CNX Midstream Partners LP

MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

CNX Midstream Partners LP

As of December 31, 2020 and 2019 and for the Years Ended December 31, 2020, 2019 and 2018

CNX MIDSTREAM PARTNERS LP

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

The following analysis of our results of operations should be read in conjunction with our consolidated financial statements and the related notes included herein. The following discussion and analysis may contain forward-looking statements that involve known and unknown risks, uncertainties and assumptions. The forward-looking statements are not historical facts, but rather reflect our future plans, estimates, beliefs and expected performance. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

This section has been limited to the discussion for the two most recent fiscal years. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this section can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as filed with the SEC on February 10, 2020.

Overview

CNX Midstream Partners LP (the "Partnership", or "we", "us", or "our") ("CNXM") is focused on the ownership, operation, development and acquisition of midstream energy infrastructure in the Appalachian Basin. We currently provide midstream services to our customers' production in the Marcellus Shale and Utica Shale in Pennsylvania and West Virginia under long-term, fixed-fee contracts. Our assets include natural gas gathering pipelines and compression and dehydration facilities, as well as condensate gathering, collection, separation and stabilization facilities. We are a wholly owned subsidiary of CNX Resources Corporation (NYSE: CNX) ("CNX Resources"). Accordingly, CNX Resources is the sole Sponsor of the Partnership, and we may refer to CNX Resources as the "Sponsor" throughout this report.

COVID-19 Pandemic

CNXM continues to monitor the current and potential impacts of the coronavirus COVID-19 ("COVID-19") pandemic on all aspects of our business and geographies, including how it has impacted, and may in the future, impact our operations, financial results, liquidity, contractors, customers, and vendors. The Partnership also continues to monitor a number of factors that may cause actual results of operations to differ from our historical results or current expectations. These and other factors could affect the Partnership's operations, earnings and cash flows for any period and could cause such results to not be comparable to those of the same period in previous years. The results presented in this report are not necessarily indicative of future operating results.

While CNXM did not incur significant disruptions to operations during the year ended December 31, 2020 as a direct result of the COVID-19 pandemic, CNXM is unable to predict the impact that the COVID-19 pandemic will have on us, including our financial position, operating results, liquidity and ability to obtain financing in future reporting periods, due to numerous uncertainties.

The full extent of the future impact of the COVID-19 pandemic on the Partnership's operational and financial performance is currently uncertain and will depend on many factors outside the Partnership's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic, the development and availability of effective treatments and vaccines, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products.

Recent Business Developments

Sale of the Additional Systems

On December 31, 2020, the Partnership sold its 5% interest in the Additional Systems to CNX Gathering, LLC (a related party) whereby the Partnership agreed to transfer, sell, convey and assign to CNX Gathering, and CNX Gathering agrees to purchase and acquire, all right, title and interest in and to the Subject Interests, which Subject Interests, in the aggregate, represent 100% of all of the limited liability company interests in the Additional Systems and have a value equal to 100% of the equity value of Additional Systems, in exchange for $3.65 million ("Sale of the Additional Systems").

Merger Agreement

On July 26, 2020, CNX entered into an Agreement and Plan of Merger (the "Merger Agreement") with CNXM, CNX Midstream GP LLC (the "General Partner") and CNX Resources Holding LLC., a wholly owned subsidiary of CNX ("Merger Sub"), pursuant to which Merger Sub merged with and into CNXM with CNXM surviving as an indirect wholly owned subsidiary of CNX (the "Merger Transaction"). On September 28, 2020, the Merger Transaction was completed and CNX issued 37,054,223 shares of common stock to acquire the 42,107,071 common units of CNXM not owned by CNX prior to the Merger Transaction at a fixed exchange ratio of 0.88 shares of CNX common stock for each CNXM common unit, for total implied consideration of $384.6 million. As a result of the Merger Transaction and subsequent delisting of the Partnership's common units, CNXM's common units are no longer publicly traded.

Except for the Class B units of CNXM, which were automatically canceled immediately prior to the effective time of the Merger Transaction for no consideration in accordance with CNXM's partnership agreement, the interests in CNXM owned by CNX and its subsidiaries remain outstanding as limited partner interests in the surviving entity. The General Partner will continue to own the non-economic general partner interest in the surviving entity.

IDR Elimination Transaction

On January 29, 2020, prior to the Merger Transaction, CNX and CNXM had entered into agreements and consummated a transaction that eliminated CNXM's incentive distribution rights ("IDRs") held by the General Partner and converted the 2.0% general partner interest in CNXM into a non-economic general partnership interest (collectively, the "IDR Elimination Transaction").

CNX received the following under the IDR Elimination Transaction in exchange for the cancellation of the IDRs and conversion of the 2.0% general partner interest:

- 26 million CNXM common units;
- Three million new CNXM Class B units, which were subsequently canceled immediately prior to the effective time of the Merger Transaction for no consideration in accordance with CNXM's partnership agreement;
- $135.0 million, to be paid in three installments of $50.0 million due December 31, 2020, $50.0 million due December 31, 2021 and $35.0 million due December 31, 2022, which in November 2020 were canceled and terminated in connection with the Merger Transaction.

2020 Highlights

- During the year ended December 31, 2020, the Partnership achieved its highest gross throughput levels since its IPO, culminating with 1,878 BBtu/day gathered during the year ended December 31, 2020 compared to 1,821 BBtu/day gathered during the year ended December 31, 2019. Net to the Partnership, throughput levels were 1,793 BBtu/day during the year ended December 31, 2020 compared to 1,743 BBtu/day during the year ended December 31, 2019. See "Results of Operations" below for additional information related to throughput levels.

- Although total volumes gathered increased 3.1%, operating expenses decreased by approximately 1.9% after adjusting for the electrically-powered compression expense reimbursement in the year ended December 31, 2020 when compared to the prior year period. This was primarily due to continued adherence to cost control initiatives implemented by our operations team over the past few years.

Results of Operations

Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

	For the Years Ended December 31,			
(in thousands)	2020	2019	Change ($)	Change (%)
Revenue				
Gathering revenue — related party	$ 239,535	$ 231,482	$ 8,053	3.5 %
Gathering revenue — third party	62,750	74,315	(11,565)	(15.6)%
Miscellaneous income	151	—	151	100.0 %
Total Revenue	302,436	305,797	(3,361)	(1.1)%
Expenses				
Operating expense — related party	16,089	22,943	(6,854)	(29.9)%
Operating expense — third party	28,599	23,964	4,635	19.3 %
General and administrative expense — related party	12,899	15,928	(3,029)	(19.0)%
General and administrative expense — third party	9,873	5,769	4,104	71.1 %
Loss on asset sales and abandonments	2,097	7,229	(5,132)	(71.0)%
Depreciation expense	32,817	24,371	8,446	34.7 %
Interest expense	33,973	30,293	3,680	12.1 %
Total Expense	136,347	130,497	5,850	4.5 %
Net Income	$ 166,089	$ 175,300	$ (9,211)	(5.3)%
Less: Net (loss) income attributable to noncontrolling interest	(639)	989	(1,628)	(164.6)%
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Midstream Partners LP	$ 166,728	$ 174,311	$ (7,583)	(4.4)%

Operating Statistics - Gathered Volumes for the Year Ended December 31, 2020

	Anchor	Additional[3]	TOTAL
Dry Gas (BBtu/d) [1]	1,033	47	1,080
Wet Gas (BBtu/d) [1]	464	42	506
Other (BBtu/d) [2]	292	—	292
Total Gathered Volumes	1,789	89	1,878

Operating Statistics - Gathered Volumes for the Year Ended December 31, 2019

	Anchor	Additional[3]	TOTAL
Dry Gas (BBtu/d) [1]	859	22	881
Wet Gas (BBtu/d) [1]	659	60	719
Other (BBtu/d) [2]	221	—	221
Total Gathered Volumes	1,739	82	1,821

[1] One billion British Thermal Units per day - BBtu/d Classification as dry or wet is primarily based upon system area. In certain situations, we may elect to allow customers to access alternate delivery points within our system, which would be a negotiated change addressed on a case-by-case basis.

[2] Includes third-party volumes we gather under high-pressure short-haul agreements (289 BBtu/d and 215 BBtu/d for the years ended December 31, 2020 and 2019, respectively) as well as condensate handling.

[3] On December 31, 2020, the Partnership sold its economic interest in the Additional Systems. See Note 1–Description of Business for additional information.

Revenue

Our revenue typically increases or decreases as our customers' production on our dedicated acreage increases or decreases. Since we charge a higher fee for natural gas that is shipped through our wet system than through our dry system, our revenue can also be impacted by the relative mix of gathered volumes by area, which may vary dependent upon our customers' elections as to where to deliver their produced volumes, which may change dynamically depending on the most current commodity prices at the time of shipment.

