

Altus Midstream Company

January 2019

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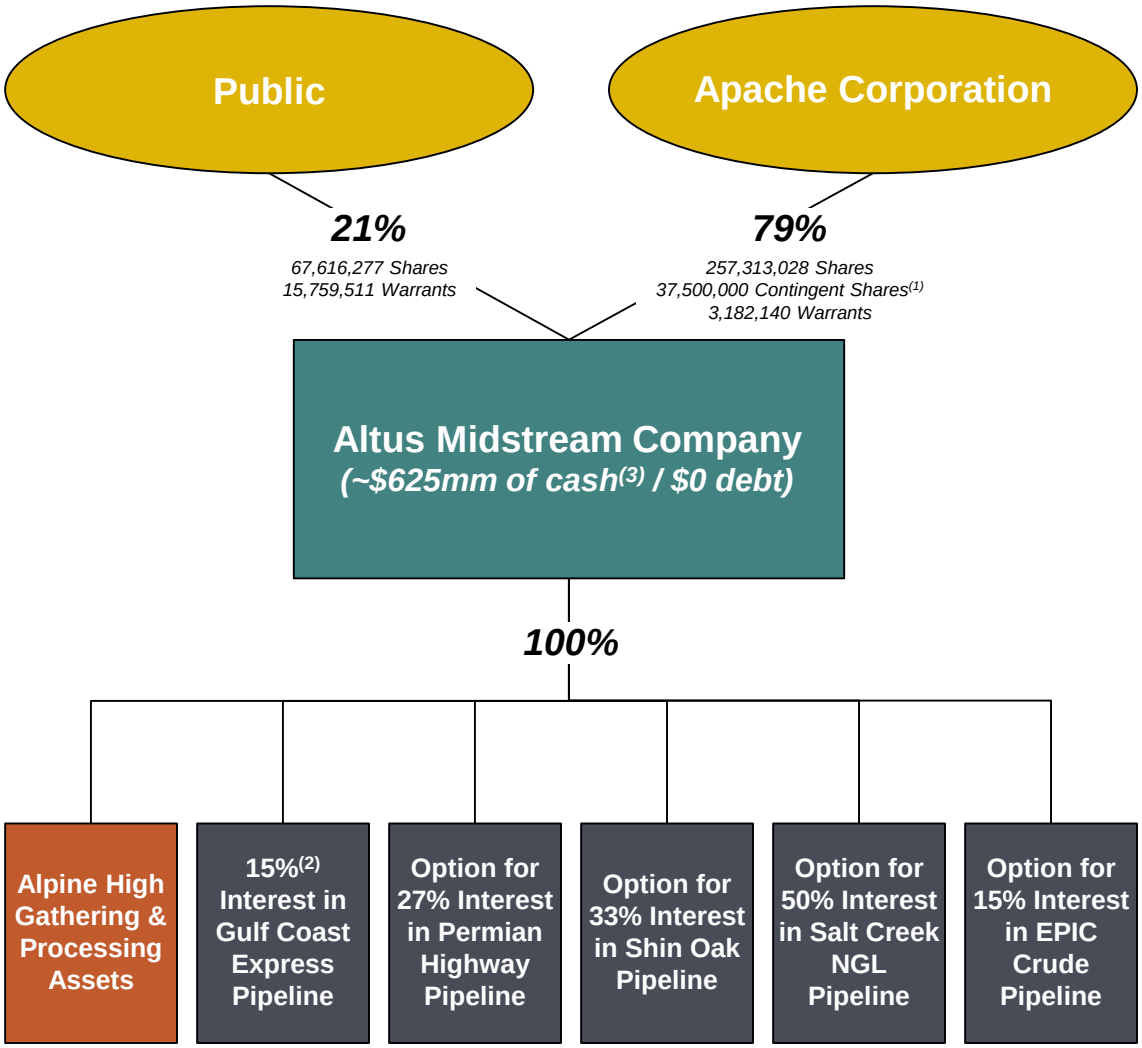
Altus Midstream Overview

Altus Midstream Summary Overview

Commentary

- Kayne Anderson and Apache Corporation formed a new, publicly-traded midstream C-corp – Altus Midstream Company ("Altus" or "Altus Midstream")
  - Real C-corp governance / no IDRs
- The entity trades today on NASDAQ under the ticker "ALTM"
- Altus' assets consist of:
  - G&P assets associated with Apache's Alpine High resource play (540,000 acre area of dedication)
  - 15% equity interest in Gulf Coast Express Pipeline ("GCX")
  - Options for equity interests in 4 Permian pipelines (3 long-haul & 1 regional)
- Altus has ~$625 million in cash(3) and zero debt drawn
  - Cash and debt capacity will be used to fund growth capital

Simplified Structure



(1) Contingent shares subject to performance tests. See Appendix for description of contingent shares.
(2) Altus may have the option to acquire an additional 1% interest in GCX subject to certain conditions precedent, including having less than 30% equity in PHP following the exercise of the PHP option.
(3) Excludes reduction in cash attributable to reimbursement of midstream capital expenditures incurred by Apache from 10/1/18 through the closing of the business combination.

New Way to Invest in Midstream…and it's in the Permian!

Sponsor controls production & development	✓
Super-system with large contiguous acreage dedication	✓
Pure-play Permian	✓
Integrated Permian to Gulf Coast midstream value chain	✓
JV pipelines provide diversity and long term contracts	✓
C-corp structure with an alignment of interests	✓
Conservative balance sheet; self-financing	✓

Investment Merits

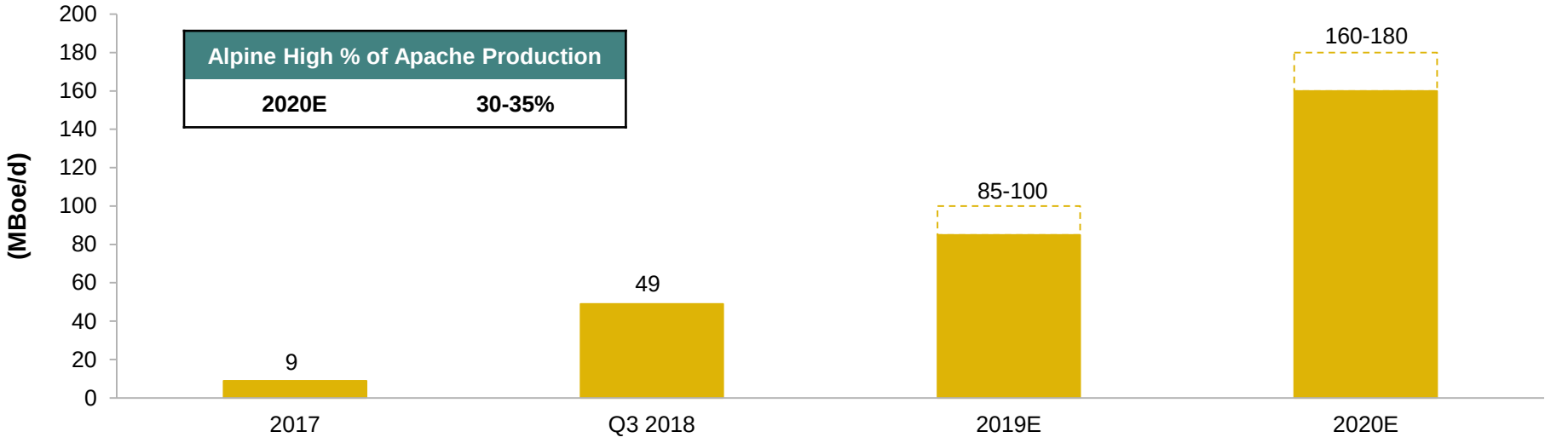
Premier E&P Sponsor	▶ Independent E&P with 64-year operating history and global footprint ▶ Dedicated to long-term development plan for Alpine High ▶ Transaction achieves Apache's desire to create a fully integrated midstream company
Exposure to World-Class Resource at Alpine High	▶ ~340,000 contiguous net acres; multi-decade inventory of drilling locations(1) ▶ More than 5,000 vertical feet of stacked pay ▶ Alpine High expected to comprise 30-35% of Apache's total production by 2020
Unique Public Investment Opportunity	▶ Pure-play Permian public midstream company ▶ Exposure to full midstream value chain from Permian to the Gulf Coast ▶ Depth of upstream inventory supports decades of robust cash flow growth
Differentiated, Simplified Corporate Structure	▶ Clear alignment of interests (C-corp governance / no incentive distribution rights) ▶ No leverage at formation; no need to issue common equity ▶ Retaining and reinvesting cash flow with no dividend through 2020

