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

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported): **December 1, 2022**

Summit Midstream Partners, LP
(Exact name of registrant as specified in its charter)

Delaware	**001-35666**	**45-5200503**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

910 Louisiana Street, Suite 4200
Houston, TX 77002
(Address of principal executive office) (Zip Code)

(Registrant’s telephone number, including area code): **(832) 413-4770**

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Units	SMLP	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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. o

Item 9.01 Financial Statements and Exhibits.

This Amendment No. 1 on Form 8-K/A is being filed by Summit Midstream Partners, LP (including its subsidiaries, collectively "SMLP" or the "Partnership") to amend its current report on Form 8-K filed with the Securities and Exchange Commission on December 1, 2022 (the "Original Report"), solely to provide the financial statements of businesses acquired and the related pro forma financial information required by Item 9.01 of Form 8-K. Except as otherwise provided herein, the disclosure made in the Original Report remains unchanged.

As previously disclosed, on December 1, 2022, Summit Midstream Holdings, LLC ("SMP Holdings"), a wholly owned subsidiary of the Partnership, completed the acquisition of Outrigger DJ Midstream LLC ("Outrigger DJ") from Outrigger Energy II LLC, and each of Sterling Energy Investments LLC, Grasslands Energy Marketing LLC and Centennial Water Pipelines LLC (collectively, "Sterling DJ" or "Sterling Conveyed Entities") from Sterling Investment Holdings LLC, respectively, pursuant to definitive agreements, each dated October 14, 2022 (collectively, the "Transactions").

As a result of the Transactions, SMLP acquired natural gas gathering and processing systems, a crude oil gathering system, freshwater rights, and a subsurface freshwater delivery system in the DJ Basin for aggregate cash consideration of $305.0 million, subject to customary post-closing adjustments. The Outrigger DJ and Sterling DJ consolidated asset portfolio is located in Weld, Morgan, and Logan Counties, Colorado and Cheyenne County, Nebraska.

(a) Financial statements of businesses acquired.

The audited consolidated financial statements of Outrigger DJ Midstream LLC and Subsidiary as of and for the years ended December 31, 2021 and 2020 are filed as Exhibit 99.3 and incorporated herein by reference.

The unaudited consolidated financial statements of Outrigger DJ Midstream LLC and Subsidiary as of September 30, 2022 and December 31, 2021 and for the nine month periods ended September 30, 2022 and September 30, 2021 are filed as Exhibit 99.4 and incorporated herein by reference.

The audited combined financial statements of the Sterling Conveyed Entities as of December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020 are filed as Exhibit 99.5 and incorporated herein by reference.

The unaudited condensed combined financial statements of the Sterling Conveyed Entities as of September 30, 2022 and December 31, 2021, and for the nine months ended September 30, 2022 and 2021 are filed as Exhibit 99.6 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The following unaudited pro forma financial information of the Partnership is filed as Exhibit 99.7 to this Current Report on Form 8-K/A and is incorporated herein by reference:

- Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2022.
- Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2022.
- Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2021.

(d) Exhibits.

Exhibit Number	Description
99.1	Consent of Ernst & Young, LLP.
99.2	Consent of Grant Thornton LLP.
99.3	Audited Consolidated financial statements of Outrigger DJ Midstream, LLC and Subsidiary as of and for the years ended December 31, 2021 and 2020
99.4	Unaudited Consolidated financial statements of Outrigger DJ Midstream LLC and Subsidiary as of September 30, 2022 and December 31, 2021 and for the nine month periods ended September 30, 2022 and September 30, 2021
99.5	Audited Combined financial statements of the Sterling Conveyed Entities as of December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020
99.6	Unaudited Condensed Combined financial statements of the Sterling Conveyed Entities as of September 30, 2022 and December 31, 2021, and for the nine months ended September 30, 2022 and 2021
99.7	Unaudited pro forma condensed combined financial information
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document

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.

	Summit Midstream Partners, LP
	(Registrant)
	By: Summit Midstream GP, LLC (its general partner)
Dated: February 15, 2023	*/s/ William J. Mault*
	William J. Mault, Executive Vice President and Chief Financial Officer

Exhibit 99.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements (Form S-1 No. 333-249831, Form S-3 No. 333-234781 and Form S-8 Nos. 333-184214, 333-189684, 333-237323 and 333-265857) of Summit Midstream Partners, LP and in the related Prospectus of our report dated April 28, 2022, with respect to the consolidated financial statements of Outrigger DJ Midstream LLC and Subsidiary, included in this Current Report on Form 8-K.

/s/ Ernst & Young

Denver, Colorado

February 15, 2023

Exhibit 99.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 14, 2023, with respect to the combined financial statements of Sterling Conveyed Entities included in this Current Report of Summit Midstream Energy, LP on Form 8-K. We consent to the incorporation by reference of said report in the Registration Statements of Summit Midstream Energy, LP on Form S-1 (File No. 333-249831), Form S-3 (File No. 333-234781) and Forms S-8 (File No. 333-184214, File No. 333-189684, File No. 333-237323 and File No. 333-265857).

/s/ GRANT THORNTON LLP

Oklahoma City, Oklahoma

February 15, 2023

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Financial Statements as of and for the Years Ended December 31, 2021, and 2020

Outrigger DJ Midstream LLC and Subsidiary

Contents

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Report of Independent Auditors

Board of Managers
Outrigger DJ Midstream LLC and Subsidiary

Opinion

We have audited the consolidated financial statements of Outrigger DJ Midstream LLC and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not an absolute guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing and audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those changed with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

April 28, 2022

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Balance Sheets

As of December 31,	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 7,796,322	$ 1,152,950
Accounts receivable	9,131,402	3,974,310
Prepaid expenses and other	443,562	519,971
Total current assets	17,371,286	5,647,231
Property, plant and equipment	210,628,946	199,053,380
Less - accumulated depreciation	(17,829,901)	(8,212,681)
Property, plant and equipment, net	$192,799,045	$ 190,840,699
Other long-term assets	105,000	105,000
Total assets	$210,275,331	$ 196,592,930
Liabilities and members' equity		
Current liabilities:		
Accounts payable – trade	$ 1,600,877	$ 1,484,421
Accounts payable – affiliate	179,887	586,210
Accrued liabilities – current	13,027,246	7,833,880
Total current liabilities	14,808,010	9,904,511
Accrued liabilities – long-term	3,700,000	3,700,000
Total liabilities	$ 18,508,010	$ 13,604,511
Commitments and contingencies (Note 4)		
Members' equity		
Members' contributions	$195,100,000	$ 185,500,000
Accumulated deficit	(3,332,679)	(2,511,581)
Total members' equity	$191,767,321	$ 182,988,419
Total liabilities and members' equity	$210,275,331	$ 196,592,930

See accompanying notes to consolidated financial statements

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Statement of Operations

Year Ended December 31,	2021	2020
Revenues		
Product revenue	$ 73,524,532	$ 22,358,898
Service revenue	933,333	1,709,244
Total revenue	74,457,865	24,068,142
Costs and expenses		
Cost of product	$ 64,250,214	$ 17,356,016
Operating expenses	5,424,743	4,848,519
General and administrative expenses	192,272	3,749,495
Depreciation expense	9,623,522	6,572,572
Total operating expenses	79,490,751	32,526,602
Loss from operations	(5,032,886)	(8,458,460)
Other income		
Other income	-	211,988
Gain on sale of assets	4,211,788	6,800,000
Total other income	$ 4,211,788	$ 7,011,988
Net loss	$ (821,098)	$ (1,446,472)

See accompanying notes to consolidated financial statements

Outrigger DJ Midstream LLC and Subsidiary
Consolidated Statement of Members' Equity

	Member Contributions	Accumulated Deficit	Total Members' Equity
Balance, January 1, 2020	$ 180,000,000	$ (1,065,109)	$ 178,934,891
Members' contributions	26,200,000		26,200,000
Distributions to members	(17,000,000)		(17,000,000)
Adjustment for member liquidation	(3,700,000)		(3,700,000)
Net loss		(1,446,472)	(1,446,472)
Balance, December 31, 2020	$ 185,500,000	$ (2,511,581)	$ 182,988,419
Balance, January 1, 2021	$ 185,500,000	$ (2,511,581)	$ 182,988,419
Members' contributions	9,600,000		9,600,000
Net loss		(821,098)	(821,098)
Balance, December 31, 2021	$ 195,100,000	$ (3,332,679)	$ 191,767,321

See accompanying notes to consolidated financial statements

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Statements of Cash Flows

Year Ended December 31,	2021	2020
Cash flows from operating activities		
Net loss	$ (821,098)	$ (1,446,472)
Adjustments to reconcile net loss provided by operating activities		
Depreciation expense	9,623,522	6,572,572
Gain on sale of assets	(4,211,788)	(6,800,000)
Changes in operating assets and liabilities		
Accounts receivable	(5,157,092)	1,578,631
Prepaid expenses and other	76,410	(49,810)
Accounts payable - trade	478,237	903,770
Accounts payable – affiliate	(406,323)	(82,276)
Other current liabilities	5,193,366	5,624,164
Net cash provided by operating activities	$ 4,775,234	$6,300,579
Cash flows from investing activities		
Additions to property, plant and equipment	(11,951,873)	(48,058,265)
Proceeds from sale of assets	4,220,011	12,761,412
Net cash used in investing activities	$(7,731,862)	$(35,296,853)
Cash flows from financing activities		
Proceeds from member contributions	9,600,000	26,200,000
Distributions to members	-	(17,000,000)
Net cash provided by financing activities	$ 9,600,000	$ 9,200,000
Net increase/(decrease) in cash and cash equivalents	6,643,372	(19,796,274)
Cash and cash equivalents at beginning of year	1,152,950	20,949,224
Cash and cash equivalents at end of year	$ 7,796,322	$ 1,152,950
Supplemental disclosure of noncash investing activities:		
Change in accrued property additions	$ (361,782)	$ (5,516,657)

See accompanying notes to consolidated financial statements

1. DESCRIPTION OF BUSINESS

Organization

Outrigger DJ Midstream LLC ("ODJM" or the "Company") was formed on August 7, 2018, as a Delaware limited liability company. Outrigger Energy II LLC ("Outrigger," or the "Manager"), a Delaware limited liability company, was initially a 90% member and Migration Midstream, LLC ("Migration"), a Delaware limited liability company, was initially a 10% member (together collectively, the "Members") and were the two members of ODJM, as defined by the Limited Liability Company Agreement of ODJM (the "Agreement") dated August 27, 2018. On April 16, 2020, Outrigger acquired the membership interest in ODJM from Migration as outlined in the ODJM Membership Interest Purchase and Sale Agreement dated April 16, 2020 for cash consideration of $12 million and a contingent capital reimbursement of $3.7 million. The contingent capital reimbursement provides a means for Migration to recoup the difference between the contributed capital of $15.7 million and the $12 million of cash consideration received if certain conditions including the consummation of the sale of the Company's DJ Basin assets are met. The Company has accounted for the contingent capital reimbursement of $3.7 million as a contingent liability presented within Other long-term liabilities on the balance sheet. As Migration was under common control, the transaction was accounted for at the carrying amount of the net assets acquired. Outrigger is now the sole member of ODJM.

The Company is managed by Outrigger. All of the powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company and its subsidiary shall be managed under the sole direction of Outrigger (in such capacity, the Manager). The membership interest of each Member in the Company is personal property for all purposes. All property owned by the Company, whether real or personal, tangible or intangible, shall be deemed to be owned by the Company, and no Member has any ownership interest in any specific property of the Company. The Company shall hold all of its property in its own name. The Members have the right to receive a share of the profits and losses of, or distributions of assets of the Company based on the membership interest of each member. Distributions of available cash will be made at such times and in such amounts as the Manager shall determine. Any distribution shall be made to the Members pro rata in proportion to their respective sharing ratios in effect at the time of such distribution.

Nature of Operations of the Company

The Company is engaged in the business of: (1) gathering, compressing, treating, processing, and selling natural gas; (2) fractionating, treating, transporting, and selling natural gas liquids ("NGLs") and NGL products;(3) gathering, storing, and terminaling crude oil; and (4) storing, terminaling, and selling refined petroleum products. The Company owns and operates a 60MMCFD cryogenic processing plant and gathering system with over 175 miles of pipeline that is located within the Denver-Julesburg Basin ("DJ Basin") in Colorado. The Company's activities could be affected by changes in commodity prices. In general, the prices of commodities are subject to fluctuations in response to changes in supply, market uncertainty, and a variety of additional factors that are beyond the Company's control.

Subsidiary of the Company

Outrigger DJ Operating LLC ("ODJO"), a wholly owned subsidiary of the Company, was formed as a Delaware limited liability company on March 22, 2018. On that date, Outrigger was the sole member of ODJO. On August 27, 2018, Outrigger contributed cash and all of its equity interests in ODJO to the Company pursuant to that certain Equity Contribution Agreement dated August 27, 2018, by and between the Company and Outrigger in exchange for an initial membership interest constituting a 90% sharing ratio in the Company. Migration simultaneously contributed cash to the Company in exchange for an initial membership interest constituting a 10% sharing ratio in the Company. On April 16, 2020, Outrigger purchased the membership interest of Migration and is the sole member of ODJM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with standards generally accepted in the United States of America ("GAAP"). The consolidated financial statements include all wholly-owned subsidiaries. All intercompany accounts and transactions between the entities have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Although the Company believes these estimates are reasonable, actual results could materially differ from these estimates.

Revenue Recognition

We generate our revenues from midstream energy services, including gathering, transmission, and processing, through various contractual arrangements, which include fee-based contract arrangements or arrangements where we purchase and resell commodities in connection with providing the related service and earn a net margin for our fee based on throughput volumes. While our transactions vary in form, the essential element of most of our transactions is the use of our assets to transport a product or provide a processed product to an end-user or marketer at the tailgate of the plant. Revenues from both "Service revenue" and "Product revenue" represent revenues from contracts with customers and are reflected on the consolidated statements of operations as follows:

- Product revenue — Product revenue represents the sale of natural gas, NGLs, crude oil, and condensate where the product is purchased and resold in connection with providing our midstream services as outlined above.

- Service revenue — Service revenue represents all other revenue generated as a result of performing our midstream services outlined above.

