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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 2014

or

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

For the transition period from to

Commission File Number: 001-35172

NGL Energy Partners LP

(Exact Name of Registrant as Specified in Its Charter)

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

(918) 481-1119

(Registrant s Telephone Number, Including Area Code)

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

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

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	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 February 2, 2015, there were 89,723,169 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. When used in this Quarterly Report, words such as anticipate, believe, could, estimate, expect, forecast, goal, intend, may, plan, project, will, and similar expressio regarding our plans and objectives for future operations, are intended to identify forward-looking statements. Although we and our general partner believe that the expectations on which such forward-looking statements are based are reasonable, neither we nor our general partner can give assurances that such expectations will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. Among the key risk factors that impact our consolidated financial position and results of operations are:

- the prices for crude oil, natural gas, natural gas liquids, refined products, ethanol, and biodiesel;
- energy prices generally;
- the price of propane and distillates relative to the price of alternative and competing fuels;
- the price of gasoline relative to the price of corn, which impacts the price of ethanol;
- 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 basins in which we have water treatment and disposal facilities;

- the ability to obtain adequate supplies of propane and distillates for retail sale in the event of an interruption in supply or transportation and the availability of capacity to transport propane and distillates to market areas;

- actions taken by foreign oil and gas producing nations;

- the political and economic stability of petroleum producing nations;

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

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

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

- availability, price, and marketing of competitive 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;

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- hazards or operating risks incidental to the transporting and distributing of petroleum products that may not be fully covered by insurance;
- the maturity of the crude oil and natural gas liquids industries and competition from other marketers;
- the 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 and water disposal, and recycling and discharge services;
- the ability to renew leases for general purpose and high pressure railcars;
- the ability to renew leases for underground natural gas liquids storage;
- the nonpayment or nonperformance by our customers;
- 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 on economically favorable terms that are accretive to our financial results;

- the ability to successfully integrate acquired assets and businesses;

- changes in the volume of crude oil recovered during the wastewater treatment process;

- changes in the financial condition and results of operations of entities in which we own noncontrolling equity interests;

- changes in laws and regulations to which we are subject, including tax, environmental, transportation, and employment regulations, or new interpretations by regulatory agencies concerning such laws and regulations and the impact of such laws and regulations (now existing or in the future) on our business operations, including our sales of crude oil, condensate, natural gas liquids, refined products, ethanol, and biodiesel; our processing of wastewater; and transportation and risk management activities;

- the costs and effects of legal and administrative proceedings;

- any reduction or the elimination of the Renewable Fuels Standard;

- the operational and financial success of our joint ventures; 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 Item 1A Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014, and as supplemented and updated by Part II, Item 1A Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.

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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)

	December 31, 2014	March 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,556	$ 10,440
Accounts receivable - trade, net of allowance for doubtful accounts of $3,293 and $2,822, respectively	1,664,039	900,904
Accounts receivable - affiliates	42,549	7,445
Inventories	535,928	310,160
Prepaid expenses and other current assets	184,675	80,350
Total current assets	2,457,747	1,309,299
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $181,198 and $109,564, respectively	1,472,295	829,346
GOODWILL	1,250,239	1,107,006
INTANGIBLE ASSETS, net of accumulated amortization of $191,364 and $116,728, respectively	1,153,028	714,956
INVESTMENTS IN UNCONSOLIDATED ENTITIES	478,444	189,821
OTHER NONCURRENT ASSETS	94,149	16,795
Total assets	$ 6,905,902	$ 4,167,223
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	$ 1,534,568	$ 740,211
Accounts payable - affiliates	12,766	76,846
Accrued expenses and other payables	277,304	141,690
Advance payments received from customers	72,075	29,965
Current maturities of long-term debt	4,455	7,080
Total current liabilities	1,901,168	995,792
LONG-TERM DEBT, net of current maturities	2,753,322	1,629,834
OTHER NONCURRENT LIABILITIES	11,811	9,744
COMMITMENTS AND CONTINGENCIES		
EQUITY, per accompanying statement:		
General partner, representing a 0.1% interest, 88,634 and 79,420 notional units at December 31, 2014 and March 31, 2014, respectively	(39,035)	(45,287)

Limited partners, representing a 99.9% interest -		
Common units, 88,545,764 and 73,421,309 units issued and outstanding at December 31, 2014 and March 31, 2014, respectively	1,709,150	1,570,074
Subordinated units, 5,919,346 units issued and outstanding at March 31, 2014		2,028
Accumulated other comprehensive loss	(89)	(236)
Noncontrolling interests	569,575	5,274
Total equity	2,239,601	1,531,853
Total liabilities and equity	$ 6,905,902	$ 4,167,223

