NGL Energy Partners LP
Form 10-Q
November 09, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10 Q

(Mark One)

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from to

Commission File Number: 001-35172

NGL Energy Partners LP

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**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 o

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

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

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

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

At November 2, 2015, there were 106,936,303 common units issued and outstanding.

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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 s plans and 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 impact our consolidated financial position and results of operations are:

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

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

- actions taken by foreign oil and gas producing nations;

- the political and economic stability of foreign oil and gas producing nations;

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

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

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

- the availability, price, and marketing of competing fuels;

- the impact of energy conservation efforts on product demand;

- energy efficiencies and technological trends;

- governmental regulation and taxation;

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

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

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

- the costs and effects of legal and administrative proceedings;

- any reduction or the elimination of the federal Renewable Fuel Standard; and

- changes in the jurisdictional characteristics of, or the applicable regulatory policies with respect to, our pipeline assets.

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

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PART I

Item 1. Financial Statements (Unaudited)

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

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

	September 30, 2015	March 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,053	$ 41,303
Accounts receivable trade, net of allowance for doubtful accounts of $5,995 and $4,367, respectively	712,025	1,024,226
Accounts receivable affiliates	6,345	17,198
Inventories	408,374	441,762
Prepaid expenses and other current assets	120,122	120,855
Total current assets	1,276,919	1,645,344
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $270,332 and $202,959, respectively	1,845,112	1,617,389
GOODWILL	1,490,928	1,402,761
INTANGIBLE ASSETS, net of accumulated amortization of $274,823 and $220,517, respectively	1,231,192	1,288,343
INVESTMENTS IN UNCONSOLIDATED ENTITIES	473,239	472,673
LOAN RECEIVABLE AFFILIATE	23,775	8,154
OTHER NONCURRENT ASSETS	108,672	112,837
Total assets	$ 6,449,837	$ 6,547,501
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable trade	$ 568,523	$ 833,380
Accounts payable affiliates	18,794	25,794
Accrued expenses and other payables	164,433	195,116
Advance payments received from customers	96,380	54,234
Current maturities of long-term debt	4,040	4,472
Total current liabilities	852,170	1,112,996
LONG-TERM DEBT, net of current maturities	3,093,694	2,745,299
OTHER NONCURRENT LIABILITIES	17,679	16,086
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
EQUITY:		
General partner, representing a 0.1% interest, 105,269 and 103,899 notional units, respectively	(34,380)	(37,021)

Limited partners, representing a 99.9% interest, 105,164,071 and 103,794,870 common units issued and outstanding, respectively		1,976,663		2,162,924
Accumulated other comprehensive loss		(136)		(109)
Noncontrolling interests		544,147		547,326
Total equity		2,486,294		2,673,120
Total liabilities and equity	$	6,449,837	$	6,547,501

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014
REVENUES:				
Crude oil logistics	$ 1,007,578	$ 2,111,143	$ 2,335,362	$ 4,040,426
Water solutions	47,494	52,719	101,787	100,033
Liquids	258,992	539,753	507,977	1,014,910
Retail propane	53,206	68,358	117,653	146,260
Refined products and renewables	1,825,925	2,607,220	3,668,885	3,724,717
Other		1,333		2,794
Total Revenues	3,193,195	5,380,526	6,731,664	9,029,140
COST OF SALES:				
Crude oil logistics	982,719	2,083,712	2,274,711	3,981,351
Water solutions	(8,567)	(9,439)	(4,960)	1,134
Liquids	221,115	514,064	453,391	976,080
Retail propane	20,879	39,894	50,443	87,418
Refined products and renewables	1,789,680	2,550,851	3,554,792	3,665,164
Other		383		2,371
Total Cost of Sales	3,005,826	5,179,465	6,328,377	8,713,518
OPERATING COSTS AND EXPENSES:				
Operating	99,773	97,419	207,687	164,855
General and administrative	29,298	41,639	91,779	69,512
Depreciation and amortization	56,761	50,099	116,592	89,474
Loss on disposal or impairment of assets, net	1,291	4,134	1,712	4,566
Operating Income (Loss)	246	7,770	(14,483)	(12,785)
OTHER INCOME (EXPENSE):				
Equity in earnings of unconsolidated entities	2,432	3,697	11,150	6,262
Interest expense	(31,571)	(28,651)	(62,373)	(49,145)
Other income (expense), net	1,955	(617)	780	(1,008)
Loss Before Income Taxes	(26,938)	(17,801)	(64,926)	(56,676)
INCOME TAX BENEFIT	2,786	1,922	2,248	887
Net Loss	(24,152)	(15,879)	(62,678)	(55,789)
LESS: NET INCOME ALLOCATED TO GENERAL PARTNER	(16,166)	(11,056)	(31,525)	(20,437)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,891)	(3,345)	(6,766)	(3,410)
NET LOSS ALLOCATED TO LIMITED PARTNERS	$ (43,209)	$ (30,280)	$ (100,969)	$ (79,636)
BASIC AND DILUTED LOSS PER COMMON UNIT	$ (0.41)	$ (0.34)	$ (0.97)	$ (0.93)

BASIC AND DILUTED WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	105,189,463	88,331,653	104,542,427	81,267,742

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Comprehensive Loss

(U.S. Dollars in Thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net loss	$ (24,152)	$ (15,879)	$ (62,678)	$ (55,789)
Other comprehensive income (loss)	(19)	(22)	(27)	163
Comprehensive loss	$ (24,171)	$ (15,901)	$ (62,705)	$ (55,626)

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Changes in Equity

Six Months Ended September 30, 2015

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

	General Partner	Limited Partners Common Units	Limited Partners Amount	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
BALANCES AT MARCH 31, 2015	$ (37,021)	103,794,870	$ 2,162,924	$ (109)	$ 547,326	$ 2,673,120
Distributions	(28,929)		(125,895)		(17,780)	(172,604)
Contributions	45				6,613	6,658
Business combinations		386,383	11,367			11,367
Equity issued pursuant to incentive compensation plan		1,140,444	32,919			32,919
Common unit repurchases		(157,626)	(3,650)			(3,650)
Net income (loss)	31,525		(100,969)		6,766	(62,678)
Other comprehensive loss				(27)		(27)
TLP equity-based compensation					1,301	1,301
Other			(33)		(79)	(112)
BALANCES AT SEPTEMBER 30, 2015	$ (34,380)	105,164,071	$ 1,976,663	$ (136)	$ 544,147	$ 2,486,294

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

(U.S. Dollars in Thousands)

	Six Months Ended September 30, 2015	2014
OPERATING ACTIVITIES:		
Net loss	$ (62,678)	$ (55,789)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization, including amortization of debt issuance costs	124,551	97,624
Non-cash equity-based compensation expense	51,482	11,758
Loss on disposal or impairment of assets, net	1,712	4,566
Provision for doubtful accounts	3,046	1,347
Net commodity derivative gain	(44,534)	(38,496)
Equity in earnings of unconsolidated entities	(11,150)	(6,262)
Distributions of earnings from unconsolidated entities	11,593	5,180
Other	(8)	(837)
Changes in operating assets and liabilities, exclusive of acquisitions:		
Accounts receivable trade	311,377	(358,497)
Accounts receivable affiliates	10,853	(33,733)
Inventories	34,333	(203,965)
Prepaid expenses and other assets	(7,322)	(56,109)
Accounts payable trade	(265,322)	463,767
Accounts payable affiliates	(7,000)	8,392
Accrued expenses and other liabilities	(17,083)	25,719
Advance payments received from customers	40,245	73,700
Net cash provided by (used in) operating activities	174,095	(61,635)
INVESTING ACTIVITIES:		
Purchases of long-lived assets	(222,276)	(82,851)
Acquisitions of businesses, including acquired working capital, net of cash acquired	(150,546)	(658,764)
Cash flows from commodity derivatives	43,032	4,327
Proceeds from sales of assets	3,567	8,741
Investments in unconsolidated entities	(6,926)	(26,390)
Distributions of capital from unconsolidated entities	8,207	4,649
Loan for natural gas liquids facility	(3,913)	
Payments on loan for natural gas liquids facility	3,546	
Loan to affiliate	(15,621)	
Net cash used in investing activities	(340,930)	(750,288)
FINANCING ACTIVITIES:		
Proceeds from borrowings under revolving credit facilities	1,354,700	1,979,500
Payments on revolving credit facilities	(1,006,600)	(1,804,000)
Issuance of notes		400,000
Payments on other long-term debt	(2,344)	(4,175)
Debt issuance costs	(1,380)	(9,198)
Contributions from general partner	45	395
Contributions from noncontrolling interest owners	6,613	
Distributions to partners	(154,824)	(111,008)
Distributions to noncontrolling interest owners	(17,780)	(8,654)
Taxes paid on behalf of equity incentive plan participants	(19,083)	
Common unit repurchases	(3,650)	

