 100% Midstream is excluded from Lease.	Reduced by sum of $21,382.67 plus Shared Land Rent Adjustment	Tenant's Share adjusted to exclude Field Office 100% Midstream
Upon sale of Shared Land upon which Warehouse is located, Warehouse is excluded from Lease.	Reduced by sum of $16,493.17 plus Shared Land Rent Adjustment	Tenant's Share adjusted to exclude Warehouse
Upon sale of Shared Land upon which Shop is located, Shop is excluded from Lease.	Reduced by sum of $3,850.28 plus Shared Land Rent Adjustment	Tenant's Share adjusted to exclude Shop
Upon sale of Shared Land upon which Storage Yard is located, Storage Yard (or sold portion) is excluded from Lease.	Reduced by sum of $1,976.21 plus Shared Land Rent Adjustment ("Whole Reduction"); if sell less than 100% of Shared Land upon which Storage Yard is located, reduction is Whole Reduction multiplied by a fraction, numerator of which is acres sold and denominator of which is 8.25.	No change
Upon sale of Shared Land upon which Field Office 100% Upstream is located, Field Office 100% Upstream remains excluded from Lease.	No change	No change

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.

Date: July 30, 2020

/s/ Clay Bretches

Clay Bretches

Chief Executive Officer and President (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Ben C. Rodgers, certify that:

1. I have reviewed this 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.

Date: July 30, 2020

/s/ Ben C. Rodgers

Ben C. Rodgers

Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 32.1

ALTUS MIDSTREAM COMPANY

Certification of Principal Executive Officer and Principal Financial Officer

I, Clay Bretches, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of Altus Midstream Company for the quarterly period ending June 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Altus Midstream Company.

Date: July 30, 2020

/s/ Clay Bretches

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

I, Ben C. Rodgers, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of Altus Midstream Company for the quarterly period ending June 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Altus Midstream Company.

Date: July 30, 2020

/s/ Ben C. Rodgers

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