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 December 31, 2014	Three Months Ended December 31, 2013	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2013
REVENUES:				
Crude oil logistics	$ 1,694,881	$ 1,316,060	$ 5,735,307	$ 3,260,862
Water solutions	50,241	41,772	150,274	96,475
Liquids	685,096	800,917	1,700,006	1,646,750
Retail propane	139,765	161,537	286,025	293,134
Refined products and renewables	1,983,444	306,600	5,708,161	306,600
Other	(1,281)	116,559	1,513	119,518
Total Revenues	4,552,146	2,743,445	13,581,286	5,723,339
COST OF SALES:				
Crude oil logistics	1,697,374	1,300,911	5,678,725	3,202,265
Water solutions	(29,085)	2,571	(27,951)	6,936
Liquids	657,010	745,894	1,633,090	1,555,539
Retail propane	81,172	105,394	168,590	181,956
Refined products and renewables	1,905,021	306,350	5,570,185	306,350
Other	176	114,909	2,547	114,909
Total Cost of Sales	4,311,668	2,576,029	13,025,186	5,367,955
OPERATING COSTS AND EXPENSES:				
Operating	97,761	68,921	262,616	171,572
Loss on disposal of assets, net	30,073	340	34,639	2,503
General and administrative	44,230	21,492	113,742	54,258
Depreciation and amortization	50,335	35,494	139,809	83,279
Operating Income	18,079	41,169	5,294	43,772
OTHER INCOME (EXPENSE):				
Earnings of unconsolidated entities	1,242		7,504	
Interest expense	(30,051)	(16,745)	(79,196)	(38,427)
Other income, net	3,371	154	2,363	623
Income (Loss) Before Income Taxes	(7,359)	24,578	(64,035)	5,968
INCOME TAX (PROVISION) BENEFIT	2,090	(526)	2,977	(356)
Net Income (Loss)	(5,269)	24,052	(61,058)	5,612
LESS: NET INCOME ALLOCATED TO GENERAL PARTNER	(11,783)	(4,260)	(32,220)	(8,399)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(5,649)	(154)	(9,059)	(288)
NET INCOME (LOSS) ALLOCATED TO LIMITED PARTNERS	$ (22,701)	$ 19,638	$ (102,337)	$ (3,075)
	$ (0.26)	$ 0.27	$ (1.17)	$ (0.03)

BASIC AND DILUTED INCOME (LOSS) PER COMMON UNIT				
BASIC AND DILUTED WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	88,545,764	67,941,726	83,702,571	58,222,924

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 Income (Loss)

(U.S. Dollars in Thousands)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2013
Net income (loss)	$ (5,269)	$ 24,052	$ (61,058)	$ 5,612
Other comprehensive income (loss)	(16)	(100)	147	(130)
Comprehensive income (loss)	$ (5,285)	$ 23,952	$ (60,911)	$ 5,482

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

Nine Months Ended December 31, 2014

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

	General Partner	Limited Partners Common Units	Amount	Subordinated Units	Amount	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
BALANCES AT MARCH 31, 2014	$ (45,287)	73,421,309	$ 1,570,074	5,919,346	$ 2,028	$ (236)	$ 5,274	$ 1,531,853
Distributions	(26,376)		(142,927)		(6,748)		(17,497)	(193,548)
Contributions	408							408
Sales of units, net of issuance costs		8,767,100	370,376					370,376
Equity issued pursuant to incentive compensation plan		438,009	18,684					18,684
Business combinations							572,895	572,895
Net income (loss)	32,220		(98,324)		(4,013)		9,059	(61,058)
Other comprehensive income						147		147
Conversion of subordinated units to common units		5,919,346	(8,733)	(5,919,346)	8,733			
Other							(156)	(156)
BALANCES AT DECEMBER 31, 2014	$ (39,035)	88,545,764	$ 1,709,150		$	$ (89)	$ 569,575	$ 2,239,601

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)

	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2013
OPERATING ACTIVITIES:		
Net income (loss)	$ (61,058)	$ 5,612
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization, including debt issuance cost amortization	152,228	89,851
Non-cash equity-based compensation expense	13,384	10,840
Loss on disposal of assets, net	34,639	2,503
Provision for doubtful accounts	2,398	2,112
Commodity derivative (gain) loss	(240,992)	26,711
Earnings of unconsolidated entities	(7,504)	
Distributions of earnings from unconsolidated entities	9,073	
Other	5,275	(318)
Changes in operating assets and liabilities, exclusive of acquisitions:		
Accounts receivable - trade	(574,658)	(160,169)
Accounts receivable - affiliates	(34,576)	19,072
Inventories	154,607	(165,116)
Prepaid expenses and other assets	(50,510)	(5,811)
Accounts payable - trade	679,945	203,934
Accounts payable - affiliates	(64,149)	8,592
Accrued expenses and other liabilities	24,314	(2,046)
Advance payments received from customers	39,424	29,006
Net cash provided by operating activities	81,840	64,773
INVESTING ACTIVITIES:		
Purchases of long-lived assets	(135,435)	(107,945)
Acquisitions of businesses, including acquired working capital, net of cash acquired	(1,114,045)	(1,240,175)
Cash flows from commodity derivatives	190,455	(30,659)
Proceeds from sales of assets	15,236	7,302
Investments in unconsolidated entities	(33,528)	(2,000)
Distributions of capital from unconsolidated entities	8,736	1,591
Other investments	(45,855)	
Other	(66)	(102)
Net cash used in investing activities	(1,114,502)	(1,371,988)
FINANCING ACTIVITIES:		
Proceeds from borrowings under revolving credit facilities	3,096,700	2,040,500
Payments on revolving credit facilities	(2,604,700)	(1,709,500)
Issuances of notes	400,000	450,000
Proceeds from borrowings on other long-term debt		880
Payments on other long-term debt	(5,476)	(6,713)
Debt issuance costs	(10,826)	(24,061)
Contributions	408	2,736
Distributions to partners	(176,051)	(98,657)
Distributions to noncontrolling interest owners	(17,497)	(840)
Proceeds from sale of common units, net of offering costs	370,376	650,210
Other	(156)	

