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PRESENTATION

Michael Fullman - *DCP Midstream, LP - Director, Investor Relations*

Thank you. Good morning, and welcome to the DCP Midstream First Quarter 2022 Earnings Call. Today's call is being webcast, and I encourage those listening on the phone to view the supporting slides, which are available on our website at dcpmidstream.com.

Before we begin, I'd like to point out that our discussion today includes forward-looking statements. Actual results may differ due to certain risk factors that affect our business. Please review the second slide in the deck that describes our use of forward-looking statements, and for a complete listing of risk factors, please refer to the partnership's latest SEC filings. We will also use various non-GAAP financial measures, which are reconciled to the most comparable GAAP financial measures in schedules in the appendix section of the slides. Wouter van Kempen, CEO; and Sean O'Brien, CFO, will be our speakers today. And after their remarks, we will take your questions.

With that, I'll turn the call over to Wouter.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Thank you, Mike. Good morning, everyone. We appreciate you joining us. On today's call, we'll look at our Q1 financial performance, highlighting the earnings power of the diversified DCP business model and reviewing the significant progress we've made towards strengthening our balance sheet.

Before getting into our quarterly results, I'd like to briefly touch on the macro environment impacting the energy industry today. On our fourth quarter call, I highlighted the constructive environment projected to benefit DCP, which included producers' commitment to capital discipline and a strengthening demand for our products and services as the world reopened from COVID-19 restrictions. These factors supported our 2022 outlook for moderate growth, favorable commodity pricing and strong cash generation.

Since that call, world events brought a stark reminder of the role the U.S. oil and gas industry plays in meeting global energy demand and providing energy security. This increased focus supports the long-term outlook for U.S. production which will benefit our customers and DCP alike.

As we turn to our Q1 results, I'm proud to announce that for adjusted EBITDA, DCF and excess free cash flow, we reported record quarterly results. For the quarter, we realized adjusted EBITDA of $436 million and DCF of $337 million, and our excess free cash flow, which we define as free cash flow after paying our distributions and funding our growth capital program, was approximately $0.25 billion. This performance has enabled us to continue our delevering efforts and achieve investment-grade balance sheet metrics.

Closing the quarter at 3.3x, well ahead of our internal time line, sets up well for a second half distribution raise. This fast start exceeds where we expected to be at this point and builds great momentum as we continue through the year. And for that reason, coupled with continued favorable fundamentals and pricing outlook, I'm pleased to announce that we expect to significantly exceed our 2022 full year guidance for adjusted EBITDA, DCF and excess free cash flow.

And with that, I'll turn it over to Sean to give us further insight into our financial results.

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Thanks, Wouter, and good morning, everyone. On Slide 4, I'll walk you through the key drivers that led to our record first quarter performance, with DCF up 54% and adjusted EBITDA up 32% versus last quarter. On our fourth quarter call, I outlined a series of trends we expected as we entered 2022. And I'm pleased to report that the business capitalized during the quarter to deliver very strong results that exceeded our initial expectations.

In line with our comments from the last quarter call, the favorable commodity environment proved to be a strong tailwind as our G&P business benefited greatly from commodity pricing and a strengthened hedge book, which resulted in a $45 million improvement quarter-over-quarter. Additionally, our logistics business performed extremely well as we optimized our gas storage business, taking full advantage of the strong natural gas markets we saw in early January. And as expected, our cash distributions from our joint ventures were up significantly in Q1, as Q4 distributions were dampened by the timing of ad valorem taxes.

Lastly, we saw a normalization of our cost and capital expenditures, placing us in line with our 2022 outlook and moving from our traditionally higher weighted Q4 spend. These strong results more than offset the impact of winter weather had on our G&P volumes and asset performance across a couple of our key regions. Despite the slow start on volumes, we are starting to see favorable signs in our G&P businesses, as exit rates strengthened in the Mid-Con and South regions and the DJ and Permian recovered from Q1 weather. Our business is performing well, and I'm pleased with how we're set up for the rest of the year as the commodity outlook remains very strong. If the current forward curve holds up, we could potentially see $200 million plus of upside to our original full year midpoint guidance, putting us well above the high end of our adjusted EBITDA range.

