NGL Energy Partners LP
Form 10-Q/A
February 28, 2019

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 31, 2018
OR
¨ **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	**27-3427920**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
6120 South Yale Avenue, Suite 805 **Tulsa, Oklahoma**	**74136**
(Address of Principal Executive Offices)	(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 ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer o	Smaller reporting company ¨
Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

At February 4, 2019, there were 124,033,723 common units issued and outstanding.

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Explanatory Note

This Amendment No. 1 to Form 10-Q (this “Amendment”) amends the Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2018, originally filed on February 11, 2019 (the “Original Filing”) by NGL Energy Partners LP (“we,” “us,” “our,” or the “Partnership”). We are filing this Amendment to correct certain formatting issues that resulted in certain information not being displayed within the footnotes to tables contained primarily in Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Original Filing. The formatting issue was the result of a technical error related to the Partnership’s use of Inline XBRL in the Original Filing. We have corrected the issue and the missing language is now being displayed properly.

Except as described above, no other changes have been made to the Original Filing. We have not updated the disclosures contained herein to reflect any event which occurred at a date subsequent to the filing of the Original Filing.

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PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

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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. Certain words in this Quarterly Report such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "plan," "project," "will," and similar expressions and statements regarding our p objectives for future operations, identify forward-looking statements. Although we and our general partner believe such forward-looking statements are reasonable, neither we nor our general partner can assure they 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 expected. Among the key risk factors that may affect our consolidated financial position and results of operations are:

- the prices of crude oil, natural gas liquids, gasoline, diesel, ethanol, and biodiesel;
- energy prices generally;
- the general level of crude oil, natural gas, and natural gas liquids production;
- the general level of demand, and the availability of supply, for crude oil, natural gas liquids, gasoline, diesel, ethanol, and biodiesel;
- the level of crude oil and natural gas drilling and production in areas where we have water treatment and disposal facilities;
- the price of gasoline relative to the price of corn, which affects the price of ethanol;
- the ability to obtain adequate supplies of products if an interruption in supply or transportation occurs 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 foreign oil and gas producing nations;
- the effect of weather conditions on supply and demand for crude oil, natural gas liquids, gasoline, diesel, ethanol, and biodiesel;
- the effect of natural disasters, lightning strikes, or other significant weather events;
- the availability of local, intrastate, and interstate transportation infrastructure with respect to our truck, railcar, and barge transportation services;
- the availability, price, and marketing of competing fuels;
- the effect of energy conservation efforts on product demand;
- energy efficiencies and technological trends;
- governmental regulation and taxation;
- the effect of legislative and regulatory actions on hydraulic fracturing, wastewater disposal, and the treatment of flowback and produced water;
- hazards or operating risks related to transporting and distributing petroleum products that may not be fully covered by insurance;
- 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 renew contracts with key customers;
- the ability to maintain or increase the margins we realize for our terminal, barging, trucking, wastewater 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;

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- a deterioration of the credit and capital markets;
- the ability to successfully identify and complete accretive acquisitions, and integrate acquired assets and businesses;
- changes in the volume of hydrocarbons 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 applicable laws and regulations, including tax, environmental, transportation, and employment regulations, or new interpretations by regulatory agencies concerning such laws and regulations and the effect 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 may be 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 discussed under Part I, Item 1A–"Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(in Thousands, except unit amounts)

	December 31, 2018	March 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,025	$ 22,094
Accounts receivable-trade, net of allowance for doubtful accounts of $4,463 and $4,201, respectively	1,006,033	1,026,764
Accounts receivable-affiliates	12,564	4,772
Inventories	572,931	551,303
Prepaid expenses and other current assets	210,452	128,742
Assets held for sale	124,509	517,604
Total current assets	1,949,514	2,251,279
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $402,025 and $343,345, respectively	1,726,162	1,518,607
GOODWILL	1,182,614	1,204,607
INTANGIBLE ASSETS, net of accumulated amortization of $492,892 and $433,565, respectively	922,763	913,154
INVESTMENTS IN UNCONSOLIDATED ENTITIES	4,797	17,236
LOAN RECEIVABLE-AFFILIATE	—	1,200
OTHER NONCURRENT ASSETS	170,097	245,039
Total assets	$ 5,955,947	$ 6,151,122
LIABILITIES AND EQUITY		
CURRENT LIABILITIES AND REDEEMABLE NONCONTROLLING INTEREST:		
Accounts payable-trade	$ 905,958	$ 852,839
Accounts payable-affiliates	23,410	1,254
Accrued expenses and other payables	263,732	223,504
Advance payments received from customers	21,437	8,374
Current maturities of long-term debt, net of debt issuance costs of $666 and $0, respectively	339,867	646
Liabilities and redeemable noncontrolling interest held for sale	10,564	42,580
Total current liabilities and redeemable noncontrolling interest	1,564,968	1,129,197
LONG-TERM DEBT, net of debt issuance costs of $12,602 and $20,645, respectively, and current maturities	1,877,701	2,679,740
OTHER NONCURRENT LIABILITIES	74,903	173,514
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
CLASS A 10.75% CONVERTIBLE PREFERRED UNITS, 19,942,169 and 19,942,169 preferred units issued and outstanding, respectively	122,934	82,576
EQUITY:		
General partner, representing a 0.1% interest, 124,158 and 121,594 notional units, respectively	(50,581)	(50,819)
Limited partners, representing a 99.9% interest, 124,033,723 and 121,472,725 common units issued and outstanding, respectively	2,085,780	1,852,495
Class B preferred limited partners, 8,400,000 and 8,400,000 preferred units issued and outstanding, respectively	202,731	202,731
Accumulated other comprehensive loss	(273)	(1,815)
Noncontrolling interests	77,784	83,503
Total equity	2,315,441	2,086,095

Total liabilities and equity	$ 5,955,947	$ 6,151,122

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations
(in Thousands, except unit and per unit amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
REVENUES:				
Crude Oil Logistics	$751,180	$ 585,007	$2,395,064	$1,526,944
Water Solutions	75,458	64,024	231,367	162,023
Liquids	749,433	759,589	1,759,772	1,464,784
Refined Products and Renewables	4,800,430	2,944,874	14,488,619	8,806,717
Other	319	289	1,066	696
Total Revenues	6,376,820	4,353,783	18,875,888	11,961,164
COST OF SALES:				
Crude Oil Logistics	685,417	552,871	2,226,397	1,423,511
Water Solutions	(39,470)	10,192	(17,309)	13,019
Liquids	707,187	721,246	1,668,646	1,404,147
Refined Products and Renewables	4,760,756	2,951,440	14,440,852	8,781,009
Other	494	117	1,481	311
Total Cost of Sales	6,114,384	4,235,866	18,320,067	11,621,997
OPERATING COSTS AND EXPENSES:				
Operating	62,892	51,140	179,463	146,768
General and administrative	24,779	26,396	86,538	69,939
Depreciation and amortization	53,434	52,210	158,229	158,222
(Gain) loss on disposal or impairment of assets, net	(36,246)	(112,388)	71,077	(13,246)
Revaluation of liabilities	—	—	800	5,600
Operating Income (Loss)	157,577	100,559	59,714	(28,116)
OTHER INCOME (EXPENSE):				
Equity in earnings of unconsolidated entities	1,777	2,588	2,375	6,677
Interest expense	(39,151)	(51,696)	(126,777)	(150,918)
Loss on early extinguishment of liabilities, net	(10,083)	(21,141)	(10,220)	(22,479)
Other income (expense), net	1,292	1,881	(31,006)	5,251
Income (Loss) From Continuing Operations Before Income Taxes	111,412	32,191	(105,914)	(189,585)
INCOME TAX EXPENSE	(980)	(364)	(2,322)	(869)
Income (Loss) From Continuing Operations	110,432	31,827	(108,236)	(190,454)
Income From Discontinued Operations, net of Tax	96	24,942	404,414	9,937
Net Income (Loss)	110,528	56,769	296,178	(180,517)
LESS: NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	307	(89)	1,170	(221)
LESS: NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE NONCONTROLLING INTERESTS	—	(424)	446	261
NET INCOME (LOSS) ATTRIBUTABLE TO NGL ENERGY PARTNERS LP	$110,835	$ 56,256	$297,794	$(180,477)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ALLOCATED TO COMMON UNITHOLDERS (NOTE 3)	$80,876	$ 15,470	$(180,870)	$(232,893)
NET INCOME FROM DISCONTINUED OPERATIONS ALLOCATED TO COMMON UNITHOLDERS (NOTE 3)	$96	$ 24,494	$404,455	$10,187
NET INCOME (LOSS) ALLOCATED TO COMMON UNITHOLDERS	$80,972	$ 39,964	$223,585	$(222,706)
BASIC INCOME (LOSS) PER COMMON UNIT				
Income (Loss) From Continuing Operations	$0.65	$ 0.13	$(1.48)	$(1.92)
Income From Discontinued Operations, net of Tax	0.00	0.20	3.30	0.08

Net Income (Loss)	$ 0.65	$ 0.33	$ 1.82	$ (1.84)
DILUTED INCOME (LOSS) PER COMMON UNIT				
Income (Loss) From Continuing Operations	$ 0.64	$ 0.12	$ (1.48)	$ (1.92)
Income From Discontinued Operations, net of Tax	0.00	0.20	3.30	0.08
Net Income (Loss)	$ 0.64	$ 0.32	$ 1.82	$ (1.84)
BASIC WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	123,892,680	120,844,008	122,609,625	120,899,502
DILUTED WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	125,959,751	124,161,966	122,609,625	120,899,502

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
(in Thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
Net income (loss)	$110,528	$56,769	$296,178	$(180,517)
Other comprehensive (loss) income	(3)	784	(27)	350
Comprehensive income (loss)	$110,525	$57,553	$296,151	$(180,167)

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Unaudited Condensed Consolidated Statement of Changes in Equity
Nine Months Ended December 31, 2018
(in Thousands, except unit amounts)

		Limited Partners						
		Class B Preferred		Common				
	General Partner	Units	Amount	Units	Amount	Accumulated Other Comprehensive (Income) Loss	Noncontrolling Interests	Total Equity
BALANCES AT MARCH 31, 2018	$(50,819)	8,400,000	$202,731	121,472,725	$1,852,495	$(1,815)	$83,503	$2,086,095
Distributions to general and common unit partners and preferred unitholders (Note 10)	(247)	—	—	—	(176,756)	—	—	(177,003)
Contributions	—	—	—	—	—	—	169	169
Sawtooth joint venture	—	—	—	—	(63)	—	(791)	(854)
Purchase of noncontrolling interest (Note 4)	—	—	—	—	(33)	—	(3,927)	(3,960)
Redeemable noncontrolling interest valuation adjustment (Note 2)	—	—	—	—	(3,349)	—	—	(3,349)
Repurchase of warrants (Note 10)	—	—	—	—	(14,988)	—	—	(14,988)
Common unit repurchases and cancellations (Note 10)	—	—	—	(15,550)	(162)	—	—	(162)
Equity issued pursuant to incentive compensation plan (Note 10)	21	—	—	2,347,751	33,926	—	—	33,947
Warrants exercised (Note 10)	—	—	—	228,797	2	—	—	2
Accretion of beneficial conversion feature of Class A convertible preferred units (Note 10)	—	—	—	—	(40,359)	—	—	(40,359)
Net income (loss)	327	—	—	—	297,467	—	(1,170)	296,624
Other comprehensive loss	—	—	—	—	—	(27)	—	(27)
Cumulative effect adjustment for adoption of ASC 606 (Note 15)	139	—	—	—	139,167	—	—	139,306
Cumulative effect adjustment for adoption of ASU 2016-01 (Note 2)	(2)	—	—	—	(1,567)	1,569	—	—
BALANCES AT DECEMBER 31, 2018	$(50,581)	8,400,000	$202,731	124,033,723	$2,085,780	$(273)	$77,784	$2,315,441

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(in Thousands)

	Nine Months Ended December 31,	
	2018	**2017**
OPERATING ACTIVITIES:		
Net income (loss)	$296,178	$(180,517)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(404,414)	(9,937)
Depreciation and amortization, including amortization of debt issuance costs	169,573	170,987
Loss on early extinguishment or revaluation of liabilities, net	11,020	28,079
Non-cash equity-based compensation expense	32,575	27,114
Loss (gain) on disposal or impairment of assets, net	71,077	(13,246)
Provision for doubtful accounts	409	669
Net adjustments to fair value of commodity derivatives	(150,664)	99,539
Equity in earnings of unconsolidated entities	(2,375)	(6,677)
Distributions of earnings from unconsolidated entities	1,500	4,891
Lower of cost or market value adjustment	47,785	297
Other	(225)	241
Changes in operating assets and liabilities, exclusive of acquisitions:		
Accounts receivable-trade and affiliates	12,468	(266,304)
Inventories	(69,413)	(84,171)
Other current and noncurrent assets	32,139	(5,753)
Accounts payable-trade and affiliates	37,932	197,148
Other current and noncurrent liabilities	(918)	4,723
Net cash provided by (used in) operating activities-continuing operations	84,647	(32,917)
Net cash provided by operating activities-discontinued operations	31,011	37,204
Net cash provided by operating activities	115,658	4,287
INVESTING ACTIVITIES:		
Capital expenditures	(303,989)	(82,306)
Acquisitions, net of cash acquired	(197,971)	(19,897)
Settlements of commodity derivatives	95,978	(85,575)
Proceeds from sales of assets	8,335	31,339
Proceeds from divestitures of businesses and investments, net	103,594	292,117
Investments in unconsolidated entities	(92)	(21,461)
Distributions of capital from unconsolidated entities	—	11,710
Repayments on loan for natural gas liquids facility	8,371	7,425
Loan to affiliate	(1,515)	(1,460)
Repayments on loan to affiliate	—	4,160
Other	—	20,000
Net cash (used in) provided by investing activities-continuing operations	(287,289)	156,052
Net cash provided by (used in) investing activities-discontinued operations	845,779	(51,000)
Net cash provided by investing activities	558,490	105,052
FINANCING ACTIVITIES:		
Proceeds from borrowings under Revolving Credit Facility	2,956,500	1,674,500
Payments on Revolving Credit Facility	(3,037,000)	(1,349,500)
Repayment and repurchase of senior secured and senior unsecured notes	(395,471)	(415,568)

Payments on other long-term debt	(488)	(716)
Debt issuance costs	(915)	(2,497)
Contributions from noncontrolling interest owners, net	169	23
Distributions to general and common unit partners and preferred unitholders	(177,003)	(166,589)
Distributions to noncontrolling interest owners	—	(3,082)
Proceeds from sale of preferred units, net of offering costs	—	202,731
Repurchase of warrants	(14,988)	(10,549)
Common unit repurchases and cancellations	(162)	(15,608)
Payments for settlement and early extinguishment of liabilities	(3,534)	(2,408)
Net cash used in financing activities-continuing operations	(672,892)	(89,263)
Net cash used in financing activities-discontinued operations	(325)	(3,645)
Net cash used in financing activities	(673,217)	(92,908)
Net increase in cash and cash equivalents	931	16,431
Cash and cash equivalents, beginning of period	22,094	7,826
Cash and cash equivalents, end of period	$ 23,025	$ 24,257
Supplemental cash flow information:		
Cash interest paid	$ 132,318	$ 153,788
Income taxes paid (net of income tax refunds)	$ 1,893	$ 1,614
Supplemental non-cash investing and financing activities:		
Distributions declared but not paid to Class B preferred unitholders	$ 4,725	$ 4,725
Accrued capital expenditures	$ 34,734	$ 7,444

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

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

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 December 31, 2018, our operations included:

- Our Crude Oil Logistics segment purchases crude oil from producers and transports it to refineries or for resale at pipeline injection stations, storage terminals, barge loading facilities, rail facilities, refineries, and other trade hubs, and provides storage, terminaling, trucking, marine and pipeline transportation services through its owned assets.
- Our Water Solutions segment provides services for the treatment and disposal of wastewater generated from crude oil and natural gas production and for the disposal of solids such as tank bottoms, drilling fluids and drilling muds and performs truck and frac tank washouts. In addition, our Water Solutions segment sells the recovered hydrocarbons that result from performing these services and it also sells freshwater to producers for exploration and production activities.
- Our Liquids segment supplies natural gas liquids to retailers, wholesalers, refiners, and petrochemical plants throughout the United States and in Canada using its leased underground storage and fleet of leased railcars, markets regionally through its 19 owned terminals throughout the United States, and provides terminaling and storage services at its salt dome storage facility joint venture in Utah.
- Our Refined Products and Renewables segment conducts gasoline, diesel, ethanol, and biodiesel marketing operations, purchases refined petroleum and renewable products primarily in the Gulf Coast, Southeast and Midwest regions of the United States and schedules them for delivery at various locations throughout the country. In addition, in certain storage locations, our Refined Products and Renewables segment may also purchase unfinished gasoline blending components for subsequent blending into finished gasoline to supply our marketing business as well as third parties.

