NGL Energy Partners LP
Form 10-Q
August 10, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10 Q

(Mark One)

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from to

Commission File Number: 001-35172

NGL Energy Partners LP

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**27-3427920** (I.R.S. Employer Identification No.)
6120 South Yale Avenue Suite 805 Tulsa, Oklahoma (Address of Principal Executive Offices)	**74136** (Zip code)

(918) 481-1119

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

At August 3, 2015, there were 107,274,540 common units issued and outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Forward-Looking Statements

This Quarterly Report on Form 10 Q (Quarterly Report) contains various forward-looking statements and information that are based on our beliefs and those of our general partner, as well as assumptions made by and information currently available to us. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. When used in this Quarterly Report, words such as anticipate, believe, could, estimate, expect, forecast, goal, intend, may, plan, project, will, and similar expressio regarding our plans and objectives for future operations, are intended to identify forward-looking statements. Although we and our general partner believe that the expectations on which such forward-looking statements are based are reasonable, neither we nor our general partner can give assurances that such expectations will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. Among the key risk factors that may impact our consolidated financial position and results of operations are:

- the prices for crude oil, natural gas liquids, refined products, ethanol, and biodiesel;
- energy prices generally;
- the general level of crude oil, natural gas, and natural gas liquids production;
- the general level of demand for crude oil, natural gas liquids, refined products, ethanol, and biodiesel;
- the availability of supply of crude oil, natural gas liquids, refined products, ethanol, and biodiesel;
- the level of crude oil and natural gas drilling and production in producing areas in which we have water treatment and disposal facilities;
- the prices of propane and distillates relative to the prices of alternative and competing fuels;
- the price of gasoline relative to the price of corn, which impacts the price of ethanol;

- the ability to obtain adequate supplies of products in the event of an interruption in supply or transportation and the availability of capacity to transport products to market areas;

- actions taken by foreign oil and gas producing nations;

- the political and economic stability of petroleum producing nations;

- the effect of weather conditions on supply and demand for crude oil, natural gas liquids, refined products, ethanol, and biodiesel;

- the effect of natural disasters, lightning strikes, or other significant weather events;

- availability of local, intrastate and interstate transportation infrastructure, including with respect to our truck, railcar, and barge transportation services;

- availability, price, and marketing of competing fuels;

- the impact of energy conservation efforts on product demand;

- energy efficiencies and technological trends;

- governmental regulation and taxation;

- the impact of legislative and regulatory actions on hydraulic fracturing and on the treatment of flowback and produced water;

- hazards or operating risks incidental to the transporting and distributing of petroleum products that may not be fully covered by insurance;

1

Table of Contents

- the maturity of the crude oil, natural gas liquids, and refined products industries and competition from other marketers;
- loss of key personnel;
- the ability to hire drivers;
- the ability to renew contracts with key customers;
- the ability to maintain or increase the margins we realize for our terminal, barging, trucking, water disposal, recycling, and discharge services;
- the ability to renew leases for our leased equipment and storage facilities;
- the nonpayment or nonperformance by our counterparties;
- the availability and cost of capital and our ability to access certain capital sources;
- a deterioration of the credit and capital markets;
- the ability to successfully identify and consummate strategic acquisitions, and integrate acquired assets and businesses;
- changes in the volume of crude oil recovered during the wastewater treatment process;

- changes in the financial condition and results of operations of entities in which we own noncontrolling equity interests;
- changes in laws and regulations to which we are subject, including tax, environmental, transportation and employment regulations, or new interpretations by regulatory agencies concerning such laws and regulations and the impact of such laws and regulations (now existing or in the future) on our business operations;
- the costs and effects of legal and administrative proceedings;
- any reduction or the elimination of the federal Renewable Fuel Standard; and
- changes in the jurisdictional characteristics of, or the applicable regulatory policies with respect to, our pipeline assets.

You should not put undue reliance on any forward-looking statements. All forward-looking statements speak only as of the date of this Quarterly Report. Except as required by state and federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events, or otherwise. When considering forward-looking statements, please review the risks described under Part I, Item 1A Risk Factors in our Annual Report on Form 10 K for the fiscal year ended March 31, 2015.