Evaluation of Our Contractual Performance Obligations

In accordance with the revenue recognition framework, we identified our performance obligations under our contracts with customers. These performance obligations include:

- promises to perform midstream services for our customers over a specified contractual term and/or for a specified volume of commodities; and

- promises to sell a specified volume of commodities to our customers.

The identification of performance obligations under our contracts requires a contract-by-contract evaluation of when control, including the economic benefit, of commodities transfers to and from us (if at all). For contracts where control of commodities transfers to us before we perform our services, we generally have no performance obligation for our services, and accordingly, we do not consider these revenue-generating contracts. Based on the control determination, all contractually-stated fees that are deducted from our payments to producers or other suppliers for commodities purchased are reflected as a reduction in the cost of such commodity purchases. For contracts where control of commodities never transfers to us and we earn a fee for our services, we recognize these fees as services revenues as we satisfy our performance obligations.

Control is assessed on a contract-by-contract basis by analyzing each contract's provisions, which can include provisions for: the customer to take its residue gas and/or NGLs in-kind; fixed or actual NGL or keep-whole recovery; commodity purchase prices at weighted average sales price or market index-based pricing; and various other contract-specific considerations. Based on this control assessment, our gathering and processing contracts fall into two primary categories:

- For gathering and processing contracts in which there is a commodity purchase and analysis of the contract provisions indicates that control, including the economic benefit, of the natural gas passes to us when the natural gas is brought into our system, we do not consider these contracts to contain performance obligations for our services. As control of the natural gas passes to us prior to performing our gathering and processing services, we are, in effect, performing our services for our own benefit. Based on this control determination, we consider the contractually-stated fees to serve as pricing mechanisms that reduce the cost of such commodity purchased upon receipt of the natural gas, rather than being recorded as midstream services revenue. Upon sale of the residue gas and/or NGLs to a third-party customer, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities purchased.

- For gathering and processing contracts in which there is a commodity purchase and analysis of the contract provisions indicates that control, including the economic benefit, of the natural gas does not pass to us until after the natural gas has been gathered and processed, we consider these contracts to contain performance obligations for our services. Accordingly, we consider the satisfaction of these performance obligations as revenue-generating, and we recognize the fees received for satisfying these performance obligations as midstream services revenues as we satisfy our performance obligations.

We also evaluate our contractual arrangements that contain a purchase and sale of commodities under the principal/agent provisions. For contracts where we possess control of the commodity and act as principal in the purchase and sale, we record product sales revenue at the price at which the commodities are sold, with a corresponding cost of sales equal to the cost of the commodities when purchased. For contracts in which we do not possess control of the commodity and are acting as an agent, our consolidated statements of operations only reflect midstream services revenues that we earn based on the fees contained in the applicable contract.

For our gas gathering agreements, we have determined that control, including the economic benefit, of commodities has passed to us once the commodities have been purchased from the customer. Therefore, we consider the contractually-stated fees to serve as pricing mechanisms that reduce the cost of such commodity purchased upon receipt of the commodity, rather than being recorded as midstream services revenue.

For our crude oil gathering agreements, we have determined that control of the commodity does not pass to us, rather remains with the producer at all times. Therefore, we receive, gather, and redeliver crude oil to the producer. We consider these contracts to contain performance obligations for our gathering services, for which we record these crude oil gathering fees as service revenue over time as we satisfy our performance obligation. Because control of the commodity does not pass to us, we do not record crude oil product sales revenue or the corresponding cost of sales. We recognize the fees received for satisfying the performance obligations as midstream services revenues as we satisfy our performance obligations

Satisfaction of Performance Obligations and Recognition of Revenue

For our commodity sales contracts, we satisfy our performance obligations at the point in time at which the commodity transfers from us to the customer. This transfer pattern aligns with our billing methodology. Therefore, we recognize product sales revenue at the time the commodity is delivered and in the amount to which we have the right to invoice the customer. For our midstream service contracts that contain revenue-generating performance obligations, we satisfy our performance obligations over time as we perform the midstream service and as the customer receives the benefit of these services over the term of the contract. We are utilizing the practical expedient that allows an entity to recognize revenue in the amount to which the entity has a right to invoice, since we have a right to consideration from our customer in an amount that corresponds directly with the value to the customer of our performance completed to date. Accordingly, we continue to recognize revenue over time as our midstream services are performed.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. As of December 31, 2021, and 2020, the Company has cash in its bank accounts that was in excess of federally insured limits.

Accounts Receivable

Accounts receivable consists of the following (in thousands):

Year Ended December 31,	**2021**	**2020**
Trade receivables	$ 9,131,402	$ 3,174,310
Other receivables	-	800,000
Total accounts receivable	**$ 9,131,402**	**$ 3,974,310**

The Company's accounts receivable consists mainly of accrued revenue from service revenue and the sale of oil, gas, and NGLs to purchasers. Generally, the Company's accrued revenues are collected within two months. Collectability is dependent upon the financial wherewithal of each individual counterparty and is influenced by the general economic conditions of the industry. The Company's receivables are not collateralized.

The Company has not experienced significant credit losses in the past, and management has determined outstanding receivables balances to be collectible. The Company determined that no allowance was necessary as of December 31, 2021 and 2020.

For the years ending December 31, 2021 and 2020, accounts receivable includes receivables from three customers representing 90% and 89%, respectively, of total accounts receivable. Revenue includes sales to three customers representing 93% and 88% of total revenue for the years ended December 31, 2021 and 2020, respectively.

Long Lived Assets

Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost of construction. The Company also capitalizes expenditures that add system capacity, materially extend the useful life of an asset and enhance its productivity or efficiency from its original design over the expected remaining period of use. Maintenance and repairs that do not add capacity or extend the useful life of an asset are expensed as incurred. Interest costs for material construction projects are capitalized to property, plant, and equipment until the asset is ready for its intended use. The Company bases an asset's carrying value on estimates, assumptions, and judgments for useful life and salvage value.

Depreciation is recorded on a straight-line basis over an asset's estimated useful life. Estimates of useful life are based on various factors including manufacturing specifications, technological advances, and historical data concerning useful lives of similar assets. Upon sale or retirement, the carrying value of an asset and its accumulated depreciation is removed from the Consolidated Balance Sheets and the related gain or loss is recognized.

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to construction including internal development costs, external financing and interest costs that meet capitalization criteria. Depreciation does not commence on construction in progress until such time as the relevant assets are completed and placed into use.

Review of Carrying Value of Long-Lived Assets

The Company periodically evaluates whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. This evaluation is based on undiscounted cash flow projections. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset.

If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. The Company assesses the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third-party comparable sales and discounted cash flow models. Significant changes in market conditions resulting from events such as the condition of an asset or a change in management's intent to utilize the asset would generally require management to reassess the cash flows related to the long-lived assets. A period of lower commodity prices may adversely affect our estimate of future operating results, which could result in future impairment due to the potential impact on our operations and cash flows.

For the years ended December 31, 2021 and 2020, the Company determined there was no impairment of the Company's long-lived assets.

Disposal of Assets

When property and equipment is retired, sold, transferred, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. During 2020, the Company sold its crude and water gathering assets with a net book value of $6,761,412 to a third-party for $13,561,412 in proceeds and the Company recognized a gain on the sale of $6,800,000. During 2021, the Company received additional earn-out payments related to the aforementioned sale in 2020 of its crude and water gathering assets in the amount of $4,200,000, which has been recognized as a gain in the current period statement of operations.

Asset Retirement Obligations

In the ordinary course of our business, we may create asset retirement obligations to remove facilities and equipment on rights-of-way, surface site agreements, and other leased facilities. If and when it is determined that a legal obligation has been incurred, the fair value of any liability would be determined based on estimates and assumptions related to retirement costs, future inflation rates and interest rates. We currently cannot reasonably estimate the fair value of these obligations because the associated assets have an indeterminate life since they are owned and will operate for an indeterminate future period when properly maintained. These assets include pipelines and processing plants. An asset retirement obligation, if any, will be recognized once sufficient information is available to reasonably estimate the fair value of the obligations.

As of December 31, 2021, and 2020, we evaluated the need to record any future asset retirement obligations, and in performing this evaluation, we concluded that no future obligations should be recognized.

Environmental Matters

The Company is subject to various federal, state, and local laws and regulations relating to the protection of the environment. Although the Company believes that it is in material compliance with applicable environmental regulations, the risk of costs and liabilities are inherent in pipeline ownership and operation. Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties, and other sources are charged to expense when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. The Company records accruals for environmental liabilities based on management's best estimates, using all information that is available at the time. The Company measures estimates and base liabilities on currently available facts, existing technology, and presently enacted laws and regulations. When measuring environmental liabilities, the Company also considers other companies' cleanup experience, and data released by the U.S. Environmental Protection Agency or other organizations. The Company considers unasserted claims when making a determination of environmental liabilities and accrues them in the period they are both probable and reasonably estimable. As of December 31, 2021 and 2020, the Company did not have any environmental accruals. However, the Company can provide no assurances that significant costs and liabilities will not be incurred in the future. The Company is currently not aware of any contingent liabilities that exist with respect to environmental matters.

Income Taxes

The Company is a limited liability company and therefore is not a tax-paying entity for federal and state income tax purposes. Accordingly, a provision for federal income taxes has not been recorded in the accompanying consolidated financial statements. Taxable income or losses are reflected in the members' income tax returns in accordance with their ownership percentages.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize a right-of-use asset and a lease liability for all leases that have a term longer than one year. The pronouncements effective date was extended to be effective for annual periods beginning after December 15, 2021, with early adoption permitted. Upon adoption, the Company will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The right-to-use asset is offset by a corresponding liability. The Company is currently in the process of evaluating the impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, followed by other related ASUs that provided targeted improvements (collectively "ASU 2016-13"). ASU 2016-13 provides financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The standard is effective for the Company on January 1, 2023. The Company is currently assessing the impact of ASU 2016-13 on its consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of:

December 31,	**Estimated Useful Life (in years)**	**2021**	**2020**
Computers and computer software	5	$ 20,792	$ 16,827
Gathering systems	20	168,830,264	158,222,309
Vehicles	5	299,167	313,693
Right of way	20	25,787,405	25,589,566
Total		194,937,628	184,142,395
Less accumulated depreciation		(17,829,901)	(8,212,681)
Construction in progress		14,233,549	13,453,216
Land		1,457,769	1,457,769
Property, plant and equipment, net		$192,799,045	$ 190,840,699

Depreciation expense was $9,623,522 and $6,572,572 for the years ended December 31, 2021 and 2020, respectively.

Construction in Progress

The Company is expanding one of its compressor stations and constructing additional gathering systems in the DJ Basin of northern Colorado. Construction in Progress includes all construction costs of projects that have not yet been placed into service.

4. COMMITMENTS AND CONTINGENCIES

Contingencies

In the normal course of business, the Company may be party to litigation and claims from time to time. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, the anticipated results of any pending litigation and claims are not expected to have a material effect on the results of operations, the financial position, or the cash flows of the Company. The Company was not involved in any litigation nor is aware of any unasserted claims as of December 31, 2021 and 2020.

5. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then ranks the estimated values based on the reliability of the inputs used following the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data. These are inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 – Unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable reported on the Consolidated Balance Sheets approximates fair value due to their short-term maturities.

6. SUBSEQUENT EVENTS

The Company has reviewed and updated subsequent events through April 28, 2022 the date the consolidated financial statements were available to be issued. There were no other material subsequent events that required recognition or additional disclosure in the consolidated financial statements.

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Financial Statements (Unaudited)
As of September 30, 2022 and December 31, 2021 and for the nine month periods ended September 30, 2022 and September 30, 2021

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Balance Sheets (Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 2,220,779	$ 7,796,322
Accounts receivable	11,327,125	9,131,402
Prepaid expenses	557,298	443,562
Total current assets	14,105,202	17,371,286
Property, plant and equipment	215,066,410	210,628,946
Less - accumulated depreciation	(25,341,668)	(17,829,901)
Property, plant and equipment, net	$ 189,724,742	$ 192,799,045
Other long-term assets	55,000	105,000
Total assets	$ 203,884,944	$ 210,275,331
Liabilities and member's equity		
Current liabilities:		
Accounts payable – trade	$ 237,704	$ 1,600,877
Accounts payable – affiliate	180,534	179,887
Accrued liabilities – current	8,458,033	13,027,246
Total current liabilities	8,876,271	14,808,010
Accrued liabilities – long-term	3,700,000	3,700,000
Total liabilities	$ 12,576,271	$ 18,508,010
Commitments and contingencies (Note 4)		
Member's equity		
Member contributions	$ 183,600,000	$ 195,100,000
Accumulated earnings/(deficit)	7,708,673	(3,332,679)
Total member's equity	$ 191,308,673	$ 191,767,321
Total liabilities and member's equity	$ 203,884,944	$ 210,275,331

See accompanying notes to unaudited consolidated financial statements

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Statement of Operations (Unaudited)

Nine Months Ended September 30,	2022	2021
Revenues		
Product revenue	$ 83,642,014	$ 43,368,728
Service revenue	532,696	734,590
Total revenue	84,174,710	44,103,318
Costs and expenses		
Cost of product	$ 63,926,514	$ 33,280,915
Operating expenses	3,692,260	3,109,143
General and administrative expenses	221,293	112,984
Depreciation expense	7,586,268	7,174,660
Total operating expenses	75,426,335	43,677,702
Income from operations	8,748,375	425,616
Other income		
Interest/other income	141,573	-
Gain on sale of assets	2,151,404	1,611,788
Total other income	$ 2,292,977	$ 1,611,788
Net income	$ 11,041,352	$ 2,037,404

See accompanying notes to unaudited consolidated financial statements

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Statement of Member's Equity (Unaudited)

	Member Contributions/ (Distributions)	Accumulated (Deficit)/Earnings	Total Member's Equity
Balance, January 1, 2021	$ 185,500,000	$ (2,511,581)	$ 182,988,419
Member contributions	9,600,000	-	9,600,000
Net income	-	2,037,404	2,037,404
Balance, September 30, 2021	$ 195,100,000	$ (474,177)	$ 194,625,823
Balance, January 1, 2022	$ 195,100,000	$ (3,332,679)	$ 191,767,321
Member distributions	(11,500,000)	-	(11,500,000)
Net income	-	11,041,352	11,041,352
Balance, September 30, 2022	$ 183,600,000	$ 7,708,673	$ 191,308,673

