THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

SMLP - Q2 2018 Summit Midstream Partners LP Earnings Call

EVENT DATE/TIME: AUGUST 03, 2018 / 2:00PM GMT

CORPORATE PARTICIPANTS

Marc Stratton *Summit Midstream Partners, LP - SVP of Summit Midstream GP LLC and Treasurer of Summit Midstream GP LLC*

Matthew S. Harrison *Summit Midstream Partners, LP - Executive VP & CFO of Summit Midstream GP, LLC*

Steven J. Newby *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

CONFERENCE CALL PARTICIPANTS

Kyle May *Capital One Securities, Inc., Research Division - Associate*

Michael William Gaiden

Tristan James Richardson *SunTrust Robinson Humphrey, Inc., Research Division - VP*

PRESENTATION

Operator

Good morning, and welcome to the Second Quarter 2018 Summit Midstream Partners, LP Earnings Conference Call. My name is Brandon, and I'll be your operator for today. (Operator Instructions) Please note this conference is being recorded.

And I will now turn it over to Marc Stratton. You may begin, sir.

Marc Stratton - *Summit Midstream Partners, LP - SVP of Summit Midstream GP LLC and Treasurer of Summit Midstream GP LLC*

Thanks, operator, and good morning, everyone. Thank you for joining us today to discuss our financial and operating results for the second quarter of 2018. If you don't already have a copy of our earnings release, please visit our website at www.summitmidstream.com, where you'll find it on the homepage or in the News section.

With me today to discuss our quarterly earnings is Steve Newby, our President and Chief Executive Officer; Matt Harrison, our Chief Financial Officer; Leonard Mallett, our Chief Operations Officer; and Brad Graves, our Chief Commercial Officer.

Before we start, I'd like to remind you that our discussion today may contain forward-looking statements. These statements may include but are not limited to our estimates of future volumes, operating expenses and capital expenditures. They may also include statements concerning anticipated cash flow, liquidity, business strategy and other plans and objectives for future operations.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can provide no assurance that such expectations will prove to be correct. Please see our 2017 annual report on Form 10-K, which was filed with the SEC on February 26, 2018, as well as our other SEC filings for a listing of factors that could cause actual results to differ materially from expected results.

Please also note that on this call, we use the terms EBITDA, adjusted EBITDA and distributable cash flow. These are non-GAAP financial measures, and we have provided reconciliations to the most directly comparable GAAP measures in our most recent earnings release.

And with that, I'll turn the call over to Steve Newby.

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Thanks, Marc. Good morning, everyone, and thanks for joining us on the call this morning. As usual, I'll begin with a few comments on the quarter, and then I'm going to turn it over to our CFO, Matt Harrison, for more detail on our quarterly financial results.

Yesterday, we announced our second quarter 2018 operational and financial results, which exceeded internal expectations. Adjusted EBITDA in the second quarter was $73.5 million, a 4.5% increase from the previous quarter and a 1.3% increase over the second quarter of last year. Distributable cash flow of $47.2 million resulted in a distribution coverage of 1.04 based on our quarterly cash distribution of $0.575 per unit that we announced last week.

We are reaffirming our 2018 adjusted EBITDA financial guidance of $285 million to $300 million and we are anticipating distribution coverage to exceed 1x for the calendar year of '18. Our forecast for the second half of '18 is supported by robust volume growth expectations for our Williston, Utica and DJ assets, particularly as we approach the fourth quarter of 2018.

In the fourth quarter, we also expect improving financial performance from the commissioning of our Lane gathering and processing system, which serves the northern Delaware Basin. Lane will commence operations in the fourth quarter with meaningful cash flow generation beginning in 2019, supported by a steady ramp in volumes. Commissioning of our Lane gathering and processing system is important step in executing our strategy of establishing Summit as a significant midstream provider in the northern Delaware Basin.

That project initially contemplates the development of a 60 million cubic foot a day associated gas gathering and processing system for XTO Energy. It has mechanisms in place for future significant incremental capacity additions.

To remind you, the Lane plant will serve as the origination point for our proposed Double E Pipeline, which we believe will be sized to support the transportation of more than 1 Bcf a day of residue gas from the northern Delaware to the Waha Hub.

We are in the process of expanding our service offering to include crude oil and produced water gathering in the Delaware. The crude gathering system, which we expect to be operational in the first quarter of 2019, will begin with 15,000 barrels a day of capacity, but we expect our capacity will increase over time as we build out our footprint and expand our gathering reach.