Proceeds from sale of common units, net of offering costs				370,446
Other		(112)		
Net cash provided by financing activities		155,585		813,306
Net increase (decrease) in cash and cash equivalents		(11,250)		1,383
Cash and cash equivalents, beginning of period		41,303		10,440
Cash and cash equivalents, end of period	$	30,053	$	11,823

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

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

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

Three Months and Six Months Ended September 30, 2015 and 2014

Note 1 Organization and Operations

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

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

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

- Our liquids segment, which supplies natural gas liquids to retailers, wholesalers, refiners, and petrochemical plants throughout the United States and in Canada, and which provides natural gas liquids terminaling and storage services through its 19 owned terminals throughout the United States, its salt dome storage facility in Utah, and its leased storage and railcar transportation services through its fleet of leased railcars.

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

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

Note 2 Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include our accounts and those of our controlled subsidiaries. All significant intercompany transactions and account balances have been eliminated in consolidation. Investments we cannot exercise control of, but can exercise significant influence over, are accounted for using the equity method of accounting.

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. Accordingly, the unaudited condensed consolidated financial statements exclude certain information and notes required by GAAP for complete annual consolidated financial statements. However, we believe that the disclosures made are adequate to make the information presented not misleading. The unaudited condensed consolidated financial statements include all adjustments that we consider necessary for a fair presentation of our consolidated financial position and results of operations for the interim periods presented. Such adjustments consist only of normal recurring items, unless otherwise disclosed in this Quarterly Report. The unaudited condensed consolidated balance sheet at March 31, 2015 is derived from our audited consolidated financial statements for the fiscal year ended March 31, 2015 included in our Annual Report on Form 10 K (Annual Report).

We have reclassified certain prior period financial statement information to be consistent with the classification methods used in the current fiscal year. These reclassifications did not impact previously reported amounts of equity, net income, or cash flows.

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, 2016.

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements Continued

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

Three Months and Six Months Ended September 30, 2015 and 2014

Use of Estimates

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

Significant Accounting Policies

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

Fair Value Measurements

We record our commodity derivative instruments and assets and liabilities acquired in business combinations at fair value. 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. 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 data (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to a fair value measurement requires judgment, considering factors specific to the asset or liability.

Revenue Recognition

We record product sales revenues when title to the product transfers to the purchaser, which typically occurs when the purchaser receives the product. We record terminaling, transportation, storage, and service revenues when the service is performed, and we record tank and other rental revenues over the lease term. Several of our terminaling service agreements with throughput customers allow us to receive the product volume gained resulting from differences between the measurement of product volumes received and distributed at our terminaling facilities. Such differences are due to the inherent variances in measurement devices and methodology. We record revenues for the net proceeds from the sale of the product gained. Revenues for our water solutions segment are recognized when we obtain the wastewater at our treatment and disposal facilities.

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements Continued

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

Three Months and Six Months Ended September 30, 2015 and 2014

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 condensed consolidated statements of operations.

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

Revenues during the three months and six months ended September 30, 2015 include $1.5 million and $2.9 million, respectively, associated with the amortization of a liability recorded in the acquisition accounting for an acquired business related to certain out-of-market revenue contracts.

Supplemental Cash Flow Information

Supplemental cash flow information is as follows for the periods indicated:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Interest paid, exclusive of debt issuance costs and letter of credit fees	$ 26,323	$ 10,445	$ 57,495	$ 36,429
Income taxes paid	$ 533	$ 1,241	$ 4,616	$ 2,246

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

Inventories

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

Inventories consist of the following at the dates indicated:

	September 30, 2015	March 31, 2015
	(in thousands)	
Crude oil	$ 84,672	$ 145,412
Natural gas liquids		
Propane	65,124	44,535
Butane	22,715	8,668
Other	7,028	3,874
Refined products		
Gasoline	99,208	128,092
Diesel	97,016	59,097
Renewables	22,484	44,668
Other	10,127	7,416
Total	$ 408,374	$ 441,762

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements Continued

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

Three Months and Six Months Ended September 30, 2015 and 2014

Investments in Unconsolidated Entities

We own noncontrolling interests in certain entities. The largest of these investments are in Glass Mountain Pipeline, LLC (Glass Mountain), which owns a crude oil pipeline in Oklahoma, and Battleground Oil Specialty Terminal Company LLC (BOSTCO), which owns a refined products storage facility.

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

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

Entity	Segment	Ownership Interest	Date Acquired or Formed	September 30, 2015	March 31, 2015
				(in thousands)	
Glass Mountain (1)	Crude oil logistics	50.0%	December 2013	$ 183,888	$ 187,590
BOSTCO (2)	Refined products and renewables	42.5%	July 2014	238,687	238,146
Frontera (2)	Refined products and renewables	50.0%	July 2014	17,069	16,927
Water supply company	Water solutions	35.0%	June 2014	16,483	16,471
Water treatment and disposal facility	Water solutions	50.0%	August 2015	2,290	
Ethanol production facility	Refined products and renewables	19.0%	December 2013	14,231	13,539
Retail propane company	Retail propane	50.0%	April 2015	591	
Total				$ 473,239	$ 472,673

(1) When we acquired Gavilon, LLC, we recorded the investment in Glass Mountain at fair value. Our investment in Glass Mountain exceeds our proportionate share of the historical net book value of Glass Mountain s net assets by $75.7 million at September 30, 2015. This difference relates primarily to goodwill and customer relationships.

(2) When we acquired TransMontaigne Inc. (TransMontaigne), we recorded the investments in BOSTCO and Frontera Brownsville LLC (Frontera) at fair value. On a combined basis, our investments in BOSTCO and Frontera exceed our proportionate share of the historical net book value of BOSTCO s and Frontera s net

assets by $15.4 million at September 30, 2015. This difference relates primarily to goodwill.

Other Noncurrent Assets

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

	September 30, 2015	March 31, 2015
	(in thousands)	
Loan receivable (1)	$ 54,413	$ 58,050
Linefill (2)	35,060	35,060
Other	19,199	19,727
Total	$ 108,672	$ 112,837

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

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

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Accrued Expenses and Other Payables

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

	September 30, 2015	March 31, 2015
	(in thousands)	
Accrued compensation and benefits	$ 40,339	$ 52,078
Excise and other tax liabilities	39,941	43,847
Derivative liabilities	13,729	27,950
Accrued interest	22,369	23,065
Product exchange liabilities	25,441	15,480
Other	22,614	32,696
Total	$ 164,433	$ 195,116

Noncontrolling Interests

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

As part of our acquisition of TransMontaigne on July 1, 2014, we acquired a 19.7% limited partner interest in TLP. We attribute net earnings allocable to TLP s limited partners to the controlling and noncontrolling interests based on the relative ownership interests in TLP as well as including certain adjustments related to our acquisition accounting. Earnings allocable to TLP s limited partners are net of the earnings allocable to TLP s general partner interest. The earnings allocable to TLP s general partner interest include the distributions of cash attributable to the period to TLP s general partner interest and incentive distribution rights, net of adjustments for TLP s general partner s proportionate share of undistributed earnings. Undistributed earnings are allocated to TLP s limited partners and TLP s general partner interest based on their respective sharing of earnings or losses specified in TLP s partnership agreement, which is based on their ownership percentages of 98% and 2%, respectively.

Business Combination Measurement Period

We record the assets acquired and liabilities assumed in a business combination at their acquisition date fair values. Pursuant to GAAP, an entity is allowed no more than one year to obtain the information necessary to identify and measure the fair values of the assets acquired and liabilities assumed in a business combination. As described in Note 4, certain 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 July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015 11, Simplifying the Measurement of Inventory. ASU No. 2015 11 requires that inventory within the scope of the guidance be measured at the lower of cost or net realizable value. The ASU is effective for the Partnership beginning April 1, 2017, although early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our current accounting policies.