Total revenue decreased approximately 1.1% to $302.4 million for the year ended December 31, 2020 compared to approximately $305.8 million for the year ended December 31, 2019, due to the 29.6% decrease in gathered volumes of wet gas, which as previously mentioned incurs a higher fee, as a result of temporary production curtailments during the twelve months ended December 31, 2020 by our Sponsor and one of our third-party customers. As of December 31, 2020, all of the wet natural gas wells that were temporarily shut in have come back online.

The decrease was offset, in part, by a net increase in gathered volumes primarily resulting from dry natural gas well turn-in-line activity that occurred over the past twelve months and an increase of 32.1% in gathered other volumes. The increase in other volumes year-over-year, was primarily due to activity under short-haul gathering contracts. Volumes gathered under short-haul gathering contracts do not have as significant an impact on revenues as volumes gathered at our standard dry or wet gas rates.

Operating Expense

Total operating expenses were approximately $44.7 million for the year ended December 31, 2020 compared to approximately $46.9 million for the year ended December 31, 2019. Included in total operating expense is electrically-powered compression expense of $13.5 million for the year ended December 31, 2020 compared to $15.1 million for the year ended December 31, 2019, which was reimbursed by our customers pursuant to our gas gathering agreements (“GGAs”). Although total volumes gathered increased 3.1%, operating expenses decreased by approximately 1.9% after adjusting for the electrically-powered compression expense reimbursement in the year ended December 31, 2020 when compared to the prior year period. This was primarily due to continued adherence to cost control initiatives implemented by our operations team over the past few years.

General and Administrative Expense

General and administrative expense primarily includes direct charges for the management and operation of our assets. Total general and administrative expense was approximately $22.8 million for the year ended December 31, 2020 compared to approximately $21.7 million for the year ended December 31, 2019. The comparative increase was primarily due to transaction costs associated with the IDR Elimination Transaction that occurred during the first quarter of 2020 as well as costs associated with the Merger Transaction (see Note 1–Description of Business, in the Notes to the Consolidated Financial Statements), offset in part by lower personnel related costs as part of continuing cost reductions.

Loss on Asset Sales and Abandonments

During the year ended December 31, 2020, due to ongoing assessments of projects that generate the highest returns on invested capital, the Partnership abandoned the construction of a pipeline project that was designed to support additional production within certain areas of the Anchor System as well as land rights-of-way in both the Anchor and Additional Systems. After evaluating the amount of project spending that could be repurposed to other ongoing projects, management determined that the loss on abandoning this project and rights-of-way was $2.1 million.

During the year ended December 31, 2019, due in part to changes in customer drilling plan timing and ongoing assessments of projects that generate the highest returns on invested capital, the Partnership abandoned the construction of a compressor station that was designed to support additional production within certain areas of the Anchor Systems. After evaluating the amount of project spending that could be repurposed to other ongoing projects, management determined that the loss on abandoning the project was $7.2 million.

Depreciation

Depreciation expense is recognized on gathering and other equipment on a straight-line basis, with useful lives ranging from 25 years to 40 years. Total depreciation expense was approximately $32.8 million for the year ended December 31, 2020 compared to approximately $24.4 million for the year ended December 31, 2019. The increase was the result of additional assets placed into service over time.

Interest Expense

Interest expense is comprised of interest on our 6.5% Senior Notes due 2026 (the “Senior Notes”) as well as on the outstanding balance of our revolving credit facility. Interest expense was approximately $34.0 million in the year ended December 31, 2020 compared to approximately $30.3 million for the year ended December 31, 2019. The increase in interest expense was primarily due to a reduction in the amount of interest that was capitalized in 2020 compared to 2019. The reduction in capitalized interest was related to our long-term capital program being substantially completed in 2019. This increase in interest expense was partially offset by lower interest rates on our revolving credit facility during 2020 compared to 2019.

Liquidity and Capital Resources

Liquidity and Financing Arrangements

We have historically satisfied our working capital requirements, funded capital expenditures, acquisitions and debt service obligations, and made cash distributions with cash generated from operations, borrowings under our revolving credit facility and issuance of debt and equity securities. If necessary, we may issue additional debt securities to satisfy the expenditure requirements necessary to fund future growth. We believe that cash generated from these sources will continue to be sufficient to meet these needs in the future. Nevertheless, the ability of the Partnership to satisfy its working capital requirements, to service its debt obligations, to fund planned capital expenditures, or to pay distributions will depend upon future operating performance, which will be affected by prevailing economic conditions in the natural gas industry and other financial and business factors, including the current COVID 19 pandemic, some of which are beyond our control.

We continuously review our liquidity and capital resources. If market conditions were to change, for instance due to a significant decline in natural gas, NGLs and/or crude oil prices or uncertainty created by the COVID-19 pandemic, and our revenue was reduced significantly or operating costs were to increase significantly, our cash flows and liquidity could be reduced.

As of December 31, 2020, we were in compliance with all our debt covenants. After considering the current and potential effect of a decline in natural gas, NGLs and/or crude oil prices and the uncertainty created by the COVID-19 pandemic on our operations, the Partnership currently expects to remain in compliance with its debt covenants.

Cash Flows

Net cash provided by or used in operating activities, investing activities and financing activities were as follows for the periods presented:

	For the Years Ended December 31,		
(in millions)	**2020**	**2019**	**Change**
Net Cash Provided by Operating Activities	$ 183.2	$ 217.1	$ (33.9)
Net Cash Used in Investing Activities	$ (67.0)	$ (327.6)	$ 260.6
Net Cash (Used in) Provided by Financing Activities	$ (107.0)	$ 106.6	$ (213.6)

Net Cash Provided by Operating Activities decreased approximately $33.9 million during the year ended December 31, 2020 compared to the prior year. The change was primarily due to reductions in working capital.

Net Cash Used in Investing Activities decreased approximately $260.6 million in the current year period compared to the prior year period due primarily to the long-term capital program being completed during 2019 and the go-forward capital intensity of the Partnership being lower.

Net Cash (Used in) Provided by Financing Activities in the current year period compared to the prior year period changed primarily due to a reduction in net borrowings required to support lower levels of capital spending (investing activities) as well as a reduction in quarterly distributions to unitholders as a result of the IDR Elimination Transaction and the Merger Transaction (see Note 1–Description of Business, in the Notes to the Consolidated Financial Statements).

Indebtedness

Revolving Credit Facility

We are party to a $600.0 million secured revolving credit facility, as amended in April 2019 (our "revolving credit facility"), that matures on April 24, 2024 and includes the ability to issue letters of credit up to $100.0 million in the aggregate. The revolving credit facility has an accordion feature that allows, subject to certain terms and conditions, the Partnership to increase the available borrowings under the revolving credit facility by up to an additional $250.0 million. The available borrowing capacity under the revolving credit facility is limited by certain financial covenants pertaining to leverage and interest coverage ratios as defined in the revolving credit facility agreement.

Borrowings under the amended revolving credit facility bear interest at our option at either:

- the base rate, which is the highest of (i) the federal funds open rate plus 0.50%, (ii) PNC Bank, N.A.'s prime rate, and (iii) the one-month LIBOR rate plus 1.0%, in each case, plus a margin ranging from 0.50% to 1.50%; or
- the LIBOR rate plus a margin ranging from 1.50% to 2.50%.

We incurred interest expense of $7.4 million on our revolving credit facility (not including amortization of revolver fees) during the year ended December 31, 2020. On December 31, 2020, the Partnership had an outstanding balance on the revolving credit facility of $291.0 million and $0.03 million of letters of credit outstanding, leaving $309.0 million, available for borrowing.

For additional information on our revolving credit facility, including details relating to the amendment that was completed in April 2019, see Note 6–Revolving Credit Facility in the Notes to the Consolidated Financial Statements.

Senior Notes due 2026

On March 16, 2018, the Partnership completed a private offering of $400.0 million of 6.5% Senior Notes due 2026 (the "Senior Notes"), and received net proceeds of approximately $394.0 million, after deducting the initial purchasers' discount. In connection with the issuance of the Senior Notes, the Partnership capitalized related offering expenses, which are recorded in our Consolidated Balance Sheet as a reduction to the principal amount. Net proceeds from the Senior Notes offering were primarily used to fund the Shirley-Penns Acquisition and repay existing indebtedness under our revolving credit facility.

The Senior Notes mature on March 15, 2026 and accrue interest at a rate of 6.5% per year, which is payable semi-annually, in arrears, on March 15 and September 15. We incurred interest expense of $26.0 million (not including amortization of capitalized bond issue costs) on the Senior Notes during the year ended December 31, 2020.

For additional information regarding our Senior Notes, see Note 7–Senior Notes in the Notes to the Consolidated Financial Statements.