During the third quarter, we were also awarded a new opportunity to provide produced water gathering and disposal services. As currently contemplated, the initial project will have 30,000 barrels a day of gathering and disposal capacity, but we expect that this capacity will grow over time as well.

These new opportunities, together with our entry into the long-haul residue gas transportation business through the Double E Pipeline, support our strategy of offering our customers multiple services along the midstream value chain while generating attractive returns for our unitholders by maximizing our footprint in the basin.

With respect to Double E, last week, we made an exciting announcement which represents an interim step, if you will, on our way towards FID-ing the project. XTO committed to becoming a foundation shipper on the Double E Pipeline under a 10-year take-or-pay agreement for up to 500 dekatherms per day.

Additionally, SMLP and Exxon have executed an option agreement, giving Exxon the right to acquire up to 50% interest in Double E. Exxon's desire to partner with us on Double E is a very positive development for Summit, and we believe it is a testament to the reputation our team has built in the industry and validation of our service model and expansion strategy in the Delaware.

In addition, we've had productive discussions with other large potential shippers regarding additional volume commitments on Double E. We're encouraged by producers -- the producer community's interest in the project, and we expect to be in the position to make a final investment decision following the conclusion of a binding open season, which will launch on Monday, for an additional 500 dekatherms per day of firm capacity.

Double E, which will aggregate residue natural gas from multiple receipt points in the area, including our own processing plant, and deliver to existing and to-be-built takeaway pipelines at the Waha Hub represents a critical solution to relieving capacity constraints for residue gas takeaway from this part of the Delaware. We look forward to providing a positive update regarding the full scope of the Double E project, along with cost estimates, development time line and financing details, on the conclusion of this binding open season.

Turning to our quarterly asset performance. Last quarter, we discussed our improved outlook for our Bakken assets, and our second quarter results support this outlook. Liquid volumes in the Williston increased nearly 30% from the second quarter of 2017 and 5% from the first quarter of '18, driven by our customers completing 20 new wells during the quarter. Customers are reporting better-than-expected well results for recently drilled wells, and drilling activity continues according to our expectations, with 2 rigs currently working on our Polar & Divide system.

Our expectation is that our customers will continue to drill and complete new wells behind our liquids gathering system in Williams and Divide Counties throughout the remainder of 2018, resulting in dozens of new wells and increasing liquids volumes throughout the remainder of '18 and well into '19. Given the higher expected volumes, we're reviewing operational enhancements to our liquids gathering system that will relieve future expected bottlenecks associated with growing volumes in the area.

We are pursuing a debottlenecking project in our Polar & Divide system that will add approximately 30,000 barrels a day of additional capacity for less than $5 million of capital investment. This project should be completed in the fourth quarter of this year.

In the Utica, we currently have one customer operating a drilling rig on the SMU system, and we're expecting 2 additional rigs later in the year. With higher anticipated activity leading to higher expected volume throughput, we're evaluating several debottlenecking projects that will increase our total gathering capacity on the SMU to approximately 800 million cubic feet a day. These debottlenecking projects are expected to require less than $2 million of additional CapEx.

SMU volumes in the second quarter increased almost 17% from the previous quarter, primarily related to 9 new wells commissioned behind the TPL-7 connector. We expect dozens of new wells to be drilled and turn in line on SMU over the next 18 months, the vast majority of which will represent wells on the higher-margin pad sites that are already connected to the SMU system.

Staying in the Utica, OGC volumes decreased approximately 6% from the previous quarter, but we anticipate volume growth to resume in the third and fourth quarters of this year. 20 new wells were connected late in the second quarter of '18, and we are forecasting 30 new wells to be completed in the second half of '18, which we believe will translate into higher volumes and improved financial performance.

Interestingly, many of these wells are in the condensate window given the improvement in crude oil prices. However, we expect certain of our customers to IP several dry and wet gas wells in the second half of this year, which tend to have much larger natural gas volumes compared to the condensate window. With the rebound in liquids prices, we're seeing the benefits of being diversified across all 3 windows in the Utica.

On our DJ Basin system, we are anticipating volume growth will continue through the end of the year. We expect to commission our new 60 million a day cryogenic gas processing plant at the end of 2018. This new processing plant will provide incremental processing capacity for existing customers and other third-party producers, supporting the tremendous volume growth we are seeing at this part of the basin.