See accompanying notes to unaudited consolidated financial statements

Outrigger DJ Midstream LLC and Subsidiary

Consolidated Statements of Cash Flows (Unaudited)

Nine Months Ended September 30,	2022	2021
Cash flows from operating activities		
Net income	$ 11,041,352	$ 2,037,404
Adjustments to reconcile net income provided by operating activities		
Depreciation expense	7,586,268	7,174,660
Gain on sale of assets	(2,151,404)	(1,611,788)
Changes in operating assets and liabilities		
Accounts receivable	(2,195,723)	(2,923,683)
Prepaid expenses	(113,736)	(35,795)
Accounts payable - trade	(1,286,907)	(873,506)
Accounts payable – affiliate	647	(451,213)
Other current liabilities	(4,569,213)	(2,246,244)
Net cash provided by operating activities	$ 8,311,284	$ 1,069,835
Cash flows from investing activities		
Additions to property, plant and equipment, net	(5,143,130)	(11,348,434)
Proceeds from sale of assets	2,756,303	1,620,011
Net cash used in investing activities	$ (2,386,827)	$ (9,728,423)
Cash flows from financing activities		
Proceeds from member contributions	-	9,600,000
Distributions to member	(11,500,000)	-
Net cash (used in)/provided by financing activities	$ (11,500,000)	$ 9,600,000
Net (decrease)/increase in cash and cash equivalents	(5,575,543)	941,412
Cash and cash equivalents at beginning of year	7,796,322	1,152,950
Cash and cash equivalents at end of year	$ 2,220,779	$ 2,094,362
Supplemental disclosure of noncash investing activities:		
Change in accrued property additions	$ (76,264)	$ (81,155)

See accompanying notes to unaudited consolidated financial statements

1. DESCRIPTION OF BUSINESS

Organization

Outrigger DJ Midstream LLC ("ODJM" or the "Company") was formed on August 7, 2018, as a Delaware limited liability company. Outrigger Energy II LLC ("Outrigger," or the "Manager"), a Delaware limited liability company, was initially a 90% member and Migration Midstream, LLC ("Migration"), a Delaware limited liability company, was initially a 10% member (together collectively, the "Members") and were the two members of ODJM, as defined by the Limited Liability Company Agreement of ODJM (the "Agreement") dated August 27, 2018. On April 16, 2020, Outrigger acquired the membership interest in ODJM from Migration as outlined in the ODJM Membership Interest Purchase and Sale Agreement dated April 16, 2020 for cash consideration of $12 million and a contingent capital reimbursement of $3.7 million. The contingent capital reimbursement provides a means for Migration to recoup the difference between the contributed capital of $15.7 million and the $12 million of cash consideration received if certain conditions including the consummation of the sale of the Company's DJ Basin assets are met. The Company has accounted for the contingent capital reimbursement of $3.7 million as a contingent liability presented within Other long-term liabilities on the balance sheet. Subsequent to the date of these financial statements, this contingent liability was relieved. See further discussion in Note 6. As Migration was under common control, the transaction was accounted for at the carrying amount of the net assets acquired. Outrigger is now the sole member of ODJM.

The Company is managed by Outrigger. All of the powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company and its subsidiary shall be managed under the sole direction of Outrigger (in such capacity, the Manager). The membership interest of each Member in the Company is personal property for all purposes. All property owned by the Company, whether real or personal, tangible or intangible, shall be deemed to be owned by the Company, and no Member has any ownership interest in any specific property of the Company. The Company shall hold all of its property in its own name. The Member has the right to receive a share of the profits and losses of, or distributions of assets of the Company based on the membership interest of each member. Distributions of available cash will be made at such times and in such amounts as the Manager shall determine. During the period ended September 30, 2022, the Company distributed $11.5 million to its sole Member.

Nature of Operations of the Company

The Company is engaged in the business of: (1) gathering, compressing, treating, processing, and selling natural gas; (2) fractionating, treating, transporting, and selling natural gas liquids ("NGLs") and NGL products; (3) gathering, storing, and terminaling crude oil; and (4) storing, terminaling, and selling refined petroleum products. The Company owns and operates a 60MMCFD cryogenic processing plant and gathering system with over 175 miles of pipeline that is located within the Denver-Julesburg Basin ("DJ Basin") in Colorado. The Company's activities could be affected by changes in commodity prices. In general, the prices of commodities are subject to fluctuations in response to changes in supply, market uncertainty, and a variety of additional factors that are beyond the Company's control.

Subsidiary of the Company

Outrigger DJ Operating LLC ("ODJO"), a wholly owned subsidiary of the Company, was formed as a Delaware limited liability company on March 22, 2018. On that date, Outrigger was the sole member of ODJO. On August 27, 2018, Outrigger contributed cash and all of its equity interests in ODJO to the Company pursuant to that certain Equity Contribution Agreement dated August 27, 2018, by and between the Company and Outrigger in exchange for an initial membership interest constituting a 90% sharing ratio in the Company. Migration simultaneously contributed cash to the Company in exchange for an initial membership interest constituting a 10% sharing ratio in the Company. On April 16, 2020, Outrigger purchased the membership interest of Migration and is the sole member of ODJM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company are set forth in Note 2 – Summary of Significant Accounting Policies in the 2021 consolidated financial statements and are supplemented by the notes to the unaudited consolidated financial statements included in this report. These unaudited consolidated financial statements should be read in conjunction with the 2021 consolidated financial statements.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require lessees to recognize a right-of-use asset and a lease liability for all leases that have a term longer than one year. The pronouncements effective date was extended to be effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. Upon adoption, the Company will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The right-to-use asset is offset by a corresponding liability. The Company is currently in the process of evaluating the impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, followed by other related ASUs that provided targeted improvements (collectively "ASU 2016-13"). ASU 2016-13 provides financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The standard is effective for the Company on January 1, 2023. The Company is currently assessing the impact of ASU 2016-13 on its consolidated financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of:

	September 30, 2022	December 31, 2021
Computers and computer software	$ 20,792	$ 20,792
Gathering systems	180,288,488	168,830,264
Vehicles	182,111	299,167
Right of way	27,855,727	25,787,405
Other	1,643,447	-
Total	209,990,565	194,937,628
Less accumulated depreciation	(25,341,668)	(17,829,901)
Subtotal	184,648,897	177,107,727
Construction in progress	3,845,412	14,233,549
Land	1,230,433	1,457,769
Property, plant and equipment, net	$189,724,742	$ 192,799,045

Depreciation expense was $7,586,268 and $7,174,660 for the nine months ended September 30, 2022 and 2021, respectfully.

Construction in Progress

The Company began expanding one of its compressor stations and constructing additional gathering systems in the DJ Basin of northern Colorado in late 2021 and continues to expand in 2022. Construction in Progress includes all construction costs of projects that have not yet been placed into service.

4. COMMITMENTS AND CONTINGENCIES

Contingencies

In the normal course of business, the Company may be party to litigation and claims from time to time. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, the anticipated results of any pending litigation and claims are not expected to have a material effect on the results of operations, the financial position, or the cash flows of the Company. The Company was not involved in any litigation nor is aware of any unasserted claims as of September 30, 2022 and December 31, 2021.

5. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then ranks the estimated values based on the reliability of the inputs used following the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data. These are inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 – Unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable reported on the Consolidated Balance Sheets approximates fair value due to their short-term maturities.

6. SUBSEQUENT EVENTS

The Company has reviewed and updated subsequent events through December 16, 2022 the date the consolidated financial statements were available to be issued. Subsequent to September 30, 2022, the Company entered into a Membership Interest Purchase and Sale Agreement with a third party dated October 14, 2022. The Company was subsequently sold to the third party with an effective closing date of December 1, 2022.

As described further in Note 1, as a result of the Membership Interest Purchase Agreement with Migration, a contingent capital reimbursement of $3.7 million was recorded as a contingent liability to be paid to Migration should 1) the Company be divested prior to December 31, 2023 and 2) the sale price exceed a defined amount. As a result of the Membership Interest Purchase and Sale Agreement with a third party, discussed above, the first requirement of this contingent payment was satisfied, however the sale price did not meet the contractual defined amount and therefore the contingent capital reimbursement is no longer due to Migration. Gain contingencies are not recognized in the financial statements until the period in which all contingencies are resolved and the gain is realized or realizable. As a result, the contingent liability remains on the balance sheet at September 30, 2022 and the liability will be derecognized and a gain will be recognized in the fourth quarter 2022.

There were no other material subsequent events that required recognition or additional disclosure in the consolidated financial statements.

Combined Financial Statements and Report of Independent Certified Public Accountants

Sterling Conveyed Entities

December 31, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Summit Midstream Partners, LP

Opinion
We have audited the combined financial statements of the Sterling Conveyed Entities (including Sterling Energy Investments LLC, Centennial Water Pipelines LLC and Grasslands Energy Marketing LLC) (collectively, the "Company"), which comprise the combined statements of financial position as of December 31, 2021 and 2020, and the related combined statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Grant Thornton LLP

Oklahoma City, Oklahoma
February 14, 2023

Sterling Conveyed Entities

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31,
(in thousands)

	2021	2020
ASSETS		
Current assets		
Cash	$ 3,275	$ 5,280
Accounts receivable, net of allowance for doubtful accounts	8,607	5,235
Inventories	2,657	2,697
Other current assets	584	635
Total current assets	15,123	13,847
Noncurrent assets		
Property, plant, and equipment	256,982	252,657
Accumulated depreciation	(75,278)	(63,016)
Total property, plant and equipment, net	181,704	189,641
Other intangible assets, net	10,516	11,885
Goodwill	1,484	1,484
Other long-term assets	2	27
Total assets	$ 208,829	$ 216,884
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	$ 5,436	$ 5,528
Accrued expenses	3,418	1,508
Short-term liabilities	26	35
Total current liabilities	8,880	7,071
Noncurrent liabilities		
Long-term debt	-	45
Deferred earn out	5,900	5,500
Equity		
Member's equity	194,049	204,268
Total liabilities and member's equity	$ 208,829	$ 216,884

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

Sterling Conveyed Entities

COMBINED STATEMENTS OF OPERATIONS

Years ended December 31,
(in thousands)

	2021	2020
Operating revenues		
Residue gas sales	$ 32,822	$ 16,509
Natural gas liquid sales	35,731	18,936
Third party product sales	18,208	12,349
Condensate sales	3,643	2,115
Water sales	6,241	5,402
Total operating revenues	96,645	55,311
Operating costs and expenses		
Natural gas product purchases	59,089	23,895
Water royalties and costs	869	381
Operating and maintenance costs	12,469	11,759
Depreciation / amortization expense	14,006	13,924
Bad debt expense	-	350
General and administrative expense	6,010	3,604
Total operating costs and expenses	92,443	53,913
Operating income	4,202	1,398
Other (loss) income	(1,173)	210
Interest (expense) income	23	(27)
Total other expense	(1,150)	183
Net income	$ 3,052	$ 1,581

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

Sterling Conveyed Entities

COMBINED STATEMENTS OF MEMBER'S EQUITY

Years ended December 31, 2021 and 2020
(in thousands)

	Member's Equity
Balance, December 31, 2019	$ 209,437
Distributions to Parent (SIH)	(6,750)
Net income	1,581
Balance, December 31, 2020	204,268
Distributions to Parent (SIH)	(13,271)
Net income	3,052
Balance, December 31, 2021	$ 194,049

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

Sterling Conveyed Entities

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31,
(in thousands)

	2021	2020
Operating activities:		
Net income	$ 3,052	$ 1,581
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,006	13,924
Bad debt expense	-	350
(Gain) / loss on deferred earn-out	400	(1,100)
(Gain) / loss on sale of assets	(25)	(67)
Changes in operating assets and liabilities:		
Accounts receivable	(3,372)	1,837
Other assets	76	(59)
Inventories	(131)	(20)
Accounts payable	(92)	(3,374)
Accrued expenses	1,632	(463)
Deferred revenue	-	(1,114)
Net cash provided by operating activities	15,546	11,495
Investing activities:		
Additions of property, plant, and equipment	(4,235)	(3,801)
Proceeds on sale of assets	10	21
Net cash used in investing activities	(4,225)	(3,780)
Financing activities:		
Distributions to Parent (SIH)	(13,271)	(6,750)
Installment purchases/(repayment)	(55)	(53)
Net cash used in financing activities	(13,326)	(6,803)
Net (decrease) increase in cash and cash equivalents	(2,005)	912
Cash and cash equivalents at beginning of year	5,280	4,368
Cash and cash equivalents at end of year	$ 3,275	$ 5,280
Supplemental disclosures of operating and investing activities		
Non-cash transactions		
Equipment inventory	$ 171	$ (387)
Accrued liabilities	277	(422)

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The combined financial statements include the financial position and operations of Sterling Energy Investments LLC (SEI), Centennial Water Pipelines LLC (CWP) and Grasslands Energy Marketing LLC (GEM) (together, the Company) on a combined basis.

Each of these entities, SEI, CWP and GEM, are wholly-owned subsidiaries of Sterling Investment Holdings LLC (SIH). SEI, a Colorado corporation, was formed by SIH in 2011. CWP and GEM are both Delaware LLCs and were formed in 2013. SEI provides natural gas gathering and processing infrastructure and related services through its gathering system, the Centennial System, serving oil and gas production companies in the Denver-Julesburg (DJ)/Niobrara basin in northeast Colorado. CWP supplies and provides transportation of fresh water to oil and gas production companies in the DJ/Niobrara basin through its Centennial Water System. GEM provides natural gas liquids (NGLs) transportation and marketing services on behalf of SEI and oil and gas production companies in the DJ/Niobrara basin.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The combined financial statements referred to above contain the financial position of the Company as of December 31, 2021 and 2020, and the results of its combined operations and cash flows for the years ended December 31, 2021 and 2020. The combined financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All intercompany transactions and balances associated with these combined entities are eliminated in these financial statements. The combined financial statements include specifically identified general and administrative costs incurred by the Company, which management believes are appropriate to include to reflect the Company's cost of doing business under SIH's ownership.