Net cash provided by financing activities		1,052,778		1,304,555
Net increase (decrease) in cash and cash equivalents		20,116		(2,660)
Cash and cash equivalents, beginning of period		10,440		11,561
Cash and cash equivalents, end of period	$	30,556	$	8,901

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

At December 31, 2014 and March 31, 2014, and for the

Three Months and Nine Months Ended December 31, 2014 and 2013

Note 1 Organization and Operations

NGL Energy Partners LP (we, us, our, or the Partnership) is a Delaware limited partnership. NGL Energy Holdings LLC serves as our general partner. At December 31, 2014, our operations include:

- Our crude oil logistics segment, the assets of which include owned and leased crude oil storage terminals, pipeline injection stations, a fleet of trucks, a fleet of leased and owned railcars, a fleet of 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 points, storage terminals, barge loading facilities, rail facilities, refineries, and other trade hubs.

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

- 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 services through its more than 20 owned terminals throughout the United States and railcar transportation services through its fleet of leased and owned railcars. Our liquids segment purchases propane, butane, and other products from refiners, processing plants, producers, and other parties, and sells the products to retailers, refiners, petrochemical plants, and other participants in the wholesale markets.

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

- Our refined products and renewables segment, which conducts gasoline, diesel, ethanol, and biodiesel marketing operations. We also own the 2.0% general partner interest and a 19.7% limited partner interest in TransMontaigne Partners L.P. (TLP), which conducts refined products terminaling operations. TLP also owns a 42.5% interest in Battleground Oil Specialty Terminal Company LLC (BOSTCO) and a 50% interest in Frontera Brownsville LLC (Frontera), which are entities that own refined products storage facilities.

Note 2 Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements as of and for the three months and nine months ended December 31, 2014 and 2013 include our accounts and those of our controlled subsidiaries. Investments where we do not have the ability to exercise control, but do have the ability to exercise significant influence, are accounted for using the equity method of accounting. All significant intercompany transactions and account balances have been eliminated in consolidation. The unaudited condensed consolidated balance sheet at March 31, 2014 is derived from audited financial statements. We have made certain reclassifications to prior period financial statements to conform to classification methods used in fiscal year 2015. These reclassifications had no impact on previously reported amounts of equity or net income.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim consolidated financial information in accordance with the rules and regulations of the Securities and Exchange Commission. The 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 of only normal recurring items, unless otherwise disclosed herein. Accordingly, the unaudited condensed consolidated financial statements do not include all the information and notes required by GAAP for complete annual consolidated financial statements. However, we believe that the disclosures made are adequate to make the information presented not misleading. These interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the fiscal year ended March 31, 2014 included in our Annual Report on Form 10-K (Annual Report). Due to the seasonal nature of our liquids and retail propane operations and other factors, the results of operations for interim periods are not necessarily indicative of the results to be expected for a future periods or for the full fiscal year ending March 31, 2015.

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At December 31, 2014 and March 31, 2014, and for the

Three Months and Nine Months Ended December 31, 2014 and 2013

Use of Estimates

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

Revenue Recognition

We record revenues from product sales at the time title to the product transfers to the purchaser, which typically occurs upon receipt of the product by the purchaser. We record terminaling, transportation, storage, and service revenues at the time the service is performed, and we record tank and other rentals over the term of the lease. Pursuant to terminaling services agreements with certain of our throughput customers, we are entitled to the volume of product gained resulting from differences in the measurement of product volumes received and distributed at our terminaling facilities. Such measurement differentials occur as the result of the inherent variances in measurement devices and methodology. We recognize as revenue the net proceeds from the sale of the product gained. Revenues for our water solutions segment are recognized upon receipt of the wastewater at our treatment and disposal facilities.

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

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

Fair Value Measurements

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

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

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

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

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At December 31, 2014 and March 31, 2014, and for the

Three Months and Nine Months Ended December 31, 2014 and 2013

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

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

Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2013
	(in thousands)			
Interest paid, exclusive of debt issuance costs and letter of credit fees	$ 28,927	$ 6,821	$ 65,356	$ 23,729
Income taxes paid	$ 303	$ 475	$ 2,549	$ 1,125
Value of common units issued in business combinations	$	$	$	$ 80,619

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

Inventories

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

Inventories consist of the following:

	December 31, 2014	March 31, 2014
	(in thousands)	
Crude oil	$ 68,749	$ 156,473
Natural gas liquids		
Propane	184,583	85,159
Butane	25,468	15,106
Other	19,176	3,945
Refined products		
Gasoline	118,479	15,597
Diesel	68,584	7,612
Renewables	36,277	11,778
Other	14,612	14,490
Total	$ 535,928	$ 310,160

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At December 31, 2014 and March 31, 2014, and for the