Our customers currently have 4 drilling rigs working upstream of our system in the DJ, and we expect significant drilling and completion activity in and around the system for the foreseeable future. This is associated natural gas system within a crude oil play, and as such, it has much higher margins than our other systems in the Piceance that are also included in this segment.

Moreover, we are highly encouraged by the publicly stated plans and current activity shown by HighPoint Resources, one of our largest and most active customers on the DJ gathering and processing system. We look forward to providing HighPoint with all the necessary gathering and processing required to achieve their stated growth objectives.

Barnett volumes were slightly flat from the first quarter of 2018. We expect volumes will be down slightly in the third quarter, primarily related to our annual scheduled maintenance, before volume growth resumes in the fourth quarter of '18. Our anchor customer in the Barnett is currently operating a drilling rig, its first drilling activity since it assumed control of the acreage at the end of '16.

In addition, another customer recently finished drilling 5 new wells in the system, which is currently completing and we expect to be turned in line late in the third quarter. We're also seeing an increase in the pace of permitting in the area, a trend that we believe will bode well for rig activity and volume throughput in 2019.

Our outlook for the Williston, Utica and DJ assets is providing a very positive view of growth into 2019. This incremental growth will further strengthen our leverage and distribution coverage ratios as we progress into and throughout 2019.

Our balance sheet remains strong with significant liquidity and ample leverage, which has, at 6/30, stood at 3.75x. We do not need to access the equity capital markets in the near term as we have already financed majority of the DPPO, which is directly tied to the increasing EBITDA outlook for the dropdown assets.

Our largest capital need in the foreseeable future is related to the development of our Delaware assets. We have received significant interest from various parties to facilitate our financing of the Delaware build-out, and the structures of these financing opportunities have been creative while allowing SMLP to retain control. As it relates to timing, however, as I mentioned before, we expect minimal capital requirements while we work to obtain the required work permits with -- more meaningful expenditures not beginning until 2020 related to Double E.

Now I'll turn it over to Matt to review our financial results in more detail.

Matthew S. Harrison - *Summit Midstream Partners, LP - Executive VP & CFO of Summit Midstream GP, LLC*

Thanks, Steve. SMLP reported a net loss of $49.9 million for the second quarter 2018 compared to net income of $11.2 million in the second quarter of 2017. The second quarter of 2018 included a $69.3 million of noncash deferred purchase price obligation expense or DPPO expense.

In conjunction with the 2016 dropdown transaction, we recognized the liability in our balance sheet for the DPPO to reflect the estimate of the remaining consideration to be paid in 2020 for our acquisition of the 2016 dropdown assets. We discount the estimated remaining consideration on the balance sheet and recognize the change in present value on the income statement. The change in present value comprises both a time-value-of-money concept as well as any adjustments to the expected value of the DPPO. Net income in the prior year period included a $5.1 million decrease of the deferred purchase price obligation.

Adjusted EBITDA for the second quarter of 2018 totaled $73.5 million compared to $72.6 million for the prior year period. The $900,000 increase in adjusted EBITDA was primarily due to liquids volume increases on our Polar & Divide systems and natural gas volume increases on our Mountaineer system, partially offset by a natural gas volume decrease on our DFW system and increased operating expenses on the Ohio Gathering system.

Adjusted EBITDA for the second quarter of 2017 included $2.8 million of gathering revenue related to previously built but unearned revenue in crude oil and produced water volumes that a customer trucked around our gathering system in the second half of 2016. Adjusted EBITDA in the second quarter of 2018 included approximately $14.8 million related to MVC mechanisms for natural gas gathering and crude oil transportation contracts. Adjustments related to MVC shortfall payments on our DFW system decreased by approximately $1.5 million compared to the prior year period. Additional tabular detail regarding MVCs is included in the second quarter earnings release.

Total operated natural gas volumes averaged 1.8 billion cubic feet per day in the second quarter, which is flat relative to the prior year period. Increased volume throughput in our Marcellus segment was offset by volume declines in our Piceance/DJ segment.

In the Utica, our wholly owned and operated Summit Midstream Utica system gathered 415 million cubic feet per day in the second quarter, relatively flat to 413 million a day in the prior year period. Natural production declines on our SMU system were offset by increased volumes from the TPL-7 connector, which was started in the second quarter of 2017. Volumes on the TPL-7 connector averaged 124 million a day in the second quarter of 2018 compared to 34 million a day in the prior year period. (inaudible) volumes were up 17% relative to the first quarter of 2018. The quarter-over-quarter increase was primarily a result of 9 new wells behind the TPL-7 connector during the quarter. We expect our customers to complete dozens of new wells beginning in the fourth quarter of 2018 and continuing through 2019.