Contractual Obligations

The following table details the future projected payments associated with our contractual obligations as of December 31, 2020 in total and by year:

	Payments Due by Years Ending December 31,				
(thousands)	2021	2022-23	2024-25	Thereafter	Total
Revolving credit facility [1]	$ —	$ —	$ 291,000	$ —	$ 291,000
Senior Notes [2]	—	—	—	400,000	400,000
Interest on Senior Notes [2]	26,000	52,000	52,000	5,417	135,417
Total Contractual Obligations	$ 26,000	$ 52,000	$ 343,000	$ 405,417	$ 826,417

(1) We have an outstanding balance of $291.0 million on our revolving credit facility at December 31, 2020. Amounts were classified in the table above based on its maturity date of April 24, 2024 and do not include future commitment fees, interest expense or other fees on our revolving credit facility as they are variable in nature. We cannot determine with accuracy the timing of future loan advances, repayments, or future interest rates to be charged. See Note 6—Revolving Credit Facility.
(2) For additional information relating to our Senior Notes, see Note 7—Senior Notes.

Critical Accounting Policies

For a description of the Partnership's accounting policies and any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements, see Note 2—Significant Accounting Policies—Recent Accounting Pronouncements in the Notes to our Consolidated Financial Statements. The application of the Partnership's accounting policies may require management to make judgments and estimates about the amounts reflected in the Consolidated Financial Statements. If applicable, management uses historical experience and all available information to make these estimates and judgments. Different amounts could be reported using different assumptions and estimates.

As of December 31, 2020, the Partnership did not have any accounting policies that we deemed to be critical or that would require significant judgment.

Quantitative and Qualitative Disclosures about Market Risk

This information has been omitted.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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working world

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Report of Independent Auditors

To the Partners and Management of CNX Midstream Partners LP

Report on Financial Statements

We have audited the accompanying consolidated financial statements of CNX Midstream Partners LP, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, partners' capital and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CNX Midstream Partners LP at December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

February 9, 2021

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Revenue			
Gathering revenue — related party	$ 239,535	$ 231,482	$ 167,048
Gathering revenue — third party	62,750	74,315	89,620
Miscellaneous income	151	—	—
Total Revenue	302,436	305,797	256,668
Expenses			
Operating expense — related party *(Note 4)*	16,089	22,943	19,814
Operating expense — third party	28,599	23,964	27,343
General and administrative expense — related party *(Note 4)*	12,899	15,928	13,867
General and administrative expense — third party	9,873	5,769	8,595
Loss on asset sales and abandonments	2,097	7,229	2,501
Depreciation expense	32,817	24,371	21,939
Interest expense	33,973	30,293	23,614
Total Expense	136,347	130,497	117,673
Net Income	$ 166,089	$ 175,300	$ 138,995
Less: Net (loss) income attributable to noncontrolling interest	(639)	989	4,953
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Midstream Partners LP	$ 166,728	$ 174,311	$ 134,042

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

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except number of units)

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash	$ 9,316	$ 31
Receivables — related party	24,672	21,076
Receivables — third party, net *(Note 2)*	5,992	7,935
Other current assets	1,865	1,976
Total Current Assets	41,845	31,018
Property and Equipment *(Note 5)*:		
Property and equipment	1,244,945	1,302,566
Less — accumulated depreciation	131,389	106,975
Property and Equipment — Net	1,113,556	1,195,591
Other Assets:		
Operating lease right-of-use assets	10	4,731
Other assets	2,207	3,262
Total Other Assets	2,217	7,993
TOTAL ASSETS	$ 1,157,618	$ 1,234,602
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Trade accounts payable	$ 5,224	$ 15,683
Accrued interest payable	7,800	7,973
Accrued liabilities	10,964	43,634
Due to related party *(Note 4)*	5,074	4,787
Total Current Liabilities	29,062	72,077
Long-Term Debt:		
Revolving credit facility *(Note 6)*	291,000	311,750
Senior Notes *(Note 7)*	395,109	394,162
Total Long-Term Debt	686,109	705,912
TOTAL LIABILITIES	715,171	777,989
Partners' Capital:		
Limited partner units (zero units issued and outstanding at December 31, 2020 and 63,736,622 units issued and outstanding at December 31, 2019)	442,447	380,473
General partner interest	—	7,280
Partners' capital attributable to CNX Midstream Partners LP	442,447	387,753
Noncontrolling interest	—	68,860
Total Partners' Capital	442,447	456,613
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 1,157,618	$ 1,234,602

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

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(Dollars in thousands)

	Partners' Capital					
	Limited Partners	Class B Units	General Partner	Capital Attributable to Partners	Noncontrolling Interest	Total
Balance at December 31, 2017	$ 389,427	$ —	$ 4,328	$ 393,755	$ 357,356	$ 751,111
Net Income	120,655	—	13,387	134,042	4,953	138,995
Contributions from (distributions to) general partner and noncontrolling interest holders, net	—	—	20	20	(3,525)	(3,505)
Quarterly distributions to unitholders	(84,104)	—	(9,940)	(94,044)	—	(94,044)
Acquisition of Shirley-Penns System	(153,587)	—	—	(153,587)	(111,413)	(265,000)
HG Energy Transaction	46,089	—	—	46,089	(179,500)	(133,411)
Noncash contribution of assets held by general partner	—	—	3,105	3,105	—	3,105
Unit-based compensation	2,411	—	—	2,411	—	2,411
Vested units withheld for unitholder taxes	(348)	—	—	(348)	—	(348)
Balance at December 31, 2018	$ 320,543	$ —	$ 10,900	$ 331,443	$ 67,871	$ 399,314
Net Income	155,604	—	18,707	174,311	989	175,300
Contributions from general partner and noncontrolling interest holders, net	—	—	31	31	—	31
Quarterly distributions to unitholders	(96,858)	—	(22,358)	(119,216)	—	(119,216)
Unit-based compensation	1,880	—	—	1,880	—	1,880
Vested units withheld for taxes	(696)	—	—	(696)	—	(696)
Balance at December 31, 2019	$ 380,473	$ —	$ 7,280	$ 387,753	$ 68,860	$ 456,613
Net Income (loss)	166,728	—	—	166,728	(639)	166,089
Quarterly distributions to unitholders	(89,545)	—	—	(89,545)	—	(89,545)
IDR elimination transaction	(27,310)	34,590	(7,280)	—	—	—
Merger Transaction	34,590	(34,590)	—	—	—	—
Disposition of Additional Systems	(95,536)	—	—	(95,536)	—	(95,536)
Sale of the Additional Systems	71,871	—	—	71,871	(68,221)	3,650
Unit-based compensation	1,485	—	—	1,485	—	1,485
Vested units withheld for taxes	(309)	—	—	(309)	—	(309)
Balance at December 31, 2020	$ 442,447	$ —	$ —	$ 442,447	$ —	$ 442,447

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

CNX MIDSTREAM PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Cash Flows from Operating Activities:			
Net Income	$ 166,089	$ 175,300	$ 138,995
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense and amortization of debt issuance costs	34,704	26,256	23,540
Unit-based compensation	1,485	1,880	2,411
Loss on long-term asset sales and abandonments	2,097	7,229	2,501
Other	730	49	388
Changes in assets and liabilities:			
Due to/from affiliate	(3,344)	(3,874)	(1,580)
Receivables — third party	1,943	(907)	1,223
Other current and non-current assets	4,947	(4,070)	475
Accounts payable and other accrued liabilities	(25,453)	15,199	12,162
Net Cash Provided by Operating Activities	183,198	217,062	180,115
Cash Flows from Investing Activities:			
Capital expenditures	(67,194)	(327,615)	(145,331)
Proceeds from sale of assets	235	—	6,462
Net Cash Used in Investing Activities	(66,959)	(327,615)	(138,869)
Cash Flows from Financing Activities:			
Contributions from (distributions to) general partner and noncontrolling interest holders, net	—	31	(3,505)
Quarterly distributions to unitholders	(89,545)	(119,216)	(94,044)
Net payments on unsecured $250.0 million credit facility	—	—	(149,500)
Net (payments) borrowings on secured $600.0 million credit facility	(20,750)	227,750	84,000
Proceeds from issuance of Senior Notes, net of discount	—	—	394,000
Debt issuance costs	—	(1,251)	(6,077)
Vested units withheld for unitholder taxes	(309)	(696)	(348)
Acquisition of Shirley-Penns System	—	—	(265,000)
Sale of the Additional Systems	3,650	—	—
Net Cash (Used in) Provided by Financing Activities	(106,954)	106,618	(40,474)
Net Increase (Decrease) in Cash	9,285	(3,935)	772
Cash at Beginning of Period	31	3,966	3,194
Cash at End of Period	$ 9,316	$ 31	$ 3,966
Cash Paid During the Period For:			
Interest	$ 33,603	$ 33,510	$ 15,283
Noncash Investing Activities:			
Accrued capital expenditures	$ 11,380	$ 23,245	$ 19,118

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

NOTE 1 — DESCRIPTION OF BUSINESS

CNX Midstream Partners LP (the “Partnership”, or “we”, “us”, or “our”) is focused on the ownership, operation, development and acquisition of midstream energy infrastructure in the Appalachian Basin. We currently provide midstream services to our customers’ production in the Marcellus Shale and Utica Shale in Pennsylvania and West Virginia under long-term, fixed-fee contracts. Our assets include natural gas gathering pipelines and compression and dehydration facilities, as well as condensate gathering, collection, separation and stabilization facilities. We are a wholly owned subsidiary of CNX Resources Corporation (NYSE: CNX) (“CNX Resources”). Accordingly, CNX Resources is the sole Sponsor of the Partnership, and we may refer to CNX Resources as the “Sponsor” throughout this report.