Use of estimates

Preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Management uses historical and other pertinent information to determine these estimates. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash either on deposit in various financial institutions, where deposits may exceed federally insured amounts at times, or in highly rated money market deposit accounts with daily liquidity. Money market deposits consist of short-term securities, such as Treasury bills, certificates of deposit, and commercial paper. Money market deposit accounts are insured by the Federal Deposit Insurance Corporation, up to statutory limits on a per entity, per bank basis. The Company's cash balances exceeded the insured limit by $2,667 and $4,530 at December 31, 2021 and 2020, respectively. Any cash or cash equivalent that is restricted in its use is classified as restricted cash. Cash and cash equivalents are financial instruments that potentially subject the Company to a concentration of credit risk. The Company places its cash and cash equivalents with high credit quality financial institutions.

(All dollar amounts in thousands unless otherwise noted)

Accounts receivable

Accounts receivable are also financial instruments that potentially subject the Company to a concentration of credit risk. Accounts receivable are presented on the combined balance sheet net of estimated uncollectible amounts. The Company records an allowance for doubtful accounts in an amount approximating potential anticipated losses, if any, arising from such uncollectible amounts. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company recorded bad debt expense of $0 and $350 as of December 31, 2021 and 2020, respectively.

Inventories

The components of inventories include the following as of December 31:

	2021	2020
Residue gas and liquids	$ 278	$ 146
Equipment	2,379	2,551
Total inventories	$ 2,657	$ 2,697

Inventories, which are comprised of NGLs and condensate held in storage tanks (collectively, liquids) and residue gas for processing and sales commitments, and equipment anticipated to be utilized in the construction of future capital projects, are carried at the lower of weighted-average cost (for residue gas and liquids), cost (for equipment), or market, on a first-in, first-out basis.

Other current assets

Other current assets are comprised primarily of insurance premiums paid prior to the period for which such premiums attribute insurance coverage to certain assets or personnel, and subscriptions paid annually and amortized monthly. The prepaid insurance premiums and prepaid subscriptions expenses become expenses as they are applied to current periods and expire.

Property, plant, and equipment

Capitalization, depreciation, and disposals

Property, plant, and equipment are reported at historical cost net of accumulated depreciation. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that are considered to extend the life of the asset are capitalized. Plant and pipeline assets are currently being depreciated on a straight-line basis over 20 years, which represents management's estimate of their useful lives.

Construction work in process consists of capital assets purchased by the Company that have not yet been placed into service, and thus have not commenced their useful lives. As of December 31, 2020, the majority of the Company's construction work-in-process assets consisted of gas processing facilities under construction in northeastern Colorado, which were placed into service in 2021. As of December 31, 2021, the majority of the Company's construction work-in-process assets consisted of gas processing facilities under construction in northeastern Colorado, expected to be placed into service in 2022 (see Note 3).

(All dollar amounts in thousands unless otherwise noted)

When assets are placed into service, the Company makes estimates with respect to useful lives (and salvage values where appropriate) that the Company believes are reasonable. However, subsequent events could cause the Company to change its estimates, thus affecting the future calculation of depreciation and amortization expense.

Rights-of-way are generally owned in perpetuity from the date of acquisition to a date triggered by an event such as abandonment of the pipeline. For any rights-of-way that expire, costs incurred to renew or extend the terms of the rights-of-way are capitalized. The Company amortizes the fair value assigned to each right-of-way agreement over the shorter of the term of the agreement for those agreements with specific dates or 40 years. The useful lives for the various types of property, plant, equipment, and right-of-way are as follows:

	Estimated Useful Lives
Rights-of-way	38 years
Buildings	38 years
Water tanks	19 years
Pipeline	21 years
Plant facilities	20 years
Water wells	18 years
Pumping stations	8 years
Vehicles, equipment and tools	5 years
Furniture and fixtures	5 years
Computers and software	4 years

Leasehold improvements are depreciated over their estimated useful life or the life of the lease, whichever is shorter.

Impairments

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If indicators of impairment to such long-lived assets are present, management performs recoverability testing by identifying asset groups, which represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities, and comparing the carrying amounts of these asset groups to the sum of the estimated undiscounted future cash flows attributable to them. If the carrying amounts exceed the sum of the undiscounted future cash flows, these asset groups are reduced to fair market value. Fair market value is calculated by summing the future discounted cash flows attributable to these asset groups, using a discount rate management deems to be appropriate. For the years ended December 31, 2021 and 2020, the Company's management identified two asset groups - the SEI Gathering System, inclusive of its natural gas gathering system and processing facilities; and the CWP freshwater transportation pipeline and pumps. For the year ended December 31, 2021 and 2020, no triggering events were present that required the Company's management to evaluate future undiscounted cash flows. Upon such evaluation of future undiscounted cash flows, the Company's management determined that no long-lived assets should be impaired. As a result of such evaluations, the Company recognized no impairment charges for the year ended December 31, 2021 or 2020.

(All dollar amounts in thousands unless otherwise noted)

Goodwill and intangible assets

Goodwill is recorded when the purchase price of a business exceeds the fair value of the tangible and separately measurable intangible net assets. Goodwill is evaluated for impairment on an annual basis or when events or circumstances occur, indicating that goodwill might be impaired. The Company had three distinct operating segments in existence in through December 31 of 2021 and in 2020. All of these operating segments - SEI, GEM, and CWP - have their own discrete financial information, and therefore are deemed distinct reporting units for the purposes of evaluating goodwill impairment. Per the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-20, at least annually, the Company evaluates whether it is more likely than not that its fair value is less than its carrying amount by assessing relevant macroeconomic, industry and entity-specific events and circumstances. Such assessment is performed by seeking to identify the presence of events and outcomes including those that result in significant decreases, or expectation for significant decreases, in entity market value, cash flows, long-lived asset condition and useful lives and regulatory compliance (Triggering Events). If the Company were to identify a Triggering Event in its assessment, it would then compare the carrying amount of its reporting unit (including goodwill) to the fair value in order to further determine the need, if any, for goodwill impairment. As SEI is the only reporting unit of the three that has recorded goodwill on its balance sheet, it is the only reporting unit that required analysis for goodwill impairment. No triggering events for SEI were noted as of December 31, 2021 or 2020 and thus no impairment recorded in either period.

Other intangible assets include customer relationships, customer contracts, water rights and noncompete agreements. Definite life intangible assets are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 20 years. Additionally, intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If indicators of impairment to such intangible assets are present, management performs recoverability testing by identifying asset groups, which represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities, and comparing the carrying amounts of these asset groups to the sum of the estimated undiscounted future cash flows attributable to them. If the carrying amounts exceed the sum of the undiscounted future cash flows, these assets are reduced to fair market value. Fair market value is calculated by summing the future discounted cash flows attributable to these assets, using a discount rate management deems to be appropriate. For the year ended December 31, 2021, and 2020, no triggering events were present that required the Company's management to evaluate future undiscounted cash flows. Upon such evaluation of future undiscounted cash flows, the Company's management determined that no long-lived assets should be impaired. As a result of such evaluations, the Company recognized no impairment charges for the year ended December 31, 2021 or 2020.

Accrued expenses

Accrued liabilities are comprised primarily of property taxes which are paid in the first quarter following the year in which the taxes apply, and capital assets which have been delivered and will be paid for in the month following delivery. The following table provides additional information about the Company's accrued liabilities as of December 31:

	2021	2020
Accrued property taxes	$ 1,080	$ 1,162
Accrued capital expenditures	366	89
Other accruals	1,972	257
Total accrued liabilities	$ 3,418	$ 1,508

Revenue recognition

The Company gathers raw natural gas (saturated gas) from certain oil and gas production companies and processes the majority of this saturated gas and then sells its byproducts - residue gas, NGLs and condensate - to certain marketing companies. The Company also transports certain customers' NGLs, crude oil and condensate for delivery and sale to certain marketing companies. As well, the Company occasionally sells saturated gas to another gas processing company. For each of these types of agreements, the Company's performance obligations are satisfied as the products are delivered and control is transferred to the customer. Further, the Company charges gathering, transportation, marketing and other fees to the oil and gas production companies from whom it gathers saturated gas. These fees are recorded as reductions to the Company's cost of sales upon the completion of such services. The Company gathers and processes saturated gas from one oil and gas production company under the terms of an agreement that requires such company to supply a minimum monthly volume of saturated gas. When this minimum volume commitment is not met, the Company charges a minimum volume commitment fee that corresponds to the volumetric shortfall and applicable monthly residue gas and NGL prices. Such minimum volume commitment fees resulted in reductions to the Company's cost of sales of $7,249 and $4,396 for 2021 and 2020, respectively. Finally, the Company sells and transports fresh water through pipelines to certain oil and gas production companies. For these arrangements, the Company's performance obligation is satisfied as the product is delivered and control is transferred to the customer.

Payment terms and conditions in the contracts that govern the Company's sales generally do not exceed 30 days and do not include a financing component. The Company considers shipping and handling performed by itself or by its contracted third parties as fulfillment activities. The Company is generally not obligated to collect taxes on certain revenue transactions to be remitted to governmental authorities. Should such taxes, which may include sales, use, value-added and some excise taxes be collected on revenue transactions, these taxes are not included in the transaction price and are, therefore, excluded from revenues.

With respect to residue gas, certain marketing companies pay the Company a predetermined set price multiplied by a volume of residue gas that is delivered into residue gas transportation pipelines from the tailgates of the Company's plants.

With respect to NGLs and condensate, certain marketing companies pay the Company for a predetermined percentage of proceeds, less transportation and fractionation fees, for NGLs and condensate that are either delivered into an NGL transportation pipeline or trucked away from the tailgates of the Company's plants. With respect to saturated gas, a certain natural gas processing company pays the Company a predetermined percentage of proceeds that the processing company receives from marketing companies for its sales of the Company's pro rata portion of residue gas and NGLs in the same period that the residue gas and NGLs are sold.

Certain sale, purchase, and transportation contracts provide for the pricing of residue gas, NGLs, condensate and saturated gas to vary depending on the price of the Colorado Interstate Gas Pipeline Index (CIG) and the Cheyenne Hub, or NGL and condensate prices at Conway, Kansas (the Conway Index) or oil prices at the New York Mercantile Exchange (NYMEX) West Texas Intermediate (WTI) Index. These variable pricing features are considered to be embedded derivatives; however, they have not been separated and recorded at fair value on the basis that all the criteria necessary for bifurcation have not been met.

With respect to fresh water sales, the Company is paid by certain oil and gas production companies at a predetermined set rate multiplied by the volume of fresh water sold from its water wells to these certain oil and gas production companies' designated delivery points. Historically, one of the Company's contracts with an oil and gas production company required a minimum volume of fresh water to be sold by the

Company, or the sale of such minimum volumes were to have been paid to the Company by this oil and gas production company. Any payment received by the Company for volumes in excess of water delivered was recorded as deferred revenue and was recognized upon delivery during any contractually driven make-up period, which was the life of the contract when not explicitly stated.

With respect to fresh water transportation, the Company is paid by certain oil and gas production companies at a predetermined set rate multiplied by the volume of fresh water transported from a third-party provider of water to these certain oil and gas production companies' designated delivery points.

With respect to gathering, transportation, marketing and other fees, the Company is paid by certain oil and gas production companies to charge to those production companies at a set rate multiplied by the volume of gas or liquid products for which the respective gathering, transportation, marketing or other services are applied.

The Company entered into one contract to sell fresh water to a certain oil and gas production company in 2019, whereby the oil and gas production company paid the Company in advance of the delivery of such water sales. Accordingly, the Company recognized this payment in excess of revenue as a contract liability and recorded it as a deferred revenue on its combined statement of financial position and subsequently recognized only the portion of such payment that was associated with the volume of water delivered to the oil and gas production company as revenue. During 2020, the Company incurred no deferred revenue and recognized $1,114 of revenue associated with this contract. As of December 31, 2021 and 2020, the Company had $0 of deferred revenue associated with this contract remaining

Capitalized general and administrative expenses

All material costs of designing, acquiring, installing and improving plant, property and equipment are capitalized. General and administrative expenses, which consist primarily of salaries, benefits, office expenses and professional service fees, are capitalized in proportion to the extent that general and administrative personnel costs are directly associated with the design, acquisition, installation and improvement of such capital assets.

Income taxes

SEI, CWP and GEM are treated as partnerships and, therefore, are not subject to federal or state income taxes. Accordingly, no recognition has been given to federal or state taxes in the Company's combined financial statements and no deferred income tax asset or liability provision has been made in the Company's combined financial statements. There are no uncertain tax positions that were material to the Company's results of operations or financial position.

Comprehensive income (loss)

Comprehensive income (loss) is defined as all changes in member's equity, exclusive of transactions with members. All comprehensive income (loss) relates to net income (loss) for the periods presented.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants' use in pricing assets or liabilities. These inputs can be readily observable, market-corroborated, or generally observable. The Company has made certain assumptions it believes market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques.

Credit risk of the Company and its counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which was immaterial at December 31, 2021 and 2020. Management of the Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. All assets and liabilities are required to be classified in their entirety based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation.

The Company classifies fair value balances based on the fair value hierarchy defined as follows:

Level 1 - Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date;

Level 2 - Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data; and

Level 3 - Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and are subject to cost benefit constraints.

The carrying amounts of the Company's financial instruments, including cash, short-term investments, and trade accounts receivable and payable, approximate their fair values due to the short-term nature of these instruments as of December 31, 2021 and 2020. The carrying amount of the Company's short-term debt approximates its fair value due to the fact that such debt is comprised of a series of draws that individually are for periods of less than one year, but can be refinanced with other renewals or extensions (See Note 7). Due to the observable short-term time elements and low interest rates associated with cash, cash equivalents, accounts receivable and draws on the long-term debt, all such financial instruments' measurements are classified with Level 2 inputs.