Recent Developments

On July 10, 2018, we completed the sale of virtually all of our Retail Propane segment to Superior Plus Corp. ("Superior") for total consideration of $889.8 million in cash. Accordingly, upon satisfaction of the significant closing conditions for this transaction during the month of June 2018, the assets, liabilities and redeemable noncontrolling interest of the Retail Propane segment were classified as held for sale in our unaudited condensed consolidated balance sheets. This sale included all three of the retail propane businesses we acquired during the three months ended June 30, 2018 (see Note 4). We retained our 50% ownership interest in Victory Propane, LLC ("Victory Propane"), which we subsequently sold on August 14, 2018 (see Note 2). This transaction, combined with the sale of a portion of our Retail Propane segment to DCC LPG ("DCC") on March 30, 2018, represents a strategic shift in our operations and will have a significant effect on our operations and financial results going forward. Accordingly, the results of operations and cash flows related to the entire Retail Propane segment (including equity in earnings of Victory Propane) have been classified as discontinued operations for all periods presented and prior periods have been retrospectively adjusted in the unaudited condensed consolidated statements of operations and unaudited condensed consolidated statements of cash flows.

Note 2—Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include our accounts and those of our controlled subsidiaries. Intercompany transactions and account balances have been eliminated in consolidation. Investments we do not control, but can exercise significant influence over, are accounted for using the equity method of accounting. We also own an undivided interest in a crude oil pipeline, and include our proportionate share of assets, liabilities, and expenses related to this pipeline in our unaudited condensed consolidated financial statements.

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 ("SEC"). Accordingly, the unaudited condensed consolidated financial statements exclude certain information and notes required by GAAP for complete annual consolidated financial

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

statements. However, we believe that the disclosures made are adequate to make the information presented not misleading. The unaudited condensed consolidated financial statements include all adjustments that we consider necessary for a fair presentation of our consolidated financial position, results of operations and cash flows for the interim periods presented. Such adjustments consist only of normal recurring items, unless otherwise disclosed in this Quarterly Report. The unaudited condensed consolidated balance sheet at March 31, 2018 was derived from our audited consolidated financial statements for the fiscal year ended March 31, 2018 included in our Annual Report on Form 10-K ("Annual Report") filed with the SEC on May 30, 2018 and adjusted retrospectively for the Retail Propane segment disposition as previously described.

These interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto included in our Annual Report. Due to the seasonal nature of certain of our operations and other factors, the results of operations for interim periods are not necessarily indicative of the results of operations to be expected for future periods or for the full fiscal year ending March 31, 2019.

Use of Estimates

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

Critical estimates we make in the preparation of our unaudited condensed consolidated financial statements include, among others, determining the fair value of assets and liabilities acquired in business combinations, the fair value of derivative instruments, the collectibility of accounts receivable, the recoverability of inventories, useful lives and recoverability of property, plant and equipment and amortizable intangible assets, the impairment of long-lived assets and goodwill, the fair value of asset retirement obligations, the value of equity-based compensation, accruals for environmental matters and estimating certain revenues. 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

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

- Level 1: Quoted prices 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 (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in inactive markets, (iii) inputs other than quoted prices that are observable for the asset or liability, and (iv) 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 and forward commodity contracts. We determine the fair value of all of our derivative financial instruments utilizing pricing models for 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 inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

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 a fair value measurement requires judgment, considering factors specific to the asset or liability.

Derivative Financial Instruments

We record all derivative financial instrument contracts at fair value in our unaudited condensed consolidated balance sheets except for certain contracts that qualify for the normal purchase and normal sale election. Under this accounting policy election, we do not record the contracts at fair value at each balance sheet date; instead, we record the purchase or sale at the contracted value once the delivery occurs.

We have not designated any financial instruments as hedges for accounting purposes. All changes in the fair value of our commodity derivative instruments that do not qualify as normal purchases and normal sales (whether cash transactions or non-cash mark-to-market adjustments) are reported within cost of sales in our unaudited condensed consolidated statements of operations, regardless of whether the contract is physically or financially settled.

We utilize various commodity derivative financial instrument contracts to attempt to reduce our exposure to price fluctuations. We do not enter into such contracts for trading purposes. Changes in assets and liabilities from commodity derivative financial instruments result primarily from changes in market prices, newly originated transactions, and the timing of settlements. We attempt to balance our contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on our assessment of anticipated market movements. Inherent in the resulting contractual portfolio are certain business risks, including commodity price risk and credit risk. Commodity price risk is the risk that the market value of crude oil, natural gas liquids, or refined and renewables products will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers or financial counterparties to a contract. Procedures and limits for managing commodity price risks and credit risks are specified in our market risk policy and credit policy, respectively. Open commodity positions and market price changes are monitored daily and are reported to senior management and to marketing operations personnel. Credit risk is monitored daily and exposure is minimized through customer deposits, restrictions on product liftings, letters of credit, and entering into master netting agreements that allow for offsetting counterparty receivable and payable balances for certain transactions.

Income Taxes

We qualify as a partnership for income tax purposes. As such, we generally do not pay United States federal income tax. Rather, each owner reports his or her share of our income or loss on his or her individual tax return. The aggregate difference in the basis of our net assets for financial and tax reporting purposes cannot be readily determined, as we do not have access to information regarding each partner’s basis in the Partnership.

We have certain taxable corporate subsidiaries in the United States and Canada, and our operations in Texas are subject to a state franchise tax that is calculated based on revenues net of cost of sales.

During the nine months ended December 31, 2018, we recognized a deferred tax liability of $22.4 million as a result of acquiring a corporation in connection with one of our acquisitions (see Note 4). The deferred tax liability is the tax effected cumulative temporary difference between the GAAP basis and tax basis of the acquired assets within the corporation. For GAAP purposes, certain of the acquired assets will be depreciated and amortized over time which will lower the GAAP basis. The deferred tax liability is $22.3 million at December 31, 2018 and is included within other noncurrent liabilities in our unaudited condensed consolidated balance sheet.

We evaluate uncertain tax positions for recognition and measurement in the unaudited condensed consolidated financial statements. To recognize a tax position, we determine whether it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation, based on the technical merits of the position. A tax position that meets the more likely than not threshold is measured to determine the amount of benefit to be recognized in the unaudited condensed consolidated financial statements. We had no material uncertain tax positions that required recognition in our unaudited condensed consolidated financial statements at December 31, 2018 or March 31, 2018.

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Inventories

Our inventories are valued at the lower of cost or net realizable value, with cost determined using either the weighted-average cost or the first in, first out (FIFO) methods, including the cost of transportation and storage, and with net realizable value defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. In performing this analysis, we consider fixed-price forward commitments.

Inventories consist of the following at the dates indicated:

	December 31, 2018	March 31, 2018
	(in thousands)	
Crude oil	$ 53,312	$ 77,351
Natural gas liquids:		
Propane	92,328	38,910
Butane	30,855	12,613
Other	8,262	6,515
Refined products:		
Gasoline	215,798	253,286
Diesel	125,565	113,939
Renewables:		
Ethanol	38,911	38,093
Biodiesel	7,900	10,596
Total	$ 572,931	$ 551,303

Amounts in the table above do not include inventory related to the Retail Propane segment, as these amounts have been classified as assets held for sale within our unaudited condensed consolidated balance sheets (see Note 14).

Investments in Unconsolidated Entities

Investments we do not control, but can exercise significant influence over, are accounted for using the equity method of accounting. Investments in partnerships and limited liability companies, unless our investment is considered to be minor, and investments in unincorporated joint ventures are also accounted for using the equity method of accounting. Under the equity method, we do not report the individual assets and liabilities of these entities on our unaudited condensed consolidated balance sheets; instead, our ownership interests are reported within investments in unconsolidated entities on our unaudited 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 net assets of the investee.

Our investments in unconsolidated entities consist of the following at the dates indicated:

Entity	Segment	Ownership Interest (1)	Date Acquired or Formed	December 31, 2018	March 31, 2018
				(in thousands)	
Water treatment and disposal facility (2)	Water Solutions	50%	August 2015	$ 2,378	$ 2,094

Water services company (3)	Water Solutions	50%	August 2018	2,419	—
E Energy Adams, LLC (4)	Refined Products and Renewables	—%	December 2013	—	15,142
Victory Propane, LLC (5)	Corporate and Other	—%	April 2015	—	—
Total				$4,797	$ 17,236

(1) Ownership interest percentages are at December 31, 2018.
(2) This is an investment in an unincorporated joint venture.

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(3) This is an investment in an unincorporated joint venture that we acquired as part of an acquisition in August 2018. See Note 4 for a further discussion.

(4) On May 3, 2018, we sold our previously held 20% interest in E Energy Adams, LLC for net proceeds of $18.6 million and recorded a gain on disposal of $3.0 million during the nine months ended December 31, 2018 within (gain) loss on disposal or impairment of assets, net in our unaudited condensed consolidated statement of operations.

(5) On August 14, 2018, we sold our previously held 50% interest in Victory Propane. See Note 13 for a further discussion.

Variable Interest Entity

Victory Propane was formed as a joint venture in April 2015 by us and an unrelated third party. The business purpose of Victory Propane is to acquire and/or develop retail propane operations in a defined geographic area. In conjunction with the formation of Victory Propane, we agreed to provide Victory Propane a revolving line of credit of $5.0 million and have concluded that Victory Propane is a variable interest entity because the equity of Victory Propane is not sufficient to fund its activities without additional subordinated financial support. As discussed above and in Note 13, during the three months ended September 30, 2018, we sold our interest in Victory Propane.

Other Noncurrent Assets

Other noncurrent assets consist of the following at the dates indicated:

	December 31, 2018	March 31, 2018
	(in thousands)	
Loan receivable (1)	$ 20,119	$ 29,463
Line fill (2)	33,437	34,897
Tank bottoms (3)	44,148	42,044
Minimum shipping fees - pipeline commitments (4)	23,494	88,757
Other	48,899	49,878
Total	$ 170,097	$ 245,039

(1) Represents the noncurrent portion of a loan receivable associated with our financing of the construction of a natural gas liquids facility that is utilized by a third party.

(2) Represents minimum volumes of product we are required to leave on certain third-party owned pipelines under long-term shipment commitments. At December 31, 2018, line fill consisted of 335,069 barrels of crude oil and 262,000 barrels of propane. At March 31, 2018, line fill consisted of 360,425 barrels of crude oil and 262,000 barrels of propane. Line fill held in pipelines we own is included within property, plant and equipment (see Note 5).

(3) Tank bottoms, which are product volumes required for the operation of storage tanks, are recorded at historical cost. We recover tank bottoms when the storage tanks are removed from service. At December 31, 2018 and March 31, 2018, tank bottoms held in third party terminals consisted of 389,737 barrels and 366,212 barrels of refined products, respectively. Tank bottoms held in terminals we own are included within property, plant and equipment (see Note 5).

(4) Represents the minimum shipping fees paid in excess of volumes shipped, or deficiency credits, for two contracts with crude oil pipeline operators. This amount can be recovered when volumes shipped exceed the minimum monthly volume commitment (see Note 9). During the three months ended June 30, 2018, we entered into a definitive agreement, as described further in Note 13, in which we agreed to provide the benefit of our deficiency credit under one of these contracts. As a result of providing this benefit to the third party, we wrote off $67.7 million of these deficiency credits to (gain) loss on disposal or impairment of assets, net in our unaudited condensed consolidated statements of operation during the three months ended June 30, 2018. Under the remaining other contract for which we have the future benefit, we currently have 16 months in which to ship the excess volumes.

Amounts in the table above do not include other noncurrent assets related to the Retail Propane segment, as these amounts have been classified as assets held for sale within our unaudited condensed consolidated balance sheets (see Note 14).

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Accrued Expenses and Other Payables

Accrued expenses and other payables consist of the following at the dates indicated:

	December 31, 2018	March 31, 2018
	(in thousands)	
Accrued compensation and benefits	$ 15,174	$ 18,033
Excise and other tax liabilities	42,478	40,829
Derivative liabilities	112,374	51,039
Accrued interest	27,360	39,947
Product exchange liabilities	27,220	11,842
Gavilon legal matter settlement (Note 9)	12,500	—
Deferred gain on sale of general partner interest in TLP (1)	—	30,113
Other	26,626	31,701
Total	$ 263,732	$ 223,504

(1) See Note 15 for a discussion of the accounting for the deferred gain upon adoption of ASU No. 2014-09 and ASU No. 2017-05.

Amounts in the table above do not include accrued expenses and other payables related to our South Pecos water disposal assets and Retail Propane segment, as of December 31, 2018 and March 31, 2018, respectively, as these amounts have been classified as liabilities held for sale within our unaudited condensed consolidated balance sheets (see Note 14).

Noncontrolling Interests

Noncontrolling interests represent the portion of certain consolidated subsidiaries that are owned by third parties. Amounts are adjusted by the noncontrolling interest holder's proportionate share of the subsidiaries' earnings or losses each period and any distributions that are paid. Noncontrolling interests are reported as a component of equity, unless the noncontrolling interest is considered redeemable, in which case the noncontrolling interest is recorded between liabilities and equity (mezzanine or temporary equity) in our unaudited condensed consolidated balance sheet. The redeemable noncontrolling interest is adjusted at each balance sheet date to its maximum redemption value if the amount is greater than the carrying value. The redeemable noncontrolling interest is included in liabilities and redeemable noncontrolling interest held for sale in our unaudited condensed consolidated balance sheets (see Note 14). The following table summarizes changes in our redeemable noncontrolling interest (in thousands):

Balance at March 31, 2018	$ 9,927
Net loss attributable to redeemable noncontrolling interest	(446)
Redeemable noncontrolling interest valuation adjustment	3,349
Disposal of redeemable noncontrolling interest	(12,830)
Balance at December 31, 2018	$ —

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 value of the assets acquired and liabilities assumed in a business combination. As discussed in Note 4, certain of our acquisitions 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.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments-Credit Losses.” The ASU requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected, which would include accounts

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

receivable. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The ASU is effective for the Partnership beginning April 1, 2020, and requires a modified retrospective method of adoption, although early adoption is permitted. We are currently in the process of assessing the impact of this ASU on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases.” The ASU will replace previous lease accounting guidance in GAAP. The ASU requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The ASU retains a distinction between finance leases and operating leases. The ASU is effective for the Partnership beginning April 1, 2019. We are currently evaluating our current leases and other contracts that may be considered leases under the new standard and the impact on our internal controls, accounting policies and financial statements and disclosures. Our evaluation process includes compiling a database of our leases, implementing accounting software to assist with compliance and developing internal controls to ensure completeness and accuracy of our leases meeting the scope of this ASU. Upon adoption, we expect to recognize right of use assets and lease liabilities not previously recorded on our consolidated balance sheet. Due to the ongoing nature of our process, we cannot yet determine the quantitative impact of the adoption of this standard. We expect to elect the following transitional practical expedients, which will allow us to not evaluate land easements prior to April 1, 2019: use hindsight in determining the lease term; to not reassess whether current or expired contracts contain leases; to not reassess the lease classification for any expired or existing leases; and to not reassess initial costs. We also expect to elect the optional transition method to record the adoption impact through a cumulative effect adjustment to equity.

On April 1, 2018, we adopted ASU No. 2014-09, “Revenue from Contracts with Customers,” using a modified retrospective approach of adoption. ASU No. 2014-09 supersedes previous revenue recognition requirements in Topic 605, “Revenue Recognition,” and includes a five-step revenue recognition model to depict the transfer of goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. To achieve this core principle, more judgment and estimates are required within the revenue recognition process than required under Topic 605. In addition, ASU No. 2014-09 requires significantly expanded disclosures related to the nature, timing, amount and uncertainty of revenue and cash flows arising from contracts with customers. See Note 15 for a further discussion of the impact of adoption of ASU No. 2014-09 on our unaudited condensed consolidated financial statements and our revenue recognition policies.

On April 1, 2018, we adopted ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities.” One of the provisions of ASU No. 2016-01 was to supersede the guidance to classify equity securities with readily determinable fair value into different categories (that is, trading or available-for-sale) and require equity securities to be measured at fair value with changes in fair value recognized through net income. As a result of the adoption, we recorded a cumulative effect adjustment of $1.6 million, moving the unrealized loss from accumulated other comprehensive income to limited partners’ equity.

Note 3—Income (Loss) Per Common Unit

The following table presents our calculation of basic and diluted weighted average common units outstanding for the periods indicated:

	Three Months Ended December 31,		**Nine Months Ended December 31,**	
	2018	**2017**	**2018**	**2017**
Weighted average common units outstanding during the period:				
Common units - Basic	123,892,680	120,844,008	122,609,625	120,899,502

Effect of Dilutive Securities:				
Warrants	1,456,947	2,914,383	—	—
Service awards	610,124	403,575	—	—
Common units - Diluted	125,959,751	124,161,966	122,609,625	120,899,502

For the three months ended December 31, 2018, the Class A Preferred Units (as defined herein) were considered antidilutive. For the three months ended December 31, 2017, the Class A Preferred Units and Performance Awards were

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

considered antidilutive. For the nine months ended December 31, 2018 and 2017, the warrants, Service Awards (as defined herein) and Class A Preferred Units were considered antidilutive.