Three Months and Nine Months Ended December 31, 2014 and 2013

Investments in Unconsolidated Entities

In December 2013, as part of our acquisition of Gavilon, LLC (Gavilon Energy), we acquired a 50% interest in Glass Mountain Pipeline, LLC (Glass Mountain) and an interest in a limited liability company that owns an ethanol production facility in the Midwest. In June 2014, we acquired an interest in a limited liability company that operates a water supply company in the DJ Basin. On July 1, 2014, as part of our acquisition of TransMontaigne Inc. (TransMontaigne), we acquired the general partner interest and a 19.7% limited partner interest in TLP, which owns a 42.5% interest in BOSTCO and a 50% interest in Frontera. We account for these investments using the equity method of accounting. Under the equity method, we do not report the individual assets and liabilities of these entities on our condensed consolidated balance sheets; instead, our ownership interests are reported within investments in unconsolidated entities on our condensed consolidated balance sheets. Under the equity method, the investment is recorded at acquisition cost, increased by our proportionate share of any earnings and additional capital contributions and decreased by our proportionate share of any losses, distributions paid, and amortization of any excess investment. Excess investment is the amount by which our total investment exceeds our proportionate share of the historical net book value of the net assets of the investee.

Our investments in unconsolidated entities consist of the following:

Entity	Segment	December 31, 2014	March 31, 2014
		(in thousands)	
Glass Mountain (1)	Crude oil logistics	$ 188,190	$ 181,488
BOSTCO (2)	Refined products and renewables	236,938	
Frontera	Refined products and renewables	23,755	
Water supply company	Water solutions	16,500	
Ethanol production facility	Refined products and renewables	13,061	8,333
Total		$ 478,444	$ 189,821

(1) When we acquired Gavilon Energy, we recorded the investment in Glass Mountain at fair value. The fair value of our investment in Glass Mountain exceeds our share of the historical net book value of Glass Mountain s net assets by approximately $70 million. This difference relates primarily to goodwill and customer relationships.

(2) When we acquired TransMontaigne, we recorded the investment in BOSTCO at fair value. The fair value of our investment in BOSTCO exceeds our share of the historical net book value of BOSTCO s net assets by approximately $11.8 million.

Other Noncurrent Assets

Other noncurrent assets consist of the following:

	December 31, 2014	March 31, 2014
	(in thousands)	
Capital lease (1)	$ 45,855	$
Linefill (2)	30,868	
Other	17,426	16,795
Total	$ 94,149	$ 16,795

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

(2) Represents minimum volumes of product we are required to leave in third-party owned pipelines under long-term shipment commitments. At December 31, 2014, linefill consisted of approximately 404,000 barrels of crude oil with an average cost basis of $76.41 per barrel.

Accrued Expenses and Other Payables

Accrued expenses and other payables consist of the following:

	December 31, 2014	March 31, 2014
	(in thousands)	
Accrued compensation and benefits	$ 55,950	$ 45,006
Derivative liabilities	62,591	42,214
Product exchange liabilities	24,448	3,719
Accrued interest	21,606	18,668
Income and other tax liabilities	64,123	13,421
Other	48,586	18,662
Total	$ 277,304	$ 141,690

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Business Combination Measurement Period

We record the assets acquired and liabilities assumed in a business combination at their acquisition date fair values. Pursuant to GAAP, an entity is allowed a reasonable period of time (not to exceed one year) to obtain the information necessary to identify and measure the fair value of the assets acquired and liabilities assumed in a business combination. As described in Note 4, certain of our acquisitions are still within this measurement period, and as a result, the acquisition date fair values we have recorded for the assets acquired and liabilities assumed are subject to change. Also as described in Note 4, we made certain adjustments during the nine months ended December 31, 2014 to our estimates of the acquisition date fair values of assets acquired and liabilities assumed in business combinations that occurred during the year ended March 31, 2014.

Noncontrolling Interests

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

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

Note 3 Earnings Per Unit

Our earnings per common unit were computed as follows:

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Nine Months Ended December 31, 2014	Nine Months Ended December 31, 2013
	(in thousands, except unit and per unit amounts)			
Net income (loss) attributable to parent equity	$ (10,918)	$ 23,898	$ (70,117)	$ 5,324
Less: Net income allocated to general partner (1)	(11,783)	(4,260)	(32,220)	(8,399)
Less: Net loss (income) allocated to subordinated unitholders (2)		(1,353)	4,013	1,295
Net income (loss) allocated to common unitholders	$ (22,701)	$ 18,285	$ (98,324)	$ (1,780)
Weighted average common units outstanding	88,545,764	67,941,726	83,702,571	58,222,924
Income (loss) per common unit - basic and diluted	$ (0.26)	$ 0.27	$ (1.17)	$ (0.03)

(1) The 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 10.

(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 during the three months ended September 30, 2014, we did not allocate any earnings or loss during this period to the subordinated unitholders. During the three months ended June 30, 2014 and the nine months ended December 31, 2013, 5,919,346 subordinated units were outstanding. The income (loss) per subordinated unit was ($0.68) for the three months ended June 30, 2014, $0.23 for the three months ended December 31, 2013, and $(0.22) for the nine months ended December 31, 2013.

The restricted units described in Note 10 were antidilutive during the three months and nine months ended December 31, 2014 and 2013, but could impact earnings per unit in future periods.