(1) Acreage as of July 1, 2018.

Apache's Vision for Alpine High

- Alpine High is a multi-decade growth platform for Apache
  - Resource in place (as of September 2016) of ~3 billion barrels of oil and ~75 Tcf of gas in Barnett and Woodford formations alone
  - Apache has invested >$2 billion on E&P activities and >$1 billion on midstream infrastructure in Alpine High through Q3 2018
  - Alpine High E&P activities projected to represent ~30% of Apache's capital budget for 2018-2020
- By the end of 2020, gross production from Alpine High is expected to approach >1 Bcf/d of wellhead gas and ~100 MBbl/d of NGLs(2)

Apache's Alpine High Production (Net)(1)(2)

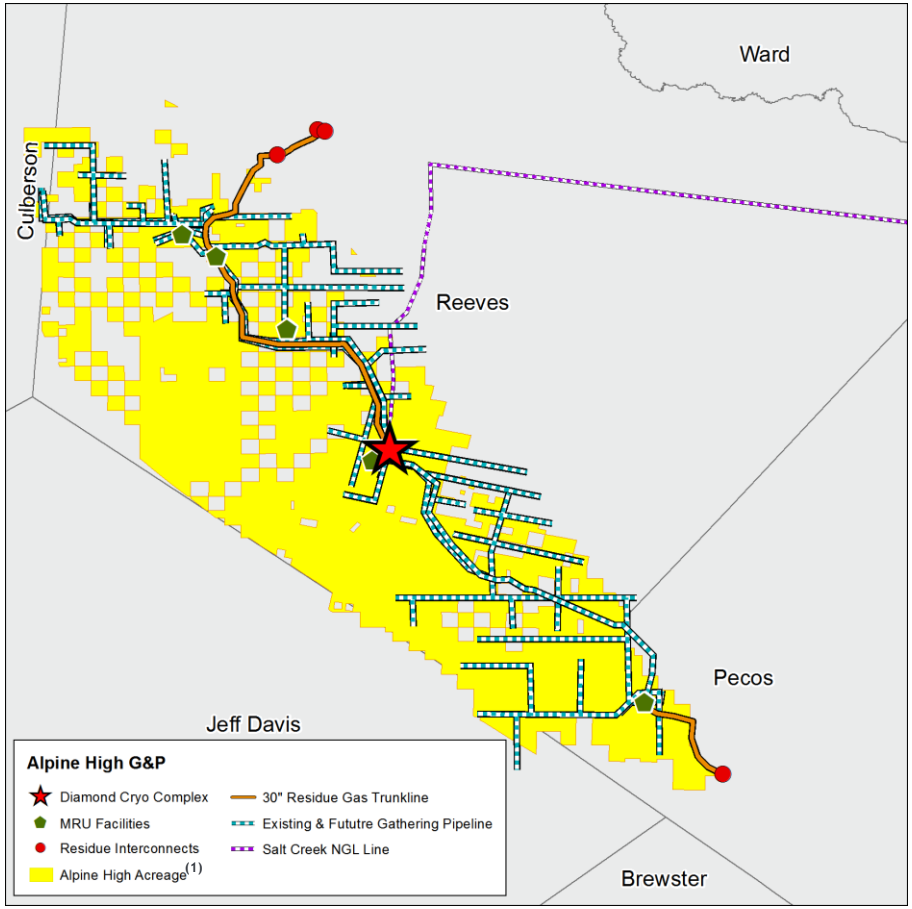


Alpine High is a top priority for Apache

(1) Based on 75% NRI, on average.
(2) 2020 estimates subject to revision with new guidance.

Gathering & Processing Overview

Pipeline Map



Current Asset Highlights

- **Rich Gas Processing:** 380 MMcf/d of capacity in service
- **Lean Gas Treating / Compression:** 400 MMcf/d of capacity in service
- **Gathering Pipelines:** ~125 miles in service
  - Primarily 20-30 inch pipe
- **Residue Pipelines / Market Connections:** ~55 miles in service with 3 market connections (Comanche Trail, El Paso Line 1600 and Trans-Pecos Pipeline)

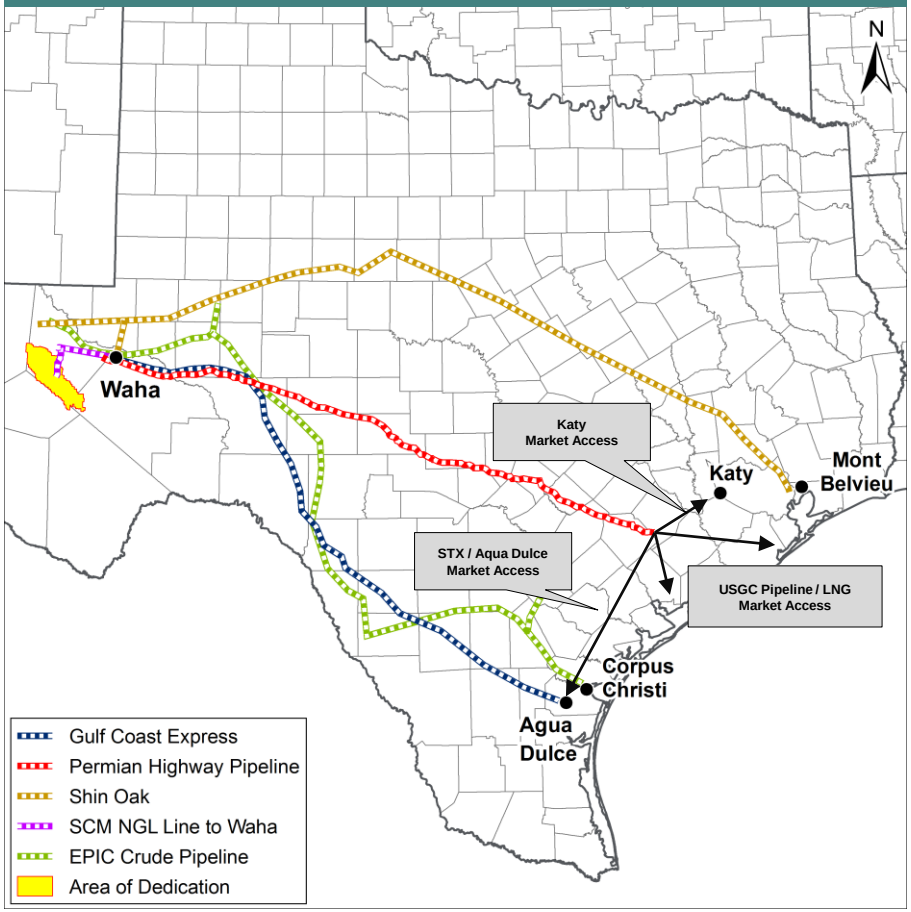
Key Additions by Year-End 2020

- 1 Bcf/d of cryo processing capacity additions
- 80 MMcf/d of lean gas treating and compression capacity additions
- >75 miles of gathering pipeline additions
- 1 additional market connection expected to be in service (Roadrunner)

(1) Acreage footprint depicted on map is as of July 1, 2018.