Table of Contents

PART I

Item 1. Financial Statements (Unaudited)

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

(U.S. Dollars in Thousands, except unit amounts)

	June 30, 2015	March 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,506	$ 41,303
Accounts receivable trade, net of allowance for doubtful accounts of $4,827 and $4,367, respectively	905,196	1,024,226
Accounts receivable affiliates	18,740	17,198
Inventories	489,064	441,762
Prepaid expenses and other current assets	130,889	120,855
Total current assets	1,587,395	1,645,344
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $236,863 and $202,959, respectively	1,743,584	1,617,389
GOODWILL	1,451,654	1,402,761
INTANGIBLE ASSETS, net of accumulated amortization of $248,497 and $220,517, respectively	1,251,478	1,288,343
INVESTMENTS IN UNCONSOLIDATED ENTITIES	474,221	472,673
LOAN RECEIVABLE AFFILIATE	23,775	8,154
OTHER NONCURRENT ASSETS	110,544	112,837
Total assets	$ 6,642,651	$ 6,547,501
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade	$ 755,062	$ 833,380
Accounts payable affiliates	25,592	25,794
Accrued expenses and other payables	237,407	195,116
Advance payments received from customers	66,706	54,234
Current maturities of long-term debt	3,933	4,472
Total current liabilities	1,088,700	1,112,996
LONG-TERM DEBT, net of current maturities	2,968,069	2,745,299
OTHER NONCURRENT LIABILITIES	17,082	16,086
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
General partner, representing a 0.1% interest, 104,286 and 103,899 notional units at June 30, 2015 and March 31, 2015, respectively	(35,097)	(37,021)

Limited partners, representing a 99.9% interest, 104,181,253 and 103,794,870 common units issued and outstanding at June 30, 2015 and March 31, 2015, respectively		2,056,852		2,162,924
Accumulated other comprehensive loss		(117)		(109)
Noncontrolling interests		547,162		547,326
Total equity		2,568,800		2,673,120
Total liabilities and equity	$	6,642,651	$	6,547,501

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

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

(U.S. Dollars in Thousands, except unit and per unit amounts)

	Three Months Ended June 30, 2015	2014
REVENUES:		
Crude oil logistics	$ 1,327,784	$ 1,929,283
Water solutions	54,293	47,314
Liquids	248,985	475,157
Retail propane	64,447	77,902
Refined products and renewables	1,842,960	1,117,497
Other		1,461
Total Revenues	3,538,469	3,648,614
COST OF SALES:		
Crude oil logistics	1,291,992	1,897,639
Water solutions	3,607	10,573
Liquids	232,276	462,016
Retail propane	29,564	47,524
Refined products and renewables	1,765,112	1,114,313
Other		1,988
Total Cost of Sales	3,322,551	3,534,053
OPERATING COSTS AND EXPENSES:		
Operating	107,914	67,436
General and administrative	62,481	27,873
Depreciation and amortization	59,831	39,375
Loss on disposal or impairment of assets, net	421	432
Operating Loss	(14,729)	(20,555)
OTHER INCOME (EXPENSE):		
Equity in earnings of unconsolidated entities	8,718	2,565
Interest expense	(30,802)	(20,494)
Other expense, net	(1,175)	(391)
Loss Before Income Taxes	(37,988)	(38,875)
INCOME TAX PROVISION	(538)	(1,035)
Net Loss	(38,526)	(39,910)
LESS: NET INCOME ALLOCATED TO GENERAL PARTNER	(15,359)	(9,381)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3,875)	(65)
NET LOSS ALLOCATED TO LIMITED PARTNERS	$ (57,760)	$ (49,356)
BASIC AND DILUTED LOSS PER COMMON UNIT	$ (0.56)	$ (0.61)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	103,888,281	74,126,205

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

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Comprehensive Loss

(U.S. Dollars in Thousands)

	Three Months Ended June 30, 2015	2014
Net loss	$ (38,526)	$ (39,910)
Other comprehensive income (loss)	(8)	185
Comprehensive loss	$ (38,534)	$ (39,725)

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

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Changes in Equity

Three Months Ended June 30, 2015

(U.S. Dollars in Thousands, except unit amounts)

	General Partner	Limited Partners: Common Units	Limited Partners: Amount	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
BALANCES AT MARCH 31, 2015	$ (37,021)	103,794,870	$ 2,162,924	$ (109)	$ 547,326	$ 2,673,120
Distributions	(13,446)		(59,651)		(9,057)	(82,154)
Contributions	11				3,947	3,958
Business combinations		386,383	11,367			11,367
Net income (loss)	15,359		(57,760)		3,875	(38,526)
Other comprehensive loss				(8)		(8)
Other			(28)		1,071	1,043
BALANCES AT JUNE 30, 2015	$ (35,097)	104,181,253	$ 2,056,852	$ (117)	$ 547,162	$ 2,568,800