In April 2015, the FASB issued ASU No. 2015 03, Simplifying the Presentation of Debt Issuance Costs. ASU No. 2015 03 requires that debt issuance costs (excluding costs associated with revolving debt arrangements) be presented in the balance sheet as a reduction to the carrying amount of the debt. We plan to adopt this ASU effective March 31, 2016, when we will begin presenting

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debt issuance costs as a reduction to long-term debt, rather than as an intangible asset. At September 30, 2015, intangible assets on our condensed consolidated balance sheet include $16.1 million of debt issuance costs associated with our senior notes that, upon adoption of ASU No. 2015 03, would be reclassified as a reduction to long-term debt. The ASU requires retrospective application for all prior periods presented. At March 31, 2015, intangible assets on our condensed consolidated balance sheet include $17.8 million of debt issuance costs associated with our senior notes that, upon adoption of ASU No. 2015 03, will be reclassified as a reduction to long-term debt.

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

Note 3 Loss Per Common Unit

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except unit and per unit amounts)			
Net loss attributable to parent equity	$ (27,043)	$ (19,224)	$ (69,444)	$ (59,199)
Less: Net income allocated to general partner (1)	(16,166)	(11,056)	(31,525)	(20,437)
Less: Net loss allocated to subordinated unitholders (2)				4,013
Net loss allocated to common unitholders	$ (43,209)	$ (30,280)	$ (100,969)	$ (75,623)
Basic and diluted weighted average common units outstanding	105,189,463	88,331,653	104,542,427	81,267,742
Basic and diluted loss per common unit	$ (0.41)	$ (0.34)	$ (0.97)	$ (0.93)

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

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

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

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Note 4 Acquisitions

Year Ending March 31, 2016

Delaware Basin Water Solutions Facilities

On August 24, 2015, we acquired four saltwater disposal facilities and a 50% interest in an additional saltwater disposal facility in the Delaware Basin of the Permian Basin in Texas for $50.0 million of cash. We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in this business combination, and as a result, the estimates of fair value at September 30, 2015 are subject to change. We expect to complete this process before we issue our financial statements for the three months ending June 30, 2016. The following table summarizes the preliminary estimates of the fair values of the assets acquired (and useful lives) and liabilities assumed (in thousands):

Property, plant and equipment:		
Water treatment facilities and equipment (3 30 years)	$	18,650
Land		400
Goodwill		12,776
Intangible asset:		
Customer relationships (6 years)		16,000
Investments in unconsolidated entities		2,290
Accrued expenses and other payables		(116)
Fair value of net assets acquired	$	50,000

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

Water Solutions Facilities

As described below, we are party to certain development agreements that provide us a right to purchase water solutions facilities developed by the other party to the agreements. During the six months ended September 30, 2015, we purchased eight water treatment and disposal facilities under these development agreements. On a combined basis, we paid $82.6 million of cash and issued 386,383 common units, valued at $11.4 million, in exchange for these facilities.

We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in these business combinations, and as a result, the estimates of fair value at September 30, 2015 are subject to change. We expect to complete this process before we issue our financial statements for the three months ending June 30, 2016. The following table summarizes the preliminary estimates of the fair values of the assets acquired (and useful lives) and liabilities assumed (in thousands):

Property, plant and equipment:		
Water treatment facilities and equipment (3 30 years)	$	32,449
Buildings and leasehold improvements (7 30 years)		7,281
Land		1,028
Other (5 years)		30
Goodwill		55,529
Accrued expenses and other payables		(2,102)
Other noncurrent liabilities		(233)
Fair value of net assets acquired	$	93,982

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

Retail Propane Businesses

During the six months ended September 30, 2015, we acquired four retail propane businesses and paid $15.9 million of cash on a combined basis in exchange for these assets and operations. The agreements for these acquisitions contemplate post-closing payments for certain working capital items. We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in these business combinations, and as a result, the estimates of fair value at September 30, 2015 are subject to change. We expect to complete this process before we issue our financial statements for the three months ending June 30, 2016.

Year Ended March 31, 2015

As described in Note 2, pursuant to GAAP, an entity is allowed no more than one year to obtain the information necessary to identify and measure the fair values of the assets acquired and liabilities assumed in a business combination. The changes we made during the six months ended September 30, 2015 to the estimated acquisition date fair values of assets acquired and liabilities assumed in these business combinations are described below. We have not retrospectively adjusted previously issued financial statements for these changes, as we do not believe the changes are material.

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Natural Gas Liquids Storage Facility

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

	Estimated At		
	September 30, 2015	March 31, 2015 (in thousands)	Change
Accounts receivable trade	$ 42	$ 42	$
Prepaid expenses and other current assets	843	600	243
Property, plant and equipment:			
Natural gas liquids terminal and storage assets (2 30 years)	62,205	62,205	
Vehicles and railcars (3 25 years)	75	75	
Land	68	68	
Other	32	32	
Construction in progress	19,525	19,525	
Goodwill	168,310	151,853	16,457
Intangible assets:			
Customer relationships (15 years)	76,000	85,000	(9,000)
Non-compete agreements (10 years)	4,300	12,000	(7,700)
Accounts payable trade	(931)	(931)	
Accrued expenses and other payables	(6,511)	(6,511)	
Advance payments received from customers	(1,015)	(1,015)	
Other noncurrent liabilities	(6,817)	(6,817)	
Fair value of net assets acquired	$ 316,126	$ 316,126	$

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

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

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The acquisition method of accounting requires that executory contracts with unfavorable terms relative to market conditions at the acquisition date be recorded as assets or liabilities in the acquisition accounting. Since certain storage leases were at unfavorable terms relative to acquisition-date market conditions, we recorded a liability of $12.8 million related to these leases in the acquisition accounting, a portion of which we recorded to accrued expenses and other payables and a portion of which we recorded to other noncurrent liabilities. We amortized $2.9 million of this balance as an increase to revenues during the six months ended September 30, 2015. We will amortize the remainder of this liability over the terms of the leases. The following table summarizes the future amortization of this liability (in thousands):

Year Ending March 31,		
2016 (six months)	$	2,903
2017		4,905
2018		1,306
2019		88

Bakken Water Solutions Facilities

On November 21, 2014, we acquired two saltwater disposal facilities in the Bakken shale play in North Dakota for $34.6 million of cash. During the six months ended September 30, 2015, we completed the acquisition accounting for these water treatment and disposal facilities. The following table summarizes the final calculation of the fair values of the assets acquired (and useful lives) and liabilities assumed for these water treatment and disposal facilities:

		Final		**Estimated At March 31, 2015**		**Change**
				(in thousands)		
Property, plant and equipment:						
Vehicles (10 years)	$	63	$	63	$	
Water treatment facilities and equipment (3 30 years)		5,815		5,815		
Buildings and leasehold improvements (7 30 years)		130		130		
Land		100		100		
Goodwill		4,421		6,560		(2,139)
Intangible asset:						
Customer relationships (7 years)		24,300		22,000		2,300
Other noncurrent assets		75				75
Other noncurrent liabilities		(304)		(68)		(236)
Fair value of net assets acquired	$	34,600	$	34,600	$	

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

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

TransMontaigne Inc.

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

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limited partner interest in TLP, and assumed certain terminaling service agreements with TLP from an affiliate of the previous owner of TransMontaigne.

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

	Final	Estimated At March 31, 2015	Change
		(in thousands)	
Cash and cash equivalents	$ 1,469	$ 1,469	$
Accounts receivable trade	199,366	197,829	1,537
Accounts receivable affiliates	528	528	
Inventories	373,870	373,870	
Prepaid expenses and other current assets	15,110	15,001	109
Property, plant and equipment:			
Refined products terminal assets and equipment (20 years)	415,317	399,323	15,994
Vehicles	1,696	1,698	(2)
Crude oil tanks and related equipment (20 years)	1,085	1,058	27
Information technology equipment	7,253	7,253	
Buildings and leasehold improvements (20 years)	15,323	14,770	553
Land	61,329	70,529	(9,200)
Tank bottoms (indefinite life)	46,900	46,900	
Other	15,536	15,534	2
Construction in progress	4,487	4,487	
Goodwill	30,169	28,074	2,095
Intangible assets:			
Customer relationships (15 years)	66,000	76,100	(10,100)
Pipeline capacity rights (30 years)	87,618	87,618	
Investments in unconsolidated entities	240,583	240,583	
Other noncurrent assets	3,911	3,911	
Accounts payable trade	(113,103)	(113,066)	(37)
Accounts payable affiliates	(69)	(69)	
Accrued expenses and other payables	(79,405)	(78,427)	(978)
Advance payments received from customers	(1,919)	(1,919)	
Long-term debt	(234,000)	(234,000)	
Other noncurrent liabilities	(33,227)	(33,227)	
Noncontrolling interests	(545,120)	(545,120)	
Fair value of net assets acquired	$ 580,707	$ 580,707	$

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

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

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The intangible asset for pipeline capacity rights relates to capacity allocations on a third-party refined products pipeline. Demand for use of this pipeline exceeds the pipeline s capacity, and the limited capacity is allocated based on a shipper s historical shipment volumes.