Joint Venture Pipelines Overview

Pipeline Map



Commentary

- Altus owns or has the option to participate in five joint venture pipelines

Nat Gas

- 15%(1) of KMI's Gulf Coast Express
- 27% of KMI's Permian Highway (Option)

NGLs

- 33% of EPD's Shin Oak (Option)
- 50% of Salt Creek NGL (Option)

Crude

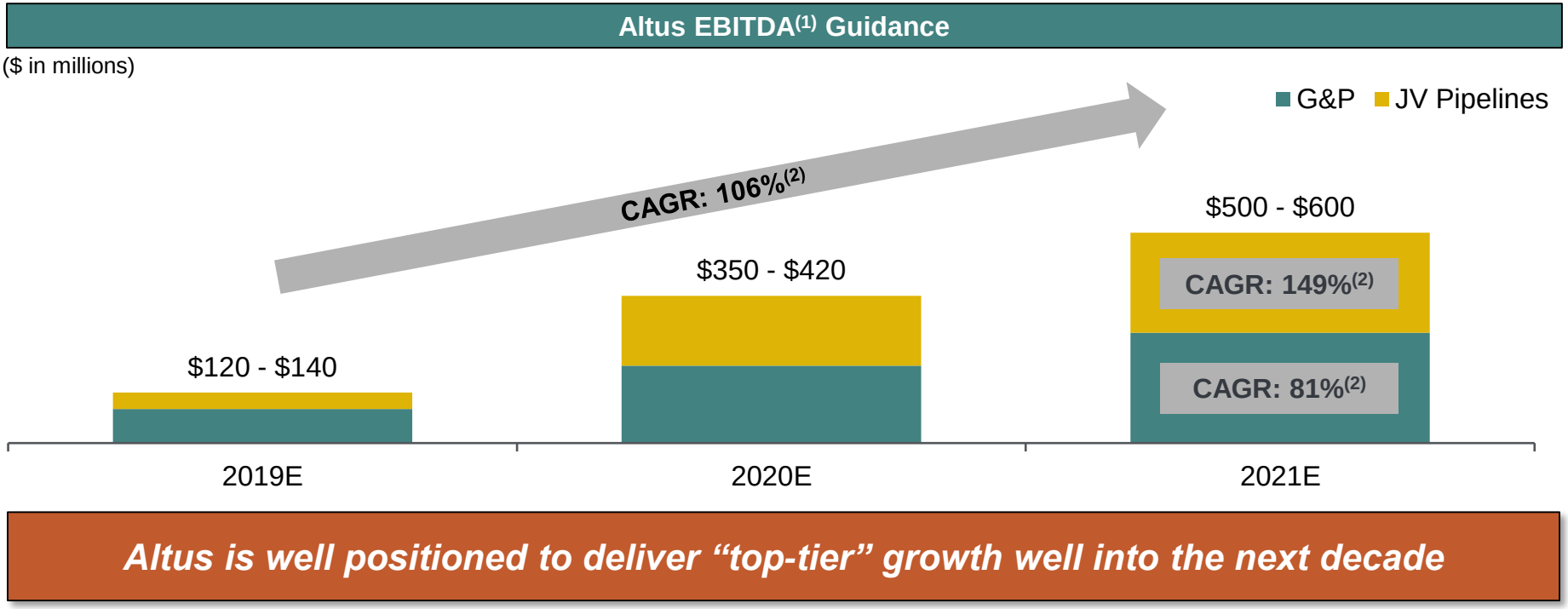
- 15% of EPIC Crude (Option)

- All pipelines expected in service by end of 2020
- Altus expects to invest ~$1.5 - $1.8 billion of capital in JV pipeline projects
  - No promote paid above construction cost for any JV pipeline project
  - Very attractive projects for Altus (~7x build multiple of EBITDA, on average)

(1) Altus may have the option to acquire an additional 1% interest in GCX subject to certain conditions precedent, including having less than 30% equity in PHP following the exercise of the PHP option.

Altus Financial Forecast

- Altus financial forecast is underpinned by identified sources of growth
  - Majority of growth driven by JV pipelines placed in-service in 2019-2020
  - For G&P business, 2019-2020 volume is in-line with Apache's public guidance ranges (and Apache represents >95% of forecasted volume)
  - Q4 2020 annualized EBITDA(1) projected to be $475-$550 million



Altus is well positioned to deliver "top-tier" growth well into the next decade

(1) A reconciliation of forecasted EBITDA to cash provided by operating activities/net income is not provided because the items necessary to estimate such amounts are not reasonably accessible or estimable at this time.
(2) Based on midpoint of guidance.

Additional Avenues for Growth

Strategic Relationship with Apache

- Altus has ROFO on water systems at Alpine High
- Altus has ROFO on any new long-haul pipelines / Gulf Coast assets
- Altus has ROFO to develop a crude oil gathering system at Alpine High
- Altus has right to participate in midstream opportunities within an area of mutual interest
  - ~1.7 million acre area covering approximately 10 miles surrounding area of dedication

Third Party Growth

- Leverage asset footprint for additional third party volumes outside of Apache's Alpine High footprint
- Altus will be extremely well positioned to gather offsetting "checkerboard" Alpine High acreage
- Third party M&A
- Size and scale to pursue large organic growth projects

These growth opportunities are not included in Altus' guidance

Alpine High Overview

Alpine High: A World-Class Resource Play

Scale

- Unprecedented hydrocarbon column >5,000 feet
- Vertically stacked oil, rich gas, and lean gas fairways
- ~340,000 contiguous net acres(1)
- 5,000+ locations identified as of October 2017
- ~3 billion bbls / ~75 Tcf of resource in place