So we move to Slide 5. I'd like to provide a summary of our Q1 financial position. Starting with earnings mix. We are currently sitting at 83% fee and hedge for 2022, providing consistent, stable cash flow and also leaving us significant upside as our portfolio takes advantage of the strong current fundamentals. And while we're comfortable with our current 2022 hedge book levels, we are capitalizing on the current market and adding hedges in 2023 and 2024 at very attractive pricing levels.

From an excess free cash flow perspective, we saw greater than 100% increase quarter-over-quarter, which allowed us to continue prioritizing debt reduction. While the commodity environment significantly benefited margins, we experienced higher working capital needs associated with our hedge book. However, we expect that to improve over the remainder of the year. All in, we reduced our absolute debt by roughly $100 million in Q1 and closed the quarter with leverage at 3.3x, which has our balance sheet in line with investment-grade metrics as we continue to build momentum with the rating agencies.

In closing, this record quarter is a testament to the strength of the DCP business model. Over the years, we've taken very deliberate actions to prioritize debt reduction, leverage our DCP 2.0 digital transformation to reset our cost structure, diversify our earnings mix by extending our value chain and increasing fee-based earnings, all while exercising capital discipline. These deliberate strategic actions allow DCP to successfully navigate the historic volatility we've seen over the last couple of years while continuing to drive earnings growth regardless of the commodity price environment. We have a proven track record of execution and our assets continue to prove their earnings power.

Now I'll pass it back to Wouter to discuss our outlook.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Thanks, Sean. As we move to Slide 6, I'll highlight the success we've had executing our financial strategy that has both strengthened our balance sheet and given us significant financial flexibility as we move forward. Almost 2 years ago, we outlined a plan to create a balance sheet resilient in all commodity cycles, targeting 3.5x mid-cycle leverage. On this slide, you can see the great progress we've made towards this goal by rapidly reducing our leverage almost a full turn over the course of the past year, going from 4.2x in Q2 last year to 3.3x as we exit Q1.

With our optimistic outlook for 2022, we plan to continue strengthening our balance sheet through a combination of earnings growth and focused debt reduction. First, from an earnings perspective, our diversified and balanced portfolio has performed extremely well, setting us up to deliver significant year-over-year earnings growth in excess of the high end of our financial guidance ranges. And at the same time, from a deleveraging perspective, we plan to continue utilizing excess free cash flow to significantly reduce our absolute debt, which should have us on track to end the year well below 3x leverage.

Together, our debt reduction focus and strong earnings platform provides us the financial flexibility we've been targeting, which creates significant optionality to address our capital allocation priorities, including targeting a distribution rate in the second half of the year, opportunistically evaluating repurchase opportunities and pursuing strategic growth to drive long-term value for our stakeholders.

Moving to Slide 7. I'll hit on the core areas we see driving growth for the business. Broadly, there is still a lot of excess capacity within the midstream space that needs to be absorbed, so we will continue executing our supply-long, capacity-short strategy on the processing side, while focusing our capital investments on field gathering expansions. This disciplined capital approach will service our customers' needs while also preserving long-term optionality if larger scale investments are needed.

Within the DCP portfolio, we see 3 core areas that provide opportunities to efficiently grow our business, the DJ, the Delaware and the Midland basins. In the DJ, our volume forecast remains strong, with expectations for steady growth. With our assets currently operating near capacity, we will continue to evaluate options to expand our system in order to support our life-of-lease acreage dedications. And as an example of a very capital-efficient solution to support our customers' near-term needs, in the last couple of weeks, we successfully executed an additional offload in the DJ Basin to secure up to 100 million cubic feet per day of incremental processing capacity to service our customers' drilling plans. Moving forward, we will also continue to invest in our gathering infrastructure and be in a position to pursue additional expansion options dependent on our producers' outlook.