As discussed in Note 7, Commitments and Contingencies, the Company has recorded a Deferred earn-out liability, which is remeasured each period. As of December 31, 2021 and December 31, 2020 the estimated fair value of such liability was $5,900 and $5,500, respectively. The fair value is estimated using discounted cash flow techniques based on estimated future fresh water deliveries and appropriate discount rates. Given the unobservable nature of the inputs, the fair value measurement of the Deferred earn-out is deemed to use Level 3 inputs. The Company recognized a reduction of the earn-out liability of $400 for the year ended December 31, 2021 by making obligatory payments resulting from the earn-out obligation. The Company recognized an increase in the earn-out liability of $1,100 for the year ended December 31, 2020.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of an infectious respiratory disease caused by a new coronavirus, known as COVID-19 ("COVID"). In response, most U.S. states have implemented measures to combat the outbreak of COVID and such responses have impacted operations of U.S. businesses. As of the date of the issuance of the Company's December 31, 2020 combined financial statements, the Company's operations have been impacted by COVID and the Company continues to monitor the situation, but no impairments to the Company's accounts were recorded, as no triggering events or material changes in operational circumstances resulting from COVID had occurred. However, due to uncertainty surrounding COVID, management's judgment regarding this could change in the future. In addition, while the Company's results of operations, cash flows, and financial condition could be impacted by COVID, the extent of the impact cannot be reasonably estimated at this time.

(All dollar amounts in thousands unless otherwise noted)

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31:

	2021	2020
Plant facilities and buildings	$ 156,763	$ 154,587
Pipeline	76,082	74,850
Rights-of-way	8,529	8,529
Water wells	6,029	6,029
Vehicles, equipment and tools	2,640	2,544
Pumping stations	1,143	1,143
Computers and software	492	615
Water tanks	569	569
Leasehold improvements	284	284
Land	262	262
Furniture and fixtures	46	111
Construction work in process	4,143	3,134
Total property, plant and equipment	256,982	252,657
Less accumulated depreciation	(75,278)	(63,016)
Net property, plant and equipment, net	$ 181,704	$ 189,641

Depreciation expense for the years ended December 31, 2021 and 2020 was $12,636 and $12,448, respectively.

(All dollar amounts in thousands unless otherwise noted)

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 31, 2021 and 2020, the Company had goodwill of $1,484 recorded within the SEI reporting unit. As discussed above in Note 2, the Company's goodwill is evaluated for impairment annually at year-end or when events or circumstances occur, indicating that goodwill might be impaired. In performing the goodwill impairment analysis, the Company assessed relevant macroeconomic, industry and entity-specific events and circumstances, seeking to identify the presence of Triggering Events and determined that no Triggering Events existed as of December 31, 2021 and 2020.

Other intangible assets consisted of the following at:

	2021	2020
Water rights	$ 8,436	$ 8,436
Noncompete agreement (5 year lives)	5,610	5,610
Customer relationship (5 - 20 year lives)	4,485	4,485
Customer contracts (1 - 20 year lives)	1,495	1,495
Total other intangible assets	20,026	20,026
Less accumulated amortization	(9,510)	(8,141)
Other intangible assets, net	10,516	11,885
Net Intangible assets	$ 11,407	$ 12,924

Amortization expense for the years ended December 31, 2021 and 2020 was $1,369 and $1,476, respectively. Estimated future amortization expense related to intangible assets held as of December 31, 2021, is as follows:

Years ending December 31,	
2022	$ 217
2023	217
2024	217
2025	217
2026	217
Thereafter	995

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) Savings Plan (the Plan). The Plan is a defined contribution plan in which all eligible salaried and hourly employees may participate. Under the Plan, the Company matches 100% of all participants' contributions up to 6% of their respective annual compensation. For the years ended December 31, 2021 and 2020, the Company's matching contributions to the Plan were $360 and $265, respectively.

NOTE 6 - MAJOR CUSTOMERS

During the year ended December 31, 2021, five customers comprised approximately 97% of the Company's revenues (two customer comprised approximately 42% and 32%, respectively, of the Company's revenues). During the year ended December 31, 2020, four customers comprised approximately 96% of the Company's revenues (two customer comprised approximately 53% and 28%, respectively, of the Company's revenues). The Company's customers produce crude oil and transport and market processed natural gas, NGLs, and condensate which is gathered and processed by the Company from the Denver-Julesburg (DJ) basin, which encompasses the Niobrara shale formation in northeast Colorado.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Company had one $1,500 letter of credit (LOC) posted on its behalf by SIH to support operations as of December 31, 2021, and one $1,000 LOC posted on its behalf by SIH to support operations as of December 31, 2020. The $1,000 LOC expired March 31, 2021. For the years ended December 31, 2021 and 2020, these LOCs had not been drawn upon.

In 2016, the Company acquired certain assets to enable CWP to supply fresh water to oil and gas production companies through its Centennial Water System. Terms and conditions of this acquisition require the Company to pay the entity from which it acquired such assets (the "Seller") a percentage of future revenues derived from the supply of fresh water to oil and gas production companies. As of December 31, 2021 and 2020, the fair market value of the Company's obligation (the "Deferred earn-out") to the Seller was $5,900 and $5,500, respectively. The term of Deferred earn-out is finite and contingent upon the amount of fresh water supply revenue earned by the Company in future years.

Prior to and during 2021 and 2020, the Company entered into multiple non-cancelable operating leases of compression equipment, gas processing equipment, gas treating equipment, office printing and copying equipment for which payment obligations exist through 2026. Also, in 2012, the Company entered into a non-cancelable operating lease of office space for which payment obligations existed through 2018. This lease was amended in 2014 to increase the amount of leased office space and the corresponding payments but it did not extend the term of the payment obligations. This lease for operating space was amended and extended in 2018 and again in 2021 and such amendment imposed the Company with payment obligations through September 24, 2021. Also, in 2021, the Company entered into a non-cancelable operating sublease of office space for which payment obligations exist through June 30, 2022. Additionally, in 2017, the Company entered into a non-cancelable firm transportation agreement for takeaway capacity of its processed residue gas for which payment obligations existed through October 31, 2018. In September of 2018, this agreement was extended, thereby obligating the Company to make payments through October 31, 2020.

Lease expense was $2,414 and $2,897 for 2021 and 2020, respectively. The office lease commitment expired on September 24, 2021. The office sublease commitment expires on June 30, 2022. Remaining terms for equipment leases range from six months to five years.

From time to time, the Company has been and may be involved in legal proceedings arising from the normal course of its business. The Company is not aware of any pending or threatened litigation against the Company that it believes could have a material adverse effect on its business, operating results, financial condition or cash flows.

(All dollar amounts in thousands unless otherwise noted)

The table below summarizes the Company's future payment commitments under noncancelable operating and leases and firm transportation agreements as of December 31, 2021:

Years ending December 31,		
2022	$	1,127
2023		789
2024		709
2025		709
2026		177
Thereafter		-
Total	$	3,511

NOTE 8 - RELATED-PARTY TRANSACTIONS

The Company had no related-party transactions in 2021 or 2020.

NOTE 9 - SUBSEQUENT EVENTS

The Company evaluated its December 31, 2021 combined financial statements for subsequent events through February 14, 2023, which represents the date that the combined financial statements were available to be issued. On December 1, 2022, SIH sold 100% of its interest in each of the Conveyed Entities (SEI, CWP and GEM) of the Company to Summit Midstream Partners, LP (NYSE: SMLP). No subsequent events have occurred that, except as previously disclosed, would require recognition or disclosure in the combined financial statements or the notes thereto.

Unaudited Condensed Combined Financial Statements

Sterling Conveyed Entities

As of September 30, 2022 and December 31, 2021, and for the Nine Months Ended September 30, 2022 and 2021

Sterling Conveyed Entities

UNAUDITED CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITION

September 30, 2022 and December 31, 2021
(in thousands)

	2022	2021
ASSETS		
Current assets		
Cash	$ 1,939	$ 3,275
Accounts receivable, net of allowance for doubtful accounts	14,598	8,607
Inventories	1,939	2,657
Other current assets	1,067	584
Total current assets	19,543	15,123
Noncurrent assets		
Property, plant, and equipment	269,069	256,982
Accumulated depreciation	(84,658)	(75,278)
Total property, plant and equipment, net	184,411	181,704
Other intangible assets, net	10,354	10,516
Goodwill	1,484	1,484
Other long-term assets	2	2
Total assets	$ 215,794	$ 208,829
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	$ 10,167	$ 5,436
Accrued expenses	3,576	3,418
Short-term liabilities	-	26
Total current liabilities	13,743	8,880
Noncurrent liabilities		
Deferred Earn Out	4,745	5,900
Equity		
Member's equity	197,306	194,049
Total liabilities and member's equity	$ 215,794	$ 208,829

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

Sterling Conveyed Entities

UNAUDITED CONDENSED COMBINED STATEMENTS OF OPERATIONS

Nine months ended September 30,
(in thousands)

	2022	2021
Operating revenues:		
Residue gas sales	$ 50,175	$ 22,360
Natural gas liquid sales	35,434	24,976
Third party product sales	14,706	12,697
Condensate sales	3,733	2,904
Water sales	7,971	6,206
Total operating revenues	112,019	69,143
Operating costs and expenses:		
Natural gas product purchases	74,957	38,105
Water royalties and costs	1,826	869
Operating and maintenance costs	11,597	9,185
Depreciation and amortization expense	9,597	10,575
General and administrative expense	3,512	4,000
Total operating costs and expenses	101,489	62,734
Operating income	10,530	6,409
Other (loss) income	(639)	168
Interest income	1	23
Total other (expense) / income	(638)	191
NET INCOME	$ 9,892	$ 6,600

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

Sterling Conveyed Entities

UNAUDITED CONDENSED COMBINED STATEMENTS OF MEMBER'S EQUITY

Nine months ended September 30, 2022 and September 30, 2021
(in thousands)

	Member's Equity
Balance at December 31, 2020	$ 204,268
Distributions to Parent (SIH)	(11,740)
Net income	6,600
Balance at September 30, 2021	199,128
Balance at December 31, 2021	194,049
Distributions to Parent (SIH)	(6,635)
Net income	9,892
Balance at September 30, 2022	$ 197,306

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

Sterling Conveyed Entities

UNAUDITED CONDENSED COMBINED STATEMENTS OF CASH FLOWS

Nine months ended September 30,
(in thousands)

	2022	2021
Operating activities:		
Net income	$ 9,892	$ 6,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,597	10,575
Gain on deferred earn-out	(1,155)	(935)
Loss / (gain) on sale of assets	720	(25)
Changes in operating assets and liabilities:		
Accounts receivable	(5,991)	(6,134)
Other assets	(483)	(86)
Inventories	(15)	(101)
Accounts payable	4,731	1,502
Accrued expenses	(443)	(132)
Net cash provided by operating activities	16,853	11,264
Investing activities:		
Additions of property, plant, and equipment	(11,528)	(2,922)
Proceeds on sale of assets	-	10
Net cash used in investing activities	(11,528)	(2,912)
Financing activities:		
Distributions to Parent (SIH)	(6,635)	(11,740)
Installment purchases/(repayment)	(26)	(48)
Net cash used in financing activities	(6,661)	(11,788)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,336)	(3,436)
Cash and cash equivalents at beginning of period	3,275	5,280
Cash and cash equivalents at end of period	$ 1,939	$ 1,844
Supplemental disclosures of cash flow information:		
Non-cash transactions		
Equipment inventory	$ 733	$ 171
Accrued liabilities	$ 601	$ (14)

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The unaudited combined financial statements ("combined financial statements") include the financial position and operations of Sterling Energy Investments LLC (SEI), Centennial Water Pipelines LLC (CWP) and Grasslands Energy Marketing LLC (GEM) (together, the Company) on a combined basis.

Each of these entities, SEI, CWP and GEM, are wholly-owned subsidiaries of Sterling Investment Holdings LLC (SIH). SEI, a Colorado corporation, was formed by SIH in 2011. CWP and GEM are both Delaware LLCs and were formed in 2013. SEI provides natural gas gathering and processing infrastructure and related services through its gathering system, the Centennial System, serving oil and gas production companies in the Denver-Julesburg (DJ)/Niobrara basin in northeast Colorado. CWP supplies and provides transportation of fresh water to oil and gas production companies in the DJ/Niobrara basin through its Centennial Water System. GEM provides natural gas liquids (NGLs) transportation and marketing services on behalf of SEI and oil and gas production companies in the DJ/Niobrara basin.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The combined financial statements referred to above contain the financial position of the Company as of September 30, 2022 and December 31, 2021, and the results of its combined operations and cash flows for the nine months ended September 30, 2022 and 2021. The combined financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All intercompany transactions and balances associated with these combined entities are eliminated in these financial statements. The combined financial statements include specifically identified general and administrative costs incurred by the Company, which management believes are appropriate to include to reflect the Company's cost of doing business under SIH's ownership. The accompanying combined financial statements have not been audited by the Company's independent certified public accountants, except that the combined balance sheet as of December 31, 2021 is derived from the audited combined financial statements. These interim combined financial statements should be read together with the Company's audited combined financial statements as of and for the year ended December 31, 2021.

Use of Estimates

Preparation of combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Management uses historical and other pertinent information to determine these estimates. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash either on deposit in various financial institutions, where deposits may exceed federally insured amounts at times, or in highly rated money market deposit accounts with daily liquidity. Money market deposits consist of short-term securities, such as Treasury bills, certificates of deposit, and commercial paper. Money market deposit accounts are insured by the Federal Deposit Insurance Corporation, up to statutory limits on a per entity, per bank basis. The Company's cash balances exceeded the insured limit by $1,617 and $2,667 at September 30, 2022 and December 31, 2021, respectively. Any cash or cash equivalent that is restricted in its use is classified as restricted cash. Cash and cash equivalents are financial instruments that potentially subject the Company to a concentration of credit risk. The Company places its cash and cash equivalents with high credit quality financial institutions.

(All dollar amounts in thousands unless otherwise noted)

Accounts Receivable

Accounts receivable are also financial instruments that potentially subject the Company to a concentration of credit risk. Accounts receivable are presented on the balance sheet net of estimated uncollectible amounts. The Company records an allowance for doubtful accounts in an amount approximating potential anticipated losses, if any, arising from such uncollectible amounts. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company had no amounts recognized as an allowance for doubtful accounts as of September 30, 2022 and December 31, 2021.

Inventories

The components of inventories include the following as of:

	September 30, 2022	December 31, 2021
Residue gas and liquids	$ 293	$ 278
Equipment	1,646	2,379
Total inventories	$ 1,939	$ 2,657

Inventories, which are comprised of NGLs and condensate held in storage tanks (collectively, liquids) and residue gas for processing and sales commitments, and equipment anticipated to be utilized in the construction of future capital projects, are carried at the lower of weighted-average cost (for residue gas and liquids), cost (for equipment), or net realizable value, on a first-in, first-out basis.