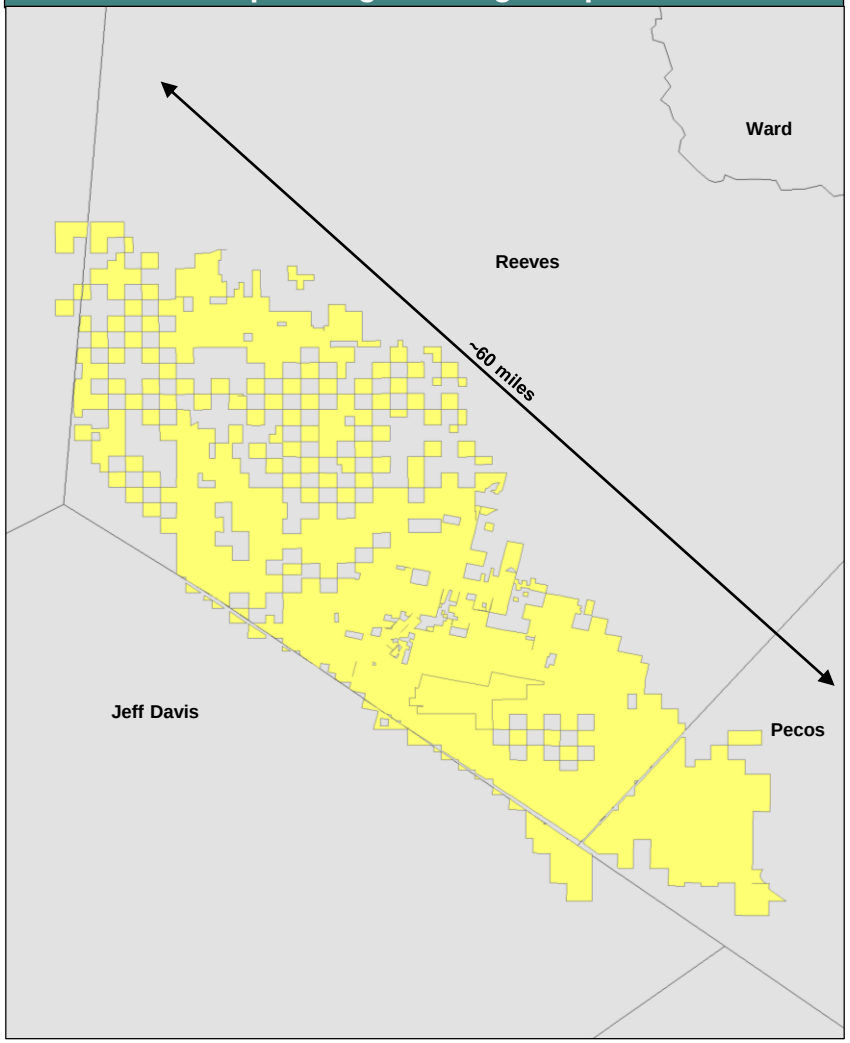
Execution

- Significant ramp up in production from May 2017 to Nov 2018 (~55 Mboe/d)
- Nearly tripling the number of producing wells from YE 2017 to YE 2018
- Guiding 2019 Alpine High volumes to upper end of 85-100 MBoe/d range

Economics

- Highly economic rich gas play; oil upside
- Liquids uplift combined with low F&D and operating costs – strong recycle ratios

Alpine High Acreage Map(1)

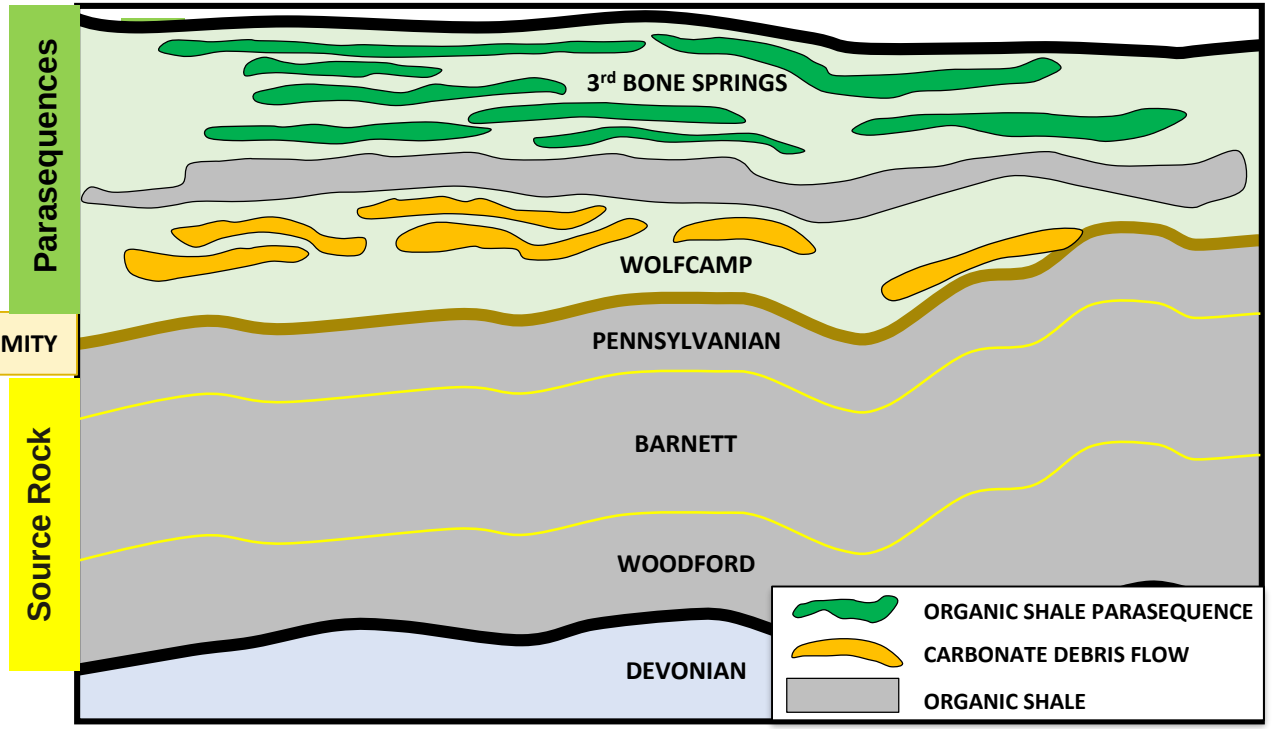


(1) Acreage as of July 1, 2018.

Stacked Pay From 13 Landing Zones

High frequency, rapidly rising and falling sea level environment

Tranquil marine environment, gradually rising worldwide sea level conditions



13 landing zones so far; >5,000 vertical feet

Woodford + Barnett + Penn	3rd Bone Springs + Wolfcamp
▶ Thick, laterally continuous deposition	▶ Higher variability with sweet spots
▶ Oil, rich gas and lean gas windows	▶ Oil and rich gas windows
▶ Minimal in-situ water	▶ Water wet rock
▶ Indigenous, organic shale	▶ Indigenous shale and migrated hydrocarbons

Measured Approach to Optimization

Delineation / Science

- Apache has taken a very methodical approach so far
  - Focus on delineation, not optimization
  - Delineation phase completion design allows isolation of geologic variations
    - Short laterals
    - Light proppant volumes
    - Lots of room for improvement….by design

Optimization Testing

- 2018 is the first year that Apache tested different development alternatives
  - Optimized completions – longer laterals and higher proppant volumes
  - Multiple landing zones (testing up to 3 zones in the Woodford)
  - Spacing tests

Apache believes it can substantially improve well performance via optimization

Alpine High: Transitioning to Full-field Development

- Apache's methodical approach to developing Alpine High



Formulation of concept, concept testing and confirmation + Areal and vertical delineation =

Transition to full field development

- Optimized spacing, patterns & completions
- Drilling efficiencies
- Lifting cost efficiencies
- Significant water handling facilities in place