Our income (loss) per common unit is as follows for the periods indicated:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands, except unit and per unit amounts)			
Income (loss) from continuing operations	$ 110,432	$ 31,827	$ (108,236)	$ (190,454)
Less: Continuing operations loss (income) attributable to noncontrolling interests	307	(89)	1,170	(221)
Net income (loss) from continuing operations attributable to NGL Energy Partners LP	110,739	31,738	(107,066)	(190,675)
Less: Distributions to preferred unitholders (1)	(29,748)	(16,219)	(73,882)	(42,001)
Less: Continuing operations (income) loss allocated to general partner (2)	(115)	(49)	78	132
Less: Repurchase of warrants (3)	—	—	—	(349)
Net income (loss) from continuing operations allocated to common unitholders	$ 80,876	$ 15,470	$ (180,870)	$ (232,893)
Income from discontinued operations, net of tax	$ 96	$ 24,942	$ 404,414	$ 9,937
Less: Discontinued operations (income) loss attributable to redeemable noncontrolling interests	—	(424)	446	261
Less: Discontinued operations (income) allocated to general partner (2)	—	(24)	(405)	(11)
Net income from discontinued operations allocated to common unitholders	$ 96	$ 24,494	$ 404,455	$ 10,187
Net income (loss) allocated to common unitholders	$ 80,972	$ 39,964	$ 223,585	$ (222,706)
Basic income (loss) per common unit				
Income (loss) from continuing operations	$ 0.65	$ 0.13	$ (1.48)	$ (1.92)
Income from discontinued operations, net of tax	0.00	0.20	3.30	0.08
Net income (loss)	$ 0.65	$ 0.33	$ 1.82	$ (1.84)
Diluted income (loss) per common unit				
Income (loss) from continuing operations	$ 0.64	$ 0.12	$ (1.48)	$ (1.92)
Income from discontinued operations, net of tax	0.00	0.20	3.30	0.08
Net income (loss)	$ 0.64	$ 0.32	$ 1.82	$ (1.84)
Basic weighted average common units outstanding	123,892,680	120,844,008	122,609,625	120,899,502
Diluted weighted average common units outstanding	125,959,751	124,161,966	122,609,625	120,899,502

(1) This amount includes the distribution to preferred unitholders as well as the accretion for the beneficial conversion, as discussed further in Note 10.
(2) Net (income) loss allocated to the general partner includes distributions to which it is entitled as the holder of incentive distribution rights.
(3) This amount represents the excess of the repurchase price over the fair value of the warrants, as discussed further in Note 10.

Note 4—Acquisitions

The following summarizes our acquisitions during the nine months ended December 31, 2018:

Water Pipeline Company

On April 24, 2018, we acquired the remaining 18.375% interest in NGL Water Pipelines, LLC operating in the Delaware Basin portion of the Permian Basin in West Texas for total consideration of approximately $4.0 million. The acquisition of the remaining interest was accounted for as an equity transaction, no gain or loss was recorded, and the carrying

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

value of the noncontrolling interest was adjusted to reflect the change in ownership interest of the subsidiary. As of the date of the transaction, the 18.375% interest had a carrying value of $3.9 million.

Saltwater Water Solutions Facilities

During the nine months ended December 31, 2018, we acquired six saltwater disposal facilities (including 15 saltwater disposal wells) for total consideration of approximately $116.0 million.

As part of these acquisitions, we recorded customer relationship and favorable contract intangible assets whereby we estimated the value of these intangible assets 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.

We assumed land leases with a royalty component as part of the acquisition of these facilities. The acquisition method of accounting requires that executory contracts with unfavorable terms relative to market conditions at the acquisition date be recorded as liabilities in the acquisition accounting. We recorded a liability to other noncurrent liabilities of $1.1 million related to these leases due to the royalty terms being deemed unfavorable. We will amortize this liability based on the volumes processed by the facilities.

The agreements for these acquisitions contemplate post-closing payments for certain working capital items. We are accounting for these transactions as business combinations. The following table summarizes the preliminary estimates of the fair values as of December 31, 2018 for the assets acquired and liabilities assumed (in thousands):

Property, plant and equipment	$ 33,202
Goodwill	58,751
Intangible assets	25,124
Other noncurrent liabilities	(1,127)
Fair value of net assets acquired	$ 115,950

As of December 31, 2018, the allocation of the purchase price is considered preliminary as we are continuing to gather additional information to (i) finalize the fair values of the property, plant and equipment and intangible assets and (ii) finalize the calculation of asset retirement obligations.

Goodwill represents the excess of the consideration paid for the acquired businesses over the fair value of the individual assets acquired, net of liabilities assumed. Goodwill represents a premium paid to expand the number of our disposal sites in an oilfield production basin currently serviced by us, thereby enhancing our competitive position as a provider of disposal services in this oilfield production basin. We expect that all of the goodwill will be deductible for federal income tax purposes.

The operations of these water solutions facilities have been included in our unaudited condensed consolidated statement of operations since their acquisition date. Our unaudited condensed consolidated statement of operations for the nine months ended December 31, 2018 includes revenues of $9.1 million and operating income of $3.7 million that were generated by the operations of these water solutions facilities. We incurred $0.2 million of transaction costs related to these acquisitions during the nine months ended December 31, 2018. These amounts are recorded within general and administrative expenses in our unaudited condensed consolidated statement of operations.

During the nine months ended December 31, 2018, we also acquired five saltwater disposal wells for total consideration of $24.1 million, which we are accounting for as an acquisition of assets.

Freshwater Water Solutions Facilities

During the nine months ended December 31, 2018, we acquired a ranch and four freshwater facilities (including 27 freshwater wells) and a right-of-way that can be used for pipelines for total consideration of approximately $78.1 million.

As part of these acquisitions, we recorded customer relationship and favorable contract intangible assets, whereby we estimated the value of these intangible assets 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.

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

A book/tax difference was created as part of one of these acquisitions and as a result, we have recorded a preliminary noncurrent deferred tax liability of $22.4 million (see Note 2 for a further discussion).

We recorded a contingent consideration liability within accrued expenses and other payables and other noncurrent liabilities in our unaudited condensed consolidated balance sheet related to future royalty payments due to the seller. We estimated the contingent consideration based on the contracted royalty rate, which is a flat rate per barrel, multiplied by the expected volumes of freshwater sold. This amount was then discounted to present value using our weighted average cost of capital plus a premium representative of the uncertainty associated with the expected volumes. As of the acquisition date, we recorded a contingent liability of $1.8 million.

We assumed land leases with a royalty component as part of the acquisition of certain of these facilities. The acquisition method of accounting requires that executory contracts with unfavorable terms relative to market conditions at the acquisition date be recorded as liabilities in the acquisition accounting. We recorded a liability within other noncurrent liabilities of $0.5 million related to these leases due to the royalty terms being deemed unfavorable. We will amortize this liability based on the volumes processed by the facilities.

The agreements for these acquisitions contemplate post-closing payments for certain working capital items. We are accounting for these transactions as business combinations. The following table summarizes the preliminary estimates of the fair values as of December 31, 2018 for the assets acquired and liabilities assumed (in thousands):

Current assets	$ 519
Property, plant and equipment	23,787
Goodwill	7,771
Intangible assets	68,624
Investments in unconsolidated entities	2,060
Current liabilities	(173)
Other noncurrent liabilities	(24,527)
Fair value of net assets acquired	$ 78,061

As of December 31, 2018, the allocation of the purchase price is considered preliminary as we are continuing to gather additional information to (i) finalize the fair values of land, other property, plant and equipment, other intangible assets, including water rights and customer relationships, and the investment in the unconsolidated entity and (ii) calculate additional contingent consideration liabilities. We are also engaging a third party valuation firm to assist us in this effort. The noncurrent deferred tax liability is also considered preliminary and will be finalized once the fair value of the assets acquired has been finalized.

Goodwill represents the excess of the consideration paid for the acquired businesses over the fair value of the individual assets acquired, net of liabilities assumed. Goodwill represents a premium paid to expand our service offerings in an oilfield production basin currently serviced by us, thereby enhancing our competitive position as a provider of disposal and other services in this oilfield production basin. We expect that all of the goodwill will be deductible for federal income tax purposes.

The operations of these water solutions facilities have been included in our unaudited condensed consolidated statement of operations since their acquisition date. Our unaudited condensed consolidated statement of operations for the nine months ended December 31, 2018 includes revenues of $1.6 million and an operating loss of $0.2 million that were generated by the operations of these water solutions facilities. We incurred $3.7 million of transaction costs related to these acquisitions during the nine months ended December 31, 2018. These amounts are recorded within general and administrative expenses in our unaudited condensed consolidated statement of operations.

During the nine months ended December 31, 2018, we also acquired an additional ranch (including 18 freshwater wells) for total consideration of $28.4 million, which we are accounting for as an acquisition of assets.

Retail Propane Businesses

During the three months ended June 30, 2018, we acquired three retail propane businesses for total consideration of approximately $19.1 million. We accounted for these transactions as business combinations.

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

On July 9, 2018, and in conjunction with the sale of the Retail Propane segment (see Note 1), we acquired the remaining 40% interest in Atlantic Propane, LLC, which was part of our Retail Propane segment, for total consideration of approximately $12.8 million. The acquisition of the remaining interest was accounted for as an equity transaction, no gain or loss was recorded, and the carrying value of the noncontrolling interest was adjusted to reflect the change in ownership interest of the subsidiary. Atlantic Propane, LLC was included in the sale to Superior (see Note 1).

The assets and liabilities of these retail propane transactions were included in the sale of virtually all of our Retail Propane segment on July 10, 2018 (see Note 14).

Note 5—Property, Plant and Equipment

Our property, plant and equipment consists of the following at the dates indicated:

Description	Estimated Useful Lives	December 31, 2018	March 31, 2018
	(in years)	(in thousands)	
Natural gas liquids terminal and storage assets	2 - 30	$236,145	$238,487
Pipeline and related facilities	30 - 40	243,762	243,616
Refined products terminal assets and equipment	15 - 25	6,736	6,736
Vehicles and railcars	3 - 25	126,209	121,159
Water treatment facilities and equipment	3 - 30	685,675	601,139
Crude oil tanks and related equipment	2 - 30	211,056	218,588
Barges and towboats	5 - 30	107,999	92,712
Information technology equipment	3 - 7	32,622	30,749
Buildings and leasehold improvements	3 - 40	143,764	147,442
Land		97,047	51,816
Tank bottoms and line fill (1)		20,113	20,118
Other	3 - 20	14,729	11,794
Construction in progress		202,330	77,596
		2,128,187	1,861,952
Accumulated depreciation		(402,025)	(343,345)
Net property, plant and equipment		$1,726,162	$1,518,607

(1) Tank bottoms, which are product volumes required for the operation of storage tanks, are recorded at historical cost. We recover tank bottoms when the storage tanks are removed from service. Line fill, which represents our portion of the product volume required for the operation of the proportionate share of a pipeline we own, is recorded at historical cost.

Amounts in the table above do not include property, plant and equipment and accumulated depreciation related to our South Pecos water disposal assets and Retail Propane segment as of December 31, 2018 and March 31, 2018, respectively, as these amounts have been classified as assets held for sale within our unaudited condensed consolidated balance sheets (see Note 14).

The following table summarizes depreciation expense and capitalized interest expense for the periods indicated:

Three Months Ended December 31,		Nine Months Ended December 31,	
2018	2017	2018	2017

	(in thousands)			
Depreciation expense	$26,416	$25,493	$77,129	$76,417
Capitalized interest expense	$160	$66	$482	$66

The table above does not include amounts related to the Retail Propane segment, as these amounts have been classified within discontinued operations in our unaudited condensed consolidated statements of operations (see Note 14).

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
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We record (gains) losses from the sales of property, plant and equipment and any write-downs in value due to impairment within (gain) loss on disposal or impairment of assets, net in our unaudited condensed consolidated statements of operations. The following table summarizes (gains) losses on the disposal or impairment of property, plant and equipment by segment for the periods indicated:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Crude Oil Logistics	$(75)	$1,036	$1,251	$(2,993)
Water Solutions	(443)	2,929	2,762	4,368
Liquids	—	(214)	994	638
Total	$(518)	$3,751	$5,007	$2,013

Note 6—Goodwill

The following table summarizes changes in goodwill by segment during the nine months ended December 31, 2018:

	Crude Oil Logistics	Water Solutions	Liquids	Refined Products and Renewables	Total
	(in thousands)				
Balances at March 31, 2018	$579,846	$424,465	$149,169	$ 51,127	$1,204,607
Acquisitions (Note 4)	—	66,522	—	—	66,522
Disposals (Note 16)	—	(24,241)	—	—	(24,241)
Goodwill moved to assets held for sale (1)	—	(64,274)	—	—	(64,274)
Balances at December 31, 2018	$579,846	$402,472	$149,169	$ 51,127	$1,182,614

(1) This amount relates to the potential sale of the South Pecos water disposal business (see Note 14).

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Note 7—Intangible Assets

Our intangible assets consist of the following at the dates indicated:

Description	Amortizable Lives (in years)	December 31, 2018 Gross Carrying Amount (in thousands)	December 31, 2018 Accumulated Amortization	December 31, 2018 Net	March 31, 2018 Gross Carrying Amount	March 31, 2018 Accumulated Amortization	March 31, 2018 Net
Amortizable:							
Customer relationships	3 - 20	$716,305	$(353,102)	$363,203	$718,763	$(328,666)	$390,097
Customer commitments	10	310,000	(67,167)	242,833	310,000	(43,917)	266,083
Pipeline capacity rights	30	161,785	(21,090)	140,695	161,785	(17,045)	144,740
Rights-of-way and easements	1 - 40	66,086	(4,761)	61,325	63,995	(3,214)	60,781
Executory contracts and other agreements	3 - 30	45,730	(16,482)	29,248	42,919	(15,424)	27,495
Non-compete agreements	2 - 32	12,715	(2,029)	10,686	5,465	(706)	4,759
Debt issuance costs (1)	5	41,882	(28,261)	13,621	40,992	(24,593)	16,399
Total amortizable		1,354,503	(492,892)	861,611	1,343,919	(433,565)	910,354
Non-amortizable:							
Water rights		58,352	—	58,352	—	—	—
Trade names		2,800	—	2,800	2,800	—	2,800
Total non-amortizable		61,152	—	61,152	2,800	—	2,800
Total		$1,415,655	$(492,892)	$922,763	$1,346,719	$(433,565)	$913,154

(1) Includes debt issuance costs related to the Revolving Credit Facility (as defined herein). Debt issuance costs related to fixed-rate notes are reported as a reduction of the carrying amount of long-term debt.

Amounts in the table above do not include intangible assets and accumulated amortization related to our South Pecos water disposal assets and Retail Propane segment as of December 31, 2018 and March 31, 2018, respectively, as these amounts have been classified as assets held for sale within our unaudited condensed consolidated balance sheets (see Note 14).

The weighted-average remaining amortization period for intangible assets is approximately 13.6 years.

Amortization expense is as follows for the periods indicated:

Recorded In	Three Months Ended December 31, 2018 (in thousands)	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
Depreciation and amortization	$27,018	$26,717	$81,100	$81,805
Cost of sales	1,385	1,505	4,234	4,596
Interest expense	1,250	1,154	3,668	3,394
Total	$29,653	$29,376	$89,002	$89,795

Amounts in the table above do not include amortization expense related to the Retail Propane segment, as these amounts have been classified within discontinued operations within our unaudited condensed consolidated statements of operations (see Note 14).

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Expected amortization of our intangible assets is as follows (in thousands):

Fiscal Year Ending March 31,	
2019 (three months)	$28,410
2020	113,187
2021	101,000
2022	88,245
2023	80,316
Thereafter	450,453
Total	$861,611

Note 8—Long-Term Debt

Our long-term debt consists of the following at the dates indicated:

	December 31, 2018			**March 31, 2018**		
	Face Amount	**Unamortized Debt Issuance Costs (1)**	**Book Value**	**Face Amount**	**Unamortized Debt Issuance Costs (1)**	**Book Value**
	(in thousands)					
Revolving credit facility:						
Expansion capital borrowings	$—	$ —	$—	$—	$ —	$—
Working capital borrowings	889,000	—	889,000	969,500	—	969,500
Senior unsecured notes:						
5.125% Notes due 2019 ("2019 Notes") (2)	339,886	(666)	339,220	353,424	(1,653)	351,771
6.875% Notes due 2021 ("2021 Notes")	—	—	—	367,048	(4,499)	362,549
7.500% Notes due 2023 ("2023 Notes")	607,323	(7,295)	600,028	615,947	(8,542)	607,405
6.125% Notes due 2025 ("2025 Notes")	389,135	(5,307)	383,828	389,135	(5,951)	383,184
Other long-term debt	5,492	—	5,492	5,977	—	5,977
	2,230,836	(13,268)	2,217,568	2,701,031	(20,645)	2,680,386
Less: Current maturities	340,533	(666)	339,867	646	—	646
Long-term debt	$1,890,303	$ (12,602)	$1,877,701	$2,700,385	$ (20,645)	$2,679,740

(1) Debt issuance costs related to the Revolving Credit Facility are reported within intangible assets, rather than as a reduction of the carrying amount of long-term debt.
(2) Amount is included in current maturities, as discussed further below.

Amounts in the table above do not include long-term debt related to the Retail Propane segment, as these amounts have been classified as liabilities held for sale within our unaudited condensed consolidated balance sheets (see Note 14).

Amortization expense for debt issuance costs related to long-term debt in the table above was $0.9 million and $1.5 million during the three months ended December 31, 2018 and 2017, respectively, and $3.4 million and $4.8 million during the nine months ended December 31, 2018 and 2017, respectively.

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Expected amortization of debt issuance costs is as follows (in thousands):

Fiscal Year Ending March 31,	
2019 (three months)	$ 901
2020	2,730
2021	2,367
2022	2,367
2023	2,367
Thereafter	2,536
Total	$ 13,268

Credit Agreement

We are party to a $1.765 billion credit agreement (as amended, the “Credit Agreement”) with a syndicate of banks. As of December 31, 2018, the Credit Agreement includes a revolving credit facility to fund working capital needs, which had a capacity of $1.250 billion for cash borrowings and letters of credit (the “Working Capital Facility”), and a revolving credit facility to fund acquisitions and expansion projects, which had a capacity of $515.0 million (the “Expansion Capital Facility,” and together with the Working Capital Facility, the “Revolving Credit Facility”). Our Revolving Credit Facility allows us to reallocate amounts between the Expansion Capital Facility and Working Capital Facility. During the three months ended December 31, 2018, we reallocated $50.0 million from the Working Capital Facility to the Expansion Capital Facility. We had letters of credit of $157.9 million on the Working Capital Facility at December 31, 2018.

At December 31, 2018, the borrowings under the Credit Agreement had a weighted average interest rate of 4.81%, calculated as the weighted average LIBOR rate of 2.46% plus a margin of 2.25% for LIBOR borrowings and the prime rate of 5.50% plus a margin of 1.25% on alternate base rate borrowings. At December 31, 2018, the interest rate in effect on letters of credit was 2.25%. Commitment fees were charged at a rate ranging from 0.375% to 0.50% on any unused capacity.

On July 5, 2018, we amended our Credit Agreement. In the amendment, the lenders consented to, subject to the consummation of the Retail Propane disposition, release NGL Propane, LLC and its wholly-owned subsidiaries from its guaranty and other obligations under the loan documents, among other things. In return, the Partnership agreed to use the net proceeds from the Retail Propane disposition to pay down existing indebtedness no later than five business days after the consummation of the Retail Propane disposition.

On February 6, 2019, we amended our Credit Agreement, to among other things, reset the basket for the repurchase of common units with a limit of $150 million in aggregate during the remaining term of the Credit Agreement, not to exceed $50 million per fiscal quarter, so long as, both immediately before and after giving pro forma effect to the repurchases, the Partnership’s Leverage Ratio (as defined in our Credit Agreement) is less than 3.25x and Revolving Availability (also as defined in our Credit Agreement) is greater than or equal to $200 million. In addition, the amendment decreases the Maximum Total Leverage Indebtedness Ratio beginning September 30, 2019 with a further decrease beginning March 31, 2020 (as presented in the table below), and amends the defined term “Consolidated EBITDA” to exclude the “Gavilon Energy EPA Settlement” (as defined in the Credit Agreement) solely for the two quarters ending December 31, 2018 and March 31, 2019.

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

The following table summarizes the debt covenant levels specified in the Credit Agreement as of December 31, 2018 (as modified on February 6, 2019):

Period Beginning	Leverage Ratio (1)	Senior Secured Leverage Ratio (1)	Interest Coverage Ratio (2)	Total Leverage Indebtedness Ratio (1)
December 31, 2018	4.75	3.25	2.75	—
March 31, 2019	4.50	3.25	2.75	6.50
September 30, 2019	4.50	3.25	2.75	6.25
March 31, 2020	4.50	3.25	2.75	6.00

(1) Represents the maximum ratio for the period presented.
(2) Represents the minimum ratio for the period presented.

At December 31, 2018, our leverage ratio was approximately 2.96 to 1, our senior secured leverage ratio was approximately 0.01 to 1 and our interest coverage ratio was approximately 3.18 to 1.

We were in compliance with the covenants under the Credit Agreement at December 31, 2018.

Senior Unsecured Notes

Redemption

On October 16, 2018, we redeemed all of the remaining outstanding 2021 Notes. The following table summarizes the redemption of the 2021 Notes for the periods indicated:

	Three and Nine Months Ended December 31, 2018 (in thousands)
2021 Notes	
Notes redeemed	$ 367,048
Cash paid (excluding payments of accrued interest)	$ 373,358
Loss on early extinguishment of debt (1)	$ (10,131)

(1) Loss on the early extinguishment of debt for the 2021 Notes during the three months and nine months ended December 31, 2018 is inclusive of the write off of debt issuance costs of $3.8 million. The loss is reported within loss on early extinguishment of liabilities, net within our unaudited condensed consolidated statement of operations.

Prior to the October 16, 2018 redemption of all of the remaining outstanding 2021 Notes, we paid the final semiannual interest payment on the 2021 Notes of $12.6 million on October 15, 2018.

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Repurchases

The following table summarizes repurchases of Senior Unsecured Notes for the periods indicated:

	Three Months Ended December 31, 2018	Nine Months Ended December 31, 2018
	(in thousands)	
2019 Notes		
Notes repurchased	$13,538	$ 13,538
Cash paid (excluding payments of accrued interest)	$13,538	$ 13,538
Loss on early extinguishment of debt (1)	$(26)	$ (26)
2023 Notes		
Notes repurchased	$3,624	$ 8,624
Cash paid (excluding payments of accrued interest)	$3,506	$ 8,575
Gain (loss) on early extinguishment of debt (2)	$74	$ (63)

(1) Loss on the early extinguishment of debt for the 2019 Notes during the three months and nine months ended December 31, 2018 is inclusive of the write off of debt issuance costs of less than $0.1 million. The loss is reported within loss on early extinguishment of liabilities, net within our unaudited condensed consolidated statement of operations.

(2) Gain (loss) on the early extinguishment of debt for the 2023 Notes during the three months and nine months ended December 31, 2018 is inclusive of the write off of debt issuance costs of less than $0.1 million and $0.1 million, respectively. The gain (loss) is reported within loss on early extinguishment of liabilities, net within our unaudited condensed consolidated statement of operations.

At December 31, 2018, we were in compliance with the covenants under the indentures for all of the Senior Unsecured Notes.

Other Long-Term Debt

We have other notes payable related to equipment financing. The interest rates on these instruments range from 4.13% to 7.10% per year and have an aggregate principal balance of $5.5 million at December 31, 2018.

Debt Maturity Schedule

The scheduled maturities of our long-term debt are as follows at December 31, 2018:

Fiscal Year Ending March 31,	Revolving Credit Facility	Senior Unsecured Notes	Other Long-Term Debt	Total
	(in thousands)			
2019 (three months)	$—	$—	$ 161	$161
2020	—	339,886	648	340,534
2021	—	—	4,683	4,683
2022	889,000	—	—	889,000
2023	—	—	—	—
Thereafter	—	996,458	—	996,458

Total	$889,000	$1,336,344	$ 5,492	$2,230,836

Note 9—Commitments and Contingencies

Legal Contingencies

In August 2015, LCT Capital, LLC ("LCT") filed a lawsuit against NGL Energy Holdings LLC (the "GP") and the Partnership seeking payment for investment banking services relating to the purchase of TransMontaigne Inc. and related assets

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

in July 2014. After pre-trial rulings, LCT was limited to pursuing claims of (i) *quantum meruit* (the value of the services rendered by LCT) and (ii) fraudulent misrepresentation against the defendants. Following a jury trial conducted in Delaware state court from July 23, 2018 through August 1, 2018, the jury returned a verdict consisting of an award of $4.0 million for *quantum meruit* and $29.0 million for fraudulent misrepresentation, subject to statutory interest. The GP and the Partnership contend that the jury verdict, at least in respect of fraudulent misrepresentation, is not supportable by either controlling law or the evidentiary record. Both defendants have a pending motion for judgment as a matter of law on the fraudulent misrepresentation claim and plan to file post-verdict motions as appropriate before the trial court, and, if need be, will file an appeal to the Delaware Supreme Court. It is our position that the awards, even if they each stand, are not cumulative. Any allocation of the ultimate verdict award between the GP and the Partnership will be made by the board of directors once all information is available to it and after the post-trial and any appellate process has run its course and the verdict is final as a matter of law. Because the Partnership is a named defendant in the lawsuit, and any judgment ultimately awarded would be joint and several with the GP, we have determined that it is probable that the Partnership could be liable for a portion of this judgment. At this time, we believe the amount that could be allocated to the Partnership would not be material as it is estimated to be less than $4.0 million. As of December 31, 2018, we have accrued $2.5 million related to this matter.

We are party to various other claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of our management, the ultimate resolution of these other claims, legal actions, and complaints, after consideration of amounts accrued, insurance coverage, and other arrangements, is not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, the outcome of such matters is inherently uncertain, and estimates of our liabilities may change materially as circumstances develop.

Environmental Matters

At December 31, 2018, we have an environmental liability, measured on an undiscounted basis, of $2.3 million, which is recorded within accrued expenses and other payables in our unaudited condensed consolidated balance sheet. Our operations are subject to extensive federal, state, and local environmental laws and regulations. Although we believe our operations are in substantial compliance with applicable environmental laws and regulations, risks of additional costs and liabilities are inherent in our business, and there can be no assurance that we will not incur significant costs. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations, could result in substantial costs. Accordingly, we have adopted policies, practices, and procedures in the areas of pollution control, product safety, occupational health, and the handling, storage, use, and disposal of hazardous materials designed to prevent material environmental or other damage, and to limit the financial liability that could result from such events. However, some risk of environmental or other damage is inherent in our business.

In 2015, as previously disclosed, the U.S. Environmental Protection Agency ("EPA") informed NGL Crude Logistics, LLC, formerly known as Gavilon, LLC ("Gavilon Energy"), of alleged violations that occurred in 2011 by Gavilon Energy of the Clean Air Act's renewable fuel standards regulations (prior to its acquisition by us in December 2013). On October 4, 2016, the U.S. Department of Justice, acting at the request of the EPA, filed a civil complaint in the Northern District of Iowa against Gavilon Energy and one of its then suppliers, Western Dubuque Biodiesel LLC ("Western Dubuque"). Consistent with the earlier allegations by the EPA, the civil complaint related to transactions between Gavilon Energy and Western Dubuque and the generation of biodiesel renewable identification numbers ("RINs") sold by Western Dubuque to Gavilon Energy in 2011. On December 19, 2016, we filed a motion to dismiss the complaint. On January 9, 2017, the EPA filed an amended complaint. The amended complaint seeks an order declaring Western Dubuque's RINs invalid and requiring the defendants to retire an equivalent number of valid RINs and that the defendants pay statutory civil penalties. On January 23, 2017, we filed a motion to dismiss the amended complaint. On May 24, 2017, the court denied our motion to dismiss. Subsequently, the EPA filed a second amended complaint seeking an order declaring Western Dubuque’s RINs invalid, an order requiring us to retire an equivalent number of valid RINs and an award against us of statutory civil penalties. In May 2018, the parties completed briefing on cross-motions for summary judgment concerning liability issues in the case. On July 3, 2018, the Court denied our summary judgment motion and largely granted the plaintiff’s two summary judgment motions on liability. On July 19, 2018, Gavilon Energy reached an agreement in principle with the EPA regarding the terms of a settlement of the case, which was memorialized in a consent decree lodged to the Court on September 27, 2018. Such terms will result in Gavilon Energy paying cash of $25.0 million and retiring 36 million RINs, over a twelve-month period. The consent decree was approved by the Court on November 8, 2018. The consent decree resolves all matters between Gavilon Energy and the EPA in connection with the above-described complaint. During the three months ended December 31, 2018, we paid the EPA $12.5 million and retired all

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36 million RINs. As of December 31, 2018, we have an accrual, which is included within accrued expenses and other payables in our unaudited condensed consolidated balance sheet, of $12.5 million.

Asset Retirement Obligations

We have contractual and regulatory obligations at certain facilities for which we have to perform remediation, dismantlement, or removal activities when the assets are retired. Our liability for asset retirement obligations is discounted to present value. To calculate the liability, we make estimates and assumptions about the retirement cost and the timing of retirement. Changes in our assumptions and estimates may occur as a result of the passage of time and the occurrence of future events. The following table summarizes changes in our asset retirement obligation, which is reported within other noncurrent liabilities in our unaudited condensed consolidated balance sheets (in thousands):

Balance at March 31, 2018	$9,133
Liabilities incurred	441
Liabilities assumed in acquisitions	28
Liabilities moved to liabilities held for sale (1)	(239)
Liabilities settled	(867)
Accretion expense	511
Balance at December 31, 2018	$9,007

(1) This amount relates to the potential sale of the South Pecos water disposal business (see Note 14).

In addition to the obligations described above, we may be obligated to remove facilities or perform other remediation upon retirement of certain other assets. However, the fair value of the asset retirement obligation cannot currently be reasonably estimated because the settlement dates are indeterminable. We will record an asset retirement obligation for these assets in the periods in which settlement dates are reasonably determinable.

Operating Leases

We have executed various noncancelable operating lease agreements for product storage, office space, vehicles, real estate, railcars, and equipment. The following table summarizes future minimum lease payments under these agreements at December 31, 2018 (in thousands):

Fiscal Year Ending March 31,	
2019 (three months)	$29,233
2020	120,861
2021	99,496
2022	72,693
2023	52,270
Thereafter	47,761
Total	$422,314

Rental expense relating to operating leases was $26.5 million and $30.4 million during the three months ended December 31, 2018 and 2017, respectively, and $81.1 million and $92.9 million for the nine months ended December 31, 2018 and 2017, respectively. Amounts do not include rental expense associated with the Retail Propane segment, as these amounts have been classified within discontinued operations within our unaudited condensed consolidated statements of operations (see Note 14).

Pipeline Capacity Agreements

We have executed noncancelable agreements with crude oil pipeline operators, which guarantee us minimum monthly shipping capacity on the pipelines. As a result, we are required to pay the minimum shipping fees if actual shipments are less than our allotted capacity. Under certain agreements we have the ability to recover minimum shipping fees previously paid if our shipping volumes exceed the minimum monthly shipping commitment during each month remaining under the agreement,

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with some contracts containing provisions that allow us to continue shipping up to six months after the maturity date of the contract in order to recapture previously paid minimum shipping delinquency fees. We currently have an asset recorded in other noncurrent assets in our unaudited condensed consolidated balance sheet for minimum shipping fees paid in both the current and previous periods that are expected to be recovered in future periods by exceeding the minimum monthly volumes (see Note 2).

The following table summarizes future minimum throughput payments under these agreements at December 31, 2018 (in thousands):

Fiscal Year Ending March 31,	
2019 (three months)	$12,924
2020	43,203
Total	$56,127

Of the total future minimum throughput payments in the table above, a third party has agreed to assume all rights and privileges and to be fully responsible for any minimum shipping fees due for actual shipments that are less than our allotted capacity related to $7.4 million of the fiscal year 2019 (three months) amount and $30.0 million of the fiscal year 2020 amount under a definitive agreement we signed during the three months ended June 30, 2018 (see Note 13).

Sales and Purchase Contracts

We have entered into product sales and purchase contracts for which we expect the parties to physically settle and deliver the inventory in future periods.

At December 31, 2018, we had the following commodity purchase commitments (in thousands):

	Crude Oil (1)		**Natural Gas Liquids**	
	Value	**Volume (in barrels)**	**Value**	**Volume (in gallons)**
Fixed-Price Commodity Purchase Commitments:				
2019 (three months)	$64,647	1,236	$13,228	17,472
2020	—	—	1,363	1,764
Total	$64,647	1,236	$14,591	19,236
Index-Price Commodity Purchase Commitments:				
2019 (three months)	$520,372	12,564	$223,915	341,020
2020	751,988	17,698	31,787	52,340
2021	401,873	9,314	—	—
2022	344,897	7,729	—	—
2023	255,400	5,482	—	—
Thereafter	194,673	4,111	—	—
Total	$2,469,203	56,898	$255,702	393,360

(1) Our crude oil index-price purchase commitments exceed our crude oil index-price sales commitments (presented below) due primarily to our long-term purchase commitments for crude oil that we purchase and ship on the Grand Mesa Pipeline. As these purchase commitments are deliver-or-pay contracts, we have not entered into corresponding long-term sales contracts for volumes we may not receive.

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At December 31, 2018, we had the following commodity sale commitments (in thousands):

	Crude Oil		**Natural Gas Liquids**	
	Value	**Volume (in barrels)**	**Value**	**Volume (in gallons)**
Fixed-Price Commodity Sale Commitments:				
2019 (three months)	$66,934	1,236	$125,315	125,194
2020	—	—	22,034	26,322
2021	—	—	247	250
Total	$66,934	1,236	$147,596	151,766
Index-Price Commodity Sale Commitments:				
2019 (three months)	$631,014	14,417	$289,954	357,514
2020	252,541	5,426	98,176	140,827
2021	—	—	76,800	117,180
Total	$883,555	19,843	$464,930	615,521

We account for the contracts shown in the tables above using the normal purchase and normal sale election. Under this accounting policy election, we do not record the contracts at fair value at each balance sheet date; instead, we record the purchase or sale at the contracted value once the delivery occurs. Contracts in the tables above may have offsetting derivative contracts (described in Note 11) or inventory positions (described in Note 2).

Certain other forward purchase and sale contracts do not qualify for the normal purchase and normal sale election. These contracts are recorded at fair value in our unaudited condensed consolidated balance sheet and are not included in the tables above. These contracts are included in the derivative disclosures in Note 11, and represent $129.1 million of our prepaid expenses and other current assets and $112.1 million of our accrued expenses and other payables at December 31, 2018.

Note 10—Equity

Partnership Equity

The Partnership's equity consists of a 0.1% general partner interest and a 99.9% limited partner interest, which consists of common units. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its 0.1% general partner interest. Our general partner is not required to guarantee or pay any of our debts and obligations.