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

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

(U.S. Dollars in Thousands)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014
OPERATING ACTIVITIES:		
Net loss	$ (38,526)	$ (39,910)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization, including debt issuance cost amortization	63,814	43,424
Non-cash equity-based compensation expense	36,294	7,769
Loss on disposal or impairment of assets, net	421	432
Provision for doubtful accounts	1,060	251
Net commodity derivative loss	41,243	17,485
Equity in earnings of unconsolidated entities	(8,718)	(2,565)
Distributions of earnings from unconsolidated entities	6,163	
Other	(8)	192
Changes in operating assets and liabilities, exclusive of acquisitions:		
Accounts receivable trade	119,675	(2,875)
Accounts receivable affiliates	(1,542)	6,335
Inventories	(47,017)	(63,536)
Prepaid expenses and other assets	(25,432)	(14,993)
Accounts payable trade	(78,115)	70,113
Accounts payable affiliates	(202)	(39,140)
Accrued expenses and other liabilities	714	(184)
Advance payments received from customers	12,005	26,408
Net cash provided by operating activities	81,829	9,206
INVESTING ACTIVITIES:		
Purchases of long-lived assets	(122,110)	(48,867)
Acquisitions of businesses, including acquired working capital, net of cash acquired	(63,898)	(15,869)
Cash flows from commodity derivatives	(21,693)	(9,967)
Proceeds from sales of assets	1,931	989
Investments in unconsolidated entities	(2,149)	(4,094)
Distributions of capital from unconsolidated entities	3,156	
Loan for facility under construction	(3,913)	
Payments on loan for facility under construction	1,600	
Loan to affiliate	(15,621)	
Net cash used in investing activities	(222,697)	(77,808)
FINANCING ACTIVITIES:		
Proceeds from borrowings under revolving credit facilities	721,200	494,500
Payments on revolving credit facilities	(498,200)	(681,000)
Payments on other long-term debt	(1,629)	(2,347)
Debt issuance costs	(6)	(2,194)
Contributions from general partner	11	352
Contributions from noncontrolling interest owners	3,947	
Distributions to partners	(73,097)	(49,491)
Distributions to noncontrolling interest owners	(9,057)	(12)
Proceeds from sale of common units, net of offering costs		338,033
Other	(98)	
Net cash provided by financing activities	143,071	97,841

Net increase in cash and cash equivalents		2,203		29,239
Cash and cash equivalents, beginning of period		41,303		10,440
Cash and cash equivalents, end of period	$	43,506	$	39,679

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

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

Note 1 Organization and Operations

NGL Energy Partners LP (we, us, our, or the Partnership) is a Delaware limited partnership. NGL Energy Holdings LLC serves as our general partner. At June 30, 2015, our operations include:

- Our crude oil logistics segment, the assets of which include owned and leased crude oil storage terminals, owned and leased pipeline injection stations, a fleet of owned trucks and trailers, a fleet of owned and leased railcars, a fleet of owned and leased barges and towboats, and a 50% interest in a crude oil pipeline. Our crude oil logistics segment purchases crude oil from producers and transports it for resale at owned and leased pipeline injection stations, storage terminals, barge loading facilities, rail facilities, refineries, and other trade hubs.

- Our water solutions segment, the assets of which include water treatment and disposal facilities. Our water solutions segment generates revenues from the treatment and disposal of wastewater generated from crude oil and natural gas production, from the sale of recycled water and recovered hydrocarbons, and from the disposal of solids such as tank bottoms and drilling fluids.

- Our liquids segment, which supplies natural gas liquids to retailers, wholesalers, refiners, and petrochemical plants throughout the United States and in Canada, and which provides natural gas liquids terminaling and storage services through its 21 owned terminals throughout the United States and its salt dome storage facility in Utah and railcar transportation services through its fleet of leased railcars. Our liquids segment purchases propane, butane, and other products from refiners, processing plants, producers, and other parties, and sells the products to retailers, refiners, petrochemical plants, and other participants in the wholesale markets.

- Our retail propane segment, which sells propane, distillates, and equipment and supplies to end users consisting of residential, agricultural, commercial, and industrial customers and to certain resellers in 25 states and the District of Columbia.

- Our refined products and renewables segment, which conducts gasoline, diesel, ethanol, and biodiesel marketing operations. We also own the 2.0% general partner interest and a 19.6% limited partner interest in TransMontaigne Partners L.P. (TLP), which conducts refined products terminaling operations.