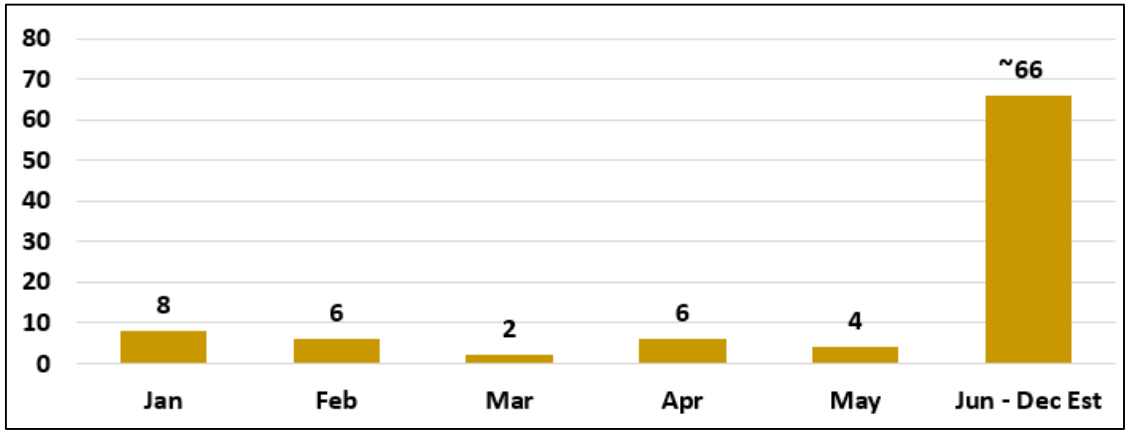
Focus on reducing costs, increasing efficiency and maximizing recovery

Alpine High: Significant Production Ramp Underway

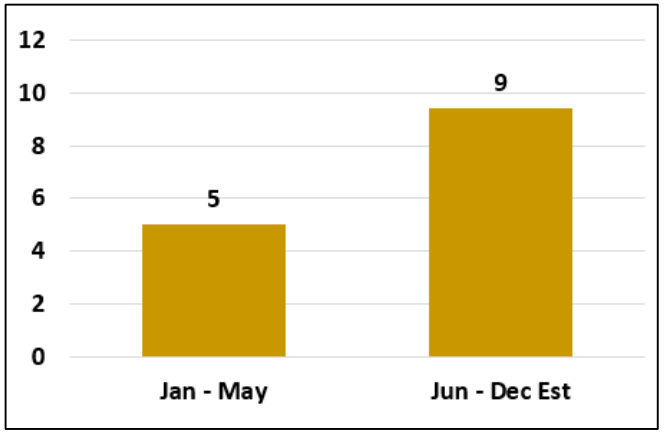
Key Statistics

- Averaged 8 rigs and ~2 frac crews in 3Q 2018
- More than 90 wells expected to be placed on production in 2018
  - Total during 2018 is nearly double the amount placed online in 2016 and 2017
- Net production averaged ~49 MBoe/d in 3Q 2018, up more than 50% from 2Q 2018
- Net production increased to ~55 MBoe/d by early November 2018
- Guiding 2019 Alpine High volumes to upper end of 85-100 MBoe/d range; 2018 tracking to 44 MBoe/d guidance

Alpine High 2018 Wells Placed on Production



Average Monthly Well Completions



Alpine High: Attractive Rich Gas Economics

- Representative economics for rich gas wells are fully burdened (4,400' lateral); optimized development should enhance returns

Typical Well			
EUR (Bcfe)	**9**	**-**	**15**
Well Cost ($MM)	**$4**	**-**	**$6**
Product Mix			
% Oil	***3%***	***-***	***15%***
% NGL	***51%***	***-***	***56%***
Fully Burdened Economics @ $65 WTI / $3.00 HH			
BTAX NPV-10 ($MM)	**$7**	**-**	**$9**
BTAX IRR %	**50%**	**-**	**100%**
Fully Burdened Economics @ $50 WTI / $2.50 HH			
BTAX NPV-10 ($MM)	**$4**	**-**	**$6**
BTAX IRR %	**29%**	**-**	**66%**

Upper Range Well			
EUR (Bcfe)	**16**	**-**	**21**
Well Cost ($MM)	**$4**	**-**	**$6**
Product Mix			
% Oil	***0%***	***-***	***8%***
% NGL	***41%***	***-***	***54%***
Fully Burdened Economics @ $65 WTI / $3.00 HH			
BTAX NPV-10 ($MM)	**$6**	**-**	**$13**
BTAX IRR %	**78%**	**-**	**300%**
Fully Burdened Economics @ $50 WTI / $2.50 HH			
BTAX NPV-10 ($MM)	**$3**	**-**	**$9**
BTAX IRR %	**38%**	**-**	**158%**

Single Well Economic Assumptions:

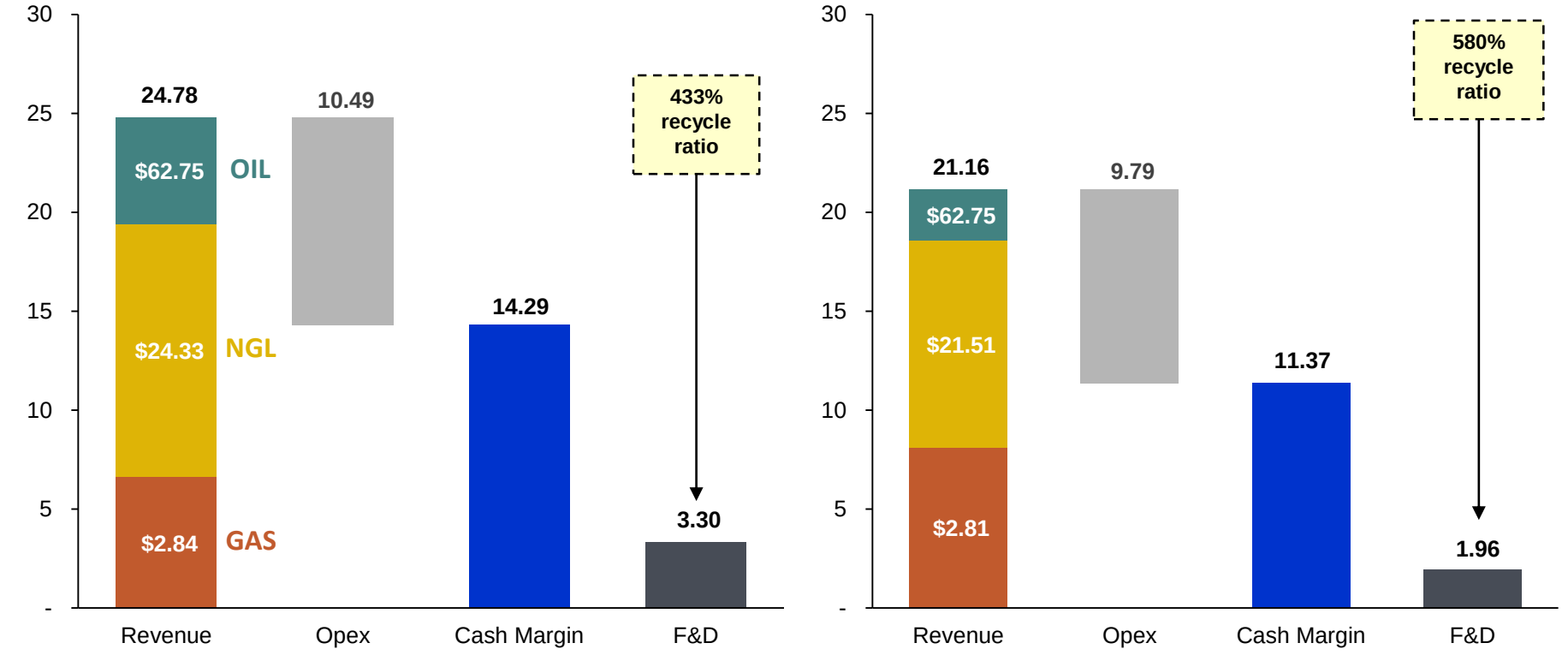
- Prices: $65 WTI / $3.00 Henry Hub / NGL($/GAL) C2: $0.28, C3: $0.83, C4: $0.94, C5: $1.42
  - $50 WTI / $2.50 Henry Hub / NGL($/GAL) C2: $0.28, C3: $0.75, C4: $0.90, C5: $1.22
- Waha basis / Transport to US Gulf Coast markets = $0.50/MMbtu; midstream fee = $0.87/Mcf
- Crude basis: $2.25
- NGL yields and midstream fees assume cryogenic processing
- Economics include overhead, workover, abandonment and E&P facility burdens