Description of Business

Our midstream assets historically consisted of two operating areas that we referred to as our “Anchor Systems” and “Additional Systems” based on their relative current cash flows, growth profiles, capital expenditure requirements and the timing of their development.

On December 31, 2020, the Partnership sold its 5% interest in the Additional Systems to CNX Gathering, LLC (a related party) whereby the Partnership agreed to transfer, sell, convey and assign to CNX Gathering, and CNX Gathering agreed to purchase and acquire, all right, title and interest in and to the Subject Interests, which Subject Interests, in the aggregate, represent 100% of all of the limited liability company interests in the Additional Systems and had a value equal to 100% of the equity value of Additional Systems, in exchange for $3.65 million (“Sale of the Additional Systems”).

- Our Anchor Systems, in which the Partnership owns a 100% controlling interest, include our most developed midstream systems that generate the largest portion of our current cash flows, including our five primary midstream systems (the McQuay, Majorsville, Dry Ridge, Mamont and Shirley-Penns Systems), a 20” high-pressure pipeline and related assets.
- Our Additional Systems, in which the Partnership owned a 5% controlling interest prior to the Sale of the Additional Systems on December 31, 2020, included several gathering systems throughout our dedicated acreage. Revenues from our Additional Systems were derived primarily from the Pittsburgh Airport area, which is within the wet gas region of our dedicated acreage, and the Wadestown area in the dry gas region.

In order to maintain operational flexibility, our operations are conducted through, and our operating assets are owned by, our operating subsidiaries. However, neither we nor our operating subsidiaries have any employees. Our general partner has the sole responsibility for providing the personnel necessary to conduct our operations, whether through directly hiring employees or by obtaining the services of others, which may include personnel of CNX Resources as provided through contractual relationships with the Partnership. All of the personnel who conduct our business are employed or contracted by our general partner and its affiliates, including our Sponsor, but we sometimes refer to these individuals as our employees because they provide services directly to us. See Note 4–Related Party Transactions for additional information.

Merger Agreement

On July 26, 2020, CNX entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CNXM, CNX Midstream GP LLC (the “General Partner”) and CNX Resources Holding LLC., a wholly owned subsidiary of CNX (“Merger Sub”), pursuant to which Merger Sub merged with and into CNXM with CNXM surviving as an indirect wholly owned subsidiary of CNX (the “Merger Transaction”). On September 28, 2020, the Merger Transaction was completed and CNX issued 37,054,223 shares of common stock to acquire the 42,107,071 common units of CNXM not owned by CNX prior to the Merger Transaction at a fixed exchange ratio of 0.88 shares of CNX common stock for each CNXM common unit, for total implied consideration of $384.6 million. As a result of the Merger Transaction and subsequent delisting of the Partnership’s common units, CNXM’s common units are no longer publicly traded.

Except for the Class B units of CNXM, which were automatically canceled immediately prior to the effective time of the Merger Transaction for no consideration in accordance with CNXM’s partnership agreement, the interests in CNXM owned by CNX and its subsidiaries remain outstanding as limited partner interests in the surviving entity. The General Partner will continue to own the non-economic general partner interest in the surviving entity.

IDR Elimination Transaction

On January 29, 2020, prior to the Merger Transaction, CNX and CNXM had entered into agreements and consummated a transaction that eliminated CNXM’s incentive distribution rights (“IDRs”) held by the General Partner and converted the 2.0% general partner interest in CNXM into a non-economic general partnership interest (collectively, the "IDR Elimination Transaction").

CNX received the following under the IDR Elimination Transaction in exchange for the cancellation of the IDRs and conversion of the 2.0% general partner interest:

- 26 million CNXM common units;
- Three million new CNXM Class B units, which were subsequently canceled immediately prior to the effective time of the Merger Transaction for no consideration in accordance with CNXM's partnership agreement;
- $135.0 million, to be paid in three installments of $50.0 million due December 31, 2020, $50.0 million due December 31, 2021 and $35.0 million due December 31, 2022, which in November 2020 were canceled and terminated in connection with the Merger Transaction.

Transactions with our Sponsor and HG Energy

On May 3, 2018, we announced a strategic transaction with our Sponsor, pursuant to which we amended our gas gathering agreement ("GGA") with CNX Gas to provide for the following (collectively, the "CNX Transaction"):

- Dedication to the Partnership of approximately 16,100 additional Utica acres in our Anchor Systems;
- Commitment to develop 40 additional wells in the Anchor Systems by 2023, subject to the terms of the GGA;
- Contribution to the Anchor Systems of a 20" high pressure pipeline in addition to a one-time payment to us of approximately $2.0 million in cash; and
- Distribution of our 5% interest in the Growth Systems and related assets, as well as our 5% interest in the Moundsville midstream assets that were a part of the Additional Systems, to CNX Gathering, which subsequently transferred the assets to HG Energy.

On May 3, 2018, we also announced a strategic transaction with HG Energy, pursuant to which we amended our GGA with HG Energy to provide for the following (collectively, the "HG Energy Transaction"):

- Release from dedication of approximately 18,000 acres, net to the Partnership, which was comprised of approximately 275,000 acres (or approximately 14,000 acres, net to the Partnership) within the Growth and Additional Systems and approximately 4,200 scattered acres located in the Anchor Systems;
- Removal of our obligation to provide gathering services or make capital investments in the Growth Systems or in the Moundsville area of the Additional Systems; and
- Commitment by HG Energy to develop 12 additional wells in the Anchor Systems by 2021, subject to the terms of the HG Energy GGA.

Following the CNX Transaction and HG Energy Transaction, the aggregate number of Anchor Systems well commitments to the Partnership, within five years from the date of the transactions, increased from 140 wells to 192 wells.

The Partnership has no remaining interests in the Growth Systems or the Moundsville area assets that were historically included within the Additional Systems.

Acquisition of Shirley-Penns System

Prior to March 16, 2018, CNX Gathering owned a 95% noncontrolling interest and the Partnership owned the remaining 5% controlling interest, in the Additional Systems, which owned the gathering system and related assets commonly referred to as the Shirley-Penns System (the "Shirley-Penns System").

On March 16, 2018, the Partnership acquired the remaining 95% interest in the Shirley-Penns System, pursuant to which the Additional Systems transferred its interest in the Shirley-Penns System on a pro rata basis to CNX Gathering and the Partnership in accordance with each transferee's respective ownership interest in the Additional Systems. Following such transfer, CNX Gathering sold its aggregate interest in the Shirley-Penns System to the Partnership for $265.0 million, and it now resides in the Anchor Systems (the "Shirley-Penns Acquisition"). The Partnership funded the Shirley-Penns Acquisition with a portion of the proceeds from the issuance of 6.5% Senior Notes due 2026 (the "Senior Notes"). See Note 7–Senior Notes for additional information.

Following the Shirley-Penns Acquisition, the Partnership owns a 100% controlling interest in the Shirley-Penns System. The Additional Systems continue to include several other gathering systems in which the Partnership owns a 5% controlling interest.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and various disclosures. Actual results could differ from those estimates, which are evaluated on an ongoing basis, utilizing historical experience and other methods considered reasonable under the particular circumstances. Although these estimates are based on management's best available knowledge at the time, changes in facts and circumstances or discovery of new facts or circumstances may result in revised estimates and actual results may differ from these estimates. Effects on the Partnership's business, financial position and results of operations resulting from revisions to estimates are recognized when the facts that give rise to the revision become known. In the opinion of management, all adjustments considered necessary for a fair presentation of the accompanying consolidated financial statements have been included.