Note 2 Significant Accounting Policies

Basis of Presentation

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim consolidated financial information in accordance with the rules and regulations of the Securities and Exchange Commission. The accompanying unaudited condensed consolidated financial statements include our accounts and those of our controlled subsidiaries. Investments that we do not have the ability to exercise control of, but do have the ability to exercise significant influence over, are accounted for using the equity method of accounting. All significant intercompany transactions and account balances have been eliminated in consolidation. The unaudited condensed consolidated balance sheet at March 31, 2015 is derived from audited financial statements.

We have made certain reclassifications to prior period financial statements to conform to classification methods used in fiscal year 2016. These reclassifications had no impact on previously reported amounts of equity or net income. The unaudited condensed consolidated financial statements include all adjustments that we consider necessary for a fair presentation of our consolidated financial position and results of operations for the interim periods presented. Such adjustments consist only of normal recurring items, unless otherwise disclosed herein. Accordingly, the unaudited condensed consolidated financial statements do not include all the information and notes required by GAAP for complete annual consolidated financial statements. However, we believe that the disclosures made are adequate to make the information presented not misleading. These interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2015 included in our Annual Report on Form 10 K (Annual Report). Due to the seasonal nature of our liquids and retail propane operations and other factors, the results of operations for interim periods are not necessarily indicative of the results to be expected for future periods or for the full fiscal year ending March 31, 2016.

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period.

Critical estimates we make in the preparation of our condensed consolidated financial statements include determining the fair value of assets and liabilities acquired in business combinations; the collectability of accounts receivable; the recoverability of inventories; useful lives and recoverability of property, plant and equipment and amortizable intangible assets; the impairment of goodwill; the fair value of asset retirement obligations; the value of equity-based compensation; and accruals for various commitments and contingencies, among others. Although we believe these estimates are reasonable, actual results could differ from those estimates.

Significant Accounting Policies

Our significant accounting policies are consistent with those disclosed in Note 2 of our audited consolidated financial statements included in our Annual Report.

Fair Value Measurements

We apply fair value measurements to certain assets and liabilities, principally our commodity derivative instruments and assets and liabilities acquired in business combinations. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value is based upon assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and risks inherent in valuation techniques and inputs to valuations. This includes not only the credit standing of counterparties and credit enhancements but also the impact of our own nonperformance risk on our liabilities. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability (the market for which the reporting entity would be able to maximize the amount received or minimize the amount paid). We evaluate the need for credit adjustments to our derivative instrument fair values in accordance with the requirements noted above. Such adjustments were not material to the fair values of our derivative instruments.

We use the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.

- Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 include non-exchange traded derivatives such as over-the-counter commodity price swap and option contracts. We determine the fair value of all of our derivative financial instruments utilizing pricing models for significantly similar instruments. Inputs to the pricing models include publicly available prices and forward curves generated from a compilation of data gathered from third parties.

- Level 3 Unobservable inputs for the asset or liability including situations where there is little, if any, market activity for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement requires judgment, considering factors specific to the asset or liability.

Revenue Recognition

We record revenues from product sales at the time title to the product transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser. We record terminaling, transportation, storage, and service revenues at the time the service is

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

performed, and we record tank and other rentals over the term of the lease. Pursuant to terminaling service agreements with certain of our throughput customers, we are entitled to the volume of product gained resulting from differences in the measurement of product volumes received and distributed at our terminaling facilities. Such measurement differentials occur as the result of the inherent variances in measurement devices and methodology. We recognize as revenue the net proceeds from the sale of the product gained. Revenues for our water solutions segment are recognized when we take delivery of the wastewater at our treatment and disposal facilities.

We report taxes collected from customers and remitted to taxing authorities, such as sales and use taxes, on a net basis. Amounts billed to customers for shipping and handling costs are included in revenues in our condensed consolidated statements of operations.

We enter into certain contracts whereby we agree to purchase product from a counterparty and sell the same volume of product to the same counterparty at a different location or time. When such agreements are entered into concurrently and are entered into in contemplation of each other, we record the revenues for these transactions net of cost of sales.

Revenues during the three months ended June 30, 2015 include $1.5 million associated with the amortization of a liability recorded in the acquisition accounting for an acquired business related to certain out-of-market revenue contracts.

Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014
	(in thousands)	
Interest paid, exclusive of debt issuance costs and letter of credit fees	$ 31,172	$ 25,984
Income taxes paid	$ 4,083	$ 1,005

Cash flows from settlements of commodity derivative instruments are classified as cash flows from investing activities in our condensed consolidated statements of cash flows, and adjustments to the fair value of commodity derivative instruments are included in the reconciliation of net loss to net cash provided by operating activities.