The fair value of the noncontrolling interests was calculated by multiplying the closing price of TLP s common units on the acquisition date by the number of TLP common units held by parties other than us, adjusted for a lack-of-control discount.

Water Solutions Facilities

As described above, we are party to certain development agreements that provide us a right to purchase water solutions facilities developed by the other party to the agreements. During the year ended March 31, 2015, we purchased 16 water treatment and disposal facilities under these development agreements. We also purchased a 75% interest in one additional water treatment and disposal facility in July 2014 from a different seller. On a combined basis, we paid $190.0 million of cash and issued 1,322,032 common units, valued at $37.8 million, in exchange for these 17 facilities.

During the six months ended September 30, 2015, we completed the acquisition accounting for 12 of these water treatment and disposal facilities. The following table summarizes the final calculation of the fair values of the assets acquired (and useful lives) and liabilities assumed for these water treatment and disposal facilities:

	Final	Estimated At March 31, 2015	Change
		(in thousands)	
Accounts receivable trade	$ 939	$ 939	$
Inventories	253	253	
Prepaid expenses and other current assets	62	62	
Property, plant and equipment:			
Water treatment facilities and equipment (3 30 years)	60,784	60,784	
Buildings and leasehold improvements (7 30 years)	5,701	5,701	
Land	2,122	2,122	
Other (5 years)	101	101	
Goodwill	93,358	93,358	
Intangible asset:			
Customer relationships (4 years)	10,000	10,000	

Other noncurrent assets		50		50	
Accounts payable trade		(58)		(58)	
Accrued expenses and other payables		(1,092)		(1,092)	
Other noncurrent liabilities		(420)		(420)	
Noncontrolling interest		(5,775)		(5,775)	
Fair value of net assets acquired	$	166,025	$	166,025	$

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We are in the process of identifying and determining the fair values of the assets acquired and liabilities assumed for the other five water treatment and disposal facilities, and as a result, the estimates of fair value at September 30, 2015 are subject to change. We expect to complete this process before we issue our financial statements for the three months ending December 31, 2015. The following table summarizes the preliminary estimates of the fair values of the assets acquired (and useful lives) and liabilities assumed:

	Estimated At		
	September 30, 2015	March 31, 2015 (in thousands)	Change
Property, plant and equipment:			
Water treatment facilities and equipment (3 30 years)	$ 19,198	$ 18,922	$ 276
Buildings and leasehold improvements (7 30 years)	4,989	4,549	440
Land	1,005	987	18
Other (5 years)	31	28	3
Goodwill	38,675	39,412	(737)
Accrued expenses and other payables	(2,000)	(2,000)	
Other noncurrent liabilities	(162)	(162)	
Fair value of net assets acquired	$ 61,736	61,736	$

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

Retail Propane Businesses

During the year ended March 31, 2015, we acquired eight retail propane businesses. On a combined basis, we paid $39.1 million of cash and issued 132,100 common units, valued at $3.7 million, in exchange for these assets and operations.

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During the six months ended September 30, 2015, we completed the acquisition accounting for all of these business combinations. The following table summarizes the final calculation of the fair values of the assets acquired (and useful lives) and liabilities assumed for these acquisitions:

	Final	Estimated At March 31, 2015 (in thousands)	Change
Accounts receivable trade	$ 2,237	$ 2,237	$
Inventories	771	771	
Prepaid expenses and other current assets	110	110	
Property, plant and equipment:			
Retail propane equipment (15 20 years)	13,177	13,177	
Vehicles and railcars (5 7 years)	2,332	2,332	
Buildings and leasehold improvements (30 years)	534	784	(250)
Land	505	655	(150)
Other (5 7 years)	118	116	2
Goodwill	8,097	8,097	
Intangible assets:			
Customer relationships (10 15 years)	17,563	17,563	
Non-compete agreements (5 7 years)	500	500	
Trade names (3 12 years)	950	950	
Accounts payable trade	(1,523)	(1,921)	398
Advance payments received from customers	(1,750)	(1,750)	
Current maturities of long-term debt	(78)	(78)	
Long-term debt, net of current maturities	(760)	(760)	
Fair value of net assets acquired	$ 42,783	$ 42,783	$

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

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Note 5 Property, Plant and Equipment

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

Description	Estimated Useful Lives	September 30, 2015	March 31, 2015
		(in thousands)	
Natural gas liquids terminal and storage assets	2 30 years	$ 134,335	$ 132,851
Refined products terminal assets and equipment	20 years	439,154	403,609
Retail propane equipment	2 30 years	191,493	181,140
Vehicles and railcars	3 25 years	185,216	180,679
Water treatment facilities and equipment	3 30 years	405,382	317,317
Crude oil tanks and related equipment	2 40 years	113,524	109,909
Barges and towboats	5 40 years	78,718	59,848
Information technology equipment	3 7 years	39,558	34,915
Buildings and leasehold improvements	3 40 years	118,338	98,989
Land		101,245	107,098
Tank bottoms		64,741	62,656
Other	3 30 years	35,818	34,415
Construction in progress		207,922	96,922
		2,115,444	1,820,348
Accumulated depreciation		(270,332)	(202,959)
Net property, plant and equipment		$ 1,845,112	$ 1,617,389

The following table summarizes depreciation expense for the periods indicated:

Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014
(in thousands)			
$ 34,469	$ 28,387	$ 70,264	$ 46,870

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. The following table summarizes the tank bottoms included in the table above at the dates indicated:

	September 30, 2015		March 31, 2015	
Product	Volume (in barrels) (in thousands)	Value (in thousands)	Volume (in barrels) (in thousands)	Value (in thousands)
Gasoline	219	$ 25,710	219	$ 25,710
Crude oil	231	19,320	184	16,835
Diesel	121	14,753	124	15,153
Renewables	41	4,220	41	4,220
Other	12	738	12	738
Total		$ 64,741		$ 62,656

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Note 6 Goodwill

The following table summarizes changes in goodwill by segment for the six months ended September 30, 2015:

	Crude Oil Logistics	Water Solutions	Liquids	Retail Propane	Refined Products and Renewables	Total
			(in thousands)			
Balances at March 31, 2015	$ 579,846	$ 401,656	$ 234,803	$ 122,382	$ 64,074	$ 1,402,761
Revisions to acquisition accounting (Note 4)		(2,876)	16,457		2,095	15,676
Acquisitions (Note 4)		68,305		4,186		72,491
Balances at September 30, 2015	$ 579,846	$ 467,085	$ 251,260	$ 126,568	$ 66,169	$ 1,490,928

Note 7 Intangible Assets

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

		September 30, 2015		March 31, 2015	
Description	Estimated Useful Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
			(in thousands)		
Amortizable					
Customer relationships	3 20 years	$ 924,467	$ 199,578	$ 921,418	$ 159,215
Pipeline capacity rights	30 years	119,636	4,565	119,636	2,571
Water facility development agreement	5 years	14,000	6,300	14,000	4,900
Executory contracts and other agreements	2 10 years	23,920	19,768	23,920	18,387
Non-compete agreements	2 10 years	19,388	12,169	26,662	10,408
Trade names	2 12 years	15,439	10,399	15,439	7,569
Debt issuance costs	3 10 years	56,545	22,044	55,165	17,467
Total amortizable		1,173,395	274,823	1,176,240	220,517
Non-amortizable					

Customer commitments		310,000				310,000		
Trade names		22,620				22,620		
Total non-amortizable		332,620				332,620		
Total	$	1,506,015	$	274,823	$	1,508,860	$	220,517

The weighted-average remaining amortization period for intangible assets is approximately 11 years.