Principles of Consolidation

The consolidated financial statements include the accounts of the Partnership and all of its controlled subsidiaries, including 100% of each of the Anchor Systems, Growth Systems and Additional Systems in the applicable periods presented. Although the Partnership had less than a 100% economic interest for the period prior to December 31, 2020 in the Additional Systems and for the period prior to May 3, 2018 in the Growth Systems, each were consolidated fully with the results of the Partnership in the applicable periods as the Partnership is considered to be the primary beneficiary and has a controlling financial interest and the power through its ownership to direct the activities of those Systems during the applicable periods. After adjusting for noncontrolling interests, net income attributable to general and limited partner ownership interests in the Partnership reflect only that portion of net income that is attributable to the Partnership. All non-controlling interests in the Additional Systems were held by a subsidiary of CNX Resources until December 31, 2020, when the Partnership sold its economic interest in the Additional Systems. See Note 1–Description of Business for additional information.

Transactions between the Partnership and CNX Resources have been identified in the consolidated financial statements as transactions between related parties and are disclosed in Note 4–Related Party Transactions.

Revenue Recognition

We record revenue when obligations under the terms of the contracts with our shippers are satisfied; generally this occurs on a daily basis as we gather natural gas at the wellhead. Revenue is measured as the amount of consideration we expect to receive in exchange for providing the natural gas gathering services.

Nature of performance obligations

At contract inception, we assess the services promised in our contracts with customers and identify a performance obligation for each promised service that is distinct. To identify the performance obligations, we consider all of the services promised in the contract, regardless of whether they are explicitly stated or are implied by customary business practices.

Our revenue is generated from natural gas gathering activities. The gas gathering services are interruptible in nature and include charges for the volume of gas actually gathered and do not guarantee access to the system. Volumetric-based fees relate to actual volumes gathered. In general, the interruptible gathering of each unit one million British Thermal Units (MMBtu) of natural gas represents a separate performance obligation. Payment terms for these contracts require payment within 25 days of the end of the calendar month in which the hydrocarbons are gathered.

Transaction price allocated to remaining performance obligations

We are required to disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied. However, the guidance provides certain practical expedients that limit this requirement. Substantially all of our revenues are derived from contracts that have terms of greater than one year. Under these contracts, the interruptible gathering of each unit of natural gas represents a separate performance obligation.

For revenue associated with the Shirley-Penns System, for which we have remaining contractual performance obligations, the aggregate amount of the transaction price allocated to those remaining performance obligations was $328.9 million at December 31, 2020. See Note 4–Related Party Transactions for a detailed breakout of the minimum revenue by year.

The amount of revenue associated with this contract up to the minimum volume commitment ("MVC") is fixed in nature, and volumes that we may gather above the MVC will be variable in nature. As of December 31, 2020, no future performance obligations exist relative to volumes to be gathered in excess of the MVC as the related volumes have not yet been nominated for gathering. Therefore, we have not disclosed the value of unsatisfied performance obligations for the variable aspect of this agreement, nor have we disclosed the value of other unsatisfied performance obligations that are variable in nature.

Prior-period performance obligations

We record revenue when obligations under the terms of the contracts with our shippers are satisfied; generally this occurs on a daily basis when we gather gas at the wellhead. In some cases, we are required to estimate the amount of natural gas that we have gathered during an accounting period and record any differences between our estimates and the actual units of natural gas that we gathered in the following month. We have existing internal controls for our revenue estimation process and related accruals; historically, any identified differences between our revenue estimates and actual revenue received have not been significant. For the years ended December 31, 2020 and 2019, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

Contract balances

We invoice customers once our performance obligations have been satisfied, at which point payment becomes unconditional. Accordingly, our contracts with customers do not give rise to contract assets or liabilities. We also have no contract assets recognized from the costs to obtain or fulfill a contract with a customer.

Classification

The fees we charge our affiliates, including our Sponsor, are recorded in gathering revenue — related party in our consolidated statements of operations. Fees from midstream services we perform for third party shippers are recorded in gathering revenue — third party in our consolidated statements of operations.

Cash

Cash includes cash on hand and on deposit at banking institutions.

Receivables

On January 1, 2020, the Partnership adopted the guidance under the Financial Accounting Standards Board (the "FASB") Accounting Standard Update ("ASU") 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Partnership adopted Topic 326 using the prospective transition method.

Prior to adopting Topic 326, the Partnership reserved for specific accounts receivable when it was probable that all or a part of an outstanding balance would not be collected, such as customer bankruptcies. Collectability was determined based on terms of sale, credit status of customers and various other circumstances. We regularly reviewed collectability and established or adjusted the reserve as necessary using the specific identification method. Account balances were charged off against the reserve after all means of collection had been exhausted and the potential for recovery was considered remote.

Under Topic 326, management recorded an allowance for credit losses related to the collectability of third-party customers receivables using the historical aging of the customer receivable balance. Related party receivables between entities under common control are excluded from Topic 326. The collectibility was determined based on past events, including historical experience, customer credit rating, as well as current market conditions. We will continue to monitor customer ratings and collectability on a quarterly basis. Account balances will be charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The allowance for credit losses was as follows:

(in thousands)	**December 31, 2020**	**December 31, 2019**
Receivables — Third-Party	$ 6,068	$ 7,935
Allowance for Credit Losses	(76)	—
Receivables — Third-Party, Net	$ 5,992	$ 7,935

The following represents the rollforward of the allowance for credit losses for the year ended December 31, 2020:

(in thousands)	**December 31, 2020**
Balance as of December 31, 2019	$ —
Expenses to increase the reserve	76
Balance as of December 31, 2020	$ 76

Fair Value Measurement

The FASB Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures, clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance also relates to all nonfinancial assets and liabilities that are not recognized or disclosed on a recurring basis (e.g., the initial recognition of asset retirement obligations and impairments of long-lived assets). The fair value is the price that we estimate we would receive upon selling an asset or that we would pay to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used to prioritize input to valuation techniques used to estimate fair value. An asset or liability subject to the fair value requirements is categorized within the hierarchy based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The highest priority (Level 1) is given to unadjusted quoted market prices in active markets for identical assets or liabilities, and the lowest priority (Level 3) is given to unobservable inputs. Level 2 inputs are data, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

The carrying values on our balance sheets of our current assets, current liabilities and revolving credit facility approximate fair values due to their short maturities. We estimate the fair value of our Senior Notes, which is not actively traded, using an income approach model that utilizes a discount rate based on market rates for other debt with similar remaining time to maturity and credit risk (Level 2). The estimated fair value of our Senior Notes was approximately $409.9 million at December 31, 2020 and $370.5 million at December 31, 2019.

Property and Equipment

Property and equipment is recorded at cost upon acquisition and is depreciated on a straight-line basis over the assets' estimated useful lives or over the lease terms of the assets. Expenditures which extend the useful lives of existing property and equipment are capitalized. When properties are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recognized.

The Partnership evaluates whether long-lived assets have been impaired during any given quarter and has processes in place to ensure that we become aware of such indicators. Impairment indicators may include, but are not limited to, sustained decreases in commodity prices, a decline in customer well results and lower throughput forecasts, and increases in construction or operating costs. For such long-lived assets, impairment exists when the carrying amount of an asset or group of assets exceeds our estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or group of assets. If the carrying amount of the long-lived asset or asset group is not recoverable, based on the estimated future undiscounted cash flows, the impairment loss would be measured as the excess of the asset's carrying amount over its estimated fair value. In the event that impairment indicators exist, we conduct an impairment test.

Fair value represents the estimated price between market participants to sell an asset in the principal or most advantageous market for the asset, based on assumptions a market participant would make. When warranted, management assesses the fair value of long-lived assets using commonly accepted techniques and may use more than one source in making such assessments. Sources used to determine fair value include, but are not limited to, recent third-party comparable sales, internally developed discounted cash flow analyses, and analyses from outside advisors. Significant changes, such as the condition of an asset or management's intent to utilize the asset, generally require management to reassess the cash flows related to long-lived assets. No property and equipment impairments were identified during the periods presented in the accompanying consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02–Leases (Topic 842), which increases transparency and comparability among organizations by recognizing right-of-use ("ROU") lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU maintains a distinction between finance leases and operating leases, which is substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. Retaining this distinction allows the recognition, measurement and presentation of expenses and cash flows arising from a lease to remain similar to the previous accounting treatment. A lessee is permitted to make an accounting policy election by class of underlying asset to exclude from balance sheet recognition any lease assets and lease liabilities with a term of 12 months or less, and instead to recognize lease expense on a straight-line basis over the lease term. For both financing and operating leases, the ROU asset and lease liability are initially measured at the present value of the lease payments. In July 2018, the FASB issued ASU 2018-11 which provides entities with the option to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if necessary.

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and accrued liabilities on our consolidated balance sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

On January 1, 2019, we adopted ASU 2016-02, and all related amendments, using the transition method, which allows for a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We elected the transition relief package of practical expedients by applying previous accounting conclusions under ASC 840 to all leases that existed prior to the transition date. As a result, we did not reassess whether existing or expired contracts contain leases, the lease classification for any existing or expired leases, or whether lease origination costs qualified as initial direct costs. In addition, we elected the short-term practical expedient for all asset classes by establishing an accounting policy to exclude leases with a term of 12 months or less. We will not separate lease components from non-lease components for any asset classes. Lastly, we adopted the easement practical expedient, which allows us to apply ASC 842 prospectively to land easements after January 1, 2019. Easements that existed or expired prior to January 1, 2019 that were not previously assessed under ASC 840 will not be reassessed.

The Partnership's non-cancelable operating leases consisted primarily of compression equipment. As of December 31, 2020, all of our operating leases for compression equipment had expired. Cash paid for amounts included in the measurement of lease liabilities was $4.3 million in operating cash flows from operating leases for the year ended December 31, 2020.

Total operating lease expense, which includes short-term leases, was $7.4 million, $8.1 million and $7.9 million for the years ended December 31, 2020, 2019, and 2018, respectively. These expenses are included within operating expense–third party on our consolidated statement of operations.

Environmental Matters

We are subject to various federal, state and local laws and regulations relating to the protection of the environment. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or clean-ups are probable, and the costs can be reasonably estimated. At this time, we are unable to assess the timing and/or effect of potential liabilities related to greenhouse gas emissions or other environmental issues. As of December 31, 2020 and 2019, we had no material environmental matters that required the recognition of a separate liability or specific disclosure.

Asset Retirement Obligations

Our gathering pipelines and compressor stations have an indeterminate life. If properly maintained, they should operate for an indeterminate period as long as supply and demand for natural gas exists, which we expect for the foreseeable future. We are under no legal or contractual obligation to restore or dismantle our gathering system upon abandonment. Therefore, we have not recorded any liabilities for asset retirement obligations at December 31, 2020 or 2019.

Variable Interest Entities

The Anchor Systems is structured as a limited partnership (the "Limited Partnerships") and a variable interest entity ("VIE"). Prior to the sale on December 31, 2020, the Additional Systems was also structured as a limited partnership and VIE. These VIEs include information regarding the Partnership's involvement with each of these VIEs and their relative contributions to our financial position, operating results and cash flows.

The Partnership fully consolidated each of the Limited Partnerships through its ownership of CNX Midstream Operating Company LLC (the "Operating Company"). The Operating Company, through its general partner ownership interest in each of the Limited Partnerships during the period in which any ownership interest existed, is considered to be the primary beneficiary for accounting purposes and has the power to direct all substantive strategic and day-to-day operational decisions of the Limited Partnerships.

Income Taxes

We are treated as a partnership for federal and state income tax purposes, with each partner being separately taxed on its share of the Partnership's taxable income. Accordingly, no provision for federal or state income taxes has been recorded in the Partnership's consolidated financial statements for any period presented in the accompanying consolidated financial statements.

Equity Compensation

Equity compensation expense for all unit-based compensation awards was based on the grant date fair value estimated in accordance with the provisions of ASC 718–Compensation–Stock Compensation. We recognized unit-based compensation costs on a straight-line basis over the requisite service period of an award, which is generally the same as the award's vesting term. See Note 9–Long-Term Incentive Plan for further discussion.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04 - Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). This ASU provides optional expedient and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. In January 2021, the FASB issued ASU 2021-01, which clarifies that certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The Partnership is still evaluating the effect of adopting this guidance.

In March 2020, the FASB issued ASU 2020-03 - Codification Improvements to Financial Instruments. This ASU improves and clarifies various financial instruments topics, including the Current Expected Credit Loss standard. The ASU includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The amendments in this ASU have different effective dates. The adoption of this guidance is not expected to have a material impact on the Partnership's financial statements.

NOTE 3 — CASH DISTRIBUTIONS

Prior to the Merger Transaction, our partnership agreement required that we distribute an amount equal to 100% of Available Cash from Operating Surplus, as those terms were defined in the partnership agreement, within 45 days after the end of each quarter to unitholders of record on the applicable record date, in accordance with the terms below. Subsequent to the Merger Transaction there is no formal policy for cash distributions.

Allocations of Available Cash from Operating Surplus and Incentive Distribution Rights

Prior to the IDR Elimination Transaction on January 29, 2020 (See Note 1–Description of Business), the percentage allocations of available cash from operating surplus between the unitholders and our general partner was based on the specified target distribution levels. IDRs represented the right to receive an increasing percentage, up to a maximum of 48% (which did not include the 2% general partner interest), of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels had been achieved.

Cash Distributions

The Board of Directors declared the following cash distributions to the Partnership's common unitholders and to the general partner for the periods presented:

(in thousands, except per unit information)

Quarters Ended	Quarterly Distribution Per Unit		Total Quarterly Cash Distribution		Date of Distribution
March 31, 2019	$	0.3732	$	28,940	May 14, 2019
June 30, 2019	$	0.3865	$	30,637	August 14, 2019
September 30, 2019	$	0.4001	$	32,371	November 12, 2019
December 31, 2019	$	0.4143	$	37,201	February 13, 2020
March 31, 2020	$	0.0829	$	7,444	May 15, 2020
June 30, 2020	$	0.5000	$	44,900	August 14, 2020

NOTE 4 — RELATED PARTY TRANSACTIONS

In the ordinary course of business, we engage in related party transactions with CNX Resources (and certain of its subsidiaries) and CNX Gathering, which include the fees we charge and revenues we receive under a fixed fee gathering agreement (including fees associated with electrically-powered compression that CNX Resources reimburses to us) and our reimbursement of certain expenses to CNX Resources under several agreements, discussed below. In addition, we may waive or modify certain terms under these arrangements in the ordinary course of business, including the provisions of the fixed fee gathering agreement, when we determine it is in the best interests of the Partnership to do so.

Operating expense–related party were derived from CNX Resources and consisted of the following:

	For the Years Ended December 31,		
(in thousands)	2020	2019	2018
Operational services	$ 8,274	$ 14,130	$ 12,739
Electrical compression	7,815	8,813	7,075
Total Operating Expense — Related Party	$ 16,089	$ 22,943	$ 19,814

All related party receivables were due from CNX Resources at December 31, 2020 and 2019. Related party payables due to CNX Resources consisted of the following at December 31:

(in thousands)	2020	2019
Expense reimbursements	$ 691	$ 489
Capital expenditures reimbursements	168	—
General and administrative services	4,215	4,298
Total Accounts Payable — Related Party	$ 5,074	$ 4,787

Merger Agreement

See Note 1–Description of Business for additional information.

Operational Services Agreement

Upon the closing of the initial public offering of our common units (our "IPO"), we entered into an operational services agreement with CNX Resources, which was amended and restated on December 1, 2016. Under the agreement, CNX Resources provides certain operational services to us in support of our gathering pipelines and dehydration, treating and compressor stations and facilities, including routine and emergency maintenance and repair services, routine operational activities, routine administrative services, construction and related services and such other services as we and CNX Resources may mutually agree upon from time to time. CNX Resources prepares and submits for our approval a maintenance, operating and capital budget on an annual basis. CNX Resources submits actual expenditures for reimbursement on a monthly basis, and we reimburse CNX Resources for any direct third-party costs incurred by CNX Resources in providing these services.

Omnibus Agreement

We are party to an omnibus agreement with CNX Resources, CNX Gathering and our general partner that addresses the following matters:

- our payment of an annually-determined administrative support fee (approximately $7.3 million for the year ended December 31, 2020 and $7.9 million for the year ended December 31, 2019) for the provision of certain services by CNX Resources and its affiliates, including executive costs. Such costs may not necessarily reflect the actual expenses that the Partnership would incur on a stand-alone basis, and we are unable to estimate what those expenses would be on a stand-alone basis;
- our obligation to reimburse CNX Resources for all other direct or allocated costs and expenses incurred by CNX Resources in providing general and administrative services (which reimbursement is in addition to certain expenses of our general partner and its affiliates that are reimbursed under our partnership agreement);
- our right of first offer to acquire (i) CNX Gathering's retained interests in our Additional Systems, (ii) CNX Gathering's other ancillary midstream assets and (iii) any additional midstream assets that CNX Gathering develops; and
- our obligation to indemnify CNX Gathering for events and conditions associated with the use, ownership or operation of our assets that occur after the closing of the IPO, including environmental liabilities.

The omnibus agreement will remain in full force and effect throughout the period in which CNX Gathering controls our general partner. If CNX Gathering ceases to control our general partner, either party may terminate the omnibus agreement, provided that the indemnification obligations will remain in full force and effect in accordance with their terms.

Gathering Agreements

On January 3, 2018, we entered into the Second Amended and Restated gas gathering agreement ("GGA") with CNX Gas, which is a 20-year, fixed-fee gathering agreement, under which we continue to gather, compress, dehydrate and deliver all of CNX Gas' dedicated natural gas in the Marcellus Shale on a first-priority basis and gather, inject, stabilize and store all of CNX Gas' dedicated condensate on a first-priority basis. Under this agreement, during the year ended December 31, 2020, we received a fee based on the type and scope of the midstream services we provide, summarized as follows:

- For the services we provide with respect to natural gas from the Marcellus Shale formation that does not require downstream processing, or dry gas, we received a fee of $0.4531 per MMBtu.
- For the services we provide with respect to natural gas from the Marcellus Shale formation that requires downstream processing, or wet gas, we received:
    - a fee of $0.3116 per MMBtu in the Pittsburgh International Airport area; and
    - a fee of $0.6222 per MMBtu for all other areas in the dedication area.
- Our fees for condensate services was $5.6580 per Bbl in the Majorsville area and in the Shirley-Penns area.

Each of the foregoing fees escalates by 2.5% on January 1 each year through the end of the initial term. Commencing on January 1, 2035, and as of January 1 thereafter, each of the applicable fees will be adjusted pursuant to the percentage change in CPI-U, but such fees will never escalate or decrease by more than 3% per year.

The Second Amended and Restated GGA also dedicated an additional 63,000 acres in the Utica Shale in and around the McQuay and Wadestown areas and introduced the following gas gathering and compression rates (rates shown effective January 1, 2020):

- Gas Gathering:
    - McQuay area Utica - a fee of $0.2368 per MMBtu; and
    - Wadestown Marcellus and Utica - a fee of $0.3678 per MMBtu.
- Compression:
    - For areas not benefiting from system expansion pursuant to the Second Amended and Restated GGA, compression services are included in the base fees; and
    - In the McQuay and Wadestown areas, for wells turned in line beginning January 1, 2018 and beyond, we will receive additional fees of $0.0683 per MMBtu for Tier 1 pressure services (maximum receipt point of pressure of 600 psi) and $0.1366 per MMBtu for Tier 2 pressure services (maximum receipt point of pressure of 300 psi).

In addition, the Second Amended and Restated GGA committed CNX Gas to drill and complete 140 total wells in the McQuay area within the Anchor Systems, provided that if 125 wells have been drilled and completed in the Marcellus Shale, then the remainder of such planned wells must be drilled in the Utica Shale. To the extent the requisite number of wells are not drilled and completed by CNX Gas in a given period, we will be entitled to a deficiency payment per shortfall well as set forth below:

- January 1, 2018 to December 31, 2018 - 30 wells (CNX Gas exceeded this requirement by eight wells)
- January 1, 2019 to April 30, 2020 - 40 wells (CNX Gas exceeded this requirement by two wells)
- May 1, 2020 to April 30, 2021 - 40 wells (deficiency payment of $2.0 million per well)
- May 1, 2021 to April 30, 2022 - 30 wells (deficiency payment of $2.0 million per well)

In the event that CNX Gas drills wells and completes a number of wells in excess of the number of wells required to be drilled and completed in such period, (i) the number of excess wells drilled and completed during such period will be applied to the minimum well requirement in the succeeding period or (ii) to the extent CNX Gas was required to make deficiency payments for shortfalls in the preceding period, CNX Gas may elect to cause the Partnership to pay a refund in an amount equal to (x) the number of excess wells drilled and completed during the period, multiplied by (y) the deficiency payment paid per well during the period in which the shortfall occurred.

On March 16, 2018, in connection with the Shirley-Penns Acquisition, we entered into the First Amendment to the Second Amended and Restated GGA, which added the MVC on volumes associated with the Shirley-Penns System through December 31, 2031. The MVC commits CNX Gas to pay the Partnership the wet gas fee under the GGA for all natural gas we gather up to a specified amount per day through December 31, 2031. During the MVC period, if CNX Gas actually delivers volumes in a given quarter in excess of the volume commitment for such quarter, CNX Gas is entitled to credit such excess volumes against amounts otherwise payable under the MVC in the future.

We will recognize minimum revenue on volumes throughout the term of the GGA, as set forth below:

(in millions)		**Minimum Revenue**
Year ending December 31, 2021	$	24.7
Year ending December 31, 2022		47.7
Year ending December 31, 2023		42.8
Year ending December 31, 2024		39.6
Year ending December 31, 2025		36.0
Remainder of term		138.1
Total revenue to be recognized under Shirley-Penns contract through December 31, 2031	$	328.9

For all natural gas the Partnership gathers in excess of the MVC, the Partnership received a fee of $0.3678 per MMBtu in 2020, which escalates by 2.5% on January 1 of each year. Since the Shirley-Penns Acquisition, CNX Gas has met or exceeded the required MVC calculation each quarter. For the year ended December 31, 2020, the MVC calculation was met by a combination of actual volumes and prior period credits for excess volumes of 2.8 BBtu. This leaves a remaining credit for excess volumes of 25.8 BBtu.

On May 2, 2018, we completed the CNX Transaction, pursuant to which we entered into the Second Amendment to the Second Amended and Restated GGA, which committed CNX Gas to drill and complete an additional 40 wells in the Majorsville/Mamont area within the Anchor Systems by the end of 2023. To the extent the requisite number of wells are not drilled and completed by CNX Gas in a given period, we will be entitled to a deficiency payment per shortfall well as set forth below:

- July 1, 2018 to December 31, 2020 - 15 wells (CNX Gas exceeded this requirement by twelve wells)
- January 1, 2021 to December 31, 2023 - 25 wells (deficiency payment of $2.8 million per well)

CNX Gas provides us with quarterly updates on its drilling and development operations, which include detailed descriptions of the drilling plans, production details and well locations for periods that range from up to 24-48 months, as well as more general development plans that may extend as far as ten years. In addition, we regularly meet with CNX Gas to discuss our current plans to timely construct the necessary facilities to be able to provide midstream services to them on our dedicated acreage. In the event that we do not perform our obligations under our GGA, CNX Gas will be entitled to certain rights and procedural remedies thereunder, including the temporary and/or permanent release from dedication and indemnification from us.

There are no restrictions under our GGAs with CNX Gas on the ability of CNX Gas to transfer acreage in the right of first offer ("ROFO") area, and any such transfer of acreage in the ROFO area will not be subject to our right of first offer.

Upon completion of its 20-year term in 2037, our GGA with CNX Gas will continue in effect from year to year until such time as the agreement is terminated by either us or CNX Gas on or before 180 days prior written notice.

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

(in thousands)	2020	2019	Estimated Useful Lives in Years
Land	$ 54,888	$ 79,829	N/A
Gathering equipment	714,306	717,277	25 — 40
Compression equipment	403,955	332,358	30 — 40
Processing equipment	30,979	30,979	40
Assets under construction	40,817	142,123	N/A
Total Property and Equipment	$ 1,244,945	$ 1,302,566	
Less: Accumulated depreciation			
Gathering equipment	$ 88,052	$ 75,879	
Compression equipment	35,726	24,311	
Processing equipment	7,611	6,785	
Total Accumulated Depreciation	$ 131,389	$ 106,975	
Property and Equipment — Net	$ 1,113,556	$ 1,195,591	

As a result of the Sale of the Additional Systems, the property and equipment amounts above do not include the assets and accumulated depreciation of the Additional Systems at December 31, 2020. The Additional Systems are included in the amounts at December 31, 2019. See Note 1–Description of Business for additional information.

The Partnership capitalized approximately $1.3 million and $5.5 million of interest on assets under construction during the years ended December 31, 2020 and 2019, respectively.

During the year ended December 31, 2020, the Partnership abandoned the construction of a pipeline project that was designed to support additional production within certain areas of the Anchor System as well as land rights-of-way in both the Anchor and Additional Systems, resulting in a loss of $2.1 million.

During the year ended December 31, 2019, the Partnership abandoned the construction of a compressor station that was designed to support additional production within certain areas of the Anchor Systems, resulting in a loss of $7.2 million.

NOTE 6 — REVOLVING CREDIT FACILITY

On March 8, 2018, we entered into a five-year $600.0 million secured revolving credit facility with an accordion feature that allows, subject to certain terms and conditions, the Partnership to increase the available borrowings under the revolving credit facility by up to an additional $250.0 million. The revolving credit facility includes the ability to issue letters of credit up to $100.0 million in the aggregate. The available borrowing capacity is limited by certain financial covenants pertaining to leverage and interest coverage ratios as defined in the revolving credit facility agreement.

On April 24, 2019, the Partnership amended its revolving credit facility and extended its maturity to April 2024. Among other things, we received an annual interest rate reduction of 0.25% on borrowings compared to the original agreement. Under the terms of the amended agreement, borrowings under the revolving credit facility will bear interest at our option at either:

- the base rate, which is the highest of (i) the federal funds open rate plus 0.50%; (ii) PNC Bank, N.A.'s prime rate; or (iii) the one-month LIBOR rate plus 1.00%, in each case, plus a margin ranging from 0.50% to 1.50%; or
- the LIBOR rate plus a margin ranging from 1.50% to 2.50%.

Following the amendment, the revolving credit facility now includes (i) the addition of a restricted payment basket permitting cash repurchases of IDRs subject to a pro forma secured leverage ratio of 3.00 to 1.00, a pro forma total leverage ratio of 4.00 to 1.00 and pro forma availability of 20% of commitments and (ii) a restricted payment basket for the repurchase of limited partner units not to exceed Available Cash (as defined in the partnership agreement) in any quarter of up to $150.0 million per year and up to $200.0 million during the life of the facility.

We incurred a total of $7.4 million in interest expense related to our original and as amended revolving credit facility (not including amortization of revolver fees) during the year ended December 31, 2020.

Interest on base rate loans is payable on the first business day of each calendar quarter. Interest on LIBOR loans is payable on the last day of each interest period or, in the case of interest periods longer than three months, every three months.

The unused portion of our revolving credit facility is subject to a commitment fee ranging from 0.375% to 0.500% per annum depending on our most recent consolidated leverage ratio.

The revolving credit facility contains a number of affirmative and negative covenants that include, among others, covenants that restrict the ability of the Partnership, its subsidiary guarantors and certain of its non-guarantor, non-wholly-owned subsidiaries, except in certain circumstances, to: (i) create, incur, assume or suffer to exist indebtedness; (ii) create or permit to exist liens on their properties; (iii) prepay certain indebtedness unless there is no default or event of default under the revolving credit facility; (iv) make or pay any dividends or distributions in excess of certain amounts; (v) merge with or into another person, liquidate or dissolve; or acquire all or substantially all of the assets of any going concern or going line of business or acquire all or a substantial portion of another person's assets; (vi) make particular investments and loans; (vii) sell, transfer, convey, assign or dispose of its assets or properties other than in the ordinary course of business and other select instances; (viii) deal with any affiliate except in the ordinary course of business on terms no less favorable to the Partnership than it would otherwise receive in an arm's length transaction; and (ix) amend in any material manner its certificate of incorporation, bylaws, or other organizational documents without giving prior notice to the lenders and, in some cases, obtaining the consent of the lenders. The agreement also contains customary events of default, including, but not limited to, a cross-default to certain other debt, breaches of representations and warranties, change of control events and breaches of covenants. The obligations under the revolving credit facility agreement are secured by substantially all of the assets of the Partnership and its wholly-owned subsidiaries.

In addition, the Partnership is obligated to maintain at the end of each fiscal quarter:

- for as long as at least $150.0 million of the Senior Notes are outstanding (Note 7), a maximum total leverage ratio of no greater than 5.25 to 1.00 (which increases to no greater than 5.50 to 1.00 during qualifying acquisition periods);
- if less than $150.0 million of the Senior Notes are outstanding (Note 7), a maximum total leverage ratio of no greater than 4.75 to 1.00 (which increases to no greater than 5.25 to 1.00 during qualifying acquisition periods);
- a maximum secured leverage ratio of no greater than 3.50 to 1.00; and
- a minimum interest coverage ratio of no less than 2.50 to 1.00.

The Partnership was in compliance with all financial covenants at December 31, 2020.

On December 31, 2020, the Partnership had an outstanding balance on the revolving credit facility was $291.0 million at an interest rate of 1.91% and $0.03 million of letters of credit outstanding, leaving $309.0 million available for borrowing.

At December 31, 2019, the outstanding balance on the revolving credit facility was $311.8 million at an interest rate of 3.26%.

NOTE 7 — SENIOR NOTES

On March 16, 2018, the Partnership, together with its wholly owned subsidiary CNX Midstream Finance Corp ("Finance Corp") and (collectively with the Partnership, the "Issuers"), completed a private offering of the Senior Notes, with related guarantees (the "Guarantees") and received net proceeds of approximately $394.0 million, after deducting the initial purchasers' discount. In connection with the issuance of the Senior Notes, the Partnership capitalized related offering expenses, which are recorded in our consolidated balance sheet as a reduction to the principal amount. Net proceeds from the Senior Notes offering were primarily used to fund the Shirley-Penns Acquisition and repay existing indebtedness under our prior $250.0 million unsecured revolving credit facility. The Senior Notes mature on March 15, 2026 and accrue interest at a rate of 6.5% per year, which is payable semi-annually in arrears on March 15 and September 15. There are no principal payment requirements on the Senior Notes prior to maturity.

The Senior Notes and Guarantees were issued pursuant to an indenture (the "Indenture"), dated March 16, 2018, among the Partnership, Finance Corp, the guarantors party thereto (the "Guarantors") and UMB Bank, N.A., as trustee. The Senior Notes rank equally in right of payment with all of the Issuers' existing and future senior indebtedness and senior to any subordinated indebtedness that the Issuers' may incur. The Guarantees rank equally in right of payment to all of the Guarantors' existing and future senior indebtedness.

The Issuers may redeem all or part of the Senior Notes at redemption prices ranging from 104.875% beginning March 15, 2021 to 100.0% beginning March 15, 2024. Prior to March 15, 2021, the Issuers may on one or more occasions redeem up to 35.0% of the principal amount of the Senior Notes with an amount of cash not greater than the amount of the net cash proceeds from one or more equity offerings at a redemption price of 106.50%. At any time or from time to time prior to March 15, 2021, the Issuers may also redeem all or a part of the Senior Notes, at a redemption price equal to 100.0% of the principal amount thereof plus the Applicable Premium, as defined in the Indenture, plus accrued and unpaid interest.

If the Partnership experiences certain kinds of changes of control, holders of the Senior Notes will be entitled to require the Partnership to repurchase all or any part of that holder's Senior Notes pursuant to an offer on the terms set forth in the Indenture. The Partnership will offer to make a cash payment equal to 101.0% of the aggregate principal amount of the Senior Notes repurchased plus accrued and unpaid interest on the Senior Notes repurchased to, but not including, the date of purchase, subject to the rights of holders of the Senior Notes on the relevant record date to receive interest due on the relevant interest payment date.

The Partnership's Senior Notes consisted of the following:

(in thousands)	December 31, 2020	December 31, 2019
Senior Notes due March 2026 at 6.5%	$ 400,000	$ 400,000
Less: Unamortized debt issuance costs	1,016	1,213
Less: Unamortized bond discount	3,875	4,625
Total Senior Notes	$ 395,109	$ 394,162

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Litigation

The Partnership may become involved in certain legal proceedings from time to time, and where appropriate, we have accrued our estimate of the probable costs for the resolution of these claims. The Partnership believes that the ultimate outcome of any matter currently pending against the Partnership will not materially affect the Partnership's business, financial condition, results of operations, liquidity or ability to make distributions.

NOTE 9 — LONG-TERM INCENTIVE PLAN

Pursuant to the Merger Transaction, as further disclosed in Note 1, all outstanding phantom units previously granted under the CNXM long-term incentive plan were converted into the right to receive 0.88 common shares of common stock of CNX. As such, all outstanding phantom units were converted, effective as of the closing of the Merger Transaction, into CNX restricted stock units. Each CNX restricted stock unit will be subject to the same vesting, forfeiture and other terms and conditions applicable to the converted CNXM phantom units.

The Partnership recognized $1.5 million, $1.9 million, and $2.4 million of compensation expense for the years ended December 31, 2020, 2019 and 2018, respectively, which was included in general and administrative expense–related party in the consolidated statements of operations.

NOTE 10 — SUBSEQUENT EVENTS

As of February 9, 2021, the date the consolidated financial statements were issued, we completed our evaluation of material subsequent events for disclosure, and no items were identified.

SUPPLEMENTAL QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	For the Quarters Ended			
(Dollars in thousands)	March 31	June 30	September 30	December 31
Year Ended December 31, 2020				
Revenue	$ 80,196	$ 66,038	$ 69,312	$ 86,890
Net Income	$ 45,790	$ 32,800	$ 34,381	$ 53,118
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Midstream Partners LP	$ 45,219	$ 32,550	$ 35,256	$ 53,703
Year Ended December 31, 2019				
Revenue	$ 72,219	$ 78,101	$ 73,976	$ 81,501
Net Income	$ 34,976	$ 46,463	$ 43,665	$ 50,196
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Midstream Partners LP	$ 35,107	$ 46,745	$ 43,963	$ 48,496

LEGAL PROCEEDINGS

Refer to Note 8–Commitments and Contingencies in the Notes to the Consolidated Financial Statements included in this report.

CONTROLS AND PROCEDURES

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of the fiscal year covered by this report that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.