Inventories

We value our inventories at the lower of cost or market, with cost determined using either the weighted-average cost or the first in, first out (FIFO) methods, including the cost of transportation and storage. Market is determined based on estimated replacement cost using prices at the end of the reporting period. In performing this analysis, we consider fixed-price forward commitments and the opportunity to transfer propane inventory from our wholesale liquids business to our retail propane business to sell the inventory in retail markets.

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

Inventories consist of the following:

	June 30, 2015	March 31, 2015
	(in thousands)	
Crude oil	$ 109,227	$ 145,412
Natural gas liquids		
Propane	52,572	44,535
Butane	19,999	8,668
Other	9,958	3,874
Refined products		
Gasoline	161,566	128,092
Diesel	91,364	59,097
Renewables	34,331	44,668
Other	10,047	7,416
Total	$ 489,064	$ 441,762

Investments in Unconsolidated Entities

In December 2013, as part of our acquisition of Gavilon, LLC (Gavilon Energy), we acquired a 50% interest in Glass Mountain Pipeline, LLC (Glass Mountain) and an interest in a limited liability company that owns an ethanol production facility in the Midwest. In June 2014, we acquired an interest in a limited liability company that operates a water supply company in the DJ Basin. On July 1, 2014, as part of our acquisition of TransMontaigne Inc. (TransMontaigne), we acquired the 2.0% general partner interest and a 19.7% limited partner interest in TLP, which owns a 42.5% interest in Battleground Oil Specialty Terminal Company LLC (BOSTCO) and a 50% interest in Frontera Brownsville LLC (Frontera), which are entities that own refined products storage facilities. We also own a 50% interest in a limited liability company that operates a retail propane business.

We account for these investments using the equity method of accounting. Under the equity method, we do not report the individual assets and liabilities of these entities on our condensed consolidated balance sheets; instead, our ownership interests are reported within investments in unconsolidated entities on our condensed consolidated balance sheets. Under the equity method, the investment is recorded at acquisition cost, increased by our proportionate share of any earnings and additional capital contributions and decreased by our proportionate share of any losses, distributions paid, and amortization of any excess investment. Excess investment is the amount by which our total investment exceeds our proportionate share of the historical net book value of the net assets of the investee.

Our investments in unconsolidated entities consist of the following:

Entity	Segment	June 30, 2015	March 31, 2015
		(in thousands)	
Glass Mountain (1)	Crude oil logistics	$ 185,834	$ 187,590
BOSTCO (2)	Refined products and renewables	239,299	238,146
Frontera (2)	Refined products and renewables	17,287	16,927
Water supply company	Water solutions	16,767	16,471
Ethanol production facility	Refined products and renewables	14,350	13,539
Retail propane company	Retail propane	684	
Total		$ 474,221	$ 472,673

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

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(1) When we acquired Gavilon Energy, we recorded the investment in Glass Mountain at fair value. Our investment in Glass Mountain exceeds our share of the historical net book value of Glass Mountain s net assets by $76.3 million at June 30, 2015. This difference relates primarily to goodwill and customer relationships.

(2) When we acquired TransMontaigne, we recorded the investments in BOSTCO and Frontera at fair value. Our investments in BOSTCO and Frontera exceed our share of the historical net book value of BOSTCO s and Frontera s net assets by $14.9 million at June 30, 2015. This difference relates primarily to goodwill.

Other Noncurrent Assets

Other noncurrent assets consist of the following:

	June 30, 2015	March 31, 2015
	(in thousands)	
Loan receivable (1)	$ 56,605	$ 58,050
Linefill (2)	35,060	35,060
Other	18,879	19,727
Total	$ 110,544	$ 112,837

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(1) Represents a loan receivable associated with our financing of the construction of a natural gas liquids facility to be utilized by a third party.

(2) Represents minimum volumes of crude oil we are required to leave on certain third-party owned pipelines under long-term shipment commitments. At June 30, 2015, linefill consisted of 487,104 barrels of crude oil.

Accrued Expenses and Other Payables

Accrued expenses and other payables consist of the following:

	June 30, 2015		March 31, 2015
	(in thousands)		
Accrued compensation and benefits	$ 104,044		$ 52,078
Excise and other tax liabilities	39,844		43,847
Derivative liabilities	27,321		27,950
Accrued interest	19,655		23,065
Product exchange liabilities	17,322		15,480
Other	29,221		32,696
Total	$ 237,407		$ 195,116

Noncontrolling Interests

We have certain consolidated subsidiaries in which outside parties own interests. The noncontrolling interest shown in our condensed consolidated financial statements represents the other owners interests in these entities.