Other Current Assets

Other current assets are comprised primarily of insurance premiums paid prior to the period for which such premiums attribute insurance coverage to certain assets or personnel, and subscriptions paid annually and amortized monthly. The prepaid insurance premiums and prepaid subscriptions expenses become expenses as they are applied to current periods and expire.

Property, Plant, and Equipment

Capitalization, Depreciation, and Disposals

Property, plant, and equipment are reported at historical cost net of accumulated depreciation. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that are considered to extend the life of the asset are capitalized. Plant and pipeline assets are currently being depreciated on a straight-line basis over 20 years, which represents management's estimate of their useful lives.

Construction work in process consists of capital assets purchased by the Company that have not yet been placed into service, and thus have not commenced their useful lives. As of December 31, 2021, the majority of the Company's construction work-in-process assets consisted of gas processing facilities under construction in northeastern Colorado, which were placed into service in 2022. As of September 30, 2022, the majority of the Company's construction work-in-process assets consisted of gas processing facilities under construction in northeastern Colorado, expected to be placed into service in 2022 (see Note 3).

(All dollar amounts in thousands unless otherwise noted)

When assets are placed into service, the Company makes estimates with respect to useful lives (and salvage values where appropriate) that the Company believes are reasonable. However, subsequent events could cause the Company to change its estimates, thus affecting the future calculation of depreciation and amortization expense.

Rights-of-way are generally owned in perpetuity from the date of acquisition to a date triggered by an event such as abandonment of the pipeline. For any rights-of-way that expire, costs incurred to renew or extend the terms of the rights-of-way are capitalized. The Company amortizes the fair value assigned to each right-of-way agreement over the shorter of the term of the agreement for those agreements with specific dates or 40 years. The useful lives for the various types of property, plant, equipment, and right-of-way are as follows:

	Estimated Useful Lives
Rights-of-way	38 years
Buildings	38 years
Water tanks	19 years
Pipeline	21 years
Plant facilities	20 years
Water wells	18 years
Pumping stations	8 years
Vehicles, equipment and tools	5 years
Furniture and fixtures	5 years
Computers and software	4 years

Leasehold improvements are depreciated over their estimated useful life or the life of the lease, whichever is shorter.

Impairments

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If indicators of impairment to such long-lived assets are present, management performs recoverability testing by identifying asset groups, which represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities, and comparing the carrying amounts of these asset groups to the sum of the estimated undiscounted future cash flows attributable to them. If the carrying amounts exceed the sum of the undiscounted future cash flows, these asset groups are reduced to fair market value. Fair market value is calculated by summing the future discounted cash flows attributable to these asset groups, using a discount rate management deems to be appropriate. For the nine months ended September 30, 2022 and 2021, the Company's management identified two asset groups - the SEI Gathering System, inclusive of its natural gas gathering system and processing facilities; and the CWP freshwater transportation pipeline and pumps. For the nine months ended September 30, 2022 and 2021, no triggering events were present that required the Company's management to evaluate future undiscounted cash flows. Upon such evaluation of future undiscounted cash flows, the Company's management determined that no long-lived assets should be impaired. As a result of such evaluations, the Company recognized no impairment charges for the nine months ended September 30, 2022 or 2021, respectively.

Goodwill and Intangible Assets

Goodwill is recorded when the purchase price of a business exceeds the fair value of the tangible and separately measurable intangible net assets. Goodwill is evaluated for impairment on an annual basis or when events or circumstances occur, indicating that goodwill might be impaired. The Company had three distinct operating segments in existence in through September 30 of 2022 and in 2021. All of these operating segments - SEI, GEM, and CWP - have their own discrete financial information, and therefore are deemed distinct reporting units for the purposes of evaluating goodwill impairment. Per the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-20, at least annually, the Company evaluates whether it is more likely than not that its fair value is less than its carrying amount by assessing relevant macroeconomic, industry and entity-specific events and circumstances. Such assessment is performed by seeking to identify the presence of events and outcomes including those that result in significant decreases, or expectation for significant decreases, in entity market value, cash flows, long-lived asset condition and useful lives and regulatory compliance (Triggering Events). If the Company were to identify a Triggering Event in its assessment, it would then compare the carrying amount of its reporting unit (including goodwill) to the fair value in order to further determine the need, if any, for goodwill impairment. As SEI is the only reporting unit of the three that has recorded goodwill on its balance sheet, it is the only reporting unit that required analysis for goodwill impairment. No triggering events for SEI were noted as of September 30, 2022 or 2021 and thus no impairment recorded in either period.

Other intangible assets include customer relationships, customer contracts, water rights and noncompete agreements. Definite life intangible assets are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 20 years. Additionally, intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If indicators of impairment to such intangible assets are present, management performs recoverability testing by identifying asset groups, which represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities, and comparing the carrying amounts of these asset groups to the sum of the estimated undiscounted future cash flows attributable to them. If the carrying amounts exceed the sum of the undiscounted future cash flows, these assets are reduced to fair market value. Fair market value is calculated by summing the future discounted cash flows attributable to these assets, using a discount rate management deems to be appropriate. For the nine months ended September 30, 2022 and 2021, no triggering events were present that required the Company’s management to evaluate future undiscounted cash flows. Upon such evaluation of future undiscounted cash flows, the Company’s management determined that no long-lived assets should be impaired. As a result of such evaluations, the Company recognized no impairment charges for the nine months ended September 30, 2022 and 2021.

(All dollar amounts in thousands unless otherwise noted)

Accrued Expenses

Accrued liabilities are comprised primarily of property taxes which are paid in the first quarter following the year in which the taxes apply, and capital assets which have been delivered and will be paid for in the month following delivery. The following table provides additional information about the Company's accrued liabilities as of:

	September 30, 2022	December 31, 2021
Accrued property taxes	$ 814	$ 1,080
Accrued capital expenditures	967	366
Other accruals	1,795	1,972
Total accrued liabilities	$ 3,576	$ 3,418

Revenue Recognition

The Company gathers raw natural gas (saturated gas) from certain oil and gas production companies and processes the majority of this saturated gas and then sells its byproducts - residue gas, NGLs and condensate – to certain marketing companies. The Company also transports certain customers' NGLs, crude oil and condensate for delivery and sale to certain marketing companies. As well, the Company occasionally sells saturated gas to another gas processing company. For each of these types of agreements, the Company's performance obligations are satisfied as the products are delivered and control is transferred to the customer. Further, the Company charges gathering, transportation, marketing and other fees to the oil and gas production companies from whom it gathers saturated gas. These fees are recorded as reductions to the Company's cost of sales upon the completion of such services. The Company gathers and processes saturated gas from one oil and gas production company under the terms of an agreement that requires such company to supply a minimum monthly volume of saturated gas. When this minimum volume commitment is not met, the Company charges a minimum volume commitment fee that corresponds to the volumetric shortfall and applicable monthly residue gas and NGL prices. Such minimum volume commitment fees resulted in reductions to the Company's cost of sales of $1,502 and $6,807 for the nine months ended September 30, 2022 and 2021, respectively. Finally, the Company sells and transports fresh water through pipelines to certain oil and gas production companies. For these arrangements, the Company's performance obligation is satisfied as the product is delivered and control is transferred to the customer.

Payment terms and conditions in the contracts that govern the Company's sales generally do not exceed 30 days and do not include a financing component. The company considers shipping and handling performed by itself or by its contracted third parties as fulfillment activities. The company is generally not obligated to collect taxes on certain revenue transactions to be remitted to governmental authorities. Should such taxes, which may include sales, use, value-added and some excise taxes be collected on revenue transactions, these taxes are not included in the transaction price and are, therefore, excluded from revenues.

With respect to residue gas, certain marketing companies pay the Company a predetermined set price multiplied by a volume of residue gas that is delivered into residue gas transportation pipelines from the tailgates of the Company's plants.

With respect to NGLs and condensate, certain marketing companies pay the Company for a predetermined percentage of proceeds, less transportation and fractionation fees, for NGLs and condensate that are either delivered into an NGL transportation pipeline or trucked away from the tailgates of the Company's plants. With respect to saturated gas, a certain natural gas processing company pays the Company a predetermined percentage of proceeds that the processing company receives from marketing companies for its sales of the Company's pro rata portion of residue gas and NGLs in the same period that the residue gas and NGLs are sold.

Certain sale, purchase, and transportation contracts provide for the pricing of residue gas, NGLs, condensate and saturated gas to vary depending on the price of the Colorado Interstate Gas Pipeline Index (CIG) and the Cheyenne Hub, or NGL and condensate prices at Conway, Kansas (the Conway Index) or oil prices at the New York Mercantile Exchange (NYMEX) West Texas Intermediate (WTI) Index. Each delivery of product represents a separate performance obligation, therefore future volumes delivered are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required.

With respect to fresh water sales, the Company is paid by certain oil and gas production companies at a predetermined set rate multiplied by the volume of fresh water sold from its water wells to these certain oil and gas production companies' designated delivery points. Historically, one of the Company's contracts with an oil and gas production company required a minimum volume of fresh water to be sold by the Company, or the sale of such minimum volumes were to have been paid to the Company by this oil and gas production company. Any payment received by the Company for volumes in excess of water delivered was recorded as deferred revenue and was recognized upon delivery during any contractually driven make-up period, which was the life of the contract when not explicitly stated.

With respect to fresh water transportation, the Company is paid by certain oil and gas production companies at a predetermined set rate multiplied by the volume of fresh water transported from a third-party provider of water to these certain oil and gas production companies' designated delivery points.

With respect to gathering, transportation, marketing and other fees, the Company is paid by certain oil and gas production companies to charge to those production companies at a set rate multiplied by the volume of gas or liquid products for which the respective gathering, transportation, marketing or other services are applied.

Capitalized General and Administrative Expenses

All material costs of designing, acquiring, installing and improving plant, property and equipment are capitalized. General and administrative expenses, which consist primarily of salaries, benefits, office expenses and professional service fees, are capitalized in proportion to the extent that general and administrative personnel costs are directly associated with the design, acquisition, installation and improvement of such capital assets.

Income Taxes

SEI, CWP and GEM are treated as partnerships and therefore are not subject to federal or state income taxes. Accordingly, no recognition has been given to federal or state taxes in the Company's combined financial statements and no deferred income tax asset or liability provision has been made in the Company's combined financial statements. There are no uncertain tax positions that were material to the Company's results of operations or financial position.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants' use in pricing assets or liabilities. These inputs can be readily observable, market-corroborated, or generally observable. The Company has made certain assumptions it believes market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques.

Credit risk of the Company and its counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which was immaterial at September 30, 2022 and December 31, 2021. Management of the Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. All assets and liabilities are required to be classified in their entirety based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation.

The Company classifies fair value balances based on the fair value hierarchy defined as follows:

Level 1 - Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date;

Level 2 - Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data; and

Level 3 - Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and are subject to cost benefit constraints.

The carrying amounts of the Company's financial instruments, including cash, short-term investments, and trade accounts receivable and payable, approximate their fair values due to the short-term nature of these instruments as of September 30, 2022 and December 31, 2021. The carrying amount of the Company's short-term debt approximates its fair value due to the fact that such debt is comprised of a series of draws that individually are for periods of less than one year, but can be refinanced with other renewals or extensions (See Note 5). Due to the observable short-term time elements and low interest rates associated with cash, cash equivalents, accounts receivable and draws on the long-term debt, all such financial instruments' measurements are classified with Level 2 inputs.

As discussed in Note 5, Commitments and Contingencies, the Company has recorded a Deferred earn-out liability, which is remeasured each period. As of September 30, 2022 and December 31, 2021 the estimated fair value of such liability was $4,745 and $5,900, respectively. The fair value is estimated using discounted cash flow techniques based on estimated future fresh water deliveries and appropriate discount rates. Given the unobservable nature of the inputs, the fair value measurement of the Deferred earn-out is deemed to use Level 3 inputs. The Company recognized a reduction of the earn-out liability of $1,155 and $935 for the periods ended September 30, 2022 and 2021, respectively, by making obligatory payments resulting from the earn-out obligation.

(All dollar amounts in thousands unless otherwise noted)

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of an infectious respiratory disease caused by a new coronavirus, known as COVID-19 (COVID). In response, most U.S. states have implemented measures to combat the outbreak of COVID and such responses have impacted operations of U.S. businesses. As of the date of the issuance of the Company's September 30, 2022 combined financial statements, the Company's operations have been impacted by COVID and the Company continues to monitor the situation, but no impairments to the Company's accounts were recorded, as no triggering events or material changes in operational circumstances resulting from COVID had occurred. However, due to uncertainty surrounding COVID, management's judgment regarding this could change in the future. In addition, while the Company's results of operations, cash flows, and financial condition could be impacted by COVID, the extent of the impact cannot be reasonably estimated at this time.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at:

	September 30, 2022	December 31, 2021
Plant facilities and buildings	$ 156,870	$ 156,763
Pipeline	76,256	76,082
Rights-of-way	8,591	8,529
Water wells	6,029	6,029
Vehicles, equipment and tools	2,826	2,640
Pumping stations	1,143	1,143
Computers and software	513	492
Water tanks	569	569
Leasehold improvements	284	284
Land	262	262
Furniture and fixtures	46	46
Construction work in process	15,680	4,143
Total property, plant and equipment	269,069	256,982
Less accumulated depreciation	(84,658)	(75,278)
Net property, plant and equipment, net	$ 184,411	$ 181,704

Depreciation expense for the nine months ended September 30, 2022 and 2021 was $9,435 and $9,468, respectively.

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 2022 and 2021, the Company had goodwill of $1,484 recorded within the SEI reporting unit. As discussed above in Note 2, the Company's goodwill is evaluated for impairment annually at year-end or when events or circumstances occur, indicating that goodwill might be impaired. In performing the goodwill impairment analysis, the Company assessed relevant macroeconomic, industry and entity-specific events and circumstances, seeking to identify the presence of Triggering Events and determined that no Triggering Events existed as of September 30, 2022 and 2021.