Amortization expense is as follows for the periods indicated:

Recorded In	Three Months Ended September 30, 2015		2014		Six Months Ended September 30, 2015		2014	
	(in thousands)							
Depreciation and amortization	$	22,291	$	21,711	$	46,328	$	42,604
Cost of sales		1,700		1,984		3,401		4,121
Interest expense		2,276		2,117		4,558		4,029
Total	$	26,267	$	25,812	$	54,287	$	50,754

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Expected amortization of our intangible assets, exclusive of assets that are not yet amortizable, is as follows (in thousands):

Year Ending March 31,		
2016 (six months)	$	54,702
2017		104,446
2018		100,474
2019		90,926
2020		84,159
Thereafter		463,865
Total	$	898,572

Note 8 Long-Term Debt

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

		September 30, 2015		**March 31, 2015**
		(in thousands)		
Revolving credit facility				
Expansion capital borrowings	$	1,083,000	$	702,500
Working capital borrowings		656,000		688,000
5.125% Notes due 2019		400,000		400,000
6.875% Notes due 2021		450,000		450,000
6.650% Notes due 2022		250,000		250,000
TLP credit facility		249,600		250,000
Other long-term debt		9,134		9,271
		3,097,734		2,749,771
Less: Current maturities		4,040		4,472
Long-term debt	$	3,093,694	$	2,745,299

Credit Agreement

We have entered into a credit agreement (as amended, the Credit Agreement) with a syndicate of banks. The Credit Agreement includes a revolving credit facility to fund working capital needs (the Working Capital Facility) and a revolving credit facility to fund acquisitions and expansion projects (the Expansion Capital Facility, and together with the Working Capital Facility, the Revolving Credit Facility). At September 30, 2015, our Revolving Credit Facility had a total capacity of $2.296 billion.

The Expansion Capital Facility had a total capacity of $1.258 billion for cash borrowings at September 30, 2015. At that date, we had outstanding borrowings of $1.083 billion on the Expansion Capital Facility. The Working Capital Facility had a total capacity of $1.038 billion for cash borrowings and letters of credit at September 30, 2015. At that date, we had outstanding borrowings of $656.0 million and outstanding letters of credit of $89.6 million on the Working Capital Facility. Amounts outstanding for letters of credit are not recorded as long-term debt on our condensed consolidated balance sheets, although they decrease our borrowing capacity under the Working Capital Facility. The capacity available under the Working Capital Facility may be limited by a borrowing base, as defined in the Credit Agreement, which is calculated based on the value of certain working capital items at any point in time. During October 2015, we entered into an agreement with the lenders to increase the total capacity on the Expansion Capital Facility by $150 million.

The commitments under the Credit Agreement mature on November 5, 2018. We have the right to prepay outstanding borrowings under the Credit Agreement without incurring any penalties, and prepayments of principal may be required if we enter into certain transactions to sell assets or obtain new borrowings.

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All borrowings under the Credit Agreement bear interest, at our option, at either (i) an alternate base rate plus a margin of 0.50% to 1.50% per year or (ii) an adjusted LIBOR rate plus a margin of 1.50% to 2.50% per year. The applicable margin is determined based on our consolidated leverage ratio, as defined in the Credit Agreement. At September 30, 2015, the borrowings under the Credit Agreement were LIBOR borrowings with an interest rate at September 30, 2015 of 2.21%, calculated as the LIBOR rate of 0.21% plus a margin of 2.0%. At September 30, 2015, the interest rate in effect on letters of credit was 2.25%. Commitment fees are charged at a rate ranging from 0.38% to 0.50% on any unused capacity.

The Credit Agreement is secured by substantially all of our assets. The Credit Agreement specifies that our leverage ratio, as defined in the Credit Agreement, cannot exceed 4.25 to 1 at any quarter end. The leverage coverage ratio in our Credit Agreement excludes TLP s debt. At September 30, 2015, our leverage ratio was approximately 3.5 to 1. The Credit Agreement also specifies that our interest coverage ratio, as defined in the Credit Agreement, cannot be less than 2.75 to 1 at any quarter end. At September 30, 2015, our interest coverage ratio was approximately 5.9 to 1.

The Credit Agreement contains various customary representations, warranties, and additional covenants, including, without limitation, limitations on fundamental changes and limitations on indebtedness and liens. Our obligations under the Credit Agreement may be accelerated following certain events of default (subject to applicable cure periods), including, without limitation, (i) the failure to pay principal or interest when due, (ii) a breach by the Partnership or its subsidiaries of any material representation or warranty or any covenant made in the Credit Agreement, or (iii) certain events of bankruptcy or insolvency.

At September 30, 2015, we were in compliance with the covenants under the Credit Agreement.

2019 Notes

On July 9, 2014, we issued $400.0 million of 5.125% Senior Notes Due 2019 (the 2019 Notes). The 2019 Notes mature on July 15, 2019. Interest is payable on January 15 and July 15 of each year. We have the right to redeem the 2019 Notes before the maturity date, although we would be required to pay a premium for early redemption.

The Partnership and NGL Energy Finance Corp. are co-issuers of the 2019 Notes, and the obligations under the 2019 Notes are guaranteed by certain of our existing and future restricted subsidiaries that incur or guarantee indebtedness under certain of our other indebtedness, including the Revolving Credit Facility. The indenture governing the 2019 Notes contains various customary covenants, including, without limitation, limitations on fundamental changes and limitations on indebtedness and liens. Our obligations under the indenture may be accelerated following

certain events of default (subject to applicable cure periods), including, without limitation, (i) the failure to pay principal or interest when due, (ii) experiencing an event of default on certain other debt agreements, or (iii) certain events of bankruptcy or insolvency.

At September 30, 2015, we were in compliance with the covenants under the indenture governing the 2019 Notes.

2021 Notes

On October 16, 2013, we issued $450.0 million of 6.875% Senior Notes Due 2021 (the 2021 Notes). The 2021 Notes mature on October 15, 2021. Interest is payable on April 15 and October 15 of each year. We have the right to redeem the 2021 Notes before the maturity date, although we would be required to pay a premium for early redemption.

The Partnership and NGL Energy Finance Corp. are co-issuers of the 2021 Notes, and the obligations under the 2021 Notes are guaranteed by certain of our existing and future restricted subsidiaries that incur or guarantee indebtedness under certain of our other indebtedness, including the Revolving Credit Facility. The indenture governing the 2021 Notes contains various customary covenants, including, without limitation, limitations on fundamental changes and limitations on indebtedness and liens. Our obligations under the indenture may be accelerated following certain events of default (subject to applicable cure periods), including, without limitation, (i) the failure to pay principal or interest when due, (ii) experiencing an event of default on certain other debt agreements, or (iii) certain events of bankruptcy or insolvency.

At September 30, 2015, we were in compliance with the covenants under the indenture governing the 2021 Notes.

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2022 Notes

On June 19, 2012, we entered into a Note Purchase Agreement (as amended, the Note Purchase Agreement) whereby we issued $250.0 million of Senior Notes in a private placement (the 2022 Notes). The 2022 Notes bear interest at a fixed rate of 6.65%, which is payable quarterly. The 2022 Notes are required to be repaid in semi-annual installments of $25.0 million beginning on December 19, 2017 and ending on the maturity date of June 19, 2022. We have the option to prepay outstanding principal, although we would incur a prepayment penalty. The 2022 Notes are secured by substantially all of our assets and rank equal in priority with borrowings under the Credit Agreement.

The Note Purchase Agreement contains various customary representations, warranties, and additional covenants that, among other things, limit our ability to (subject to certain exceptions): (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) create or permit restrictions on the ability of certain of our subsidiaries to pay dividends or make other distributions to us, (v) enter into transactions with affiliates, (vi) enter into sale and leaseback transactions and (vii) consolidate, merge, or sell all or substantially all or any portion of our assets. In addition, the Note Purchase Agreement contains similar leverage ratio and interest coverage ratio requirements to those of our Credit Agreement described above.