On July 1, 2014, as part of our acquisition of TransMontaigne, we acquired a 19.7% limited partner interest in TLP. We have attributed net earnings allocable to TLP s limited partners to the controlling and noncontrolling interests based on the relative ownership interests in TLP as well as including certain adjustments related to our acquisition accounting. Earnings allocable to TLP s limited partners are net of the earnings allocable to TLP s general partner interest. The earnings allocable to TLP s general partner

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

interest include the distributions of available cash (as defined by TLP s partnership agreement) attributable to the period to TLP s general partner interest and incentive distribution rights, net of adjustments for TLP s general partner s share of undistributed earnings. Undistributed earnings are allocated to TLP s limited partners and TLP s general partner interest based on their respective sharing of earnings or losses specified in TLP s partnership agreement, which is based on their ownership percentages of 98% and 2%, respectively.

Business Combination Measurement Period

We record the assets acquired and liabilities assumed in a business combination at their acquisition date fair values. Pursuant to GAAP, an entity is allowed a reasonable period of time (not to exceed one year) to obtain the information necessary to identify and measure the fair values of the assets acquired and liabilities assumed in a business combination. As described in Note 4, certain of our acquisitions during the year ended March 31, 2015 are still within this measurement period, and as a result, the acquisition date fair values we have recorded for the assets acquired and liabilities assumed are subject to change. Also as described in Note 4, we made certain adjustments during the three months ended June 30, 2015 to our estimates of the acquisition date fair values of the assets acquired and liabilities assumed in business combinations that occurred during the year ended March 31, 2015.

Recent Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015 11, Simplifying the Measurement of Inventory. ASU No. 2015 11 requires that inventory within the scope of the guidance be measured at the lower of cost or net realizable value. The ASU is effective for the Partnership beginning April 1, 2017, although early adoption is permitted. We are in the process of assessing the impact of this ASU on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015 03, Simplifying the Presentation of Debt Issuance Costs. ASU No. 2015 03 requires that debt issuance costs (excluding costs associated with revolving debt arrangements) be presented in the balance sheet as a reduction to the carrying amount of the debt. We plan to adopt this ASU effective March 31, 2016, at which time we will begin presenting debt issuance costs as a reduction to long-term debt, rather than as an intangible asset. The ASU requires retrospective application for all prior periods presented.

In May 2014, the FASB issued ASU No. 2014 09, Revenue from Contracts with Customers. ASU No. 2014 09 will replace most existing revenue recognition guidance in GAAP. The core principle of this ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU is effective for the Partnership beginning April 1, 2018, and allows for both full retrospective and modified retrospective (with cumulative effect) methods of adoption. We are in the process of determining the method of adoption and assessing the impact of this ASU on our consolidated financial statements.

Note 3 Loss Per Common Unit

Our loss per common unit was computed as follows:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014
	(in thousands, except unit and per unit amounts)	
Net loss attributable to parent equity	$ (42,401)	$ (39,975)
Less: Net income allocated to general partner (1)	(15,359)	(9,381)
Less: Net loss allocated to subordinated unitholders (2)		4,013
Net loss allocated to common unitholders	$ (57,760)	$ (45,343)
Basic and diluted weighted average common units outstanding	103,888,281	74,126,205
Basic and diluted loss per common unit	$ (0.56)	$ (0.61)

(1) Net income allocated to the general partner includes distributions to which it is entitled as the holder of incentive distribution rights, which are described in Note 11.

(2) All outstanding subordinated units converted to common units in August 2014. Since the subordinated units did not share in the distribution of cash generated subsequent to June 30, 2014, we did not allocate any income or loss subsequent to that date to the subordinated unitholders. During the three months ended June 30, 2014, 5,919,346 subordinated units were outstanding. The loss per subordinated unit was ($0.68) for the three months ended June 30, 2014.

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

The restricted units described in Note 11 were antidilutive during the three months ended June 30, 2015 and 2014, but could have an impact on earnings per unit in future periods.

Note 4 Acquisitions

Year Ending March 31, 2016

Water Solutions Facilities

As described below, we are party to certain development agreements that provide us a right to purchase water solutions facilities developed by the other party to the agreements. During the three months ended June 30, 2015, we purchased six water treatment and disposal facilities under these development agreements. On a combined basis, we paid $59.3 million of cash and issued 386,383 common units, valued at $11.4 million, in exchange for these facilities.

We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in these business combinations, and as a result, the estimates of fair value at June 30, 2015 are subject to change. We expect to complete this process prior to finalizing our financial statements for the year ending March 31, 2016. We have preliminarily estimated the fair values of the assets acquired (and useful lives) and liabilities assumed as follows (in thousands):

Property, plant and equipment:		
Water treatment facilities and equipment (3 30 years)	$	24,511
Buildings and leasehold improvements (7 30 years)		5,050
Land		547
Other (5 years)		30
Goodwill		45,809
Accrued expenses and other payables		(5,102)
Other noncurrent liabilities		(174)
Fair value of net assets acquired	$	70,671

Goodwill represents the excess of the consideration paid for the acquired business over the fair value of the individual assets acquired, net of liabilities assumed. Goodwill primarily represents the value of synergies between the acquired business and the Partnership and the opportunity to use the acquired business as a platform for growth. We estimate that all of the goodwill will be deductible for federal income tax purposes.

The operations of these water treatment and disposal facilities have been included in our condensed consolidated statement of operations since their acquisition dates. Our condensed consolidated statement of operations for the three months ended June 30, 2015 includes revenues of $1.0 million and an operating loss of $0.5 million that were generated by the operations of these facilities after we acquired them.

Retail Propane Acquisition

During the three months ended June 30, 2015, we completed an acquisition of a retail propane business that operates in the northeastern United States and paid $4.6 million of cash to acquire these assets and operations. The agreement for this acquisition contemplates post-closing payments for certain working capital items. We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in this business combination, and as a result, the estimates of fair value at June 30, 2015 are subject to change. We expect to complete this process prior to finalizing our financial statements for the three months ended December 31, 2015. The operations of this retail propane business have been included in our condensed consolidated statement of operations since its acquisition date. Our condensed consolidated statement of operations for the three months ended June 30, 2015 includes revenues of $0.3 million and operating income of $0.1 million that were generated by the operations of this business after we acquired them.

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

Year Ended March 31, 2015

As described in Note 2, pursuant to GAAP, an entity is allowed a reasonable period of time (not to exceed one year) to obtain the information necessary to identify and measure the fair values of the assets acquired and liabilities assumed in a business combination. Certain of our acquisitions during the year ended March 31, 2015 are still within this measurement period, and as a result, the acquisition date fair values we have recorded for the assets acquired and liabilities assumed are subject to change. These business combinations are described below.

Natural Gas Liquids Storage Acquisition

In February 2015, we acquired Sawtooth NGL Caverns, LLC (Sawtooth), which owns a natural gas liquids salt dome storage facility in Utah with rail and truck access to western United States markets and entered into a construction agreement to expand the storage capacity of the facility. We paid $97.6 million of cash, net of cash acquired, and issued 7,396,973 common units, valued at $218.5 million, in exchange for these assets and operations. The agreement for this acquisition contemplates post-closing payments for certain working capital items. We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in this business combination, and as a result, the estimates of fair value at June 30, 2015 are subject to change. We expect to complete this process prior to finalizing our financial statements for the three months ended December 31, 2015. We have preliminarily estimated the fair values of the assets acquired (and useful lives) and liabilities assumed as follows:

	Estimated At		
	June 30, 2015	**March 31, 2015**	**Change**
		(in thousands)	
Accounts receivable trade	$ 42	$ 42	$
Prepaid expenses and other current assets	883	600	283
Property, plant and equipment:			
Natural gas liquids terminal and storage assets (2 30 years)	62,205	62,205	
Vehicles and railcars (3 25 years)	75	75	
Land	68	68	
Other	32	32	
Construction in progress	19,525	19,525	
Goodwill	151,570	151,853	(283)
Intangible assets:			
Customer relationships (15 years)	85,000	85,000	
Non-compete agreements (10 years)	12,000	12,000	
Accounts payable trade	(931)	(931)	
Accrued expenses and other payables	(6,511)	(6,511)	

Advance payments received from customers		(1,015)		(1,015)	
Other noncurrent liabilities		(6,817)		(6,817)	
Fair value of net assets acquired	$	316,126	$	316,126	$

Goodwill represents the excess of the consideration paid for the acquired business over the fair value of the individual assets acquired, net of liabilities assumed. Goodwill primarily represents the value of synergies between the acquired business and the Partnership, the opportunity to use the acquired business as a platform for growth, and the acquired assembled workforce. We estimate that all of the goodwill will be deductible for federal income tax purposes.