(All dollar amounts in thousands unless otherwise noted)

Other intangible assets consisted of the following at:

	September 30, 2022	December 31, 2021
Water rights	8,436	8,436
Noncompete agreement (5 year lives)	5,610	5,610
Customer relationship (5 - 20 year lives)	4,485	4,485
Customer contracts (1 - 20 year lives)	1,495	1,495
Total intangible assets	20,026	20,026
Less accumulated amortization	(9,672)	(9,510)
Other intangible assets, net	$ 10,354	$ 10,516

Amortization expense for the nine months ended September 30, 2022 and 2021 were $163 and $1,107, respectively. Estimated future amortization expense related to intangible assets held as of September 30, 2022, is as follows:

Periods Ending September 30,	
2022	$ 55
2023	217
2024	217
2025	217
2026	217
Thereafter	995

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Company had one $1,500 letter of credit (LOC) posted on its behalf by SIH to support operations as of September 30, 2022, and one $1,500 letter of credit (LOC) posted on its behalf by SIH to support operations as of December 31, 2021. For the nine months ended September 30, 2022 and the year ended December 31, 2021, these LOCs had not been drawn upon.

In 2016, the Company acquired certain assets to enable CWP to supply fresh water to oil and gas production companies through its Centennial Water System. Terms and conditions of this acquisition require the Company to pay the entity from which it acquired such assets (the Seller) a percentage of future revenues derived from the supply of fresh water to oil and gas production companies. As of September 30, 2022 and December 31, 2021, the fair market value of the Company's obligation (the Deferred earn-out) to the Seller were $4,745 and $5,900, respectively. The term of Deferred earn-out is finite and contingent upon the amount of fresh water supply revenue earned by the Company in future years.

Prior to and during the nine months ended September 30, 2022 and the year ended December 31, 2021, the Company entered into multiple non-cancelable operating leases of compression equipment, gas processing equipment, gas treating equipment, office printing and copying equipment for which payment obligations exist through 2026. Also, in 2012, the Company entered into a non-cancelable operating lease of office space for which payment obligations existed through 2018. This lease was amended in 2014 to increase the amount of leased office space and the corresponding payments but it did not extend the term of the payment obligations. This lease for operating space was amended and extended in 2018 and again in 2021 and such amendment imposed the company with payment obligations through September 24, 2021. Also, in 2021, the company entered into a non-cancelable operating sublease of office space for which payment obligations existed through June 30, 2022.

(All dollar amounts in thousands unless otherwise noted)

Lease expense was $2,179 and $1,839 for the nine months ended September 30, 2022 and 2021, respectively. The office lease commitment expired on September 24, 2021. The office sublease commitment expired on June 30, 2022. Remaining terms for equipment leases range from six months to five years.

From time to time, the Company has been and may be involved in legal proceedings arising from the normal course of its business. The Company is not aware of any pending or threatened litigation against the Company that it believes could have a material adverse effect on its business, operating results, financial condition or cash flows.

The table below summarizes the Company's future payment commitments under noncancelable operating and leases and firm transportation agreements as of September 30, 2022:

Periods Ending September 30,		
2022	$	470
2023		1,029
2024		709
2025		709
2026		177
Thereafter		-
Total	$	3,094

NOTE 6 - SUBSEQUENT EVENTS

The Company evaluated its September 30, 2022 financial statements for subsequent events through February 14, 2023, which represents the date that the condensed combined financial statements were available to be issued. On December 1, 2022, SIH sold 100% of its interest in each of the Conveyed Entities (SEI, CWP and GEM) of the Company to Summit Midstream Partners, LP (NYSE: SMLP). No other subsequent events have occurred that, except as previously disclosed, would require recognition or disclosure in the combined financial statements or the notes thereto.

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES

PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

December 2022 acquisitions of Outrigger DJ Midstream and Sterling DJ.

As previously disclosed, on December 1, 2022, Summit Midstream Holdings, LLC (“SMP Holdings”), a wholly owned subsidiary of Summit Midstream Partners, LP (including its subsidiaries, collectively “SMLP” or the “Partnership”), completed the acquisition of Outrigger DJ Midstream LLC (“Outrigger DJ”) from Outrigger Energy II LLC, for cash consideration of $165.0 million, subject to post-closing adjustments and each of Sterling Energy Investments LLC, Grasslands Energy Marketing LLC and Centennial Water Pipelines LLC (collectively, “Sterling DJ”) from Sterling Investment Holdings LLC, for cash consideration of $140.0 million, subject to post-closing adjustments (collectively the “DJ Acquisitions”), each pursuant to definitive agreements, dated October 14, 2022 (collectively the “DJ Purchase Agreements”). The DJ Purchase Agreements contain customary representations and warranties, covenants and indemnification provisions. Outrigger DJ and Sterling DJ own natural gas gathering and processing systems, a crude oil gathering system, freshwater rights and a freshwater delivery system located near the Partnership’s Hereford assets in Weld County, Colorado.

September 2022 disposition of Bison Gathering System.

As previously disclosed on September 19, 2022, the Partnership, completed the sale of Bison Midstream, LLC (“Bison Midstream”) (the “Bison Sale”) to a subsidiary of Steel Reef Infrastructure Corp. (“Steel Reef”) for cash consideration of $36.7 million, which was net of cash disposed of and includes certain working capital adjustments, pursuant to a purchase agreement, dated September 19, 2022, by and between SMP Holdings and Steel Reef US Corp. (the “Purchase Agreement”). Bison Midstream owns a gas gathering system in the Burke and Mountrail counties of North Dakota. The Purchase Agreement contains customary representations and warranties, covenants and indemnification provisions.

June 2022 disposition of Lane G&P System.

As previously disclosed, on June 30, 2022, the Partnership completed the sale of Summit Midstream Permian, LLC (“Summit Permian”) (the “Permian Sale”) to a wholly owned subsidiary of Matador Resources Company (“Matador”) and received cash of approximately $75.1 million, which was net of cash disposed of and included certain working capital adjustments. In connection with the sale, a subsidiary of Matador also assumed the Partnership’s take-or-pay firm capacity on the Partnership’s Double E Pipeline joint venture (“Double E Pipeline”). The Partnership is the operator of the Double E Pipeline joint venture and owns a 70% interest.

Unaudited Pro Forma Condensed Combined Financial Statements

The following unaudited pro forma condensed combined financial statements of the Partnership are presented to illustrate the effect to the Partnership’s historical financial position and operating results of (i) the acquisition of Outrigger DJ, (ii) the acquisition of Sterling DJ, (iii) the Permian Sale, (iv) the Bison Sale (v) the financing activities completed by the Partnership to close the DJ Acquisitions and (vi) the assumption of the Partnership’s take-or-pay firm capacity on the Double E Pipeline by a subsidiary of Matador.

The Bison Sale, the Permian Sale, and each of the DJ Acquisitions constituted significant transactions for purposes of Item 2.01 of Form 8-K. As a result, the Partnership prepared the accompanying unaudited pro forma condensed combined financial statements in accordance with Article 11 of Regulation S-X. Neither of the divestitures qualified as a discontinued operation because neither divestiture represented a strategic shift that will have a major effect on SMLP’s operations or financial results.

Certain historical amounts of Outrigger DJ and Sterling DJ have been reclassified to conform to the Partnership’s financial statement presentation. The accompanying Summit Midstream Partners, LP unaudited pro forma condensed combined balance sheet as of September 30, 2022 has been prepared to give effect to (i) known subsequent event purchase price settlements related to the Bison Sale and (ii) the DJ Acquisitions as if they had occurred on September 30, 2022. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2021 and for the nine months ended September 30, 2022 have been prepared to give effect to the DJ Acquisitions, the Bison Sale, and the Permian Sale as if they had occurred on January 1, 2021.

The unaudited pro forma condensed combined balance sheet and statements of operations included herein are for information purposes only and are not necessarily indicative of the results that might have occurred had the divestiture or acquisition taken place on the respective dates assumed. Actual results may differ significantly from those reflected in the unaudited condensed combined pro forma financial statements for various reasons, including but not limited to, the anticipated realization of ongoing savings from operating efficiencies, or offsetting unknown or underestimated preacquisition liabilities, and the differences between the assumptions used to prepare the unaudited pro forma condensed combined financial statements and actual results.

The pro forma adjustments in the unaudited pro forma condensed combined balance sheet and the statements of operations included herein include the use of estimates and assumptions as described in the accompanying notes. The pro forma adjustments are based on information available to the Partnership at the time these unaudited pro forma condensed combined financial statements were prepared. The Partnership believes its current estimates provide a reasonable basis of presenting the significant effects of the transaction. However, the estimates and assumptions are subject to change as additional information becomes available. The unaudited pro forma condensed combined financial statements only include adjustments related to the DJ Acquisitions, the Bison Sale, and the Permian Sale.

This pro forma information is based on the historical consolidated financial statements of SMLP and should be read in conjunction with the condensed consolidated financial statements and accompanying footnotes included in the Partnership's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2022 and the consolidated financial statements and accompanying footnotes in its Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities Exchange Commission on November 7, 2022 and February 28, 2022, respectively.

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED BALANCE SHEET (UNAUDITED)
As of September 30, 2022

(In thousands, except unit amounts)	SMLP Historical	Bison Conforming Adjustments		Outrigger DJ Historical	Outrigger DJ Conforming Adjustments (a)		Sterling DJ Historical	Sterling DJ Conforming Adjustments (b)		Pro forma Combined
ASSETS										
Cash and cash equivalents	$ 10,450	$ —		$ 2,221	$ (1,221)	(a)	$ 1,939	$ (1,439)	(b)	$ 11,950
Restricted cash	3,514	—		—	—		—	—		3,514
Accounts receivable	57,593	(1,000)	(d)	11,327	(3,802)	(a)	14,598	(448)	(b)	78,268
Other current assets	4,834	—		557	1,256	(a)	3,006	3,348	(b)	13,001
Total current assets	76,391	(1,000)		14,105	(3,767)		19,543	1,461		106,733
Property, plant and equipment, net	1,477,051	—		189,724	(46,937)	(a)	184,411	(82,130)	(b)	1,722,119
Intangible assets, net	144,002	—		—	21,447	(a)	10,354	28,325	(b)	204,128
Investment in equity method investees	513,974	—		—	—		—	—		513,974
Other noncurrent assets	28,254	—		55	(55)	(a)	1,486	8,379	(b)	38,119
TOTAL ASSETS	$ 2,239,672	$ (1,000)		$ 203,884	$ (29,312)		$ 215,794	$ (43,965)		$ 2,585,073
LIABILITIES AND CAPITAL										
Trade accounts payable	$ 9,448	$ —		$ 418	$ 431	(a)	$ 10,167	$ (2,794)	(b)	$ 17,670
Accrued expenses [1]	22,209	—		8,458	(2,366)	(a)	3,576	6,691	(b)	38,568
Deferred revenue	9,176	—		—	—		—	—		9,176
Accrued interest	34,185	—		—	—		—	—		34,185
Accrued environmental remediation	1,604	—		—	—		—	—		1,604
Current portion of long-term debt	9,009	—		—	—		—	—		9,009
Other current liabilities	11,474	—		—	—		—	2,428	(b)	13,902
Total current liabilities	97,105	—		8,876	(1,935)		13,743	6,325		124,114
Long-term debt, net	1,165,189	—			160,002	(c)	—	132,114	(c)	1,457,305
Noncurrent deferred revenue	38,793	—			—		—	—		38,793
Noncurrent accrued environmental remediation	2,272	—			—		—	—		2,272
Other noncurrent liabilities	29,269	—		3,700	(3,700)	(a)	4,745	8,602	(b)	42,616
Total liabilities	1,332,628	—		12,576	154,367		18,488	147,041		1,665,100
Commitments and contingencies										
Mezzanine Capital										
Subsidiary Series A Preferred Units	115,223	—			—		—	—		115,223
Partners' Capital										
Series A Preferred Units	83,252	—			—		—	—		83,252
Common limited partner capital	708,569	(1,000)	(e)	191,308	(183,679)	(e)	197,306	(191,006)	(e)	721,498
Total partners' capital	791,821	(1,000)		191,308	(183,679)		197,306	(191,006)		804,750
TOTAL LIABILITIES AND CAPITAL	$ 2,239,672	$ (1,000)		$ 203,884	$ (29,312)		$ 215,794	$ (43,965)		$ 2,585,073

[1] Accrued expenses include, after the effects of conforming adjustments, $8.5 million of ad valorem taxes payable and $9.7 million of accrued compensation and employee benefits.