For Ohio Gathering, volume throughput in the second quarter of 2018 was 727 million cubic feet a day, a 3% increase compared to the prior year period and down 6% from the first quarter of 2018. Volumes decreased relative to the prior quarter due to natural declines from wells brought online in the second half of 2017. 20 new wells were brought online late in the second quarter of 2018. We expect these wells, together with dozens of new wells in the second half of 2018, to generate volume growth in the third and fourth quarters of 2018.

Our liquids gathering business in the Williston Basin averaged 89,000 barrels per day in the second quarter, up 29% from the second quarter of 2017 and up 5% from the first quarter of 2018. 46 wells were brought online in 2017. 10 new wells were brought online in the first quarter of 2018. 20 new wells were brought online in the second quarter of 2018, and addition of a portion of previously curtailed liquids volumes positively impacted second quarter volume results. Liquids volumes also benefited from a new customer in 2018. Currently, our customers have 2 rigs working on our Williston Basin service areas.

Our Piceance/DJ Basins segment averaged 576 million cubic feet per day in the second quarter 2018, down approximately 3% compared to second quarter 2017 and relatively flat to the previous quarter. Natural production declines have been partially offset by the completion of 50 new wells in the system in the first quarter of 2018 and 37 new wells in the second quarter of 2018.

In November 2017, we announced plans to develop a new 60 million cubic feet per day processing plant expansion in the DJ Basin. The new plant is expected to come online at year-end. We expect volumes on our DJ Basin system will continue to experience volume growth throughout the balance of 2018 and continue through 2019.

In the Barnett, volume throughput averaged 264 million cubic feet per day in the second quarter of 2018, down approximately 3% compared to the second quarter of 2017 and flat from the first quarter of 2018. Volume throughput for the second quarter of 2018 was positively impacted by the commissioning of 6 new wells during the first quarter of 2018. The customer is currently operating 1 rig in our Barnett system, and we expect another customer to complete 5 new wells late in the third quarter.

Volume throughput in our Marcellus segment averaged 524 million cubic feet per day in the second quarter, relatively flat from the previous quarter and approximately 9% higher than volumes in the second quarter of 2017. Volumes compared to the prior period were positively impacted by 27 new wells in 2017 and 9 wells that came on late in the first quarter of 2018. No new wells are expected for the balance of 2018.

Turning back to the partnership. Distributable cash flow totaled $47.2 million in the second quarter, which implied a distribution coverage ratio of 1.04 relative to the second quarter distribution of $0.575 per common unit to be paid on August 14. CapEx for the second quarter totaled $49.6 million, of which $3.3 million was classified as maintenance CapEx. We had $356 million outstanding under our $1.25 billion revolving credit facility at June 30, 2018 and $894 million of available borrowing capacity. Total leverage as of June 30, 2018 was 3.75x.

SMLP also reaffirmed its 2018 financial guidance. We expect 2018 adjusted EBITDA to range from $285 million to $300 million. Total CapEx is expected to range between $175 million and $225 million, including $15 million to $20 million of maintenance CapEx. We expect distribution coverage for the full year to exceed 1x.

Now I'll turn the call back over to Steve.

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Thanks, Matt. With the growth trajectory of our current assets and our commercial opportunity set, we remain confident in our 2018 guidance and are very excited about the prospects of 2019. We're establishing a strong footprint in the northern Delaware, and we are executing on our strategy of providing a top-tier diversified service offering. Summit's reputation with customers and our track record of skill sets are affording us the opportunity to become a multiservice midstream provider in the northern Delaware.

With the release of these results for the first half of '18, I'm very proud of the operational successes our team has accomplished, and I'm excited about both the development opportunities that are underway and the new opportunities that our commercial team is pursuing.

Earlier this year, I stated that 2018 was going to be a big execution year for us, and I believe that we are executing on task and achieving our goals. At that time, we were forecasting that significant volume and adjusted EBITDA growth would resume in 2019. Our outlook for 2019 is robust and improving relative to my expectations even 3 months ago.

So with that, I'll turn it over to the operator and open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And from SunTrust, we have Tristan Richardson.