General Partner Contributions

In connection with the issuance of common units for the vesting of restricted units and the warrants that were exercised for common units during the nine months ended December 31, 2018, we issued 2,564 notional units to our general partner for less than $0.1 million in order to maintain its 0.1% interest in us.

Equity Issuances

On August 24, 2016, we entered into an equity distribution agreement in connection with an at-the-market program (the “ATM Program”) pursuant to which we may issue and sell up to $200.0 million of common units. We did not issue any common units under the ATM Program during the nine months ended December 31, 2018, and approximately $134.7 million remained available for sale under the ATM Program at December 31, 2018.

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Our Distributions

The following table summarizes distributions declared on our common units during the last four quarters:

Date Declared	Record Date	Payment Date	Amount Per Unit	Amount Paid/Payable to Limited Partners (in thousands)	Amount Paid/Payable to General Partner (in thousands)
April 24, 2018	May 7, 2018	May 15, 2018	$0.3900	$ 47,374	$ 82
July 24, 2018	August 8, 2018	August 14, 2018	$0.3900	$ 47,600	$ 82
October 23, 2018	November 8, 2018	November 14, 2018	$0.3900	$ 48,260	$ 83
January 22, 2019	February 6, 2019	February 14, 2019	$0.3900	$ 48,373	$ 83

Class A Convertible Preferred Units

On April 21, 2016, we received net proceeds of $235.0 million (net of offering costs of $5.0 million) in connection with the issuance of 19,942,169 Class A Convertible Preferred Units ("Class A Preferred Units") and 4,375,112 warrants.

We allocated the net proceeds on a relative fair value basis to the Class A Preferred Units, which includes the value of a beneficial conversion feature, and warrants. Accretion for the beneficial conversion feature, recorded as a deemed distribution, was $18.6 million and $5.0 million during the three months ended December 31, 2018 and 2017, respectively, and $40.4 million and $12.3 million during the nine months ended December 31, 2018 and 2017, respectively.

The holders of the warrants may exercise one-third of the warrants from and after the first anniversary of the original issue date, another one-third of the warrants from and after the second anniversary and the final one-third of the warrants from and after the third anniversary. The warrants have an exercise price of $0.01 and an eight year term. We repurchased 1,229,575 unvested warrants for a total purchase price of $15.0 million on April 26, 2018. During the nine months ended December 31, 2018, 228,797 warrants were exercised for common units and we received proceeds of less than $0.1 million. As of December 31, 2018, we had 1,458,371 warrants that remain outstanding.

We pay a cumulative, quarterly distribution in arrears at an annual rate of 10.75% on the Class A Preferred Units to the extent declared by the board of directors of our general partner. The following table summarizes distributions declared on our Class A Preferred Units during the last four quarters:

Date Declared	Payment Date	Amount Paid/Payable to Class A Preferred Unitholders (in thousands)
April 24, 2018	May 15, 2018	$ 6,449
July 24, 2018	August 14, 2018	$ 6,449
October 23, 2018	November 14, 2018	$ 6,449
January 22, 2019	February 14, 2019	$ 6,449

Class B Preferred Units

On June 13, 2017, we issued 8,400,000 of our 9.00% Class B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units ("Class B Preferred Units") representing limited partner interests at a price of $25.00 per unit for net proceeds of $202.7 million (net of the underwriters' discount of $6.6 million and offering costs of $0.7 million).

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

The current distribution rate for the Class B Preferred Units is 9.0% per year of the $25.00 liquidation preference per unit (equal to $2.25 per unit per year). The following table summarizes distributions declared on our Class B Preferred Units during the last four quarters:

Date Declared	Record Date	Payment Date	Amount Paid to Class B Preferred Unitholders (in thousands)
March 19, 2018	April 2, 2018	April 16, 2018	$ 4,725
June 19, 2018	July 2, 2018	July 16, 2018	$ 4,725
September 12, 2018	October 1, 2018	October 15, 2018	$ 4,725
December 17, 2018	December 31, 2018	January 15, 2019	$ 4,725

The distribution amount paid on January 15, 2019 is included in accrued expenses and other payables in our unaudited condensed consolidated balance sheet at December 31, 2018.

Equity-Based Incentive Compensation

Our general partner has adopted a long-term incentive plan ("LTIP"), which allows for the issuance of equity-based compensation. Our general partner has granted certain restricted units to employees and directors, which vest in tranches, subject to the continued service of the recipients. The awards may also vest upon a change of control, at the discretion of the board of directors of our general partner. No distributions accrue to or are paid on the restricted units during the vesting period.

The restricted units include both awards that: (i) vest contingent on the continued service of the recipients through the vesting date (the "Service Awards") and (ii) vest contingent both on the continued service of the recipients through the vesting date and also on the performance of our common units relative to other entities in the Alerian MLP Index (the "Index") over specified periods of time (the "Performance Awards").

The following table summarizes the Service Award activity during the nine months ended December 31, 2018:

Unvested Service Award units at March 31, 2018	2,278,875
Units granted	2,910,676
Units vested and issued	(2,347,751)
Units forfeited	(232,500)
Unvested Service Award units at December 31, 2018	2,609,300

In connection with the vesting of certain restricted units during the nine months ended December 31, 2018, we canceled 15,550 of the newly-vested common units in satisfaction of $0.2 million of employee tax liability paid by us. Pursuant to the terms of the LTIP, these canceled units are available for future grants under the LTIP.

The following table summarizes the scheduled vesting of our unvested Service Award units at December 31, 2018:

Fiscal Year Ending March 31,	
2019 (three months)	308,900
2020	1,002,725
2021	866,175

2022	431,500
Total	2,609,300

Service Awards are valued at the average of the high/low sales price as of the grant date less the present value of the expected distribution stream over the vesting period using a risk-free interest rate. We record the expense for each Service Award on a straight-line basis over the requisite period for the entire award (that is, over the requisite service period of the last separately vesting portion of the award), ensuring that the amount of compensation cost recognized at any date at least equals the portion of the grant-date value of the award that is vested at that date.

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

During the three months ended December 31, 2018 and 2017, we recorded compensation expense related to Service Award units of $3.4 million and $3.1 million, respectively. During the nine months ended December 31, 2018 and 2017, we recorded compensation expense related to Service Awards units of $8.5 million and $11.7 million, respectively.

Of the restricted units granted and vested during the nine months ended December 31, 2018, 1,745,801 units were granted as a bonus for performance during the fiscal year ended March 31, 2018. The total amount of these bonus payments were $20.4 million, of which we had accrued $6.3 million as of March 31, 2018.

The following table summarizes the estimated future expense we expect to record on the unvested Service Award units at December 31, 2018 (in thousands):

Fiscal Year Ending March 31,	
2019 (three months)	$ 3,570
2020	8,157
2021	4,076
2022	1,316
Total	$ 17,119

Beginning in April 2015, our general partner granted Performance Award units to certain employees. The number of Performance Award units that would vest was contingent on the performance of our common units relative to the performance of the other entities in the Index. Performance was to be calculated based on the return on our common units (including changes in the market price of the common units and distributions paid during the performance period) relative to the returns on the common units of the other entities in the Index. During the three months ended December 31, 2018, the Compensation Committee of the board of directors terminated the Performance Award plan and all unvested outstanding Performance Awards units were canceled. Accordingly, as no replacement awards were granted, all previously unrecognized compensation cost was expensed as of the cancellation date.

The following table summarizes the Performance Award activity during the nine months ended December 31, 2018:

Unvested Performance Award units at March 31, 2018	917,000
Units forfeited	(445,500)
Units canceled	(471,500)
Unvested Performance Award units at December 31, 2018	—

During the July 1, 2015 through June 30, 2018 performance period, the return on our common units was below the return of the 50th percentile of our peer companies in the Index. As a result, no Performance Award units vested on July 1, 2018 and performance units with the July 1, 2018 vesting date are considered to be forfeited.

The fair value of the Performance Awards was estimated using a Monte Carlo simulation at the grant date. We recorded the expense on a straight-line basis over the period beginning with the grant date and ending with the vesting date of the tranche. Any Performance Awards not earned at the end of the performance period will terminate, expire and otherwise be forfeited by the participants. During the three months ended December 31, 2018 and 2017, we recorded compensation expense related to Performance Award units of $3.1 million and $1.1 million, respectively. During the nine months ended December 31, 2018 and 2017, we recorded compensation expense related to Performance Awards units of $4.9 million and $4.5 million, respectively.

The LTIP provides that units allocated to satisfy tax withholding obligations are not deemed to reduce availability for awards under the LTIP. Following a review of the LTIP, the Compensation Committee of the board of directors determined that units vested after July 1, 2016 were inadvertently counted as a reduction to the Partnership's LTIP reserve. Accordingly, after making the adjustments as provided for in the LTIP, as of December 31, 2018, there are approximately 3.2 million units remaining available for issuance under the LTIP.

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Note 11—Fair Value of Financial Instruments

Our cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and other current assets and liabilities (excluding derivative instruments) are carried at amounts which reasonably approximate their fair values due to their short-term nature.

Commodity Derivatives

The following table summarizes the estimated fair values of our commodity derivative assets and liabilities reported in our unaudited condensed consolidated balance sheet at the dates indicated:

	December 31, 2018		March 31, 2018	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	(in thousands)			
Level 1 measurements	$ 170,644	$ (5,793)	$ 5,093	$ (20,186)
Level 2 measurements	130,513	(114,349)	48,752	(54,410)
	301,157	(120,142)	53,845	(74,596)
Netting of counterparty contracts (1)	(7,157)	7,157	(2,922)	2,922
Net cash collateral (held) provided	(131,960)	382	(1,762)	17,263
Commodity derivatives	$ 162,040	$ (112,603)	$ 49,161	$ (54,411)

(1) Relates to commodity derivative assets and liabilities that are expected to be net settled on an exchange or through a netting arrangement with the counterparty.

The following table summarizes the accounts that include our commodity derivative assets and liabilities in our unaudited condensed consolidated balance sheets at the dates indicated:

	December 31, 2018	March 31, 2018
	(in thousands)	
Prepaid expenses and other current assets	$ 161,823	$ 49,161
Other noncurrent assets	217	—
Accrued expenses and other payables	(112,374)	(51,039)
Other noncurrent liabilities	(229)	(3,372)
Net commodity derivative asset (liability)	$ 49,437	$ (5,250)

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

The following table summarizes our open commodity derivative contract positions at the dates indicated. We do not account for these derivatives as hedges.

Contracts	Settlement Period	Net Long (Short) Notional Units (in barrels)	Fair Value of Net Assets (Liabilities)
		(in thousands)	
At December 31, 2018:			
Crude oil fixed-price (1)	January 2019–January 2020	(1,721)	$ 27,647
Propane fixed-price (1)	January 2019–March 2020	923	(3,110)
Refined products fixed-price (1)	January 2019–December 2020	(6,506)	148,035
Other	January 2019–March 2022		8,443
			181,015
Net cash collateral held			(131,578)
Net commodity derivative asset			$ 49,437
At March 31, 2018:			
Cross-commodity (2)	April 2018–March 2019	155	$ (430)
Crude oil fixed-price (1)	April 2018–December 2019	(1,376)	(8,960)
Crude oil index (1)	April 2018–April 2018	(10)	(6)
Propane fixed-price (1)	April 2018–February 2019	14	1,849
Refined products fixed-price (1)	April 2018–January 2020	(5,419)	(17,081)
Refined products index (1)	April 2018–April 2018	(4)	(17)
Other	April 2018–March 2022		3,894
			(20,751)
Net cash collateral provided			15,501
Net commodity derivative liability			$ (5,250)

(1) We may have fixed price physical purchases, including inventory, offset by floating price physical sales or floating price physical purchases offset by fixed price physical sales. These contracts are derivatives we have entered into as an economic hedge against the risk of mismatches between fixed and floating price physical obligations.

(2) We may purchase or sell a physical commodity where the underlying contract pricing mechanisms are tied to different commodity price indices. These contracts are derivatives we have entered into as an economic hedge against the risk of one commodity price moving relative to another commodity price.

Amounts in the table above do not include commodity derivative contract positions related to the Retail Propane segment, as these amounts have been classified as assets held for sale within our unaudited condensed consolidated balance sheets (see Note 14).

During the three months and nine months ended December 31, 2018, we recorded net gains of $239.7 million and $150.7 million, respectively, from our commodity derivatives to cost of sales in our unaudited condensed consolidated statements of operations. During the three months and nine months ended December 31, 2017, we recorded net losses of $64.9 million and $99.5 million, respectively, from our commodity derivatives to cost of sales in our unaudited condensed consolidated statements of operations.

Credit Risk

We have credit policies that we believe minimize our overall credit risk, including an evaluation of potential counterparties' financial condition (including credit ratings), collateral requirements under certain circumstances, and the use of industry standard master netting agreements, which allow for offsetting counterparty receivable and payable balances for certain transactions. At December 31, 2018, our primary counterparties were retailers, resellers, energy marketers, producers, refiners, and dealers. This concentration of counterparties may impact our overall exposure to credit risk, either positively or negatively, as the counterparties may be similarly affected by changes in economic, regulatory or other conditions. If a

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

counterparty does not perform on a contract, we may not realize amounts that have been recorded in our unaudited condensed consolidated balance sheets and recognized in our net income.

Interest Rate Risk

Our Revolving Credit Facility is variable-rate debt with interest rates that are generally indexed to bank prime or LIBOR interest rates. At December 31, 2018, we had $0.9 billion of outstanding borrowings under our Revolving Credit Facility at a weighted average interest rate of 4.81%.

Fair Value of Fixed-Rate Notes

The following table provides fair value estimates of our fixed-rate notes at December 31, 2018 (in thousands):

Senior Unsecured Notes:	
2019 Notes	$338,191
2023 Notes	$588,602
2025 Notes	$339,034

For the Senior Unsecured Notes, the fair value estimates were developed based on publicly traded quotes and would be classified as Level 1 in the fair value hierarchy.

Note 12—Segments

The following table summarizes revenues related to our segments. Revenues for reporting periods beginning after April 1, 2018 are presented under Topic 606 (see Note 15 for a further discussion), while prior periods are not adjusted and continue to be reported under the accounting standard in effect for those periods. Transactions between segments are recorded based on prices negotiated between the segments. The “Corporate and Other” category in the table below includes certain corporate expenses that are not allocated to the reportable segments. The table below does not include amounts related to the Retail Propane segment, as these amounts has been classified within discontinued operations in our unaudited condensed consolidated statements of operations (see Note 14).

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	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017 (1)	2018	2017 (1)
	(in thousands)			
Revenues:				
Crude Oil Logistics:				
Topic 606 revenues				
Crude oil sales	$718,621	$556,001	$2,300,703	$1,446,560
Crude oil transportation and other	40,003	33,017	107,032	89,318
Non-Topic 606 revenues	2,909	—	9,291	—
Elimination of intersegment sales	(10,353)	(4,011)	(21,962)	(8,934)
Total Crude Oil Logistics revenues	751,180	585,007	2,395,064	1,526,944
Water Solutions:				
Topic 606 revenues				
Disposal service fees	55,470	41,045	167,573	109,648
Sale of recovered hydrocarbons	17,337	17,021	56,063	37,427
Freshwater revenues	651	—	1,939	—
Other service revenues	1,986	5,958	5,753	14,948
Non-Topic 606 revenues	14	—	39	—
Total Water Solutions revenues	75,458	64,024	231,367	162,023
Liquids:				
Topic 606 revenues				
Propane sales	372,224	403,236	793,605	733,684
Butane sales	222,412	228,535	481,459	408,312
Other product sales	151,246	123,677	471,547	310,389
Service revenues	7,616	6,166	17,509	16,106
Non-Topic 606 revenues	6,314	—	16,506	—
Elimination of intersegment sales	(10,379)	(2,025)	(20,854)	(3,707)
Total Liquids revenues	749,433	759,589	1,759,772	1,464,784
Refined Products and Renewables:				
Topic 606 revenues				
Refined products sales	1,372,214	2,845,482	4,260,920	8,493,357
Renewables sales	—	99,436	—	313,366
Service fees and other revenues	—	94	—	262
Non-Topic 606 revenues	3,428,216	—	10,227,699	—
Elimination of intersegment sales	—	(138)	—	(268)
Total Refined Products and Renewables revenues	4,800,430	2,944,874	14,488,619	8,806,717
Corporate and Other:				
Non-Topic 606 revenues	319	289	1,066	696
Elimination of intersegment sales	—	—	—	—
Total Corporate and Other revenues	319	289	1,066	696
Total revenues	$6,376,820	$4,353,783	$18,875,888	$11,961,164

(1) We adopted ASC 606 as of April 1, 2018. Revenue reported in fiscal year 2018 is recorded under the ASC 605 guidance.