Alpine High: Premium Capital Efficiency

Typical Well

Upper Range Well

Top-tier recycle ratios highlight APA's ability to generate cash and re-invest



Highly prolific wells and low costs result in impressive recycle ratios

Assumptions:

- Prices: $65 WTI; $3.00 Henry Hub; Waha basis / Transport to US Gulf Coast markets = ($0.50); NGL($/GAL) C2: $0.28, C3: $0.83, C4: $0.94, C5+: $1.42
- Opex includes LOE, Gathering, Transportation & Processing, and Production taxes
- F&D reflects drilling, completion, and equipping
- Recycle Ratio: Cash Margin/F&D

Alpine High Evolution

	September 2016	November 2018[1]	2020[1]
Rig Count	3	**8**	10 - 11
Total Wells Drilled	14	**180**	425 – 450 at year-end
Total Wells on Production	9	**125**	350 – 375 at year-end
Net Production (Mboe/d)	Nm	**~55**	160 – 180
Location Count	2,000 – 3,000+	**5,000+**	Ongoing Testing
Confirmed Landing Zones	2	**13**	Ongoing Testing
Altus Midstream	Nm	• **Rich gas processing capacity: 380 MMcf/d** • **Lean treating & compression: 400 MMcf/d** • **3 cryos under construction (first in-service ~ mid-2019)**	• Rich gas processing capacity: ~1,380 MMcf/d • Lean treating & compression: 480 MMcf/d • Five cryo plants at year end

(1) November 2018 actuals and 2020 estimates originally published on November 12, 2018. 2020 estimates subject to revision with new guidance

Financial Overview

Financial Philosophy

- Altus Midstream's simple structure is a key point of differentiation vs. its midstream peers
  - No debt and undrawn revolver provide strong liquidity
  - No incentive distribution rights
- The Company has ~$625 million of cash(1) and an undrawn $800 million(2) unsecured credit facility
- Altus expects to begin borrowing during 2019 to finance growth
  - Target long-term leverage ratio of 3x or less
- No dividends expected through 2020 as cash flow ramps
  - Expect to institute a dividend during 2021 (subject to board approval)
  - Expect dividend policy to be similar to high quality midstream peer group

Altus can execute on its current growth plans without issuing common equity

(1) Excludes reduction in cash attributable to reimbursement of midstream capital expenditures incurred by Apache from 10/1/18 through the closing of the business combination.
(2) $450 million initial size with eventual ability to upsize to $1,500 million.

Financial Plan & Valuation

Commentary

Conservative Financial Plan

- No debt at closing with run-rate leverage ratio of less than 3x by year-end 2020 (assuming 100% debt financing)
- For 2021 and beyond:
  - Expect to institute a dividend policy
  - Growth financed through operating cash flow and leverage in-line with 3x target

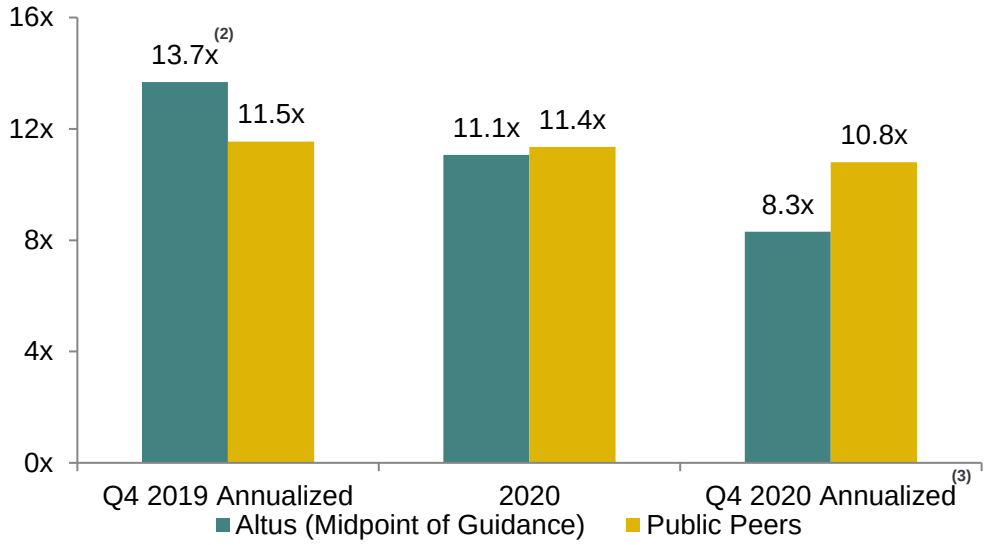
Valuation

- Trades “cheaper” than peer averages on 2-year forward EV/EBITDA
  - Expect outsized growth rate relative to peers beyond guidance period
- Annualized Q4 2020 EBITDA is the appropriate benchmark, as all JV pipelines are in-service and first 5 cryos are online by Q4 2020

Valuation & Projected Leverage Ratio

Equity Value	$2,785
Plus: Debt	–
Less: Cash	(625)
Enterprise Value	$2,160
Plus: Externally Funded Capital (10/1/18 - 12/31/20)	2,100
Adjusted 12/31/20 Enterprise Value	$4,260
Annualized Q4 2020 EBITDA (Midpoint of Guidance)	$513
Enterprise Value / 2020 Run-Rate EBITDA	**8.3x**
Year-End 2020 Leverage Ratio if 100% Debt Financed	**2.9x**

EV / EBITDA: Altus vs. Public Peers(1)



Source: Wall Street Research. Peers include: AM, EPD, OKE, PSXP, SHLX, TRGP, WES and WMB.
Note: A reconciliation of forecasted EBITDA to cash provided by operating activities/net income is not provided because the items necessary to estimate such amounts are not reasonably accessible or estimable at this time.
(1) Enterprise value calculations include externally financed capex. Metrics as of January 16, 2019.
(2) Excludes capex and EBITDA associated with Permian Highway Pipeline, as the pipeline does not contribute EBITDA in 2019.
(3) EV includes capex through Q4 2020 compared to Q4 2020 annualized EBITDA.

Financial Flexibility

Revolving Credit Facility

- At closing, Altus entered into a five year revolving credit facility with flexible terms and competitive pricing including two one-year extension options
- $450 MM available during Initial Period(1) ramping up to $800 MM after Initial Period(1) (Initial Period forecasted to end by Q4 2019) with further ability to upsize to $1,500 MM
- Initial pricing at LIBOR + 1.05%-1.425%
- Financial covenant summary:
  - During Initial Period(1), maximum debt-to-capital ratio of 30%
  - After Initial Period(1), maximum leverage ratio of 5x with pro forma credit for JV pipeline options, certain capital projects and acquisitions

Alternative Sources of Capital

- In addition to the capital afforded by the credit facility, Altus has access to other attractive sources of capital
  - Examples include preferred equity and asset level financing

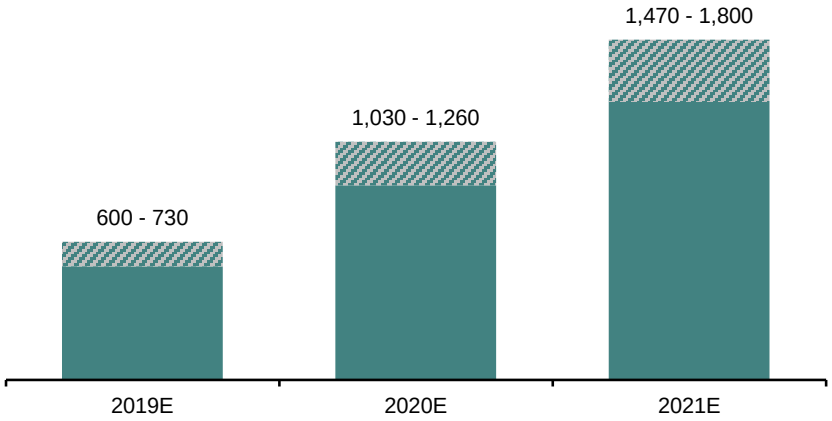
Altus has access to flexible, low cost capital to finance its current growth plans

(1) As defined by the credit agreement, where the end of the Initial Period occurs upon the achievement of certain financial metrics/thresholds.

Financial Guidance

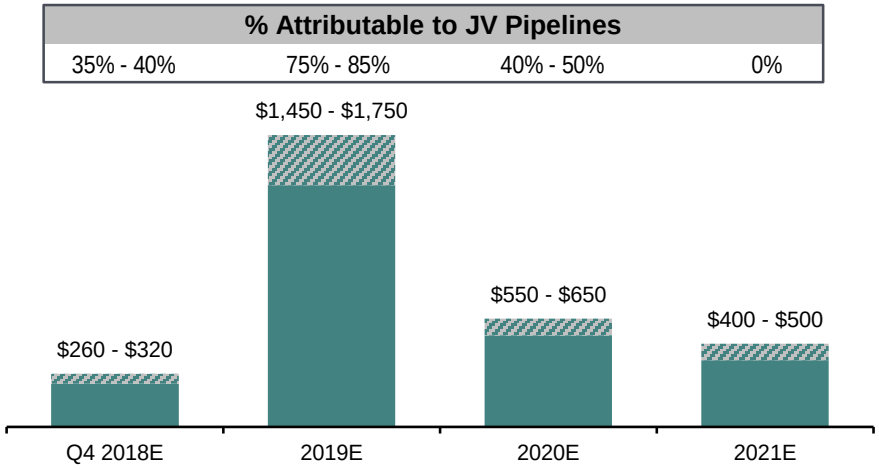
Altus Midstream Gathered Volumes(1)

(MMcf/d)



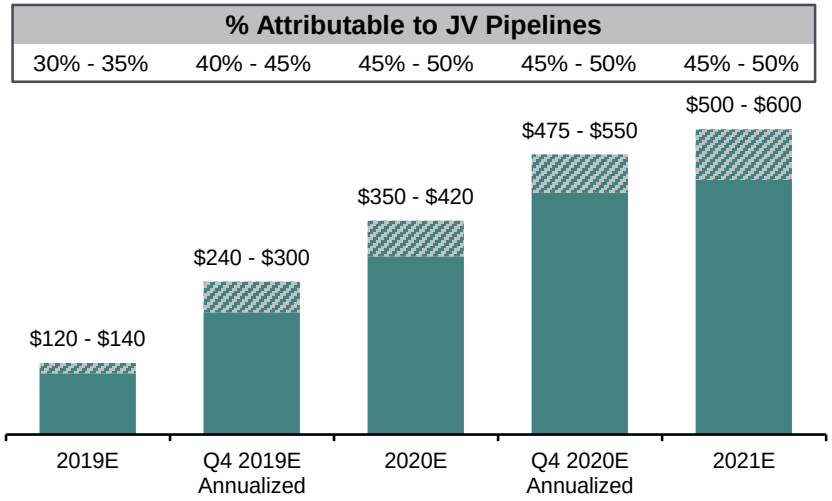
Altus Midstream Growth Capex(2)

($ in millions)



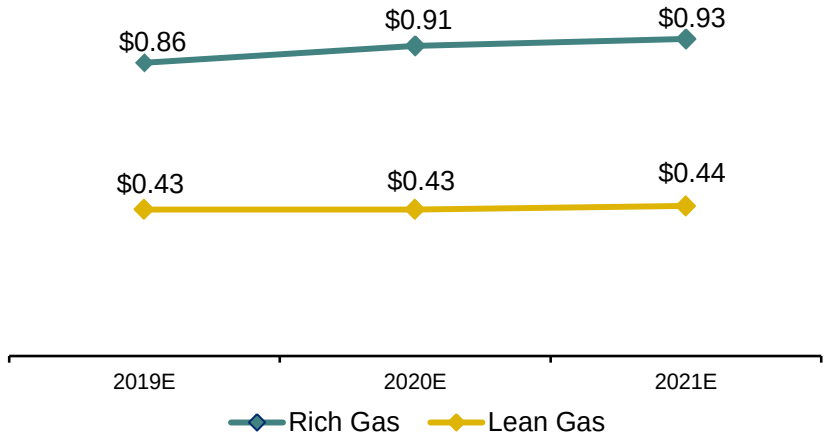
Altus Midstream EBITDA(2)

($ in millions)



Altus Midstream Revenue per Mcf

($/Mcf)



(1) Altus volume forecast through 2020 includes Apache volume assumptions consistent with Apache's public guidance for Alpine High production (average royalty interest is 25%). Altus volume expectation for Apache volume in 2021 does not represent Apache guidance.

(2) Assumes exercise of all five options for JV pipelines. A reconciliation of forecasted EBITDA to cash provided by operating activities/net income is not provided because the items necessary to estimate such amounts are not reasonably accessible or estimable at this time.