Another exciting area for us is the Delaware Basin, where we benefit from the scale and scope of our assets as our G&P and NGL network covers the northern and southern parts of the basin. In the Delaware, we've prioritized investments to enhance our gathering infrastructure, expanding our pipeline network and adding compression in alignment with our customers' production schedules. Our acreage dedications are a core focus area for our customers, and we will continue to efficiently spend capital to support their long-term plans.

Moving on to the Midland Basin. This is an area where we see a lot of opportunity to increase utilization across our system. Growth forecasts for the region continue to strengthen, and we've seen increased activity from private operators. Currently, we benefit from having available capacity, and we're positioned to invest as necessary to fill it. As an example, we recently approved the capital project to add large diameter gathering lines and additional compression to optimize and enhance our gathering system. This project is expected to increase utilization in the second half of the year and position us to compete for incremental supply.

The G&P investments in the DJ and Permian are all low multiple bolt-on expansions that will provide additional benefits to Sand Hills and Southern Hills supply. With a strong long-term outlook for U.S. production, opportunities across the footprint are increasing and we're positioned to respond. However, we also recognize that a key component to taking advantage of these opportunities is ensuring downstream NGL and natural gas takeaway options for our customers.

Over the last 10 years, DCP has built a solid track record of developing and driving downstream solutions. As residue takeaway has become a focal point for the Permian and a potential bottleneck to growth, we are pleased to be in advanced discussions with our Gulf Coast Express partners to support the Permian customers by bringing quick and efficient capacity to the market via an expansion of the GCX pipeline. With early indications of strong demand and a high level of interest, we expect to announce an open season in the coming days. In summary, we're seeing a number of opportunities in these growing areas but we will continue to take a disciplined approach when deploying capital.

Moving to Slide 8. Let me summarize the key takeaway from today's call. First, I'm extremely pleased with the fast start to the year as the DCP team delivered record results for adjusted EBITDA, DCF and excess free cash flow. These very strong results, coupled with our commitment to continue to strengthen our balance sheet, have DCP in line with investment-grade metrics. Moving forward, we believe fundamentals will remain advantageous. And with a continued strong commodity pricing environment, we are on track to exceed the high end of our 2022 financial guidance.

The outlook for DCP in our industry remains strong as the demand for U.S. production continues to strengthen, driven by a structural change in global supply and demand. And while we may see periods of significant volatility, DCP is well positioned to deliver strong results. We've transformed the DCP business. We've built a diversified and balanced portfolio, underpinned with strong fee-based earnings while retaining favorable commodity upside. This balanced portfolio and the DCP team's execution over the years has allowed us to deliver exceptional results regardless of commodity pricing.

Now as we potentially enter the start of a commodity super cycle, our commodity upside is a unique advantage, setting us apart from our peers and resulting in very strong earnings potential in this environment. With our strengthened balance sheet providing financial flexibility and the earnings power of the DCP business, we have great optionality to return additional capital and continue creating long-term value for all unitholders. I'm very proud of the work that has been done at DCP, and I trust that we've built a business that will continue to bring value to our customers and stakeholders alike.

And with that, I look forward to taking your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Spiro Dounis with Credit Suisse.

Spiro Michael Dounis - *Crédit Suisse AG, Research Division - Director*

I want to start with guidance on the outlook, if we can. Obviously, you pointed to the $200 million of upside here just on commodity. But -- and I guess we think about all the other variables, volume, costs, maybe optimization or marketing opportunities. I guess I'm curious, when we look at that midpoint and just forget about the commodity for a second, do you have any sense yet so far in the year how those other variables are trending? In other words, could we be above the midpoint just on those factors as well?

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes, Spiro, this is Sean. Absolutely. We did the $200 million plus because with -- there's-- obviously, there's volatility in the commodity potentially depending on what forward you use, but it's looking very, very strong at the moment. But there's also, if you think about the quarter, we got off to a really strong start. The G&P, outside of the weather we had, was very solid. You look at the L&M business, really strong quarter. Storage had a great quarter. The pipelines had a great quarter.