The Note Purchase Agreement provides for customary events of default that include, among other things (subject in certain cases to customary grace and cure periods): (i) failure to pay principal or interest when due, (ii) breach of certain covenants contained in the Note Purchase Agreement or the 2022 Notes, (iii) failure to pay certain other indebtedness or the acceleration of certain other indebtedness before maturity if the total amount of such indebtedness unpaid or accelerated exceeds $10.0 million, (iv) the rendering of a judgment for the payment of money in excess of $10.0 million, (v) the failure of the Note Purchase Agreement, the 2022 Notes, or the guarantees by the subsidiary guarantors to be in full force and effect in all material respects and (vi) certain events of bankruptcy or insolvency. Generally, if an event of default occurs (subject to certain exceptions), the trustee or the holders of at least 51% in aggregate principal amount of the then outstanding 2022 Notes may declare all of the 2022 Notes to be due and payable immediately.

At September 30, 2015, we were in compliance with the covenants under the Note Purchase Agreement.

TLP Credit Facility

TLP is party to a credit agreement with a syndicate of banks that provides for a revolving credit facility (the TLP Credit Facility). The TLP Credit Facility provides for a maximum borrowing line of credit equal to the lesser of (i) $400 million or (ii) 4.75 times Consolidated EBITDA (as defined in the TLP Credit Facility). The terms of the TLP Credit Facility include covenants that restrict TLP s ability to make cash

distributions, acquisitions and investments, including investments in joint ventures. TLP may make distributions of cash to the extent of TLP s available cash as defined in TLP s partnership agreement. TLP may make acquisitions and investments that meet the definition of permitted acquisitions, other investments which may not exceed 5% of consolidated net tangible assets, and additional future permitted JV investments up to $125 million, which may include additional investments in BOSTCO. The commitments under the TLP Credit Facility mature on July 31, 2018.

TLP may elect to have loans under the TLP Credit Facility bear interest at either (i) a rate of LIBOR plus a margin ranging from 2% to 3% depending on the total leverage ratio then in effect, or (ii) the base rate plus a margin ranging from 1% to 2% depending on the total leverage ratio then in effect. TLP also pays commitment fees on any unused capacity, ranging from 0.375% to 0.5% per year, depending on the total leverage ratio then in effect. For the three months ended September 30, 2015, the weighted-average interest rate on borrowings under the TLP Credit Facility was approximately 2.6%. TLP s obligations under the TLP Credit Facility are secured by a first priority security interest in favor of the lenders in the majority of TLP s assets, including TLP s investments in unconsolidated entities. At September 30, 2015, TLP had outstanding borrowings under the TLP Credit Facility of $249.6 million and no outstanding letters of credit.

The TLP Credit Facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). The primary financial covenants contained in the TLP Credit Facility are (i) a total leverage ratio test (not to exceed 4.75 times), (ii) a senior secured leverage ratio test (not to exceed 3.75 times) if TLP issues senior unsecured notes, and (iii) a minimum interest coverage ratio test (not less than 3.0 times). These financial covenants are based on Consolidated EBITDA as defined in the TLP Credit Facility. The TLP Credit Facility is non-recourse to the Partnership. At September 30, 2015, TLP was in compliance with the covenants under the TLP Credit Facility.

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The following table summarizes our basis in the assets and liabilities of TLP at September 30, 2015, inclusive of the impact of our acquisition accounting for the business combination with TransMontaigne (in thousands):

Cash and cash equivalents	$	791
Accounts receivable trade		3,074
Accounts receivable affiliates		679
Inventories		1,250
Prepaid expenses and other current assets		858
Property, plant and equipment, net		477,357
Goodwill		30,169
Intangible assets, net		61,696
Investments in unconsolidated entities		255,757
Other noncurrent assets		968
Accounts payable trade		(6,760)
Accounts payable affiliates		(121)
Net intercompany payable		(1,911)
Accrued expenses and other payables		(7,054)
Advanced payments received from customers		(151)
Long-term debt		(249,600)
Other noncurrent liabilities		(3,441)
Net assets	$	563,561

Other Long-Term Debt

We have executed various noninterest bearing notes payable, primarily related to non-compete agreements entered into in connection with acquisitions of businesses. We also have certain notes payable related to equipment financing.

Debt Maturity Schedule

The scheduled maturities of our long-term debt are as follows at September 30, 2015:

Revolving	TLP	Other

Year Ending March 31,	Credit Facility	2019 Notes	2021 Notes	2022 Notes (in thousands)	Credit Facility	Long-Term Debt	Total
2016 (six months)	$	$	$	$	$	$ 1,891	$ 1,891
2017						2,879	2,879
2018				25,000		2,129	27,129
2019	1,739,000			50,000	249,600	1,413	2,040,013
2020		400,000		50,000		344	450,344
Thereafter			450,000	125,000		478	575,478
Total	$ 1,739,000	$ 400,000	$ 450,000	$ 250,000	$ 249,600	$ 9,134	$ 3,097,734

Note 9 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 proportionate 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.

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We have certain taxable corporate subsidiaries in the United States and in Canada, and our operations in Texas are subject to a state franchise tax that is calculated based on revenues net of cost of sales. Our fiscal years 2012 to 2015 generally remain subject to examination by federal, state, and Canadian tax authorities.

A publicly traded partnership is required to generate at least 90% of its gross income (as defined for federal income tax purposes) from certain qualifying sources. Income generated by our taxable corporate subsidiaries is excluded from this qualifying income calculation. Although we routinely generate income outside of our corporate subsidiaries that is non-qualifying, we believe that at least 90% of our gross income has been qualifying income for each of the calendar years since our initial public offering.

We evaluate uncertain tax positions for recognition and measurement in the 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 consolidated financial statements. We had no material uncertain tax positions that required recognition in our condensed consolidated financial statements at September 30, 2015 or March 31, 2015.

Note 10 Commitments and Contingencies

Legal Contingencies

We are party to various claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of our management, the ultimate resolution of these 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

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.

Asset Retirement Obligations

Our condensed consolidated balance sheet at September 30, 2015 includes a liability of $4.8 million related to asset retirement obligations, which is reported within other noncurrent liabilities. This liability is related to contractual and regulatory obligations at certain facilities for which we have to perform remediation, dismantlement, or removal activities when the assets are retired.

In addition to the obligations described above, we may be required to remove facilities or perform other remediation upon retirement of certain other assets. We believe the present value of these asset retirement obligations, under current laws and regulations, after considering the estimated lives of our facilities, is not material to our consolidated financial position or results of operations.

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.

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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 September 30, 2015 (in thousands):

Year Ending March 31,		
2016 (six months)	$	60,441
2017		106,125
2018		90,783
2019		66,385
2020		56,509
Thereafter		123,193
Total	$	503,436

The following table summarizes rental expense for operating leases for the periods indicated:

Three Months Ended September 30,				**Six Months Ended September 30,**			
2015		**2014**		**2015**		**2014**	
(in thousands)							
$	33,354	$	29,333	$	67,075	$	54,633

Pipeline Capacity Agreements

We have executed noncancelable agreements with crude oil and refined products 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. The following table summarizes future minimum throughput payments under these agreements at September 30, 2015 (in thousands):

Year Ending March 31,		
2016 (six months)	$	56,753
2017		85,349
2018		85,435

2019		84,643
2020		74,811
Thereafter		90,972
Total	$	477,963

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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. The following table summarizes such commitments at September 30, 2015:

	Volume		Value
	(in thousands)		
Purchase commitments:			
Natural gas liquids fixed-price (gallons)	61,618	$	38,073
Natural gas liquids index-price (gallons)	526,956		264,790
Crude oil fixed-price (barrels)	13		578
Crude oil index-price (barrels)	7,982		336,151
Sale commitments:			
Natural gas liquids fixed-price (gallons)	179,849		127,038
Natural gas liquids index-price (gallons)	253,827		194,588
Crude oil fixed-price (barrels)	1,018		46,279
Crude oil index-price (barrels)	7,842		391,920

We account for the contracts shown in the table above as normal purchases and normal sales. 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 table above may have offsetting derivative contracts (see Note 12) or inventory positions (see 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 condensed consolidated balance sheet and are not included in the table above. These contracts are included in the derivative disclosures in Note 12, and represent $21.6 million of our prepaid expenses and other current assets and $13.5 million of our accrued expenses and other payables at September 30, 2015.

Note 11 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 is not required to make any additional capital contributions or to guarantee or pay any of our debts and obligations.