Tristan James Richardson - *SunTrust Robinson Humphrey, Inc., Research Division - VP*

Just curious, Steve, you guys talked about the Utica and sort of expecting new wells to come on kind of exiting the year -- in the fourth quarter and exiting the year. Just kind of curious, is that just broadly across your key customers there? Or is it 1 or 2 key customers? And to that question, just your general thoughts on activity levels after we've seen a few kind of high-profile Utica asset packages changing hands, just any commentary there.

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Yes. So we have 3 big customers in the Utica, really. It's Ascent, Gulfport and XTO, our 3 large ones. We have others, but those are the 3 large ones. I would say activity levels are fairly high and expected to be consistent with Ascent and XTO. And so Ascent is drilling, really, across all 3 windows in the Utica, from condensate to some wet gas and to even some dry gas, and that captures volumes from our OGC interest to our SMU interest as well. And then our outlook also has been further supported by what I think we would classify as an increased level of activity by XTO and expected to be a very steady level of activity by XTO on our SMU system. And that's very incremental to us because we have all the pads connected from XTO, and so they're infill drilling. So they have a rig working now, and we're expecting that rig on our SMU system to be pretty consistent throughout the rest of '18 and, actually, throughout '19 as well. So on your second part of your question on just activity, it's not been lost on us. It's Ascent sort of doubling, maybe even tripling down on their Utica position. I think what our expectation is that's probably positive for us, more so in our OGC area. And it's a little early, but we do think it's going to be a positive catalyst in that area for future activity as well.

Tristan James Richardson - *SunTrust Robinson Humphrey, Inc., Research Division - VP*

Steve, that's helpful. And then just kind of curious sort of the gating events on the debottleneck projects, sort of what kicked those off. Is it really just sort of activity levels you see coming just given that, maybe where volumes are today, it seems like you have adequate capacity? Or is it kind of just a view that, hey, it only takes a few pads coming online before things get tight in the Utica in terms of your current capacity?

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Yes. So we have a pretty robust effort internally to model capacity between our commercial teams and our engineering teams and our outlook. And obviously, a lot of that involves discussions with our customers and their activity levels. And both the debottlenecking projects we talked about today -- we talked about the Utica one for probably a little while, but both of them today are based upon our view of and our knowledge of activity levels going forward in those areas. And quite frankly, we had to increase capacity to not shut-in production. So we are planning ahead, and we expect to use the capacity we're creating in '19 from both of those projects.

Tristan James Richardson - *SunTrust Robinson Humphrey, Inc., Research Division - VP*

Great. That's helpful. And then just last one for me. Steve or Matt, could you kind of remind us sort of on the cadence of spend for -- a, express just when you start to see kind of critical mass spending commence, assuming FID, and sort of where you are, where you want to be, just kind of when you expect the kind of bulk of spending to occur?

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Yes, I'll take it, and Matt, you can jump in. We don't really expect any material spending. The earliest would be sort of third quarter of next year, and that's largely due, really, when we buy -- make the decision to purchase some big materials, mainly pipe, related to the project. And we would tell you we probably have timing -- some timing flexibility on that as well, too. So we anticipate, today, filing -- we would file our 7(c) application sometime in the first quarter, probably late first quarter. We anticipate that being sort of an 18-month process. And then as you get closer to your -- awarding your 7(c), that's when you start to look at purchasing materials, so you can hit the ground running on construction. So the bulk of activity, the bulk of spend really comes in 2020 and into 2021, Tristan. And I think we've laid that out in some of our investor materials as far as percentages, and we don't think that's really -- that's changed. From now until the end of '19, we're really talking about dollars just for permitting and regulatory activities.

Tristan James Richardson - *SunTrust Robinson Humphrey, Inc., Research Division - VP*

Thank you, guys. Sorry, Matt, go ahead.

Matthew S. Harrison - *Summit Midstream Partners, LP - Executive VP & CFO of Summit Midstream GP, LLC*

No, nothing to add. Appreciate it, Tristan.

Operator

From Capital One Securities, we have Kyle May.

Kyle May - *Capital One Securities, Inc., Research Division - Associate*

Just on the DPPO payment. You've bumped it up a couple of times, and I was curious if this really has any implications on your outlook for 2018. Or is it all just going to 2019?

Matthew S. Harrison - *Summit Midstream Partners, LP - Executive VP & CFO of Summit Midstream GP, LLC*

Yes. I mean, the DPPO is obviously just a calculation, right? So the increase is implied, increases in EBITDA expectations. But those are really -- it's our outlook for '19. That is kind of continuing to increase, and it's relative to what we have going on at SMU mostly but as well as in the Bakken. And then recall that we moved the compressor project at SMU outside of the deferral periods. That CapEx gets kicked outside of 2019.

Kyle May - *Capital One Securities, Inc., Research Division - Associate*

Got it, okay. That definitely helps. And on the Double E project, can you give us any more color on the timing around Exxon's equity option there?

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Yes. This is Steve. We would expect them to make a decision before the end of the second quarter of next year. So I think, look, Exxon, we should all take it -- we take it and I think the market should take it as very positive that they've expressed, I would tell you, a very high level of interest in being a partner with us on the project, both from a -- obviously a very large commitment to the project from a volume standpoint but also from an equity standpoint as well, too. So the option, they have a little bit less than a year, I guess, to exercise it. And I would tell you, we're working on things with them already.

Kyle May - *Capital One Securities, Inc., Research Division - Associate*

Okay, great. That's helpful. And maybe just one more. Now that you're starting to get a lot more traction in the Delaware and adding multiple different streams, any thoughts around maybe making changes to the legacy portfolio of assets?

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Yes. Look, I think we always look at opportunities around our assets, and if they're worth more to somebody else than us -- and I think that's a consistent evaluation we do internally and will continue to do. And I'd leave it there. I don't think -- there's certain areas we believe are core to us, and we have great prospects, and we can offer multiple services and be important. And there's other assets that, yes, we would absolutely entertain if somebody believes they're worth more to them than us. So I think that's a continuous look. I don't think we're in a position -- I think credit to our financing, we're not in a position where we have to do anything. But it's a -- we always look at optimizing the portfolio.

Operator

(Operator Instructions) From Baird, we have Mike Gaiden.

Michael William Gaiden

Also related to Double E, could you please show your thinking about the high-level trade-off between long-term cash flows from ownership of the project versus the CapEx burden of funding it on your own to the extent that you can?

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

Yes. I mean, it's a great question. I think base case is we'd like to own as much as we can own. That's a great project. We think it's going to be a great project. We're excited about the open season. We think folks will be surprised at the strength of the economics of the project. But we have to make sure we have the capacity to build it, fund it. And we understand the status of the capital markets today. Quite frankly, we're not getting a lot of benefit from our Permian position from the equity community today, unfortunately, given what we've done there, really, just in the past year. So it is a trade-off, and I think we're balancing the fact we want to own as much as we can with the fact that we got to make sure we, today, build the project and get it done. Obviously, having Exxon is a -- or potentially in as a partner helps that burden quite a bit. And then I think I would stress, Mike, to you and to others is just that the stretch of the spend here really fits well with us. We don't have a lot of capital needs on the board for '19 and -- we don't have a lot of things we're committed to yet for '19 and '20 outside of Double E. So the pace of that spend fits well. The DPPO, we feel like we financed most of that already, so we feel real good about where we are, particularly as we're looking at bringing a big partner in. Hopefully, that helps you.

Michael William Gaiden

Yes. And relatedly, can I ask for your current thinking on distribution policy in light of the encouraging prospects for DCF coverage growth into the fourth quarter and beyond versus this large and potentially very accretive cash flow spend on Double E?

Matthew S. Harrison - *Summit Midstream Partners, LP - Executive VP & CFO of Summit Midstream GP, LLC*

Yes. I think we're going to take our growth, which we hinted to, obviously, into '19, we think is going to be pretty significant where we're taking the coverage.

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

I mean, I think that's the net there. That philosophy hasn't changed the last several quarters. And then I think from there, we feel really good about where our balance sheet is for both the deferred payment and the timing of some of the Permian projects that we're talking about. I will say, just to add further color, the crude oil and water deals, although very important to us from a service standpoint and they're, we think, very incremental deals, they are not large capital deals, under -- both of those are under $40 million each. So very manageable, not large spends, really utilizing our system and our footprint, our right-of-way footprint and other things, maximizing those. So those aren't going to stretch us, and we feel like we're well positioned as we are growing coverage, growing cash flow into '19 pretty -- and it's going to be pretty significant.

Operator

And we have no further questions at this time. We'll now turn it back to Steve Newby for closing remarks.

Steven J. Newby - *Summit Midstream Partners, LP - President, CEO & Director of Summit Midstream GP, LLC*

We appreciate everybody joining us. Obviously, as you dig through the results and have further questions, please reach out to us. And have a good weekend. Thank you.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.