So a couple of things maybe to answer your question directly. We gave that as a guide. It's kind of a low point, to be honest, I mean -- and I think you're thinking about it right. If you just get the commodity, you're going to be at that level. But we think there's some upside on we have volumes in there. Volumes are directly tied to the original guidance we gave back in February. We think that still holds, but maybe there's a little upside there. Producers are still being very disciplined, but we think potentially there could be something there.

We shifted into ethane recovery late in Q1, third-party ethane recovery. I think that's a potential upside as you think about the rest of the year. So the base business -- and I think you're right, we don't want people to lose that, performed very, very well in Q1 and we think we're set up not only because of the commodity, but for all those factors I mentioned for a really strong second half of the year.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes, Spiro, it's Wouter. Maybe to add a couple of things to what Sean mentioned. If you take commodity for this quarter out, you would still be at a record quarter. Like we beat EBITDA 12% over consensus; DCF, 25% over consensus. But again, that's not all commodity driven. The base business is performing really, really well. I think we have a really good outlook. The way we internally look at this is we've done a lot of work over the last 5 years or so to set the business up for what we believe is a commodity super cycle that is going to come up here over the next number of quarters and years. Think about our DCP transformation, the Digital 2.0 transformation, we started that in '16. That was about taking cost out about rightsizing the business, making sure that we can run through more of our -- through our plans in a very capital-efficient way.

Lean manufacturing, capital discipline, being supply long, capacity short. And all of that combined with the balance sheet that we have right now really sets us up very, very nice to take care of that commodity upside that we do have in our business. So we like how things are set up. We're very excited, very appreciative of what the DCP team has done and how we continue to set ourselves up. And I really think in this commodity super cycle, we can unlock the earnings power of the enterprise.

Spiro Michael Dounis - *Crédit Suisse AG, Research Division - Director*

Got it. That's helpful color. Second one, just turning to bolt-ons and M&A in general. You guys have sort of mentioned the potential to do bolt-ons, I think, in the last few quarters. And so curious if there's anything you guys are moving closer to on that front. Do you want to hit some leverage targets first? And when we think about the types of assets or the location of those assets, what should we be thinking about there?

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes. So there are definitely, I would say, additional activity that you see in the marketplace from assets that are coming to market. I think it's predominantly driven by PE companies. There's a lot of PE companies that kind of started in the '15, '16, '17, '18 time period that obviously couldn't exit during '20 and '21. And I think a lot of those are seeing an opportunity to exit now. There's over a dozen kind of assets that are on the block right now that are in the market space. We're looking at anything and everything. We're going to take a really hard look at things. But at the same time, we're going to be tremendously disciplined. Just doing M&A for the sake of M&A absolutely is not something that makes sense.

So we will look at it and say, hey, how does it fit with our overall business? How does it fit with our thought of being ultimately a wellhead to water type of company? How does it fit with in the DJ Basin and the Permian? Those are our 2 kind of cornerstone asset bases, obviously. And if we can do something there that makes a lot of sense at a good value, it's something that you want to consider. At the same time, you're not going to do M&A for the sake of M&A. So it's hard to say. Is something imminent or other stuff, I obviously cannot comment on that in any way, shape or form. But if there's something that makes a lot of sense, then I think you got to take a look at it.

Operator

Our next question comes from Michael Blum with Wells Fargo.

Michael Jacob Blum - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

I wanted to drill down a little bit more on the volume outlook. So I think as you mentioned, I think, Sean, you mentioned that you're still seeing capital discipline from the producers. Yet you also made a comment earlier, maybe Wouter made that comment about the change in the global market and clearly, there's a call on U.S. production. So just curious how you see that all shaking out in terms of how production plays out? And maybe if you have any color by basin, that would be great, too.

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes. And maybe I can start overall, Michael, around what we're seeing. We can talk a little bit about what we -- we're obviously talking to producers very frequently in this environment. So going forward, I refer back to what I said in February, with areas like the Delaware Basin and the DJ, producers are still -- there was growth baked in. If you listen to what they're saying on their calls, they're probably still in line with that type of growth. And as we talk to some producers, there is a little bit of a time frame on the big guys. Even if they decided to go and get some additional rigs going, that would take some time. That would hit later.