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The following table summarizes depreciation and amortization expense and operating income (loss) by segment for the periods indicated.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Depreciation and Amortization:				
Crude Oil Logistics	$18,387	$20,092	$56,486	$61,885
Water Solutions	27,561	24,586	79,212	73,847
Liquids	6,412	6,247	19,339	18,718
Refined Products and Renewables	321	323	962	971
Corporate and Other	753	962	2,230	2,801
Total depreciation and amortization	$53,434	$52,210	$158,229	$158,222
Operating Income (Loss):				
Crude Oil Logistics	$32,022	$106,279	$(36,694)	$111,832
Water Solutions	86,737	(1,373)	97,476	(10,075)
Liquids	21,532	22,290	34,913	(104,589)
Refined Products and Renewables	33,680	(4,791)	33,195	30,747
Corporate and Other	(16,394)	(21,846)	(69,176)	(56,031)
Total operating income (loss)	$157,577	$100,559	$59,714	$(28,116)

The following table summarizes additions to property, plant and equipment and intangible assets by segment for the periods indicated. This information has been prepared on the accrual basis, and includes property, plant and equipment and intangible assets acquired in acquisitions.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Crude Oil Logistics	$6,169	$14,788	$21,701	$26,509
Water Solutions	115,928	22,556	463,423	56,996
Liquids	357	1,188	1,738	2,868
Corporate and Other	248	625	846	1,334
Total	$122,702	$39,157	$487,708	$87,707

The following tables summarize long-lived assets (consisting of property, plant and equipment, intangible assets, and goodwill) and total assets by segment at the dates indicated:

	December 31, 2018	March 31, 2018
	(in thousands)	
Long-lived assets, net:		
Crude Oil Logistics	$1,596,396	$1,638,558
Water Solutions	1,523,897	1,256,143
Liquids (1)	480,187	501,302
Refined Products and Renewables	203,842	208,849
Corporate and Other	27,217	31,516

Total	$3,831,539	$3,636,368

(1) Includes \$0.5 million and \$0.6 million of non-US long-lived assets at December 31, 2018 and March 31, 2018, respectively.

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

	December 31, 2018	March 31, 2018
	(in thousands)	
Total assets:		
Crude Oil Logistics	$2,190,002	$2,285,813
Water Solutions	1,607,308	1,323,171
Liquids (1)	827,920	717,690
Refined Products and Renewables	1,132,082	1,204,633
Corporate and Other	74,126	102,211
Assets held for sale	124,509	517,604
Total	$5,955,947	$6,151,122

(1) Includes $30.3 million and $27.5 million of non-US total assets at December 31, 2018 and March 31, 2018, respectively.

Note 13—Transactions with Affiliates

SemGroup Corporation (“SemGroup”) holds ownership interests in our general partner. We sell product to and purchase product from SemGroup, and these transactions are included within revenues and cost of sales, respectively, in our unaudited condensed consolidated statements of operations. We also lease crude oil storage from SemGroup.

We purchase ethanol from E Energy Adams, LLC, in which we previously held an ownership interest as an equity method investee. We sold our interest in E Energy Adams, LLC on May 3, 2018 (see Note 2). These transactions are reported within cost of sales in our unaudited condensed consolidated statements of operations.

The following table summarizes these related party transactions for the periods indicated:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Sales to SemGroup	$257	$178	$926	$408
Purchases from SemGroup	$—	$1,050	$1,337	$3,978
Sales to equity method investees	$—	$98	$—	$294
Purchases from equity method investees	$—	$18,373	$—	$66,842
Sales to entities affiliated with management	$13,470	$64	$28,886	$204
Purchases from entities affiliated with management	$92,066	$193	$251,199	$1,540

Accounts receivable from affiliates consist of the following at the dates indicated:

	December 31, 2018	March 31, 2018
	(in thousands)	
Receivables from SemGroup	$86	$ 49
Receivables from NGL Energy Holdings LLC	7,267	4,693
Receivables from equity method investees	—	6
Receivables from entities affiliated with management	5,211	24
Total	$12,564	$ 4,772

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Accounts payable to affiliates consist of the following at the dates indicated:

	December 31, 2018	March 31, 2018
	(in thousands)	
Payables to equity method investees	$—	$ 8
Payables to entities affiliated with management	23,410	1,246
Total	$23,410	$ 1,254

Other Related Party Transactions

Repurchase of Warrants

On April 26, 2018, we repurchased outstanding warrants, as discussed further in Note 10, from funds managed by Oaktree Capital Management, L.P., who are represented on the board of directors of our general partner.

Agreement with WPX Energy Marketing, LLC ("WPX")

During the three months ended June 30, 2018, we entered into a definitive agreement with WPX. Under this agreement, we agreed to provide WPX the benefit of our minimum shipping fees or deficiency credits (fees paid in previous periods that were in excess of the volumes actually shipped) totaling $67.7 million at the time of the transaction (as discussed further in Note 2), which can be utilized for volumes shipped that exceed the minimum monthly volume commitment in subsequent periods. As a result, we wrote-off these minimum shipping fees included within other noncurrent assets in our unaudited condensed consolidated balance sheet (see Note 2) and recorded a loss within (gain) loss on disposal or impairment of assets, net in our unaudited condensed consolidated statement of operations. We also agreed that we would only ship crude oil that we are required to purchase from WPX in utilizing our allotted capacity on these pipelines and they agreed to be fully responsible to us for all deficiency payments (money due when our actual shipments are less than our allotted capacity) for the remaining term of our contract, which totals $50.3 million (as discussed further in Note 9). As consideration for this transaction, we paid WPX a net $35.3 million, which we have recorded as a loss within (gain) loss on disposal or impairment of assets, net in our unaudited condensed consolidated statement of operations. A member of the board of directors of our general partner is also an executive of WPX.

Victory Propane

At March 31, 2018, we had a loan receivable from Victory Propane, an equity method investee (see Note 2), of $1.2 million. As the sale of virtually all of our Retail Propane segment to Superior (see Note 1) included the Michigan assets we acquired from Victory Propane during the three months ended December 31, 2017, we were able to recognize our proportionate share of the gain recognized by Victory Propane. As a result, we were able to reverse our proportionate share of their losses that had been recorded against the balance of the loan receivable and write up the value of our investment in Victory Propane to $0.8 million. On August 14, 2018, we sold our 50% interest in Victory Propane to Victory Propane, LLC. As consideration, we received a promissory note in the amount of $3.4 million, which encompassed the purchase price for our 50% interest plus the outstanding balance of the loan receivable of $2.6 million as of the date of the transaction. The promissory note bears no interest and matures on July 31, 2023. We discounted the promissory note to its net present value of $2.6 million, with the amount of the reduction in the value of the promissory note recorded as a loss within (gain) loss on disposal or impairment of assets, net in our unaudited condensed consolidated statement of operations. This was the final transaction in exiting the retail propane business and was considered to be inconsequential by management. As a result of the sale, Victory Propane is no longer considered a related party.

Note 14—Assets, Liabilities and Redeemable Noncontrolling Interest Held for Sale and Discontinued Operations

On December 20, 2018, we entered into a definitive agreement with a subsidiary of WaterBridge Resources LLC to sell our South Pecos water disposal business for $238.8 million in cash proceeds and additional consideration upon meeting certain criteria. We will retain this business through closing, which is expected to be before March 31, 2019. These operations include: (i) nine saltwater disposal facilities, (ii) all disposal agreements, commercial, surface and other contracts related to those facilities, (iii) pipelines connected to the facilities and (iv) several disposal permits. All of the assets to be sold in this transaction are located near the town of Pecos, Texas in southern Reeves and Ward counties. The assets and liabilities of our South Pecos business subject to this transaction have been classified as held for sale in our December 31, 2018 unaudited

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condensed consolidated balance sheet. As this sale transaction does not represent a strategic shift that will have a major effect on our operations or financial results, operations related to this portion of our Water Solutions segment have not been classified as discontinued operations.

As discussed in Note 1, as of June 30, 2018, we met the criteria for classifying the assets, liabilities and redeemable noncontrolling interest of our Retail Propane segment as held for sale and the operations as discontinued. On July 10, 2018, we completed the sale of virtually all of our Retail Propane segment to Superior and on August 14, 2018, we sold our previously held interest in Victory Propane, see Note 1 for a further discussion. The assets and liabilities of our Retail Propane segment have been classified as held for sale in our March 31, 2018 unaudited condensed consolidated balance sheet.

The following table summarizes the major classes of assets, liabilities and redeemable noncontrolling interest classified as held for sale at the dates indicated:

	December 31, 2018	**March 31, 2018**
	(in thousands)	
Assets Held for Sale		
Cash and cash equivalents	$—	$ 4,113
Accounts receivable-trade, net	—	45,924
Inventories	—	13,250
Prepaid expenses and other current assets	—	2,796
Property, plant and equipment, net	55,976	201,340
Goodwill	64,274	107,951
Intangible assets, net	4,259	141,328
Other assets	—	902
Total assets held for sale	$ 124,509	$ 517,604
Liabilities and Redeemable Noncontrolling Interest Held for Sale		
Accounts payable-trade	$—	$ 7,790
Accrued expenses and other payables	1,233	6,583
Advance payments received from customers	—	12,842
Current maturities of long-term debt	—	2,550
Long-term debt, net	—	2,888
Other noncurrent liabilities	9,331	—
Redeemable noncontrolling interest	—	9,927
Total liabilities and redeemable noncontrolling interest held for sale	$ 10,564	$ 42,580

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The following table summarizes the results of operations from discontinued operations related to the Retail Propane segment for the periods indicated:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Revenues	$—	$160,069	$70,859	$291,872
Cost of sales	—	87,487	36,758	148,443
Operating expenses	160	33,750	27,328	90,592
General and administrative expense	—	2,822	2,589	7,750
Depreciation and amortization	—	11,130	8,706	34,205
(Gain) loss on disposal or impairment of assets, net (1)	(263)	908	(407,646)	2,004
Operating income from discontinued operations	103	23,972	403,124	8,878
Equity in earnings of unconsolidated entities	—	838	1,183	593
Interest expense	—	(94)	(125)	(331)
Other income, net	—	226	364	862
Income from discontinued operations before taxes (2)	103	24,942	404,546	10,002
Income tax expense	(7)	—	(132)	(65)
Income from discontinued operations, net of tax	$96	$24,942	$404,414	$9,937

(1) Amount for the nine months ended December 31, 2018 includes a gain of $408.9 million on the sale of virtually all of our remaining Retail Propane segment to Superior on July 10, 2018, partially offset by a loss of $1.3 million on the sale of a portion of our Retail Propane segment to DCC on March 30, 2018 related to a working capital adjustment.

(2) Amounts include income (loss) attributable to redeemable noncontrolling interests. Income attributable to redeemable noncontrolling interest was $0.4 million for the three months ended December 31, 2017, and the loss attributable to redeemable noncontrolling interest was $0.4 million and $0.3 million, respectively, for the nine months ended December 31, 2018 and 2017. There was no income attributable to redeemable noncontrolling interest for the three months ended December 31, 2018.

Continuing Involvement

We have commitments to sell up to 52.6 million gallons of propane, valued at $45.1 million (based on the contract price) to Superior and DCC, the purchasers of the Retail Propane segment, through March 2020. During the three months and nine months ended December 31, 2018, we received a combined $29.6 million and $45.3 million, respectively, from Superior and DCC for propane sold to them during the period.

Note 15—Revenue from Contracts with Customers

Impact of Adoption

We adopted Topic 606 on April 1, 2018, using the modified retrospective method. Revenues for reporting periods beginning after April 1, 2018 are presented under Topic 606, while prior periods are not adjusted and continue to be reported under the accounting standard in effect for those periods. We recorded an increase to the beginning balance of equity as of April 1, 2018, due to the cumulative impact of adopting the standard, as discussed further below.

Based on our evaluation, we anticipate that from time to time, differences in the timing of revenues earned and our right to invoice customers may create contract assets or liabilities. These differences in timing would be the result of contracts that contain minimum volume commitments and tiered pricing provisions, primarily within our Water

Solutions segment. In addition, we completed the process of implementing appropriate changes to our business processes, systems and controls to support recognition and disclosure under this standard. Furthermore, under this standard we made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction that we collect from a customer.

As discussed previously, we deferred a portion of the gain related to the sale of our general partner interest in TransMontaigne Partners L.P., of which the current portion was recorded in accrued expenses and other payables and the long-term portion was recorded in other noncurrent liabilities at March 31, 2018 within our unaudited condensed consolidated balance sheet. As this transaction was accounted for under the real estate guidance in ASC 360-20, *Property, Plant and*

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Equipment, we had been amortizing the gain over the life of the related lease agreements. Upon adoption of ASU No. 2014-09 and ASU No. 2017-05, we determined that this transaction should be accounted for under the guidance of ASC 810-10-40 and utilizing the modified retrospective approach of adoption, the deferred gain as of March 31, 2018 of $139.3 million was recognized in the beginning balance of retained earnings as part of our cumulative effect adjustment at April 1, 2018.

The following tables summarize the impact of adoption on our unaudited condensed consolidated balance sheet at December 31, 2018 and our unaudited condensed consolidated statements of operations for the three months and nine months ended December 31, 2018:

	Unaudited Condensed Consolidated Balance Sheet		
	December 31, 2018		
	As Reported	Balances Without Adoption of ASU No. 2014-09	Effect of Change Increase/(Decrease)
	(in thousands)		
Accrued expenses and other payables	$263,732	$293,845	$ (30,113)
Other noncurrent liabilities	$74,903	$161,512	$ (86,609)
Equity:			
General partner	$(50,581)	$(50,697)	$ 116
Limited partners	$2,085,780	$1,969,174	$ 116,606

	Unaudited Condensed Consolidated Statement of Operations		
	Three Months Ended December 31, 2018		
	As Reported	Balances Without Adoption of ASU No. 2014-09	Effect of Change Increase/(Decrease)
	(in thousands)		
Gain on disposal or impairment of assets, net	$(36,246)	$(43,774)	$ 7,528
Operating income	$157,577	$165,105	$ (7,528)
Net income	$110,528	$118,056	$ (7,528)

	Unaudited Condensed Consolidated Statement of Operations		
	Nine Months Ended December 31, 2018		
	As Reported	Balances Without Adoption of ASU No. 2014-09	Effect of Change Increase/(Decrease)
	(in thousands)		
Loss on disposal or impairment of assets, net	$71,077	$48,493	$ 22,584
Operating income	$59,714	$82,298	$ (22,584)
Net income	$296,178	$318,762	$ (22,584)

Prior to April 1, 2018, we recognized revenue for services and products when all of the following criteria were met under Topic 605: (i) either services have been rendered or products have been delivered or sold; (ii) persuasive evidence of an arrangement existed; (iii) the price for services was fixed or determinable; and (iv) collectibility was reasonably assured. We recorded deferred revenue when we received amounts from our customers but had not yet met the criteria listed above. We recognized deferred revenue in our consolidated statement of operations when the criteria had been met and all services had been rendered.

Effective April 1, 2018, we recognize revenue for services and products under revenue contracts as our obligations to either perform services or deliver or sell products under the contracts are satisfied. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation in the contract and is recognized as revenue when, or as, the performance obligation is satisfied. Our revenue contracts in scope under ASU No. 2014-09 primarily have a single performance obligation. The evaluation of when performance obligations have been satisfied and the transaction price that is allocated to our performance obligations requires significant judgment and assumptions, including our evaluation of the timing of when control of the underlying good or service has transferred to our customers and the relative stand-alone selling price of goods and services provided to customers under contracts with multiple performance obligations. Actual results can vary from those judgments and assumptions. We do not have any material contracts with multiple performance obligations or under which we receive material amounts of non-cash

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consideration at March 31, 2018. Our costs to obtain or fulfill our revenue contracts were not material as of December 31, 2018.

The majority of our revenue agreements are within scope under ASU No. 2014-09 and the remainder of our revenue comes from contracts that are accounted for as derivatives under ASC 815 or that contain nonmonetary exchanges or leases and are in scope under Topics 845 and 840, respectively. See Note 12 for a detail of disaggregated revenue. Revenue from contracts accounted for as derivatives under ASC 815 within our Refined and Renewables segment includes $151.2 million of net gains related to changes in the marked-to-market value of these arrangements recorded during the three months and nine months ended December 31, 2018.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to allow customers to secure the right to reserve the product or storage capacity to be received or used at a later date, not to receive financing from our customers or to provide customers with financing.

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

Crude Oil Logistics Performance Obligations

Within the Crude Oil Logistics segment, revenue is disaggregated into two primary revenue streams that include revenue from the sale of commodities and service revenue. For sales of commodities, we are obligated to deliver a predetermined amount of product on a month-to-month basis to our customers. For these types of agreements, revenue is recognized at a point in time based on when the product is delivered and control is transferred to the customer.

For revenue received from services rendered, we are obligated to provide throughput services to move product via pipeline, truck, railcar, or marine vessel or to provide terminal maintenance services. In either case, the obligation is satisfied over time utilizing the output method based on each volume of product that is moved from the origination point to the final destination or based on the passage of time.

Water Solutions Performance Obligations

Within the Water Solutions segment, revenue is disaggregated into two primary revenue streams that include service revenue and commodity sales revenue. For contracts involving disposal services, we accept wastewater and solids for disposal at our facilities. In cases where we have agreed within a contract or are required by law to remove hydrocarbons from the wastewater, the skim oil will be valued as non-cash consideration. Ordinarily, it is required that the fair value of the skim oil is to be estimated at contract inception; however, due to variability of the form of the non-cash consideration, the amount and dollar value is unknown at the contract inception date. Accordingly, ASC 606-10-32-11 allows us to value the skim oil on the date in which the value becomes known.

The Water Solutions segment has certain disposal contracts that contain the following types of terms or pricing structures that involve significant judgment that impacts the determination and timing of revenue.