We estimated the value of the customer relationship intangible asset using the income approach, which uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts.

The acquisition method of accounting requires that executory contracts with unfavorable terms relative to current market conditions at the acquisition date be recorded as assets or liabilities in the acquisition accounting. Since certain natural gas liquids storage lease commitments were at unfavorable terms relative to acquisition-date market conditions, we recorded a liability of $12.8 million related to these lease commitments in the acquisition accounting, and we amortized $1.5 million of this balance as an

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

increase to revenues during the three months ended June 30, 2015. We will amortize the remainder of this liability over the term of the leases. The future amortization of this liability is shown below (in thousands):

Year Ending March 31,		
2016 (nine months)	$	4,355
2017		4,905
2018		1,306
2019		88

Bakken Water Solutions Facilities

On November 21, 2014, we completed the acquisition of two saltwater disposal facilities in the Bakken shale play in North Dakota for $34.6 million of cash. We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in this business combination, and as a result, the estimates of fair value at June 30, 2015 are subject to change. We expect to complete this process prior to finalizing our financial statements for the three months ending September 30, 2015. We have preliminarily estimated the fair values of the assets acquired (and useful lives) and liabilities assumed as follows:

	Estimated At					
		June 30, 2015		**March 31, 2015 (in thousands)**		**Change**
Property, plant and equipment:						
Vehicles (10 years)	$	63	$	63	$	
Water treatment facilities and equipment (3 30 years)		5,815		5,815		
Buildings and leasehold improvements (7 30 years)		130		130		
Land		100		100		
Goodwill		6,721		6,560		161
Intangible asset:						
Customer relationships (6 years)		22,000		22,000		
Other noncurrent assets		75				75
Other noncurrent liabilities		(304)		(68)		(236)
Fair value of net assets acquired	$	34,600	$	34,600	$	

Goodwill represents the excess of the consideration paid for the acquired business over the fair value of the individual assets acquired, net of liabilities assumed. Goodwill primarily represents the value of synergies between the acquired business and the Partnership and the opportunity to use the acquired business as a platform for growth. We estimate that all of the goodwill will be deductible for federal income tax purposes.

TransMontaigne Inc.

On July 1, 2014, we acquired TransMontaigne for $200.3 million of cash, net of cash acquired (including $174.1 million paid at closing and $26.2 million paid upon completion of the working capital settlement). As part of this transaction, we also purchased $380.4 million of inventory from the previous owner of TransMontaigne (including $346.9 million paid at closing and $33.5 million subsequently paid as the working capital settlement process progressed). The operations of TransMontaigne include the marketing of refined products. As part of this transaction, we acquired the 2.0% general partner interest, the incentive distribution rights, a 19.7% limited partner interest in TLP, and assumed certain terminaling service agreements with TLP from an affiliate of the previous owner of TransMontaigne.

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At June 30, 2015 and March 31, 2015, and for the

Three Months Ended June 30, 2015 and 2014

During the three months ended June 30, 2015, we completed the acquisition accounting for this business combination. The following table presents the final calculation of the fair values of the assets acquired (and useful lives) and liabilities assumed for this acquisition:

	Final	Estimated at March 31, 2015 (in thousands)	Change
Cash and cash equivalents	$ 1,469	$ 1,469	$
Accounts receivable trade	199,366	197,829	1,537
Accounts receivable affiliates	528	528	
Inventories	373,870	373,870	
Prepaid expenses and other current assets	15,110	15,001	109
Property, plant and equipment:			
Refined products terminal assets and equipment (20 years)	415,317	399,323	15,994
Vehicles	1,696	1,698	(2)
Crude oil tanks and related equipment (20 years)	1,085	1,058	27
Information technology equipment	7,253	7,253	
Buildings and leasehold improvements (20 years)	15,323	14,770	553
Land	61,329	70,529	(9,200)
Tank bottoms (indefinite life)	46,900	46,900	
Other	15,536	15,534	2
Construction in progress	4,487	4,487	
Goodwill	30,169	28,074	2,095
Intangible assets:			
Customer relationships (15 years)	66,000	76,100	(10,100)
Pipeline capacity rights (30 years)	87,618	87,618	
Investments in unconsolidated entities	240,583	240,583	
Other noncurrent assets	3,911	3,911	
Accounts payable trade	(113,103)	(113,066)	(37)
Accounts payable affiliates	(69)	(69)	