So for the remainder of this year, it feels to me that we are still -- what I'm seeing, we're still in line with that original guidance was 5% to 7% growth in areas like the Delaware and the DJ. And I would say that, that's still the case as we sit here today, maybe with some slight additional upside in terms of what some of the global economic factors you're talking about.

And a potential upside for us, and Wouter highlighted it in his remarks, is this Midland Basin. You're seeing a lot of activity in the Midland Basin. We have assets there. One of the interesting things about the Midland Basin is that we have some capacity that we can utilize. We've been very good in some of these other areas of getting our capacity at higher levels and utilizing offload. So that could be some upside. That actually started pre some of the global unrest, but you're seeing some of that maybe accelerate.

Mid-Continent and areas like the Eagle Ford and South, although we're very excited about the exit rates, they hung in really well, we're not expecting a ton of growth in those areas, but we're keeping an eye on those 2 regions. But again, still probably slightly better than what we -- what I would have given back in February. And maybe the biggest upside that we see is the pipelines. With some third-party volume growth, we're seeing the potential for obviously some additional volumes on Sand and Southern Hills, probably mostly directed towards Sand. And then as I mentioned, a big upside for the company is the fact that we're starting to see more recovery due to some demand issues and at times, the frac spread is driving it.

So I think the pipelines definitely could outperform this year. They definitely outperformed in Q1. Producers, again, holding the line. The big guys staying relatively disciplined. But we'll keep an eye on it, Michael. I think we're looking at our product replacement. We're looking at our growth capital, which is modest. But if we see any trends, obviously, we'll let you know in the next call. But so far, so good.

Operator

Our next question comes from Gabe Moreen with Mizuho.

Gabriel Philip Moreen - *Mizuho Securities USA LLC, Research Division - MD*

If I can ask about, I think it looks like the commitment to paying off the $0.5 billion maturity next year out of excess cash flow, can you talk about weighing that versus other opportunities for capital to return? If I'm maybe hearing correctly on this call, it seems like there's a further drive to deleveraging even maybe relative to before. A, is that related to investment grade? And then I'm also getting to investment grade. And then b, Wouter, I'm just wondering how you're defining mid-cycle at this point, whether, I guess, it's still the $70 a barrel or $3.50 gas for the 3.5x leverage target?

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes, Gabe, I'll start. I would like to -- personally, I would like to take that $0.5 billion out next year out of excess free cash flow. And I think it's important that in an environment like this, which is a high cycle environment, that you delever the company on an absolute basis, and you don't just delever the company by growing EBITDA. I'm like we've all been through these cycles, Sean and I have been through these cycles for over a decade together now, and just getting your leverage down via growing EBITDA but not reducing absolute debt, I don't think it's the right thing in a high cycle environment like you're sitting here today.

Black swans seem to always happen in our industry. The very definition and nature of a black swan is that you don't know when it happens and how it happens but you got to be ready for it. So I think this is an absolute opportune time to make sure that you get that balance sheet absolutely right. We're not running the company for this quarter or next quarter. We're running this company for next year, for the next 5 years and for the next decade. And you want to make sure that you set it up. So therefore, for us, taking this opportunity over this time to get the balance sheet correct, absolutely important. I think the rating agencies are going to follow suit. I think we are investment-grade rated metrics already. We have reduced our leverage almost by a full point in just 12 years by a full -- in 12 months in a full turn here. And we're going to be well below 3.0x here at the end.

So to your question of, well, what -- how do you define mid-cycle? I think it's hard to do that. I don't think $8.50 natural gas and $110 crude is mid-cycle. Something that's probably more in the 60-ish range on crude, $4 range, $3.5, $4 of natural gas, something like that, probably feels a little bit better. I think the good thing from a timing point of view, Gabe, is we're going to be there really, really quickly. We're going to be, at the end of this year, we're going to be well below 3.0, probably somewhere in the mid-2s. And that gives you an unbelievable amount of flexibility.