- *Minimum volume commitments.* We receive a shortfall fee if the customer does not deliver a certain amount of volume of wastewater over a specified period of time. At each reporting period, we make a determination as to the likelihood of earning this fee. We recognize revenue from these contracts when (i) actual volumes are received; and (ii) when the likelihood of a customer exercising its remaining rights to make up the deficient volumes under minimum volume commitments becomes remote (also known as the breakage model).

- *Tiered pricing.* For contracts with tiered pricing provisions, the period in which the tiers are earned and settled (i.e. the "reset period") may vary from monthly to over a period of multiple months. If the tiered pricing is based on a month, we allocate the fee to the distinct daily service to which it relates. If the tiered pricing spans across multiple reporting periods, we estimate the total transaction price at the beginning of each reset period, based on the expected volumes. We revise our estimates of variable consideration at each reporting date throughout each reset period.
- *Volume discount pricing.* Volume discount pricing is a form of variable consideration whereby the customer pays for the volumes delivered on a cumulative basis. Similar to tiered pricing, the period in which the cumulative

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volumes are earned and settled (i.e. the “reset period”) may vary from daily to over a period of multiple months. If the volume discount is based on a month, we allocate the fee to the distinct daily service to which it relates. If the volume discount period spans across multiple reporting periods, we estimate the total transaction price at the beginning of each reset period, based on the expected volumes. We revise the estimate of variable consideration at each reporting date.

For all of our disposal contracts within the Water Solutions segment, revenue will be recognized over time utilizing the output method based on the volume of wastewater or solids we accept from the customer. For contracts that involve the sale of recovered hydrocarbons and freshwater, we will recognize revenue at a point in time, based on when control of the product is transferred to the customer.

Liquids Performance Obligations

Within the Liquids segment, revenue is disaggregated into two primary revenue streams that include revenue from the sale of commodities and providing services. For commodity sales, we are obligated to deliver a specified amount of product over a specified period of time. For these types of agreements, revenue is recognized at a point in time based on when the product is delivered and control is transferred to the customer. For revenue received from services rendered, we offer a variety of services which include: (i) storage services where product is commingled; (ii) railcar transportation services; (iii) transloading services; and (iv) logistics services. We are obligated to provide these services over a predetermined period of time. Revenue from service contracts is recognized at a point in time upon the transfer of control each month. All revenue from services is recognized over time utilizing the output method based on volumes stored or moved.

Refined Products and Renewables Performance Obligations

The Refined Products and Renewables segment has one distinct revenue stream, which is revenue from commodity sales. In these agreements, we are obligated to sell a predetermined amount of product over a specified period of time. Revenue for all commodity sales is recognized at a point in time once the customer has lifted the agreed-upon volumes.

Remaining Performance Obligations

Most of our service contracts are such that we have the right to consideration from a customer in an amount that corresponds directly with the value to the customer of our performance completed to date. Therefore, we are utilizing the practical expedient in ASC 606-10-55-18 under which we recognize revenue in the amount to which we have the right to invoice. Applying this practical expedient, we are not required to disclose the transaction price allocated to remaining performance obligations under these agreements. The following table summarizes the amount and timing of revenue recognition for such contracts at December 31, 2018 (in thousands):

Fiscal Year Ending March 31,	
2019 (three months)	$47,958
2020	143,368
2021	110,593
2022	106,566
2023	105,316
Thereafter	334,657
Total	$848,458

Many agreements are short-term in nature with a contract term of one year or less. For those contracts, we utilized the practical expedient in ASC 606-10-50 that exempts us from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less. Additionally, for our product sales contracts, we have elected the practical expedient set out in ASC 606-10-50-14A, which states that we are not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under these agreements, each unit of product represents a separate performance obligation and therefore future volumes are wholly unsatisfied and disclosure of transaction price allocated to remaining performance obligations is not required. Under product sales contracts, the variability arises as both volume and pricing (typically index-based) are not known until the product is delivered.

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Contract Assets and Liabilities

Amounts owed from our customers under our revenue contracts are typically billed as the service is being provided on a monthly basis and are due within 1-30 days of billing, and are classified as accounts receivable-trade on our unaudited condensed consolidated balance sheets. Under certain of our contracts, we recognize revenues in excess of billings, referred to as contract assets, within prepaid expenses and other current assets in our unaudited condensed consolidated balance sheets. Accounts receivable from contracts with customers are presented within accounts receivable-trade and accounts receivable-affiliates in our unaudited condensed consolidated balance sheets. Our contract asset balances primarily relate to our underground cavern storage contracts with multi-period contracts in which the fee escalates each year and the customer provides upfront payment at the beginning of the contract period. We did not record any contract assets during this period.

Under certain of our contracts we may be entitled to receive payments in advance of satisfying our performance obligations under the contract. We recognize a liability for these payments in excess of revenue recognized, referred to as deferred revenue or contract liabilities, within advance payments received from customers in our unaudited condensed consolidated balance sheets. Our deferred revenue primarily relates to:

- *Prepayments.* Some revenue contracts contain prepayment provisions within our Liquids business segment. Revenue received related to our underground cavern storage services is received upfront at the beginning of the contract period and is deferred until services have been rendered. In some cases, we also receive prepayments from customers purchasing commodities, which allows the customer to secure the right to receive their requested volumes in a future period. Revenue from these contracts is initially deferred, thus creating a contract liability.
- *Multi-period contract in which fee escalates each subsequent year of the contract.* Revenue from these contracts are recognized over time based on a weighted average of what is expected to be received over the life of the contract. As the actual amount billed and received from the customer differs from the amount of revenue recognized, a contract liability is recorded.
- *Tiered pricing and volume discount pricing.* As described above, we revise our estimates of variable consideration at each reporting date throughout each reset period. As the actual amount billed and received from the customer differs from the amount of revenue recognized, a contract liability is recorded.
- *Capital reimbursements.* Certain contracts in our Water Solutions segment require that our customers reimburse us for capital expenditures related to the construction of long-lived assets, such as water gathering pipelines and custody transfer points, utilized to provide services to them under the revenue contracts. Because we consider these amounts as consideration from customers associated with ongoing services to be provided to customers, we defer these upfront payments in deferred revenue and recognize the amounts in revenue over the life of the associated revenue contract as the performance obligations are satisfied under the contract.

Deferred revenue is included in advance payments received from customers on the unaudited condensed consolidated balance sheets as the performance obligations related to these revenues are expected to be satisfied within one year or less.

The following tables summarizes the balances of our contract assets and liabilities at the dates indicated:

	Balance at April 1, 2018	**December 31, 2018**
	(in thousands)	
Accounts receivable from contracts with customers	$677,095	$ 671,199

2018

	(in thousands)
Contract liabilities balance at April 1	$ 8,374
Payment received and deferred	66,030
Payment recognized in revenue	(52,967)
Contract liabilities balance at December 31	$ 21,437

Note 16—Other Matters

On November 30, 2018, we completed the sale of NGL Water Solutions Bakken, LLC to an affiliate of Tallgrass Energy, LP for $91.0 million in gross cash proceeds and recorded a gain on disposal of $35.7 million during the nine months

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ended December 31, 2018 within (gain) loss on disposal or impairment of assets, net in our unaudited condensed consolidated statement of operations. These operations include five saltwater disposal wells located in McKenzie and Dunn Counties, North Dakota. We have made the strategic decision to exit the Bakken saltwater disposal business, as we focus our efforts in larger core areas of operations.

Note 17—Subsequent Events

On January 3, 2019, we repurchased $11.9 million of the 2019 Notes.

On January 30, 2019, we executed a purchase and sale agreement under which we will purchase DCP Midstream LP's natural gas liquids terminal business. Under the terms of the purchase, we will acquire five propane rail terminals and 50% ownership interest in an additional rail terminal for $90.0 million in cash. This agreement also includes an import/export terminal located in Chesapeake, Virginia, with the capability to load and unload ships. These assets will complement our existing liquids portfolio and create additional opportunities for new and existing customers to supply their business and provides access to water for imports and exports. The transaction is subject to certain regulatory and other customary closing conditions and is expected to close by March 31, 2019.

Note 18—Unaudited Condensed Consolidating Guarantor and Non-Guarantor Financial Information

Certain of our wholly owned subsidiaries have, jointly and severally, fully and unconditionally guaranteed the Senior Unsecured Notes (see Note 8). Pursuant to Rule 3-10 of Regulation S-X, we have presented in columnar format the unaudited condensed consolidating financial information for NGL Energy Partners LP (Parent), NGL Energy Finance Corp., the guarantor subsidiaries on a combined basis, and the non-guarantor subsidiaries on a combined basis in the tables below. NGL Energy Partners LP and NGL Energy Finance Corp. are co-issuers of the Senior Unsecured Notes. Since NGL Energy Partners LP received the proceeds from the issuance of the Senior Unsecured Notes, all activity has been reflected in the NGL Energy Partners LP (Parent) column in the tables below.

During the periods presented in the tables below, the status of certain subsidiaries changed, in that they either became guarantors of or ceased to be guarantors of the Senior Unsecured Notes. For purposes of the tables below, when the status of a subsidiary changes, all subsidiary activity is included in either the guarantor subsidiaries column or non-guarantor subsidiaries column based on the status of the subsidiary at the balance sheet date regardless of activity during the year.

There are no significant restrictions that prevent the parent or any of the guarantor subsidiaries from obtaining funds from their respective subsidiaries by dividend or loan. None of the assets of the guarantor subsidiaries (other than the investments in non-guarantor subsidiaries) are restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act of 1933, as amended.

For purposes of the tables below, (i) the unaudited condensed consolidating financial information is presented on a legal entity basis, (ii) investments in consolidated subsidiaries are accounted for as equity method investments, and (iii) contributions, distributions, and advances to (from) consolidated entities are reported on a net basis within net changes in advances with consolidated entities in the unaudited condensed consolidating statement of cash flow tables below.

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Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Balance Sheet
(in Thousands)

	December 31, 2018					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 5,892	$ —	$ 14,883	$ 2,250	$ —	$ 23,025
Accounts receivable-trade, net of allowance for doubtful accounts	—	—	1,005,833	200	—	1,006,033
Accounts receivable-affiliates	—	—	12,564	—	—	12,564
Inventories	—	—	572,803	128	—	572,931
Prepaid expenses and other current assets	—	—	209,750	702	—	210,452
Assets held for sale	—	—	124,509	—	—	124,509
Total current assets	5,892	—	1,940,342	3,280	—	1,949,514
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation	—	—	1,596,911	129,251	—	1,726,162
GOODWILL	—	—	1,111,219	71,395	—	1,182,614
INTANGIBLE ASSETS, net of accumulated amortization	—	—	848,245	74,518	—	922,763
INVESTMENTS IN UNCONSOLIDATED ENTITIES	—	—	4,797	—	—	4,797
NET INTERCOMPANY RECEIVABLES (PAYABLES)	1,233,222	—	(1,249,716)	16,494	—	—
INVESTMENTS IN CONSOLIDATED SUBSIDIARIES	2,472,606	—	211,793	—	(2,684,399)	—
OTHER NONCURRENT ASSETS	—	—	170,097	—	—	170,097
Total assets	$ 3,711,720	$ —	$ 4,633,688	$ 294,938	$ (2,684,399)	$ 5,955,947
LIABILITIES AND EQUITY						
CURRENT LIABILITIES AND REDEEMABLE NONCONTROLLING INTEREST:						
Accounts payable-trade	$ —	$ —	$ 905,830	$ 128	$ —	$ 905,958
Accounts payable-affiliates	1	—	23,409	—	—	23,410
Accrued expenses and other payables	28,052	—	234,996	684	—	263,732
Advance payments received from customers	—	—	19,465	1,972	—	21,437
Current maturities of long-term debt, net of debt issuance costs	339,220	—	647	—	—	339,867
Liabilities and redeemable noncontrolling interest held for sale	—	—	10,564	—	—	10,564
Total current liabilities and redeemable noncontrolling interest	367,273	—	1,194,911	2,784	—	1,564,968
LONG-TERM DEBT, net of debt issuance costs and current maturities	983,856	—	893,845	—	—	1,877,701
OTHER NONCURRENT LIABILITIES	—	—	72,326	2,577	—	74,903
CLASS A 10.75% CONVERTIBLE PREFERRED UNITS	122,934	—	—	—	—	122,934
EQUITY:						
Partners' equity	2,237,657	—	2,472,606	289,850	(2,762,183)	2,237,930
Accumulated other comprehensive loss	—	—	—	(273)	—	(273)
Noncontrolling interests	—	—	—	—	77,784	77,784
Total equity	2,237,657	—	2,472,606	289,577	(2,684,399)	2,315,441
Total liabilities and equity	$ 3,711,720	$ —	$ 4,633,688	$ 294,938	$ (2,684,399)	$ 5,955,947

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Balance Sheet
(in Thousands)

	March 31, 2018					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 16,915	$ —	$ 3,329	$ 1,850	$ —	$ 22,094
Accounts receivable-trade, net of allowance for doubtful accounts	—	—	1,021,616	5,148	—	1,026,764
Accounts receivable-affiliates	—	—	4,772	—	—	4,772
Inventories	—	—	550,978	325	—	551,303
Prepaid expenses and other current assets	—	—	128,311	431	—	128,742
Assets held for sale	—	—	490,800	26,804	—	517,604
Total current assets	16,915	—	2,199,806	34,558	—	2,251,279
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation	—	—	1,371,495	147,112	—	1,518,607
GOODWILL	—	—	1,127,347	77,260	—	1,204,607
INTANGIBLE ASSETS, net of accumulated amortization	—	—	829,449	83,705	—	913,154
INVESTMENTS IN UNCONSOLIDATED ENTITIES	—	—	17,236	—	—	17,236
NET INTERCOMPANY RECEIVABLES (PAYABLES)	2,110,940	—	(2,121,741)	10,801	—	—
INVESTMENTS IN CONSOLIDATED SUBSIDIARIES	1,703,327	—	244,109	—	(1,947,436)	—
LOAN RECEIVABLE-AFFILIATE	—	—	1,200	—	—	1,200
OTHER NONCURRENT ASSETS	—	—	245,039	—	—	245,039
Total assets	$ 3,831,182	$ —	$ 3,913,940	$ 353,436	$ (1,947,436)	$ 6,151,122
LIABILITIES AND EQUITY						
CURRENT LIABILITIES AND REDEEMABLE NONCONTROLLING INTEREST:						
Accounts payable-trade	$ —	$ —	$ 850,607	$ 2,232	$ —	$ 852,839
Accounts payable-affiliates	1	—	1,253	—	—	1,254
Accrued expenses and other payables	41,104	—	181,115	1,285	—	223,504
Advance payments received from customers	—	—	4,507	3,867	—	8,374
Current maturities of long-term debt, net of debt issuance costs	—	—	646	—	—	646
Liabilities and redeemable noncontrolling interest held for sale	—	—	30,066	12,514	—	42,580
Total current liabilities and redeemable noncontrolling interest	41,105	—	1,068,194	19,898	—	1,129,197
LONG-TERM DEBT, net of debt issuance costs and current maturities	1,704,909	—	974,831	—	—	2,679,740
OTHER NONCURRENT LIABILITIES	—	—	167,588	5,926	—	173,514
CLASS A 10.75% CONVERTIBLE PREFERRED UNITS	82,576	—	—	—	—	82,576
EQUITY:						
Partners' equity	2,002,592	—	1,704,896	327,858	(2,030,939)	2,004,407
Accumulated other comprehensive loss	—	—	(1,569)	(246)	—	(1,815)
Noncontrolling interests	—	—	—	—	83,503	83,503
Total equity	2,002,592	—	1,703,327	327,612	(1,947,436)	2,086,095
Total liabilities and equity	$ 3,831,182	$ —	$ 3,913,940	$ 353,436	$ (1,947,436)	$ 6,151,122

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Statement of Operations
(in Thousands)

	Three Months Ended December 31, 2018					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES	$—	$ —	$ 6,373,719	$ 4,286	$ (1,185)	$ 6,376,820
COST OF SALES	—	—	6,115,051	518	(1,185)	6,114,384
OPERATING COSTS AND EXPENSES:						
Operating	—	—	60,816	2,076	—	62,892
General and administrative	—	—	24,619	160	—	24,779
Depreciation and amortization	—	—	50,877	2,557	—	53,434
Gain on disposal or impairment of assets, net	—	—	(36,246)	—	—	(36,246)
Operating Income (Loss)	—	—	158,602	(1,025)	—	157,577
OTHER INCOME (EXPENSE):						
Equity in earnings of unconsolidated entities	—	—	1,777	—	—	1,777
Interest expense	(24,026)	—	(15,124)	(12)	11	(39,151)
Loss on early extinguishment of liabilities, net	(10,083)	—	—	—	—	(10,083)
Other income, net	—	—	1,303	—	(11)	1,292
(Loss) Income From Continuing Operations Before Income Taxes	(34,109)	—	146,558	(1,037)	—	111,412
INCOME TAX EXPENSE	—	—	(980)	—	—	(980)
EQUITY IN NET INCOME (LOSS) FROM CONTINUING OPERATIONS OF CONSOLIDATED SUBSIDIARIES	144,944	—	(730)	—	(144,214)	—
Income (Loss) From Continuing Operations	110,835	—	144,848	(1,037)	(144,214)	110,432
Income From Discontinued Operations, Net of Tax	—	—	96	—	—	96
Net Income (Loss)	110,835	—	144,944	(1,037)	(144,214)	110,528
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					307	307
NET INCOME (LOSS) ATTRIBUTABLE TO NGL ENERGY PARTNERS LP	$ 110,835	$ —	$ 144,944	$ (1,037)	$ (143,907)	$ 110,835

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Statement of Operations
(in Thousands)

	Three Months Ended December 31, 2017					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES	$ —	$ —	$ 4,352,426	$ 1,595	$ (238)	$ 4,353,783
COST OF SALES	—	—	4,235,965	139	(238)	4,235,866
OPERATING COSTS AND EXPENSES:						
Operating	—	—	50,734	406	—	51,140
General and administrative	—	—	26,326	70	—	26,396
Depreciation and amortization	—	—	51,707	503	—	52,210
Gain on disposal or impairment of assets, net	—	—	(112,388)	—	—	(112,388)
Operating Income	—	—	100,082	477	—	100,559
OTHER INCOME (EXPENSE):						
Equity in earnings of unconsolidated entities	—	—	2,588	—	—	2,588
Interest expense	(36,019)	—	(15,677)	(11)	11	(51,696)
Loss on early extinguishment of liabilities, net	(21,141)	—	—	—	—	(21,141)
Other income (expense), net	—	—	2,092	(2)	(209)	1,881
(Loss) Income From Continuing Operations Before Income Taxes	(57,160)	—	89,085	464	(198)	32,191
INCOME TAX EXPENSE	—	—	(364)	—	—	(364)
EQUITY IN NET INCOME FROM CONTINUING OPERATIONS OF CONSOLIDATED SUBSIDIARIES	113,416	—	1,012	—	(114,428)	—
Income From Continuing Operations	56,256	—	89,733	464	(114,626)	31,827
Income From Discontinued Operations, Net of Tax	—	—	23,683	1,061	198	24,942
Net Income	56,256	—	113,416	1,525	(114,428)	56,769
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS					(89)	(89)
LESS: NET INCOME ATTRIBUTABLE TO REDEEMABLE NONCONTROLLING INTERESTS					(424)	(424)
NET INCOME ATTRIBUTABLE TO NGL ENERGY PARTNERS LP	$ 56,256	$ —	$ 113,416	$ 1,525	$ (114,941)	$ 56,256

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Statement of Operations
(in Thousands)

	Nine Months Ended December 31, 2018					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES	$—	$ —	$18,867,974	$ 10,768	$ (2,854)	$18,875,888
COST OF SALES	—	—	18,322,426	495	(2,854)	18,320,067
OPERATING COSTS AND EXPENSES:						
Operating	—	—	173,257	6,206	—	179,463
General and administrative	—	—	85,847	691	—	86,538
Depreciation and amortization	—	—	150,551	7,678	—	158,229
Loss on disposal or impairment of assets, net	—	—	71,077	—	—	71,077
Revaluation of liabilities	—	—	800	—	—	800
Operating Income (Loss)	—	—	64,016	(4,302)	—	59,714
OTHER INCOME (EXPENSE):						
Equity in earnings of unconsolidated entities	—	—	2,375	—	—	2,375
Interest expense	(83,011)	—	(43,765)	(35)	34	(126,777)
Loss on early extinguishment of liabilities, net	(10,220)	—	—	—	—	(10,220)
Other expense, net	—	—	(30,787)	—	(219)	(31,006)
(Loss) Income From Continuing Operations Before Income Taxes	(93,231)	—	(8,161)	(4,337)	(185)	(105,914)
INCOME TAX EXPENSE	—	—	(2,322)	—	—	(2,322)
EQUITY IN NET INCOME (LOSS) FROM CONTINUING OPERATIONS OF CONSOLIDATED SUBSIDIARIES	391,025	—	(3,750)	—	(387,275)	—
Income (Loss) From Continuing Operations	297,794	—	(14,233)	(4,337)	(387,460)	(108,236)
Income (Loss) From Discontinued Operations, Net of Tax	—	—	405,258	(1,029)	185	404,414
Net Income (Loss)	297,794	—	391,025	(5,366)	(387,275)	296,178
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					1,170	1,170
LESS: NET LOSS ATTRIBUTABLE TO REDEEMABLE NONCONTROLLING INTERESTS					446	446
NET INCOME (LOSS) ATTRIBUTABLE TO NGL ENERGY PARTNERS LP	$297,794	$ —	$391,025	$ (5,366)	$ (385,659)	$297,794

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Statement of Operations (in Thousands)

	Nine Months Ended December 31, 2017					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES	$—	$ —	$11,956,719	$ 4,858	$ (413)	$11,961,164
COST OF SALES	—	—	11,622,270	140	(413)	11,621,997
OPERATING COSTS AND EXPENSES:						
Operating	—	—	145,377	1,391	—	146,768
General and administrative	—	—	69,726	213	—	69,939
Depreciation and amortization	—	—	156,239	1,983	—	158,222
Gain on disposal or impairment of assets, net	—	—	(13,246)	—	—	(13,246)
Revaluation of liabilities	—	—	5,600	—	—	5,600
Operating (Loss) Income	—	—	(29,247)	1,131	—	(28,116)
OTHER INCOME (EXPENSE):						
Equity in earnings of unconsolidated entities	—	—	6,677	—	—	6,677
Interest expense	(111,609)	—	(39,309)	(34)	34	(150,918)
Loss on early extinguishment of liabilities, net	(22,479)	—	—	—	—	(22,479)
Other income, net	—	—	5,851	17	(617)	5,251
(Loss) Income From Continuing Operations Before Income Taxes	(134,088)	—	(56,028)	1,114	(583)	(189,585)
INCOME TAX EXPENSE	—	—	(869)	—	—	(869)
EQUITY IN NET (LOSS) INCOME FROM CONTINUING OPERATIONS OF CONSOLIDATED SUBSIDIARIES	(46,389)	—	503	—	45,886	—
(Loss) Income From Continuing Operations	(180,477)	—	(56,394)	1,114	45,303	(190,454)
Income (Loss) From Discontinued Operations, Net of Tax	—	—	10,005	(651)	583	9,937
Net (Loss) Income	(180,477)	—	(46,389)	463	45,886	(180,517)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS					(221)	(221)
LESS: NET LOSS ATTRIBUTABLE TO REDEEMABLE NONCONTROLLING INTERESTS					261	261
NET (LOSS) INCOME ATTRIBUTABLE TO NGL ENERGY PARTNERS LP	$(180,477)	$ —	$(46,389)	$ 463	$ 45,926	$(180,477)

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Statements of Comprehensive Income (Loss)
(in Thousands)

	Three Months Ended December 31, 2018					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 110,835	$ —	$ 144,944	$ (1,037)	$ (144,214)	$ 110,528
Other comprehensive loss	—	—	—	(3)	—	(3)
Comprehensive income (loss)	$ 110,835	$ —	$ 144,944	$ (1,040)	$ (144,214)	$ 110,525

	Three Months Ended December 31, 2017					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income	$ 56,256	$ —	$ 113,416	$ 1,525	$ (114,428)	$ 56,769
Other comprehensive income (loss)	—	—	795	(11)	—	784
Comprehensive income	$ 56,256	$ —	$ 114,211	$ 1,514	$ (114,428)	$ 57,553

	Nine Months Ended December 31, 2018					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ 297,794	$ —	$ 391,025	$ (5,366)	$ (387,275)	$ 296,178
Other comprehensive loss	—	—	(1)	(26)	—	(27)
Comprehensive income (loss)	$ 297,794	$ —	$ 391,024	$ (5,392)	$ (387,275)	$ 296,151

	Nine Months Ended December 31, 2017					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net (loss) income	$ (180,477)	$ —	$ (46,389)	$ 463	$ 45,886	$ (180,517)
Other comprehensive income (loss)	—	—	383	(33)	—	350
Comprehensive (loss) income	$ (180,477)	$ —	$ (46,006)	$ 430	$ 45,886	$ (180,167)

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Statement of Cash Flows
(in Thousands)

	Nine Months Ended December 31, 2018					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
OPERATING ACTIVITIES:						
Net cash (used in) provided by operating activities-continuing operations	$ (92,619)	$ —	$ 173,692	$ 3,759	$ (185)	$ 84,647
Net cash provided by operating activities-discontinued operations	—	—	27,790	3,221	—	31,011
Net cash (used in) provided by operating activities	(92,619)	—	201,482	6,980	(185)	115,658
INVESTING ACTIVITIES:						
Capital expenditures	—	—	(301,883)	(2,106)	—	(303,989)
Acquisitions, net of cash acquired	—	—	(194,044)	(3,927)	—	(197,971)
Settlements of commodity derivatives	—	—	95,978	—	—	95,978
Proceeds from sales of assets	—	—	8,335	—	—	8,335
Proceeds from divestitures of businesses and investments, net	—	—	103,594	—	—	103,594
Investments in unconsolidated entities	—	—	(92)	—	—	(92)
Repayments on loan for natural gas liquids facility	—	—	8,371	—	—	8,371
Loan to affiliate	—	—	(1,515)	—	—	(1,515)
Net cash used in investing activities-continuing operations	—	—	(281,256)	(6,033)	—	(287,289)
Net cash provided by investing activities-discontinued operations	—	—	838,797	6,982	—	845,779
Net cash provided by investing activities	—	—	557,541	949	—	558,490
FINANCING ACTIVITIES:						
Proceeds from borrowings under Revolving Credit Facility	—	—	2,956,500	—	—	2,956,500
Payments on Revolving Credit Facility	—	—	(3,037,000)	—	—	(3,037,000)
Repayment and repurchase of senior unsecured notes	(395,471)	—	—	—	—	(395,471)
Payments on other long-term debt	—	—	(488)	—	—	(488)
Debt issuance costs	(16)	—	(899)	—	—	(915)
Contributions from noncontrolling interest owners, net	—	—	—	169	—	169
Distributions to general and common unit partners and preferred unitholders	(177,003)	—	—	—	—	(177,003)
Repurchase of warrants	(14,988)	—	—	—	—	(14,988)
Common unit repurchases and cancellations	(162)	—	—	—	—	(162)
Payments for settlement and early extinguishment of liabilities	—	—	(3,534)	—	—	(3,534)
Net changes in advances with consolidated entities	669,236	—	(661,753)	(7,668)	185	—
Net cash provided by (used in) financing activities-continuing operations	81,596	—	(747,174)	(7,499)	185	(672,892)
Net cash used in financing activities-discontinued operations	—	—	(295)	(30)	—	(325)
Net cash provided by (used in) financing activities	81,596	—	(747,469)	(7,529)	185	(673,217)
Net (decrease) increase in cash and cash equivalents	(11,023)	—	11,554	400	—	931
Cash and cash equivalents, beginning of period	16,915	—	3,329	1,850	—	22,094
Cash and cash equivalents, end of period	$ 5,892	$ —	$ 14,883	$ 2,250	$ —	$ 23,025

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Unaudited Condensed Consolidating Statement of Cash Flows
(in Thousands)

	Nine Months Ended December 31, 2017					
	NGL Energy Partners LP (Parent)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
OPERATING ACTIVITIES:						
Net cash provided by (used in) operating activities-continuing operations	$415,012	$ —	$(483,118)	$ 35,923	$ (734)	$ (32,917)
Net cash provided by operating activities-discontinued operations	—	—	35,717	1,336	151	37,204
Net cash provided by (used in) operating activities	415,012	—	(447,401)	37,259	(583)	4,287
INVESTING ACTIVITIES:						
Capital expenditures	—	—	(81,215)	(1,091)	—	(82,306)
Acquisitions, net of cash acquired	—	—	(19,897)	—	—	(19,897)
Settlements of commodity derivatives	—	—	(85,575)	—	—	(85,575)
Proceeds from sales of assets	—	—	31,339	—	—	31,339
Proceeds from divestitures of businesses and investments, net	—	—	292,117	—	—	292,117
Investments in unconsolidated entities	—	—	(21,461)	—	—	(21,461)
Distributions of capital from unconsolidated entities	—	—	11,710	—	—	11,710
Repayments on loan for natural gas liquids facility	—	—	7,425	—	—	7,425
Loan to affiliate	—	—	(1,460)	—	—	(1,460)
Repayments on loan to affiliate	—	—	4,160	—	—	4,160
Other	—	—	20,000	—	—	20,000
Net cash provided by (used in) investing activities-continuing operations	—	—	157,143	(1,091)	—	156,052
Net cash used in investing activities-discontinued operations	—	—	(50,278)	(722)	—	(51,000)
Net cash provided by (used in) investing activities	—	—	106,865	(1,813)	—	105,052
FINANCING ACTIVITIES:						
Proceeds from borrowings under Revolving Credit Facility	—	—	1,674,500	—	—	1,674,500
Payments on Revolving Credit Facility	—	—	(1,349,500)	—	—	(1,349,500)
Repurchase of senior secured and senior unsecured notes	(415,568)	—	—	—	—	(415,568)
Payments on other long-term debt	—	—	(716)	—	—	(716)
Debt issuance costs	(693)	—	(1,804)	—	—	(2,497)
Contributions from noncontrolling interest owners, net	—	—	—	23	—	23
Distributions to general and common unit partners and preferred unitholders	(166,589)	—	—	—	—	(166,589)
Distributions to noncontrolling interest owners	—	—	—	(3,082)	—	(3,082)
Proceeds from sale of preferred units, net of offering costs	202,731	—	—	—	—	202,731
Repurchase of warrants	(10,549)	—	—	—	—	(10,549)
Common unit repurchases and cancellations	(15,608)	—	—	—	—	(15,608)
Payments for settlement and early extinguishment of liabilities	—	—	(2,408)	—	—	(2,408)
Net changes in advances with consolidated entities	1	—	31,327	(31,911)	583	—
Net cash (used in) provided by financing activities-continuing operations	(406,275)	—	351,399	(34,970)	583	(89,263)
Net cash used in financing activities-discontinued operations	—	—	(3,255)	(390)	—	(3,645)
Net cash (used in) provided by financing activities	(406,275)	—	348,144	(35,360)	583	(92,908)
Net increase in cash and cash equivalents	8,737	—	7,608	86	—	16,431
Cash and cash equivalents, beginning of period	6,257	—	73	1,496	—	7,826
Cash and cash equivalents, end of period	$14,994	$ —	$7,681	$ 1,582	$ —	$ 24,257

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of NGL Energy Partners LP's ("we," "us," "our," or the "Partnership") financial condition and results of operations as of and for the three months and nine months ended December 31, 2018. The discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q ("Quarterly Report"), as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 ("Annual Report") filed with the Securities and Exchange Commission on May 30, 2018.

Overview

We are a Delaware limited partnership. NGL Energy Holdings LLC serves as our general partner. At December 31, 2018, our operations included:

- Our Crude Oil Logistics segment purchases crude oil from producers and transports it to refineries or for resale at pipeline injection stations, storage terminals, barge loading facilities, rail facilities, refineries, and other trade hubs, and provides storage, terminaling, trucking, marine and pipeline transportation services through its owned assets.
- Our Water Solutions segment provides services for the treatment and disposal of wastewater generated from crude oil and natural gas production and for the disposal of solids such as tank bottoms, drilling fluids and drilling muds and performs truck and frac tank washouts. In addition, our Water Solutions segment sells the recovered hydrocarbons that result from performing these services and it also sells freshwater to producers for exploration and production activities.
- Our Liquids segment supplies natural gas liquids to retailers, wholesalers, refiners, and petrochemical plants throughout the United States and in Canada using its leased underground storage and fleet of leased railcars, markets regionally through its 19 owned terminals throughout the United States, and provides terminaling and storage services at its salt dome storage facility joint venture in Utah.
- Our Refined Products and Renewables segment conducts gasoline, diesel, ethanol, and biodiesel marketing operations, purchases refined petroleum and renewable products primarily in the Gulf Coast, Southeast and Midwest regions of the United States and schedules them for delivery at various locations throughout the country. In addition, in certain storage locations, our Refined Products and Renewables segment may also purchase unfinished gasoline blending components for subsequent blending into finished gasoline to supply our marketing business as well as third parties.

On July 10, 2018, we completed the sale of virtually all of our Retail Propane segment to Superior Plus Corp. ("Superior"). See Note 1 and Note 14 to our unaudited condensed consolidated financial statements included in this Quarterly Report for a further discussion of the transaction.

As discussed in Note 1 to our unaudited condensed consolidated financial statements included in this Quarterly Report, we have classified the assets, liabilities and redeemable noncontrolling interest of the Retail Propane segment as held for sale and the operations as discontinued in our unaudited condensed consolidated financial statements. Accordingly, the results of operations and cash flows related to the entire Retail Propane segment (both the portion sold to DCC LPG in March 2018 and the remaining business sold to Superior as well as equity in earnings of Victory Propane, LLC) have been classified as discontinued operations for all periods presented (prior periods have been retrospectively adjusted) in the unaudited condensed consolidated statements of operations and unaudited condensed consolidated statements of cash flows.

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Consolidated Results of Operations

The following table summarizes our unaudited condensed consolidated statements of operations for the periods indicated:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in thousands)			
Total revenues	$6,376,820	$4,353,783	$18,875,888	$11,961,164
Total cost of sales	6,114,384	4,235,866	18,320,067	11,621,997
Operating expenses	62,892	51,140	179,463	146,768
General and administrative expense	24,779	26,396	86,538	69,939
Depreciation and amortization	53,434	52,210	158,229	158,222
(Gain) loss on disposal or impairment of assets, net	(36,246)	(112,388)	71,077	