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Note 4 Acquisitions

Year Ending March 31, 2015

Grand Mesa Pipeline, LLC

In September 2014, we entered into a joint venture with RimRock Midstream, LLC (RimRock) whereby each party owned a 50% interest in Grand Mesa Pipeline, LLC (Grand Mesa). Grand Mesa is constructing a crude oil pipeline originating in Weld County, Colorado and terminating at our Cushing, Oklahoma terminal. In October 2014, Grand Mesa completed a successful open season in which it received the requisite support, in the form of ship-or-pay volume commitments from multiple shippers, to begin construction of the pipeline system. In November 2014, we acquired RimRock s 50% ownership interest in Grand Mesa for $310.0 million in cash and preliminarily allocated this to a customer commitment intangible asset. We anticipate that the pipeline will commence service in late 2016, at which time we will begin to amortize this intangible asset.

Bakken Water Solutions Facilities

On November 21, 2014, we completed the acquisition of two saltwater disposal facilities in the Bakken Basin in North Dakota for $34.6 million of cash.

We are in the process of identifying and determining the fair value of the assets acquired and liabilities assumed in this business combination. The estimates of fair value reflected at December 31, 2014 are subject to change. We expect to complete this process prior to finalizing our financial statements for the quarter ending September 30, 2015. We have preliminarily estimated the fair values of the assets acquired (and useful lives) and liabilities assumed as follows (in thousands):

Property, plant and equipment:		
Water treatment facilities and equipment (5 40 years)	$	3,957
Buildings and leasehold improvements (3 7 years)		118
Other (7 years)		145

Goodwill		30,448
Other noncurrent liabilities		(68)
Fair value of net assets acquired	$	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 entity and the Partnership and the opportunity to use the acquired business as a platform for growth. We estimate that all of the goodwill will be deductible for federal income tax purposes.

The operations of these water disposal facilities have been included in our condensed consolidated statement of operations since their acquisition date. Our condensed consolidated statement of operations for the three months and nine months ended December 31, 2014 includes revenues of $1.0 million and operating income of $0.7 million that were generated by the operations of these water disposal facilities.

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, and a 19.7% limited partner interest in TLP, and assumed certain terminaling service agreements with TLP from an affiliate of the previous owner of TransMontaigne.

We are in the process of identifying and determining the fair value of the assets acquired and liabilities assumed in this business combination. The estimates of fair value reflected at December 31, 2014 are subject to change, and such changes could be material. We expect to complete this process prior to finalizing our financial statements for the three months ending June 30, 2015.

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We have preliminarily estimated the fair values of the assets acquired (and useful lives) and liabilities assumed as follows (in thousands):

Cash and cash equivalents	$	1,469
Accounts receivable - trade		197,554
Accounts receivable - affiliates		528
Inventories		379,512
Prepaid expenses and other current assets		15,082
Property, plant and equipment:		
Refined products terminal assets and equipment (20 years)		376,587
Vehicles		1,565
Crude oil tanks and related equipment (20 years)		28,666
Information technology equipment		7,851
Buildings and leasehold improvements (20 years)		10,339
Land		67,910
Tank bottoms		46,900
Other		12,592
Construction in progress		4,487
Goodwill (1)		38,576
Intangible assets:		
Customer relationships (15 years)		76,100
Pipeline capacity rights (30 years)		87,618
Trade names (indefinite life)		5,000
Investments in unconsolidated entities		245,400
Other noncurrent assets		3,911
Accounts payable - trade		(113,345)
Accounts payable - affiliates		(69)
Accrued expenses and other payables		(77,260)
Advance payments received from customers		(1,919)
Long-term debt		(234,000)
Other noncurrent liabilities		(33,227)
Noncontrolling interests		(567,120)
Fair value of net assets acquired	$	580,707

(1) Included in the refined products and renewables segment.

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 entity 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.

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.

We recorded in the acquisition accounting a liability of $2.5 million related to certain crude oil contracts with terms that were unfavorable at current market conditions. We amortized this balance to cost of sales during the three months ended September 30, 2014.

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Employees of TransMontaigne participate in a plan whereby they are entitled to certain termination benefits in the event of a change in control of TransMontaigne and a subsequent change in job status. We recorded expense of $6.0 million and $8.7 million during the three months and nine months ended December 31, 2014, respectively, related to these termination benefits, and we may record additional expense in future quarters as we continue our integration efforts.

The operations of TransMontaigne have been included in our condensed consolidated statements of operations since TransMontaigne was acquired on July 1, 2014. Our condensed consolidated statement of operations for the nine months ended December 31, 2014 includes revenues of $3.0 billion and operating income of $16.7 million that were generated by the operations of TransMontaigne. We have not provided supplemental pro forma financial information as though the business combination had occurred on April 1, 2013. The previous owner of TransMontaigne conducted trading operations, whereas we strive to generate reliable and predictable cash flows. Because of the difference in strategies between the pre-acquisition and post-acquisition periods, the pre-acquisition operations of TransMontaigne have limited importance as an indicator of post-acquisition results.