I think we're set up well for a distribution increase in the second half. We've been talking about that for the last couple of quarters. I think you have more flexibility around growth, around M&A, around potentially doing something with the common or with the preferred. And I think that's where we want to be. We want to be in a place where the balance sheet is rock solid, really, really strong and you have all that flexibility. And we're going to be there very, very quickly based upon the quarter that we showed you here today as well as the outlook for the remainder of the year.

Gabriel Philip Moreen - *Mizuho Securities USA LLC, Research Division - MD*

And then maybe as a follow-up, if I could. Can you just -- and I think Sean mentioned about some of the working capital needs with collateral for the hedges. I don't know where things stand in terms of the marketing, how much working capital you using at $8.50 gas either. So I'm just curious about talking about where the -- how much might be locked up in OCF versus DCF, if you will, for the quarter? And then also bigger picture, whether that matters at all for capital to return and how you're operating the business in a higher price commodity environment?

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes, Gabe, this is Sean. In terms of it mattering, we keep an eye on it. Obviously, there are a lot of benefits and some temporary constraints that happen when you see gas double in price in a short period of time. So I mentioned -- we talked about it last year, collateral because we do run a balanced book, and I think that's important. You heard Wouter talk about investment grade. It's not just your metrics, it's the -- are you running -- how consistent are your cash flows? Ours have been massively consistent. What's your diversity of your assets? We have massive diversity across portfolios. And do you have the value chain, different types of revenue streams, and we do. But one of the things that we are monitoring, it's not an issue, is the increase in working capital. That's one of the outcrops of the high commodity environment.

So you will see that. It was in my written remarks. We did see that uptick. You're right, it's probably predominantly tied to the gas move. We've got plenty of liquidity. I think I mentioned that we termed out our facility, our $1.4 billion facility. By the way, we also tied that to some ESG metrics. We're proud of that. So you have -- we have plenty of liquidity. A couple of other things that the team has done, pretty interesting. You can hedge multiple ways, Gabe. We use, obviously, something like ICE, which does require collateral.

We're using banks more and more. We like that gives business to people that support us and the collateral requirements are much more diminished when you're utilizing banks to hedge. But it's very manageable. And I think, to be specific, we saw an uptick in Q1 versus last year on the collateral requirements, obviously, with commodity running. But we still delevered almost $100 million, so -- in Q1. So obviously, we're still have plenty of excess free cash flow after we're done dealing with collateral requirements.

The last thing I would tell you is, when we model the remainder of the year, if you think about when a lot of those hedges were put in place, Gabe, the lower priced hedges that were put on 2 years ago, 3 years ago roll off. A bunch of them roll off in Q2 and then a significant portion rolls off by the end of the year. So as you're putting hedges on, you're putting them on at higher prices just because the environment is strengthening. So something we're monitoring. It's not something that I worry about. It's temporary. It should remedy itself in a big way by the end of the year, and we have plenty of liquidity to address it.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes. I think the other thing is that, just to make sure to add to what Sean said, I'm like we still have a good chunk of open commodity position. So yes, there is a downside to $8 natural gas as it pertains to your working capital needs in your hedge book. But we're also clearing a tremendous amount of volume in our POPs at $8 natural gas, which is pretty attractive. So all in all, it's a good problem to have, but we obviously got to watch that working capital need.

Gabriel Philip Moreen - *Mizuho Securities USA LLC, Research Division - MD*

And just so to be clear, leverage probably would have been 3.1x or 3.2x, presuming none of this working capital needed to be posted or whatever. Is that a fair statement?

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

That's a fair statement.

Operator

(Operator Instructions) Our next question comes from Michael Cusimano with Pickering Energy Partners.

Michael Raphael Cusimano - *Pickering Energy Partners Insights - Research Analyst*

Given the weather impacts on first quarter volumes, can you give us an indication maybe on where 1Q exit was or maybe just what the impacts were by basin, so we can get a sense of what -- where we're looking heading into 2Q?

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes. So the biggest impacts were tied to the North. We saw a lot of weather in the DJ Basin. And again, that was in February. So when we -- the North had recovered pretty significantly. If you're thinking of exits coming out of Q1, we were not quite but probably back where we thought we'd be. And then the Permian saw some weather, and I think the Mid-Continent had a little bit as well. And it took a little bit longer, I think, to get the Permian back up and running. But as we sit here today, we are -- we had given that 5% to 7% increasing growth in those 2 particular areas. We're back on track for that 5% to 7% growth. So we kind of held the line a little bit in Q1 versus growing.

So I think it may have even been in our written remarks, there was a little bit of a delay. Weather pushed back that growth that we were expecting to occur in Q1 and it's now pushed into Q2, but -- as people had to shut in and take some time to get volumes back online. Areas like the Mid-Continent and the Eagle Ford, less impactful for the most part and we saw those kind of hanging in. We're much closer to where we thought when we gave guidance in February. And again, as I mentioned, the exit rates out of those areas, we were pretty pleased with coming out of the South and the Mid-Continent. So back on track, probably held the line more versus growing, and we expect that growth now to start occurring and we're seeing some pretty good signs early into Q2 so far.

Michael Raphael Cusimano - *Pickering Energy Partners Insights - Research Analyst*

Okay. Great, Sean. And then a quick follow-up. On the sensitivity that you all give, is there any variability that I have to consider as commodities run to the levels that we are at today, like when I'm mark-to-market, I get north of $300 million increase versus the $200 million plus that you all lay out. So I'm just trying to wonder, is that a linear sensitivity? Or is there any headwinds that I need to consider?

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

It's generally linear I mean, there's a couple of things to consider. We give those sensitivities. They're very strong sensitivities. Wouter mentioned him and I have been doing this for over a decade. We've been giving those sensitivities for over a decade. And if I stress test them back over time, they work very, very well. Clearly, depending on the day you use, you can come up with much more. Yes, I want to make sure people understand, we said $200 million plus. That's going to depend on what day you're using, what forward you're using. I think if I use yesterday's forward, we are significantly above, much closer to the numbers that you had.

The only thing I will tell you that can change, and we've never really modified the sensitivities, would be if you had a massive sale of some assets that changed your open position or you had a big acquisition that brought assets in. But aside from that, they have worked really, really well over the years. And I think you're right. I mean on certain days, it's worth much more than the $200 million. Again, that's why we highlighted $200 million plus.

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes. I think, Michael, here's the interesting thing, correct? It's always, hey, whose curve do you use and when do you use it? If you look at natural gas alone, last Friday, natural gas was at $7.50 and we, yesterday, were at $8.70 for natural gas, that's $1.20. So think about that radical movement, like we haven't really seen moves like that for a long, long time. So it all depends on, hey, when do you take that curve and whose curve do you use, obviously, but you're absolutely right. If you kind of look at where you are at the spot right now at $8.25 on natural gas, that $200 million plus number that we gave you is significantly higher than that.

Operator

Our next question comes from James Carreker with U.S. Capital Advisors.

James Eugene Carreker - *U.S. Capital Advisors LLC, Research Division - Executive Director*

Just wanted to follow up on the announcement with the DJ offload capacity. I guess how long does that set you guys up for are you thinking about in terms of your volume growth? Does it delay the time that you would need to think about putting new facilities into service? Any other just thoughts broadly about that announcement?

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

Yes. Why don't I take that one, James. I think what's nice about this kind of DJ, we -- our systems are chockablock full. So we're in a really great position. Our producer customers are seeing some nice growth in a reasonable rate kind of going forward. But we are surrounded in the DJ Basin with a number of midstreamers that do have open capacity. So this is a really just prime example of where you can use a supply-long, capacity-short strategy where it still works.

And like gathering and processing is really a real estate business. So you can be in a certain ZIP code and things are tight and you can go move 50 miles over and there's open capacity somewhere. This is a good example of where we can do a, not even a low capital. This is a 0 capital, 100 million a day addition that we have, where we can make sure that our producer customers can continue to grow, where we don't overbuild and build for the sake of building. And what it gives, it gives us more runway to kind of think about, hey, how is the basin going to develop? We are going to invest a decent number in gathering infrastructure in the DJ Basin to make sure that they can move all of this gas. We are still continuing to work and look over the horizon and say, do we need to build another plant in the DJ Basin? So our engineering teams, our commercial teams are all working together with our producer customers to look at that. That plant is still a bit away, but this gives us tremendous amount of flexibility of zero capital, favorable terms.

Remember that we probably have almost a full plant now that we're using and offloading where we didn't have to spend $1 of capital. The residue gas goes into our pipeline. The NGLs go into our pipeline. And then we make a nice margin over and above the processing fee that we're paying. So it really is a win-win-win. And we're going to continue to look at further out the need to potentially build a plant. And that would be pretty exciting. And like that's the business that we're in.

James Eugene Carreker - *U.S. Capital Advisors LLC, Research Division - Executive Director*

Yes. I appreciate that color. And then maybe just following up on a comment you made about potentially expanding GCX. Is that something that you guys would need in order to facilitate your own volumes or -- and can you also just broadly talk about how you guys are positioned for Permian gas takeaway? And what is the contract status for some of your own pipelines out of the Permian?

Wouter T. van Kempen - *DCP Midstream, LP - Chairman, President & CEO of DCP Midstream GP, LLC*

So we are very well set up for our own equity gas between GCX and our ownership in GCX and the capacity that we took on GCX, our Guadalupe pipeline that we have. So we are tremendously well set up. And so we like the position that we are in for our equity gas. As it pertains to Gulf Coast Express, hey, over the next kind of couple of weeks, we hope to go out with an open season. There's definitely a lot of interest in the marketplace. I think the good thing about GCX is it's -- you don't have to go through a lot of right-of-way. There's not a lot of uncertainty. It's a fairly quick-to-market solution.

So we're going to run that open season. And then as part of that open season, we're going to see how much interest there is so far. It seems like there's a good chunk of interest in the marketplace. And then as a partner, we will have to evaluate an investment opportunity that we like to actually own more off that GCX. I would say, in general, we like the asset. It's a great strategic fit with our asset base. It's fee-based. It complements the portfolio. So I think GCX set up very well. Great that we have a project like GCX and a couple of other ones like that where we can give producers residue takeaway capacity fairly speedy versus new builds, because that is what the Permian needs. The Permian does need takeaway. And I think we're in a prime position to offer that to our producer customers. And from our equity gas position, we are in a really good place today already and for the next number of years.

James Eugene Carreker - *U.S. Capital Advisors LLC, Research Division - Executive Director*

Got you. And then any update on how well contracted Guadalupe is, I guess, over the next couple of years?

Sean P. O'Brien - *DCP Midstream, LP - Group VP & CFO of DCP Midstream GP, LLC*

Yes, we took it, James -- coming out of Uri last year, we took -- there was a great opportunity, obviously, for people came in for demand, right, to contract out. So we did contract -- took advantage of that. We were able to contact -- or contract out Guadalupe over the next 5 years. We always take a very long view approach on our contracts there. So it's fairly well contracted up. We still -- it's similar to the company in terms of the overview. A lot of fee-based contracts set in place with some upside. I think as you go out 4 years, it starts to open up even more 4 years and beyond. And already, we're seeing interest in continuing to fill some of that. But over the next few years, we're in great shape, fairly well contracted with some upside if there's some disruptions that we're able to take advantage of.

Operator

This concludes the question-and-answer session. I'd like to turn the call over to Mike Fullman for any closing remarks.

Michael Fullman - *DCP Midstream, LP - Director, Investor Relations*

Thank you all for joining us today. If you have any other follow-up questions, please feel free to reach out. Thanks.

Operator

This concludes today's program. You may now disconnect. Everyone, have a great day.