Appendix

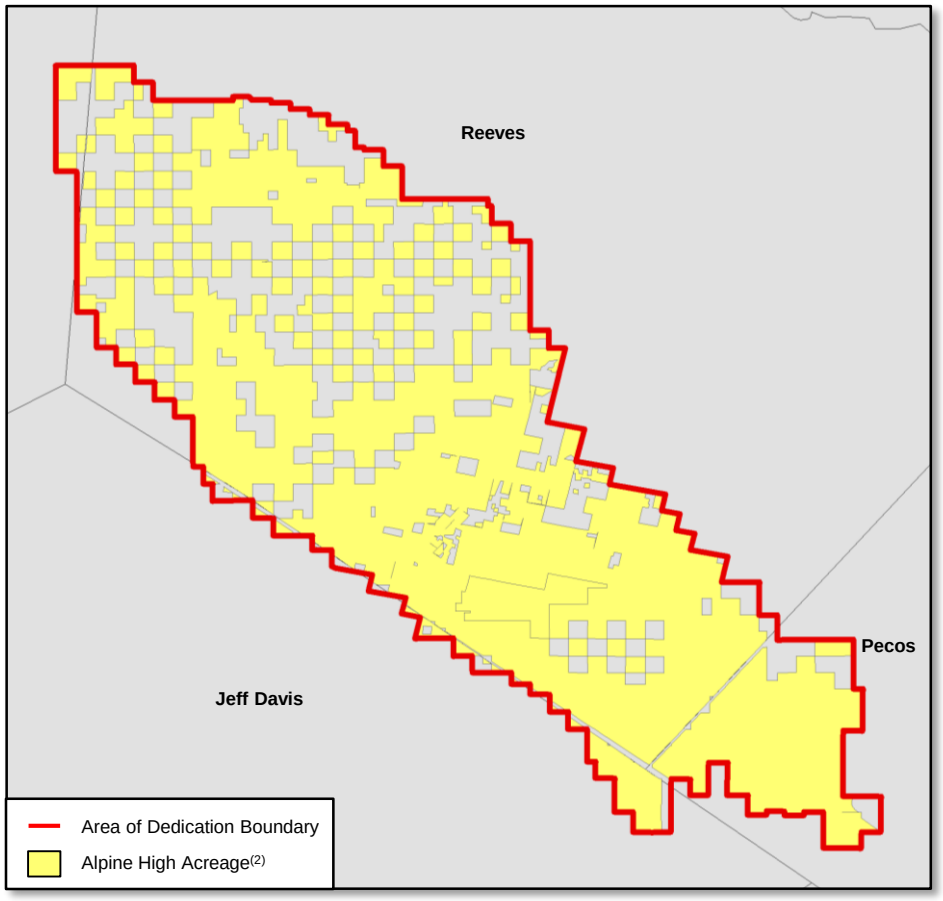
Details on Joint Venture Pipelines

	Gulf Coast Express	Permian Highway	Shin Oak	Salt Creek NGL Line	EPIC Crude
Product	Natural Gas	Natural Gas	NGL	NGL	Crude
Operator	Kinder Morgan	Kinder Morgan	Enterprise Products	ARM	EPIC
Pipeline Cost	$1.75 billion	$2 billion	Undisclosed(1)	$100 million	$2.1 billion
Altus Option %	15%(2)	27%	33%	50%	15%
Option Expiration	Exercised	9/4/19	60 days following in-service date	1/31/20	2/1/19
Origin/Terminus	Waha/Agua Dulce	Waha/Gulf Coast	Waha/Mont Belvieu	Alpine High/Waha	Orla/Corpus Christi
Miles of Pipeline	447	430	658	60	730
Pipeline Capacity	2.0 Bcf/d	2.1 Bcf/d	550 MBPD	445 MBPD	600-900 MBPD(3)
In-Service Date	Q4 2019	Late 2020	Q2 2019	Q1 2019	Q3 2019(4)
Other Owners(5)	KMI, DCP, TRGP	KMI, EagleClaw	EPD	Salt Creek	NBL, FANG
Contract Mix	MVC	MVC	Dedication	Dedication	MVC/Dedication

(1) Altus' estimate of the exercise price for Shin Oak (after it comes in-service) is $500 million attributable to its potential 33% ownership interest.
(2) Altus may have the option to acquire an additional 1% interest in GCX subject to certain conditions precedent, including having less than 30% equity in PHP following the exercise of the PHP option.
(3) Represents Permian Basin pipeline capacity. Initial capacity is 600 MBPD, expandable to 900 MBPD.
(4) Represents in-service timing for interim service; permanent in-service expected by January 2020.
(5) Represents existing project partners and disclosed holders of equity options.

Altus Midstream Agreements with Apache

- The area of dedication encompasses a total of ~540,000 gross acres (as denoted by the red outline)
  - Includes existing Apache acreage and future acreage acquired by Apache(1)
- Midstream services dedicated to Altus:
  - Gas gathering, compression and processing
  - Residue gas transportation
  - NGL transportation
- 100% fixed fee business; market-based rates
- Contract primary term through 2032



(1) Future acreage acquired by Apache within the area of dedication will be dedicated unless such acreage has a pre-existing dedication.
(2) Acreage footprint depicted on map is as of July 1, 2018.

Forecast Key Assumptions

- "Effective Date" for transaction closing of September 30, 2018
- Financing plan does not include future issuances of common equity
- No dividend expected to be paid through 2020
- Altus gathering and processing ("G&P") volumes are based on (i) Apache's public guidance for Alpine High production in 2019-2020, (ii) Altus assumptions for Apache volume in 2021, which is based on Earn-Out consideration target of ~1.57 Bcf/d and (iii) Altus assumptions around third party volumes on the system
- Expect 60%-70% of volumes to be rich gas and 30%-40% to be lean gas
- G&P EBITDA margin of 45%-55% for full year 2019, trending toward 60%-70% in 2020 and beyond
- Revenue per mcf increase in 2020 vs 2019 for rich gas is primarily attributable to an incremental high pressure gathering fee which takes effect as cryogenic processing plants come online
- Guidance for joint venture pipelines is based on (i) expected in-service dates and assumed option exercise dates for the five joint venture pipelines and (ii) projections for each joint venture pipeline provided by each operator

Alpine High Takeaway

- Apache has contracted takeaway capacity (through a combination of volume commitments and acreage/plant dedications) from Altus Midstream's infrastructure
  - Provides flow assurance to liquid markets at attractive netbacks
- 550 MDth/d volume commitment for residue gas takeaway on GCX (operated by Kinder Morgan)
- 500 MDth/d volume commitment for residue gas takeaway on PHP (operated by Kinder Morgan)
- Enterprise has committed to purchase the NGLs produced from Alpine High at the terminus of the Salt Creek NGL Pipeline near Waha up to 205 MBPD
- Alpine High NGLs are dedicated to the Salt Creek NGL Pipeline from Alpine High to Waha up to 265 MBPD
- Alpine High crude oil is dedicated to EPIC Crude Pipeline up to 75 MBPD

Description of Earn-Out Consideration

- In addition to the 257 million shares issued to Apache at closing, Apache can potentially be issued 37.5 million additional shares in Altus if certain thresholds are met (the “Earn-Out Shares”)

- 12.5 million shares when Altus Midstream’s share price equals or exceeds $14.00 per share for any 20 trading days within a 30-trading day period within five years of closing

- 12.5 million shares when Altus Midstream’s share price equals or exceeds $16.00 per share for any 20 trading days within a 30-trading day period within five years of closing

- 12.5 million shares when, during 2021, volume from Apache’s area of dedication to Altus Midstream equals or exceeds ~574.4 Bcf (~1.57 Bcf/d)