Water Solutions Facilities

As described below, we are party to a development agreement that provides us a right to purchase water treatment and disposal facilities developed by the other party to the agreement. During the nine months ended December 31, 2014, we purchased 11 water treatment and disposal facilities under this development agreement. 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 $161.0 million of cash for these 12 facilities.

We are in the process of identifying and determining the fair value of the assets acquired and liabilities assumed in these business combinations. The estimates of fair value reflected at December 31, 2014 are subject to change, and such changes could be material. We expect to complete this process prior to finalizing our financial statements for the three months ending September 30, 2015. We have preliminarily estimated the fair values of the assets acquired (and useful lives) and liabilities assumed as follows (in thousands):

Accounts receivable - trade	$	939
Inventories		253
Prepaid expenses and other current assets		62
Property, plant and equipment:		
Water treatment facilities and equipment (5 40 years)		58,222
Buildings and leasehold improvements (3 7 years)		6,009
Land		2,120

Other (7 years)		213
Goodwill		105,434
Other noncurrent assets		50
Accounts payable - trade		(58)
Accrued expenses and other payables		(6,092)
Other noncurrent liabilities		(352)
Noncontrolling interest		(5,775)
Fair value of net assets acquired	$	161,025

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 entity and the Partnership and the opportunity to use the acquired business as a platform for growth. We estimate that all of the goodwill will be deductible for federal income tax purposes.

The operations of these water treatment and disposal facilities have been included in our condensed consolidated statement of operations since their acquisition date. Our condensed consolidated statement of operations for the nine months ended December 31, 2014 includes revenues of $16.6 million and operating income of $5.7 million that were generated by the operations of these facilities.

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Retail Propane Acquisitions

During the nine months ended December 31, 2014, we completed seven acquisitions of retail propane businesses. On a combined basis, we paid $12.4 million of cash to acquire 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 value of the assets acquired and liabilities assumed in certain of these business combinations, and as a result, the estimates of fair value reflected at December 31, 2014 are subject to change.

Water Supply Company

On June 9, 2014, we paid cash of $15.0 million in exchange for an interest in a water supply company operating in the DJ Basin. The company holds exclusive rights to construct water disposal facilities on a dedicated acreage. We account for this investment using the equity method of accounting.

Year Ended March 31, 2014

Gavilon Energy

On December 2, 2013, we completed a business combination in which we acquired Gavilon Energy. We paid $832.4 million of cash, net of cash acquired, in exchange for these assets and operations.

The assets of Gavilon Energy include crude oil terminals in Oklahoma, Texas, and Louisiana, a 50% interest in Glass Mountain, which owns a crude oil pipeline that originates in western Oklahoma and terminates in Cushing, Oklahoma, and an interest in an ethanol production facility in the Midwest. The operations of Gavilon Energy include the marketing of crude oil, refined products, ethanol, biodiesel, and natural gas liquids, and also include crude oil storage in Cushing, Oklahoma.

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During the three months ended September 30, 2014, we completed the acquisition accounting for this business combination. The following table presents the final calculation of the fair values of the assets acquired (and useful lives) and liabilities assumed for this acquisition:

	Final	Estimated at March 31, 2014	Change
		(in thousands)	
Accounts receivable - trade	$ 326,484	$ 349,529	$ (23,045)
Accounts receivable - affiliates	2,564	2,564	
Inventories	107,430	107,430	
Prepaid expenses and other current assets	68,322	68,322	
Property, plant and equipment:			
Vehicles (3 years)	327	791	(464)
Crude oil tanks and related equipment (3 40 years)	83,797	77,429	6,368
Information technology equipment (3 7 years)	4,049	4,046	3
Buildings and leasehold improvements (3 40 years)	7,817	7,716	101
Land	6,427	6,427	
Tank bottoms	16,930	15,230	1,700
Other (7 years)	162	170	(8)
Construction in progress	7,180	7,190	(10)
Goodwill (1)	342,769	359,169	(16,400)
Intangible assets:			
Customer relationships (10 20 years)	107,950	101,600	6,350
Lease agreements (1 5 years)	8,700	8,700	
Pipeline capacity rights (30 years)	7,800		7,800
Investments in unconsolidated entities	183,000	178,000	5,000
Other noncurrent assets	2,287	9,918	(7,631)
Accounts payable - trade	(342,792)	(342,792)	
Accounts payable - affiliates	(2,585)	(2,585)	
Accrued expenses and other payables	(49,447)	(70,999)	21,552
Advance payments received from customers	(10,667)	(10,667)	
Other noncurrent liabilities	(46,056)	(44,740)	(1,316)
Fair value of net assets acquired	$ 832,448	$ 832,448	$

(1) Of this goodwill, $302.8 million was allocated to our crude oil logistics segment, $36.0 million was allocated to our refined products and renewables segment, and $4.0 million was allocated to our liquids segment.

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 that are at unfavorable terms relative to current market conditions at the acquisition date be recorded as assets or liabilities in the acquisition accounting. Since certain crude oil storage lease commitments were at unfavorable terms relative to acquisition date market conditions, we recorded a liability of $15.9 million related to these lease commitments in the acquisition accounting, and we amortized $6.9 million of this balance through cost of sales during the nine months ended December 31, 2014. We will amortize the remainder of this liability over the term of the leases. The future amortization of this liability is shown below (in thousands):

Year Ending March 31,		
2015 (three months)	$	1,740
2016		4,040
2017		360

Certain personnel who were employees of Gavilon Energy were entitled to a bonus, half of which was payable upon successful completion of the business combination and the remainder of which was paid in December 2014. We recorded this as compensation expense over the vesting period. We recorded expense of $6.5 million during the nine months ended December 31, 2014 related to these bonuses.