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (UNAUDITED)
For the Nine Months Ended September 30, 2022

(In thousands, except per-unit amounts)	SMLP Historical	Outrigger DJ Historical	Outrigger DJ Conforming Adjustments	Sterling DJ Historical	Sterling DJ Conforming Adjustments	Permian Disposition Adjustments	Bison Disposition Adjustments	Financing Conforming Adjustments	Pro forma Combined
Revenues:									
Gathering services and related fees	$ 187,465	$ 533	$ —	$ —	$ —	$ (3,669) (f)	$ (196) (f)	$ —	$ 184,133
Natural gas, NGLs and condensate sales	67,364	83,642	—	104,048	—	(30,003) (f) (h)	(41,224) (f)	—	183,827
Other revenues	29,042	—	—	7,971	—	(531) (f)	(9,867) (f)	—	26,615
Total revenues	283,871	84,175	—	112,019	—	(34,203)	(51,287)	—	394,575
Costs and expenses:									
Cost of natural gas and NGLs	64,162	63,927	—	76,783	—	(19,081) (f) (h)	(40,044) (f)	—	145,747
Operation and maintenance	61,216	3,692	—	11,597	—	(3,082) (f)	(4,970) (f)	—	68,453
General and administrative	31,983	221	—	3,512	40 (l)	(358) (f)	(274) (f)	—	35,124
Depreciation and amortization	89,397	7,586	(2,551) (l)	9,597	(46) (l)	(2,733) (f)	(1,561) (f)	—	99,689
Transaction costs	1,750	—	—	—	—	—	—	—	1,750
(Gain) loss on asset sales, net	(409)	(2,151)	—	—	—	13 (j)	(13) (f)	—	(2,560)
Long-lived asset impairments	91,644	—	—	—	—	(84,516) (j)	(6,945) (j)	—	183
Total costs and expenses	339,743	73,275	(2,551)	101,489	(6)	(109,757)	(53,807)	—	348,386
Other income (expense), net	(4)	141	—	(639)	—	—	—	—	(502)
Gain on interest rate swaps	16,491	—	—	—	—	—	—	—	16,491
Loss on sale of business	(85)	—	—	—	—	—	—	—	(85)
Interest expense	(73,982)	—	—	1	—	—	—	(14,970) (g)	(88,951)
Income (loss) before income taxes and equity method investment income	(113,452)	11,041	2,551	9,892	6	75,554	2,520	(14,970)	(26,858)
Income tax expense	(307)	—	—	—	—	—	—	—	(307)
Income from equity method investees	14,162	—	—	—	—	—	—	—	14,162
Net income (loss)	$ (99,597)	$ 11,041	$ 2,551	$ 9,892	$ 6	$ 75,554	$ 2,520	$ (14,970)	$ (13,003)
Net income attributable to Subsidiary Series A Preferred Units	(12,155)	—	—	—	—	—	—	—	(12,155)
Net income (loss) attributable to Summit Midstream Partners, LP	$ (111,752)	$ 11,041	$ 2,551	$ 9,892	$ 6	$ 75,554	$ 2,520	$ (14,970)	$ (25,158)
Less: net income attributable to Series A Preferred Units	(6,070)	—	—	—	—	—	—	—	(6,070)
Add: deemed contribution from Preferred Exchange Offer	20,974	—	—	—	—	—	—	—	20,974
Net income attributable to common limited partners	$ (96,848)	$ 11,041	$ 2,551	$ 9,892	$ 6	$ 75,554	$ 2,520	$ (14,970)	$ (10,254)
Net income per limited partner unit:									
Common unit – basic	$ (9.68)								$ (1.03)
Common unit – diluted	$ (9.68)								$ (1.03)
Weighted-average limited partner units outstanding:									
Common units – basic	10,003								10,003
Common units – diluted	10,003								10,003

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

SUMMIT MIDSTREAM PARTNERS, LP AND SUBSIDIARIES
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (UNAUDITED)
For the Year Ended December 31, 2021

(In thousands, except per-unit amounts)	SMLP Historical	Outrigger DJ Historical	Outrigger DJ Conforming Adjustments	Sterling DJ Historical	Sterling DJ Conforming Adjustments	Permian Disposition Adjustments	Bison Disposition Adjustments	Financing Conforming Adjustments	Pro forma Combined
Revenues:									
Gathering services and related fees	$ 281,705	$ 933	$ —	$ —	$ —	$ (8,229) (f)	$ (223) (f)	$ —	$ 274,186
Natural gas, NGLs and condensate sales	82,768	73,525	—	90,404	—	(28,767) (f) (h)	(47,470) (f)	—	170,460
Other revenues	36,145	—	—	6,241	—	(481) (f)	(14,764) (f)	—	27,141
Total revenues	400,618	74,458	—	96,645	—	(37,477)	(62,457)	—	471,787
Costs and expenses:									
Cost of natural gas and NGLs	81,969	64,250	—	59,958	—	(30,163) (f) (h)	(47,637) (f)	—	128,377
Operation and maintenance	74,178	5,425	—	12,469	268 (l)	(5,585) (f)	(7,676) (f)	—	79,079
General and administrative	58,166	192	—	6,010	53 (k)	(478) (f)	(305) (f)	—	63,638
Depreciation and amortization	119,076	9,624	(3,199) (l)	14,006	(51) (l)	(5,858) (f)	(2,160) (f)	—	131,438
Transaction costs	1,677	—	2,262 (i)	—	2,734 (i)	935 (i)	350 (i)	—	7,958
Gain on asset sales, net	(369)	(4,212)	—	—	—	—	—	—	(4,581)
Long-lived asset impairments	10,151	—	—	—	—	(595) (f)	(41) (f)	—	9,515
Total costs and expenses	344,848	75,279	(937)	92,443	3,004	(41,744)	(57,469)	—	415,424
Other expense, net	(613)	—	—	(1,173)	—	—	—	—	(1,786)
Loss on ECP Warrants	(13,634)	—	—	—	—	—	—	—	(13,634)
Interest Expense	(66,156)	—	—	23	—	—	—	(14,890) (g)	(81,023)
Gain/loss on early extinguishment of debt	(3,523)	—	—	—	—	—	—	—	(3,523)
Income (loss) before income taxes and equity method investment income	(28,156)	(821)	937	3,052	(3,004)	4,267	(4,988)	(14,890)	(43,603)
Income tax (expense) benefit	327	—	—	—	—	—	—	—	327
Income from equity method investees	7,880	—	—	—	—	—	—	—	7,880
Net income (loss)	$ (19,949)	$ (821)	$ 937	$ 3,052	$ (3,004)	$ 4,267	$ (4,988)	$ (14,890)	$ (35,396)
Net income attributable to Subsidiary Series A Preferred Units	(16,667)	—	—	—	—	—	—	—	(16,667)
Net income attributable to Summit Midstream Partners, LP	$ (36,616)	$ (821)	$ 937	$ 3,052	$ (3,004)	$ 4,267	$ (4,988)	$ (14,890)	$ (52,063)
Less: net income attributable to Series A Preferred Units	(15,998)	—	—	—	—	—	—	—	(15,998)
Add: deemed contribution from Preferred Exchange Offer	8,326	—	—	—	—	—	—	—	8,326
Net income (loss) attributable to common limited partners	$ (44,288)	$ (821)	$ 937	$ 3,052	$ (3,004)	$ 4,267	$ (4,988)	$ (14,890)	$ (59,735)
Net loss per limited partner unit:									
Common unit – basic	$ (6.57)								$ (8.86)
Common unit – diluted	$ (6.57)								$ (8.86)
Weighted-average limited partner units outstanding:									
Common units – basic	6,741								6,741
Common units – diluted	6,741								6,741

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combined financial statements (the "Pro Forma Financial Statements") were prepared in accordance with Article 11 of Regulation S-X and are based on the historical financial information of SMLP, Outrigger DJ, and Sterling DJ. Presented in the Pro Forma Financial Statements are the acquisition impacts of the DJ Acquisitions, including the related impact of financing the DJ Acquisitions, and the disposition impacts of the Permian Sale and the Bison Sale. Neither of the divestitures qualified as a discontinued operation because neither divestiture represented a strategic shift that will have a major effect on SMLP's operations or financial results.

Certain transaction accounting adjustments have been made in order to show the effects of the DJ Acquisitions in the Pro Forma Financial Statements. These adjustments are preliminary and involve management estimates about fair value, liabilities assumed, and the useful lives of the assets acquired, among others.

The accounting adjustments are described in the accompanying notes and are based on available information and certain assumptions that SMLP believes are reasonable; however, actual results may differ from those reflected in these statements. The Pro Forma Financial Statements do not purport to represent what SMLP's financial position or results of operations would have been if the DJ Acquisitions, the Permian Sale, and the Bison Sale had occurred on the dates described in the Pro Forma Financial Statements, and they may not be indicative of SMLP's future financial position or results of operations. Certain information normally included in financial statements and the accompanying notes has been condensed or omitted. The Pro Forma Financial Statements should be read in conjunction with the historical financial statements and related notes of Outrigger DJ and Sterling DJ for the periods presented.

The pro forma condensed combined balance sheet as of September 30, 2022 gives effect to the acquisition of Sterling DJ and Outrigger DJ as if they had been completed on September 30, 2022 and also includes known subsequent event purchase price settlements related to the Bison Sale. The pro forma condensed statement of operations for the nine months ended September 30, 2022 gives effect to the DJ Acquisitions, the Permian Sale, and the Bison Sale as if they had been completed on January 1, 2021. The pro forma condensed combined statement of operations for the year ended December 31, 2021 gives effect to the DJ Acquisitions, the Permian Sale, and the Bison Sale as if they had been completed on January 1, 2021.

The unaudited condensed combined pro forma balance sheet as of September 30, 2022 and the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2022 and the year ended December 31, 2021 have been compiled in a manner consistent with the accounting policies adopted by SMLP. Certain reclassifications and adjustments have also been made to the historical financial information of Outrigger DJ and Sterling DJ presented herein to conform to SMLP's historical presentation.

The unaudited pro forma condensed combined statements reflect the following adjustments:

Balance Sheet

"Historical" - represents the historical unaudited condensed combined balance sheets of SMLP, Outrigger DJ and Sterling DJ as of September 30, 2022.

Outrigger DJ

(a) Reflects adjustments for cash consideration paid of $167.6 million and preliminary fair value measurements of the assets acquired and liabilities assumed by the Partnership for the acquisition of Outrigger DJ.

The acquisition of Outrigger DJ was accounted for using the acquisition method of accounting for business combinations. The preliminary purchase price was allocated to the net assets acquired based upon their estimated fair values. The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and therefore represent Level 3 inputs. These inputs require significant judgments and estimates, as a result, the provisional measurements are preliminary and subject to change during the measurement period and such changes could be material.

The Partnership estimates the fair value of Outrigger DJ to be approximately $167.6 million, which it considers to be representative of the price paid by a typical market participant. This measurement resulted in no goodwill or bargain purchase price being recognized. The transaction costs are estimated to be $3.9 million and were expensed as incurred.

The following table summarizes the consideration paid for the Outrigger DJ acquisition and the fair value of assets acquired and liabilities assumed:

(in thousands)		
Cash consideration paid for Outrigger DJ, including adjustments for working capital	$	167,631
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable		7,525
Other current assets (including $1.0 million of cash acquired)		2,813
Property, plant and equipment		142,787
Intangible assets		21,447
Trade accounts payable, accrued expenses and other		(6,941)
Net assets acquired	$	167,631

Sterling DJ

(b) Reflects adjustments for cash consideration paid of $138.4 million and preliminary fair value measurements of assets acquired and liabilities assumed by the Partnership for the Sterling DJ acquisition, including $9.9 million of lease assets, recognized within other non-current assets, and the corresponding liability, recognized within other current and non-current liabilities, as a result of applying SMLP's accounting policies to the private company financial statements of Sterling DJ.

The acquisition of Sterling DJ was accounted for using the acquisition method of accounting for business combinations. The preliminary purchase price was allocated to the net assets acquired based upon their estimated fair values. The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and therefore represent Level 3 inputs. These inputs require significant judgments and estimates, as a result, the provisional measurements are preliminary and subject to change during the measurement period and such changes could be material.

The Partnership estimates the fair value of Sterling DJ to be approximately $138.4 million, which it considers to be representative of the price paid by a typical market participant. This measurement resulted in no goodwill or bargain purchase price being recognized. The transaction costs are estimated to be $2.5 million and were expensed as incurred. The Partnership continues to assess the acquired liabilities of Sterling DJ and ongoing assessments primarily relate to outstanding litigation and other legal compliance matters that existed prior to December 1, 2022.

The following table summarizes the consideration paid for the Sterling DJ acquisition and the fair value of assets acquired and liabilities assumed:

(in thousands)		
Cash consideration paid for Sterling DJ, including adjustments for working capital	$	138,414
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable		14,150
Other current assets (includes $0.5 million of cash acquired)		6,854
Property, plant and equipment, net		102,281
Intangible assets		38,679
Other non-current assets		9,865
Trade accounts payable, accrued expenses and other		(20,068)
Other non-current liabilities	$	(13,347)
Net assets acquired	$	138,414

(c) The DJ Acquisitions were financed through a combination of borrowings under SMLP's asset-based lending credit facility governed by the ABL Agreement (the "ABL Facility") and the issuance of $85.0 million aggregate principal amount of 8.500% Senior Secured Second Lien Notes due 2026 (the "Additional 2026 Secured Notes"). The DJ Acquisitions represent a reinvestment of approximately $115.0 million of the net proceeds received from the previously announced Permian Sale and Bison Sale.

(d) Adjustment related to an updated net working capital calculation in connection with the Bison Sale.

(e) Reflects the elimination of historical equity in accordance with the acquisition method of accounting.

Income Statement

"Historical" - represents the historical consolidated statements of operations SMLP, Outrigger DJ, and Sterling DJ for the nine months ended September 30, 2022 and for the year ended December 31, 2021.

(f) Adjustments are to eliminate revenues and costs from the Partnership's consolidated results of operations resulting from the Bison Sale and the Permian Sale.

(g) Interest expense is adjusted to include the impact of approximate reductions of $75.0 million and $40.0 million to SMLP's ABL Facility with proceeds received from the Permian Sale and Bison Sale, respectively, as well as the impact of the incremental borrowings for the DJ Acquisitions under the ABL Facility and issuance of $85.0 million of additional 2026 Secured Notes.

For the nine months ended September 30, 2022, the pro forma adjustment includes a reduction of interest expense of $1.6 million and $1.4 million related to the Permian Sale and Bison Sale, respectively and an increase of $15.4 million related to the DJ Acquisitions, which reflect rates on the ABL Facility applicable to the nine months ended September 30, 2022. For the year ended December 31, 2021, the pro forma adjustment includes a reduction of interest expense of $2.6 million and $1.4 million related to the Permian Sale and Bison Sale, respectively and an increase of $15.4 million related to the DJ acquisitions, which reflect rates on the applicable credit facility for the year ended December 31, 2021.

Additionally, interest expense is adjusted to reflect the impact of the amortization of issuance costs in connection with the $85.0 million of additional borrowings on the 2026 Secured Notes.

(h) Includes the impact of the termination of certain sales agreements as well as the assumption of the Partnership's take-or-pay firm capacity on the Double E Pipeline, by a subsidiary of Matador Resources Company, resulting from the Permian Sale, for the year ended December 31, 2021 and for the nine months ended September 30, 2022. The Partnership's Contractual Obligation Table, included in Part II of its Form 10-K for the fiscal year ended December 31, 2021, disclosed Double E Pipeline take-or-pay firm capacity obligations of $2.6 million, $2.6 million, $2.7 million, $3.3 million, and $3.3 million for the fiscal years ended December 31, 2022, 2023, 2024, 2025, and 2026, respectively.

(i) To adjust for unrecognized transaction costs associated with the DJ Acquisitions, the Bison Sale and the Permian Sale.

(j) To adjust for asset impairments and losses recognized as a result of the Permian Sale and the Bison Sale.

(k) To adjust lease expense as a result of applying SMLP's accounting policies to the private company financial statements of Sterling DJ in accordance with FASB ASC 842.

(l) To reflect adjustments as a result of applying SMLP's accounting policies for fixed asset useful lives and fixed asset capitalization criteria.