Common Units Issued in Business Combinations

During the six months ended September 30, 2015, we issued 386,383 common units as consideration for a water solutions facility acquisition. In October 2015, we issued 52,199 common units as partial consideration of the acquisition of a retail propane business.

Unit Repurchase Program

On September 10, 2015, the Board of Directors of our general partner authorized a unit repurchase program, under which we may repurchase up to $45 million of our outstanding common units through March 31, 2016. We may repurchase units from time to time in the open market or in other privately negotiated transactions. The unit repurchase program authorization does not obligate us to repurchase any dollar amount or number of our units. During September 2015, we repurchased 157,626 common units for an aggregate price of $3.7 million.

Our Distribution Policy

Our general partner has adopted a cash distribution policy that requires us to pay a quarterly distribution to unitholders as of the record date to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and

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expenses, including payments to the general partner and its affiliates, referred to as available cash. The general partner will also receive, in addition to distributions on its 0.1% general partner interest, additional distributions based on the level of distributions to the limited partners. These distributions are referred to as incentive distributions or IDRs. Our general partner currently holds the IDRs, but may transfer these rights separately from its general partner interest, subject to restrictions in our partnership agreement.

The following table illustrates the percentage allocations of available cash from operating surplus between our limited partners and our general partner based on the specified target distribution levels. The amounts set forth under Marginal Percentage Interest In Distributions are the percentage interests of our general partner and our limited partners in any available cash from operating surplus we distribute up to and including the corresponding amount in the column Total Quarterly Distribution Per Unit, until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for our limited partners and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 0.1% general partner interest, and assume that our general partner has contributed any additional capital necessary to maintain its 0.1% general partner interest and has not transferred its IDRs.

							Marginal Percentage Interest In Distributions	
	Total Quarterly Distribution Per Unit						**Limited Partners**	**General Partner**
Minimum quarterly distribution					$	0.337500	99.9%	0.1%
First target distribution	above	$	0.337500	up to	$	0.388125	99.9%	0.1%
Second target distribution	above	$	0.388125	up to	$	0.421875	86.9%	13.1%
Third target distribution	above	$	0.421875	up to	$	0.506250	76.9%	23.1%
Thereafter	above	$	0.506250				51.9%	48.1%

In October 2015, we declared a distribution of $0.64 per common unit, to be paid on November 13, 2015 to unitholders of record on November 3, 2015. This distribution is expected to be $83.6 million, including amounts to be paid on common and general partner notional units as well as an incentive distribution.

TLP s Distribution Policy

TLP s partnership agreement requires it to pay a quarterly distribution to unitholders as of the record date to the extent TLP has sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to TLP s general partner and its affiliates, referred to as available cash. TLP s general partner will also receive, in addition to distributions on its 2.0% general partner interest,

additional distributions based on the level of distributions to the limited partners. These distributions are referred to as incentive distributions or IDRs. TLP s general partner currently holds the IDRs, but may transfer these rights separately from its general partner interest, subject to restrictions in TLP s partnership agreement.

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The following table illustrates the percentage allocations of available cash from operating surplus between TLP s limited partners and TLP s general partner based on the specified target distribution levels. The amounts set forth under Marginal Percentage Interest In Distributions are the percentage interests of TLP s general partner and TLP s limited partners in any available cash from operating surplus TLP distributes up to and including the corresponding amount in the column Total Quarterly Distribution Per Unit, until available cash from operating surplus TLP distributes reaches the next target distribution level, if any. The percentage interests shown for TLP s limited partners and TLP s general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for TLP s general partner include its 2.0% general partner interest, and assume that TLP s general partner has contributed any additional capital necessary to maintain its 2.0% general partner interest and has not transferred its IDRs.

							Marginal Percentage Interest In Distributions	
	Total Quarterly Distribution Per Unit						Limited Partners	General Partner
Minimum quarterly distribution					$	0.40	98%	2%
First target distribution	above	$	0.40	up to	$	0.44	98%	2%
Second target distribution	above	$	0.44	up to	$	0.50	85%	15%
Third target distribution	above	$	0.50	up to	$	0.60	75%	25%
Thereafter	above	$	0.60				50%	50%

In October 2015, TLP declared a distribution of $0.6650 per unit, which was paid on November 6, 2015. We received a total of $4.0 million from this distribution on our general partner interest, IDRs, and limited partner interest. The noncontrolling interest owners received a total of $8.6 million from this distribution.

Equity-Based Incentive Compensation

Our general partner has adopted a long-term incentive plan (LTIP), which allows for the issuance of equity-based incentive 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 in the event of a change in control, at the discretion of the board of directors. No distributions accrue to or are paid on the restricted units during the vesting period. The restricted units include awards that vest contingent on the continued service of the recipients through the vesting date (the Service Awards). The restricted units also include awards that are 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 six months ended September 30, 2015:

Unvested Service Award units at March 31, 2015	2,260,400
Units granted	787,562
Units vested and issued	(820,017)
Units withheld for employee taxes	(443,663)
Units forfeited	(64,000)
Unvested Service Award units at September 30, 2015	1,720,282

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The following table summarizes the scheduled vesting of our unvested Service Award units:

Year Ending March 31,	**Number of Units**
2016 (six months)	45,000
2017	820,641
2018	747,641
Thereafter	107,000
Unvested Service Award units at September 30, 2015	1,720,282

We record the expense for the first tranche of each Service Award on a straight-line basis over the period beginning with the grant date of the awards and ending with the vesting date of the tranche. We record the expense for succeeding tranches over the period beginning with the vesting date of the previous tranche and ending with the vesting date of the tranche. At each balance sheet date, we adjust the cumulative expense recorded using the estimated fair value of the awards at the balance sheet date. We calculate the fair value of the awards using the closing price of our common units on the New York Stock Exchange on the balance sheet date, adjusted to reflect the fact that the holders of the unvested units are not entitled to distributions during the vesting period. We estimate the impact of the lack of distribution rights during the vesting period using the value of the most recent distribution and assumptions that a market participant might make about future distribution growth. The following table summarizes expense related to Service Award units for the periods indicated:

Three Months Ended September 30,		**Six Months Ended September 30,**	
2015	**2014**	**2015**	**2014**
(in thousands)			
$ 14,859	$ 13,745	$ 33,362	$ 21,659

Of the restricted units granted and vested during the six months ended September 30, 2015, 465,239 units were granted as a bonus for performance during the fiscal year ended March 31, 2015. We accrued expense of $10.0 million during the fiscal year ended March 31, 2015 and $3.8 million during the three months ended June 30, 2015 for estimates of the value of such bonus units that would be granted. During the three months ended September 30, 2015, we reversed $2.0 million of this expense to true-up the estimate to the $11.8 million of actual expense associated with these bonuses. Since the units were not formally granted until July 2015, the full $11.8 million value is reflected in the expense during the three months ended September 30, 2015 in the table above.

The following table summarizes the estimated future expense we expect to record on the unvested Service Award units at September 30, 2015 (in thousands), after taking into consideration estimated forfeitures of approximately 167,000 units. For purposes of this calculation, we used the closing price of our common units on September 30, 2015, which was $19.97.

Year Ending March 31,		
2016 (six months)	$	8,364
2017		13,533
2018		4,461
Thereafter		1,063
Total	$	27,421

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The following table is a rollforward of the liability related to the Service Award units, which is reported within accrued expenses and other payables in our condensed consolidated balance sheets (in thousands):

Balance at March 31, 2015	$	6,154
Expense recorded		33,362
Value of units vested and issued		(23,261)
Taxes paid on behalf of participants		(12,663)
Balance at September 30, 2015	$	3,592

The weighted-average fair value of the Service Award units at September 30, 2015 was $16.35 per common unit, which was calculated as the closing price of our common units on September 30, 2015, adjusted to reflect the fact that the restricted units are not entitled to distributions during the vesting period. The impact of the lack of distribution rights during the vesting period was estimated using the value of the most recent distribution and assumptions that a market participant might make about future distribution growth.

During April 2015, our general partner granted Performance Award units to certain employees. The following table summarizes the maximum number of units that could vest on these Performance Awards for each vesting tranche, taking into consideration any Performance Awards that have been forfeited since the grant date:

Vesting Date of Tranche	Maximum Performance Award Units
July 1, 2016	685,382
July 1, 2017	677,382
Total	1,362,764

The number of Performance Award units that will vest is contingent on the performance of our common units relative to the performance of the other entities in the Index. Performance will 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. Performance will be measured over the following periods:

Vesting Date of Tranche	Performance Period for Tranche
July 1, 2016	July 1, 2013 through June 30, 2016
July 1, 2017	July 1, 2014 through June 30, 2017

The following table summarizes the percentage of the maximum Performance Award units that will vest depending on the percentage of entities in the Index that NGL outperforms:

Percentage of Entities in the Index that NGL Outperforms	**Percentage of Maximum Performance Award Units to Vest**
Less than 50%	0%
50% 75%	25% 50%
75% 90%	50% 100%
Greater than 90%	100%

The April 2015 Performance Award grants included a tranche that vested on July 1, 2015. During the July 1, 2012 through June 30, 2015 performance period, the return on our common units exceeded the return on 83% of our peer companies in the Index. As a result, the July 1, 2015 tranche of the Performance Awards vested at 76% of the maximum number of awards, and 530,564 common units vested on July 1, 2015. Of these units, recipients elected for us to withhold 210,137 common units for employee taxes, valued at $6.4 million. We issued the remaining 320,427 common units, valued at $9.7 million, on July 1, 2015.

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The following table summarizes the estimated fair value for each unvested tranche at September 30, 2015 (without consideration of estimated forfeitures):

Vesting Date of Tranche	Fair Value of Unvested Awards (in thousands)
July 1, 2016	$ 4,276
July 1, 2017	2,906
Total	$ 7,182

We record the expense for each of the tranches of the Performance Awards on a straight-line basis over the period beginning with the grant date and ending with the vesting date of the tranche. At each balance sheet date, we adjust the cumulative expense recorded using the estimated fair value of the awards at the balance sheet date. We calculate the fair value of the awards using a Monte Carlo simulation. The following table summarizes the expense recorded for each vesting tranche during the periods indicated:

	Three Months Ended		
Vesting Date of Tranche	June 30, 2015	September 30, 2015	Total
		(in thousands)	
July 1, 2015	$ 15,469	$ 609	$ 16,078
July 1, 2016	1,720	(220)	1,500
July 1, 2017	602	(60)	542
Total	$ 17,791	$ 329	$ 18,120

The following table summarizes the estimated future expense we expect to record on the unvested Performance Award units at September 30, 2015 (in thousands), after taking into consideration estimated forfeitures. For purposes of this calculation, we used the September 30, 2015 fair value of the Performance Awards.

Year Ending March 31,	
2016 (six months)	$ 2,321
2017	2,080
2018	307
Total	$ 4,708

The following table is a rollforward of the liability related to the Performance Award units, which is reported within accrued expenses and other payables in our condensed consolidated balance sheets (in thousands):

Balance at March 31, 2015	$	
Expense recorded		18,120
Value of units vested and issued		(9,658)
Taxes paid on behalf of participants		(6,420)
Balance at September 30, 2015	$	2,042

The number of common units that may be delivered pursuant to awards under the LTIP is limited to 10% of the issued and outstanding common units. The maximum number of units deliverable under the LTIP plan automatically increases to 10% of the issued and outstanding common units immediately after each issuance of common units, unless the plan administrator determines to increase the maximum number of units deliverable by a lesser amount. Units withheld to satisfy tax withholding obligations are not considered to be delivered under the LTIP. In addition, when an award is forfeited, canceled, exercised, paid or otherwise terminates or expires without the delivery of units, the units subject to such award are again available for new awards under the LTIP. At September 30, 2015, approximately 5.3 million common units remain available for issuance under the LTIP.

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Note 12 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 condensed consolidated balance sheet at the dates indicated:

	September 30, 2015		March 31, 2015	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
		(in thousands)		
Level 1 measurements	$ 41,612	$ (5,314)	$ 83,779	$ (3,969)
Level 2 measurements	27,464	(15,070)	34,963	(28,764)
	69,076	(20,384)	118,742	(32,733)
Netting of counterparty contracts (1)	(3,537)	3,537	(1,804)	1,804
Net cash collateral provided (held)	(17,980)	3,118	(56,660)	2,979
Commodity derivatives in condensed consolidated balance sheet	$ 47,559	$ (13,729)	$ 60,278	$ (27,950)

(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 condensed consolidated balance sheets:

	September 30, 2015	March 31, 2015
	(in thousands)	
Prepaid expenses and other current assets	$ 47,559	$ 60,278
Accrued expenses and other payables	(13,729)	(27,950)
Net commodity derivative asset	$ 33,830	$ 32,328

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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 (Barrels)		Fair Value of Net Assets (Liabilities)
			(in thousands)		
At September 30, 2015					
Cross-commodity (1)	October 2015	March 2017	86	$	886
Crude oil fixed-price (2)	October 2015	December 2016	(1,540)		3,407
Propane fixed-price (2)	October 2015	December 2017	1,005		(3,925)
Refined products fixed-price (2)	October 2015	January 2017	(3,580)		43,331
Other	October 2015	June 2016			4,993
					48,692
Net cash collateral held					(14,862)
Net commodity derivatives in condensed consolidated balance sheet				$	33,830
At March 31, 2015					
Cross-commodity (1)	April 2015	March 2016	98	$	(105)
Crude oil fixed-price (2)	April 2015	June 2015	(1,113)		(171)
Crude oil index-price (3)	April 2015	July 2015	751		1,835
Propane fixed-price (2)	April 2015	December 2016	193		(2,842)
Refined products fixed-price (2)	April 2015	December 2015	(3,005)		84,996
Other	April 2015	December 2015			2,296
					86,009
Net cash collateral held					(53,681)
Net commodity derivatives in condensed consolidated balance sheet				$	32,328

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(1) Cross-commodity 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.

(2) Commodity fixed-price 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.

(3) Commodity index-price We may purchase or sell a physical commodity where the underlying contract pricing mechanisms are tied to different indices. These indices may vary in the commodity grade or location, or in the timing of delivery within a given month. These contracts are derivatives we have entered into as an economic hedge against the risk of one index moving relative to another index.

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The following table summarizes the net gains recorded from our commodity derivatives to cost of sales for the periods indicated:

Three Months Ended September 30,		Six Months Ended September 30,	
2015	2014	2015	2014
(in thousands)			
$ 85,777	$ 55,981	$ 44,534	$ 38,496

Credit Risk

We have credit policies with regard to our counterparties on derivative financial instruments 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 September 30, 2015, 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 counterparty does not perform on a contract, we may not realize amounts that have been recorded in our 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 September 30, 2015, we had $1.739 billion of outstanding borrowings under our Revolving Credit Facility at a rate of 2.21%. A change in interest rates of 0.125% would result in an increase or decrease of our annual interest expense of $2.2 million, based on borrowings outstanding at September 30, 2015.

The TLP Credit Facility is variable-rate debt with interest rates that are generally indexed to bank prime or LIBOR interest rates. At September 30, 2015, TLP had $249.6 million of outstanding borrowings under the TLP Credit Facility at a rate of 2.72%. A change in interest rates of 0.125% would result in an increase or decrease in TLP s annual interest expense of $0.3 million, based on borrowings outstanding at September 30, 2015.

Fair Value of Fixed-Rate Notes

The following table provides fair value estimates of our fixed-rate notes at September 30, 2015 (in thousands):

5.125% Notes due 2019	$	378,000
6.875% Notes due 2021		446,625
6.650% Notes due 2022		254,175

For the 2019 Notes and the 2021 Notes, the fair value estimates were developed based on publicly traded quotes and would be classified as Level 1 in the fair value hierarchy. For the 2022 Notes, the fair value estimate was developed using observed yields on publicly traded notes issued by other entities, adjusted for differences in the key terms of those notes and the key terms of our notes (examples include differences in the tenor of the debt, credit standing of the issuer, whether the notes are publicly traded, and whether the notes are secured or unsecured). This fair value estimate would be classified as Level 3 in the fair value hierarchy.

Note 13 Segments

The following table summarizes certain financial data related to our segments. Transactions between segments are recorded based on prices negotiated between the segments.

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Our liquids and retail propane segments each consist of two divisions, which are organized based on the location of the operations. The corporate and other category consists primarily of certain corporate expenses that are not allocated to the reportable segments.

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014
		(in thousands)		
Revenues(1):				
Crude oil logistics				
Crude oil sales	$ 997,106			