Oilfield Water Lines, LP

On August 2, 2013, we completed a business combination with entities affiliated with Oilfield Water Lines LP (collectively, OWL), whereby we acquired water disposal and transportation assets in Texas. We issued 2,463,287 common units, valued at $68.6 million, and paid $167.7 million of cash, net of cash acquired, in exchange for OWL. During the three months ended June 30, 2014, we completed the acquisition accounting for this business combination. The following table presents the final calculation of the fair values of the assets acquired (and useful lives) and liabilities assumed for this acquisition:

		Final		**Estimated at March 31, 2014**		**Change**
				(in thousands)		
Accounts receivable - trade	$	6,837	$	7,268	$	(431)
Inventories		154		154		
Prepaid expenses and other current assets		402		402		
Property, plant and equipment:						
Vehicles (5 10 years)		8,143		8,157		(14)
Water treatment facilities and equipment (3 30 years)		23,173		23,173		

Buildings and leasehold improvements (7 30 years)		2,198		2,198		
Land		710		710		
Other (3 5 years)		53		53		
Intangible assets:						
Customer relationships (8 10 years)		110,000		110,000		
Non-compete agreements (3 years)		2,000		2,000		
Goodwill		90,144		89,699		445
Accounts payable - trade		(6,469)		(6,469)		
Accrued expenses and other payables		(992)		(992)		
Other noncurrent liabilities		(64)		(64)		
Fair value of net assets acquired	$	236,289	$	236,289	$	

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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.

Other Water Solutions Acquisitions

During the year ended March 31, 2014, we completed two separate acquisitions of businesses to expand our water solutions operations in Texas. On a combined basis, we issued 222,381 common units, valued at $6.8 million, and paid $151.6 million of cash, net of cash acquired, in exchange for the assets and operations of these businesses. During the three months ended June 30, 2014, we completed the acquisition accounting for these business combinations. The following table presents 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, 2014	Change
		(in thousands)	
Accounts receivable - trade	$ 2,146	$ 2,146	$
Inventories	192	192	
Prepaid expenses and other current assets	62	61	1
Property, plant and equipment:			
Vehicles (5 10 years)	76	90	(14)
Water treatment facilities and equipment (3 30 years)	11,717	14,394	(2,677)
Buildings and leasehold improvements (7 30 years)	3,278	1,906	1,372
Land	207	206	1
Other (3 5 years)	12	12	
Goodwill	49,067	47,750	1,317
Intangible assets:			
Customer relationships (8 10 years)	72,000	72,000	
Trade names (indefinite life)	3,325	3,325	
Non-compete agreements (3 years)	260	260	
Water facility development agreement (5 years)	14,000	14,000	
Water facility option agreement	2,500	2,500	
Accounts payable - trade	(119)	(119)	
Accrued expenses and other payables	(293)	(293)	
Other noncurrent liabilities	(64)	(64)	
Fair value of net assets acquired	$ 158,366	$ 158,366	$

As part of one of these business combinations, we entered into an option agreement with the seller of the business whereby we had the option to purchase a saltwater disposal facility that was under construction. We recorded an intangible asset of $2.5 million at the acquisition date related to this option agreement. On March 1, 2014, we purchased the saltwater disposal facility for additional cash consideration of $3.7 million.

In addition, as part of one of these business combinations, we entered into a development agreement that provides us a right to purchase water treatment and disposal facilities that may be developed by the seller through June 2018. On March 1, 2014, we purchased our first water treatment and disposal facility pursuant to the development agreement for $21.0 million.

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During the three months ended December 31, 2014, we completed the acquisition accounting for these business combinations. The following table presents 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, 2014 (in thousands)	Change
Accounts receivable - trade	$ 124	$ 245	$ (121)
Inventories	119	197	(78)
Property, plant and equipment:			
Water treatment facilities and equipment (3 30 years)	10,539	10,540	(1)
Buildings and leasehold improvements (7 30 years)	1,130	1,130	
Land	213	213	
Other (3 5 years)	1	1	
Goodwill	15,443	15,281	162
Accounts payable - trade	(232)	(263)	31
Accrued expenses and other payables		(7)	7
Other noncurrent liabilities	(50)	(50)	
Fair value of net assets acquired	$ 27,287	$ 27,287	$

Crude Oil Logistics Acquisitions

During the year ended March 31, 2014, we completed two separate acquisitions of businesses to expand our crude oil logistics operations in Texas and Oklahoma. On a combined basis, we issued 175,211 common units, valued at $5.3 million, and paid $67.8 million of cash, net of cash acquired, in exchange for the assets and operations of these businesses. During the three months ended June 30, 2014, we completed the acquisition accounting for these business combinations. The following table presents 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, 2014 (in thousands)	Change
Accounts receivable - trade	$ 1,221	$ 1,235	$ (14)
Inventories	1,021	1,021	
Prepaid expenses and other current assets	58	54	4

Property, plant and equipment:			
Vehicles (5 10 years)	2,980	2,977	3
Buildings and leasehold improvements (5 30 years)	58	280	(222)
Crude oil tanks and related equipment (2 30 years)	3,822	3,462	360
Barges and towboats (20 years)	20,065	20,065	
Other (3 5 years)	57	53	4
Goodwill	30,730	37,867	(7,137)
Intangible assets:			
Customer relationships (3 years)	13,300	6,300	7,000
Non-compete agreements (3 years)	35	35	
Trade names (indefinite life)	530	530	
Accounts payable - trade	(521)	(665)	144
Accrued expenses and other payables	(266)	(124)	(142)
Fair value of net assets acquired	$ 73,090	$ 73,090	$

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Retail Propane and Liquids Acquisitions

During the year ended March 31, 2014, we completed four acquisitions of retail propane businesses and the acquisition of four natural gas liquids terminals. On a combined basis, we paid $21.9 million of cash to acquire these assets and operations. During the three months ended December 31, 2014, we completed the acquisition accounting for these business combinations. The final calculation of the fair values of the assets acquired and liabilities assumed for these acquisitions did not materially change from the previous estimates of the fair values of the assets acquired and liabilities assumed for these acquisitions.

Note 5 Property, Plant and Equipment

Our property, plant and equipment consists of the following:

Description and Estimated Useful Lives		December 31, 2014		March 31, 2014
		(in thousands)		
Natural gas liquids terminal assets (2 30 years)	$	75,850	$	75,141
Refined products terminal assets and equipment (20 years)		379,118		
Retail propane equipment (2 30 years)		173,041		160,758
Vehicles and railcars (3 25 years)		177,056		152,676
Water treatment facilities and equipment (3 30 years)		264,918		180,985
Crude oil tanks and related equipment (2 40 years)		131,766		106,125
Barges and towboats (5 40 years)		58,579		52,217
Information technology equipment (3 7 years)		33,010		20,768
Buildings and leasehold improvements (3 40 years)		82,274		60,004
Land		101,789		30,241
Tank bottoms		64,594		13,403
Other (3 30 years)		34,669		6,341
Construction in progress		76,829		80,251
		1,653,493		938,910
Less: Accumulated depreciation		(181,198)		(109,564)
Net property, plant and equipment	$	1,472,295	$	829,346

Depreciation expense was $29.7 million and $15.6 million during the three months ended December 31, 2014 and 2013, respectively, and $76.6 million and $42.8 million during the nine months ended December 31, 2014 and 2013, respectively.

Product volumes required for the operation of storage tanks, known as tank bottoms, are recorded at historical cost. We recover tank bottoms when we no longer use the storage tanks or the storage tanks are removed from service. At December 31, 2014, tank bottoms consisted of approximately 185,000 barrels of crude oil with an average cost basis of $91.42 per barrel and approximately 16.8 million gallons of refined products with an average cost basis of $2.78 per gallon.

Note 6 Goodwill and Intangible Assets

The changes in the balance of goodwill during the nine months ended December 31, 2014 were as follows (in thousands):

Balance at March 31, 2014	$	1,107,006
Revisions to acquisition accounting (Note 4)		(21,614)
Acquisitions (Note 4)		174,829
Disposals		(9,982)
Balance at December 31, 2014	$	1,250,239

NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At December 31, 2014 and March 31, 2014, and for the

Three Months and Nine Months Ended December 31, 2014 and 2013

During the nine months ended December 31, 2014, we sold a natural gas liquids terminal and a water transportation business. We allocated goodwill of $8.2 million and $1.8 million, respectively, to these transactions and recorded corresponding losses on disposal of these assets to our condensed consolidated statements of operations. We also recorded losses on property, plant and equipment of $21.7 million and $2.2 million, respectively, related to these disposals.

Goodwill by reportable segment is as follows:

	December 31, 2014	March 31, 2014
	(in thousands)	
Crude oil logistics	$ 579,844	$ 606,383
Water solutions	398,280	262,203
Liquids	82,950	90,135
Retail propane	114,588	114,285
Refined products and renewables	74,577	34,000
Total	$ 1,250,239	$ 1,107,006

Our intangible assets consist of the following:

		December 31, 2014		March 31, 2014	
	Amortizable Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
			(in thousands)		
Amortizable					
Customer relationships	3 20 years	$ 789,418	$ 136,824	$ 697,405	$ 83,261
Pipeline capacity rights	30 years	95,418	1,742		
Water facility development agreement	5 years	14,000	4,200	14,000	2,100
Executory contracts and other agreements	2 10 years	23,920	17,387	23,920	13,190
Non-compete agreements	2 7 years	14,562	9,271	14,161	6,388
Trade names	2 10 years	14,539	6,752	15,489	3,081
Debt issuance costs	5 10 years	54,915	15,188	44,089	8,708
Total amortizable		1,006,772	191,364	809,064	116,728
Non-amortizable					
Customer commitments		310,000			
Trade names		27,620		22,620	

Total	$	1,344,392	$	191,364	$	831,684	$	116,728

The weighted-average remaining amortization period for intangible assets is approximately 12 years.

Amortization expense is as follows: