NGL Energy Partners LP
Form 10-Q
August 07, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________
Commission File Number: 001-35172

NGL Energy Partners LP
(Exact Name of Registrant as Specified in Its Charter)

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

(918) 481-1119
(Registrant’s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically 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 (§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 ¨

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

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

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

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

At August 3, 2018, there were 122,051,314 common units issued and outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Forward-Looking Statements

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

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

1

Table of Contents

- 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 complete accretive acquisitions, and integrate acquired assets and businesses;
- changes in the volume of hydrocarbons recovered during the wastewater treatment process;
- changes in the financial condition and results of operations of entities in which we own noncontrolling equity interests;
- changes in applicable laws and regulations, including tax, environmental, transportation, and employment regulations, or new interpretations by regulatory agencies concerning such laws and regulations and the effect of such laws and regulations (now existing or in the future) on our business operations;
- the costs and effects of legal and administrative proceedings;
- any reduction or the elimination of the federal Renewable Fuel Standard; and
- changes in the jurisdictional characteristics of, or the applicable regulatory policies with respect to, our pipeline assets.

You should not put undue reliance on any forward-looking statements. All forward-looking statements speak only as of the date of this Quarterly Report. Except as may be required by state and federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events, or otherwise. When considering forward-looking statements, please review the risks discussed under Part I, Item 1A–"Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2018	March 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$13,682	$22,094
Accounts receivable-trade, net of allowance for doubtful accounts of $4,385 and $4,201, respectively	1,096,596	1,026,764
Accounts receivable-affiliates	8,824	4,772
Inventories	600,486	551,303
Prepaid expenses and other current assets	135,097	128,742
Assets held for sale	515,012	517,604
Total current assets	2,369,697	2,251,279
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $365,782 and $343,345, respectively	1,604,498	1,518,607
GOODWILL	1,262,971	1,204,607
INTANGIBLE ASSETS, net of accumulated amortization of $452,314 and $433,565, respectively	907,540	913,154
INVESTMENTS IN UNCONSOLIDATED ENTITIES	1,995	17,236
LOAN RECEIVABLE-AFFILIATE	2,135	1,200
OTHER NONCURRENT ASSETS	175,138	245,039
Total assets	$6,323,974	$6,151,122
LIABILITIES AND EQUITY		
CURRENT LIABILITIES AND REDEEMABLE NONCONTROLLING INTEREST:		
Accounts payable-trade	$836,233	$852,839
Accounts payable-affiliates	24,874	1,254
Accrued expenses and other payables	225,617	223,504
Advance payments received from customers	21,871	8,374
Current maturities of long-term debt	646	646
Liabilities and redeemable noncontrolling interest held for sale	55,824	42,580
Total current liabilities and redeemable noncontrolling interest	1,165,065	1,129,197
LONG-TERM DEBT, net of debt issuance costs of $19,340 and $20,645, respectively, and current maturities	3,032,383	2,679,740
OTHER NONCURRENT LIABILITIES	63,539	173,514
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
CLASS A 10.75% CONVERTIBLE PREFERRED UNITS, 19,942,169 and 19,942,169 preferred units issued and outstanding, respectively	91,559	82,576
EQUITY:		
General partner, representing a 0.1% interest, 121,874 and 121,594 notional units, respectively	(50,919)	(50,819)

Limited partners, representing a 99.9% interest, 121,752,514 and 121,472,725 common units issued and outstanding, respectively	1,740,410	1,852,495
Class B preferred limited partners, 8,400,000 and 8,400,000 preferred units issued and outstanding, respectively	202,731	202,731
Accumulated other comprehensive loss	(257)	(1,815)
Noncontrolling interests	79,463	83,503
Total equity	1,971,428	2,086,095
Total liabilities and equity	$6,323,974	$6,151,122

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

3

Table of Contents

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

	Three Months Ended June 30, 2018	2017
REVENUES:		
Crude Oil Logistics	$783,830	$504,915
Water Solutions	76,145	46,967
Liquids	459,897	294,025
Refined Products and Renewables	4,524,407	2,884,637
Other	155	161
Total Revenues	5,844,434	3,730,705
COST OF SALES:		
Crude Oil Logistics	748,245	469,470
Water Solutions	14,269	153
Liquids	440,515	287,285
Refined Products and Renewables	4,492,858	2,871,702
Other	269	73
Total Cost of Sales	5,696,156	3,628,683
OPERATING COSTS AND EXPENSES:		
Operating	56,262	47,836
General and administrative	22,390	22,385
Depreciation and amortization	52,045	52,417
Loss (gain) on disposal or impairment of assets, net	101,335	(11,817)
Revaluation of liabilities	800	—
Operating Loss	(84,554)	(8,799)
OTHER INCOME (EXPENSE):		
Equity in earnings of unconsolidated entities	104	1,816
Interest expense	(46,268)	(49,104)
Loss on early extinguishment of liabilities, net	(137)	(3,281)
Other (expense) income, net	(33,742)	1,775
Loss From Continuing Operations Before Income Taxes	(164,597)	(57,593)
INCOME TAX EXPENSE	(651)	(456)
Loss From Continuing Operations	(165,248)	(58,049)
Loss From Discontinued Operations, net of Tax	(4,041)	(5,658)
Net Loss	(169,289)	(63,707)
LESS: NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	345	(52)
LESS: NET LOSS ATTRIBUTABLE TO REDEEMABLE NONCONTROLLING INTERESTS	398	397
NET LOSS ATTRIBUTABLE TO NGL ENERGY PARTNERS LP	$(168,546)	$(63,362)
NET LOSS FROM CONTINUING OPERATIONS ALLOCATED TO COMMON UNITHOLDERS (Note 3)	$(184,909)	$(68,099)
NET LOSS FROM DISCONTINUED OPERATIONS ALLOCATED TO COMMON UNITHOLDERS (Note 3)	$(3,639)	$(5,256)
NET LOSS ALLOCATED TO COMMON UNITHOLDERS	$(188,548)	$(73,355)
BASIC LOSS PER COMMON UNIT		

Loss From Continuing Operations	$(1.52)	$ (0.56)
Loss From Discontinued Operations, net of Tax	(0.03)	(0.05)
Net Loss	$(1.55)	$ (0.61)
DILUTED LOSS PER COMMON UNIT		
Loss From Continuing Operations	$(1.52)	$ (0.56)
Loss From Discontinued Operations, net of Tax	(0.03)	(0.05)
Net Loss	$(1.55)	$ (0.61)
BASIC WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	121,544,421	120,535,909
DILUTED WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	121,544,421	120,535,909

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

4

Table of Contents

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

	Three Months Ended June 30,	
	2018	2017
Net loss	$(169,289)	$(63,707)
Other comprehensive loss	(11)	(375)
Comprehensive loss	$(169,300)	$(64,082)

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

Table of Contents

NGL ENERGY PARTNERS LP AND SUBSIDIARIES
Unaudited Condensed Consolidated Statement of Changes in Equity
Three Months Ended June 30, 2018
(in Thousands, except unit amounts)

		Limited Partners						
		Class B Preferred		Common				
	General Partner	Units	Amount	Units	Amount	Accumulated Other Comprehensive (Income) Loss	Noncontrolling Interests	Total Equity
BALANCES AT MARCH 31, 2018	$(50,819)	8,400,000	$202,731	121,472,725	$1,852,495	$ (1,815)	$ 83,503	$2,086,095
Distributions to general and common unit partners and preferred unitholders (Note 10)	(82)	—	—	—	(58,548)	—	—	(58,630)
Contributions	—	—	—	—	—	—	169	169
Sawtooth joint venture	—	—	—	—	(63)	—	63	—
Purchase of noncontrolling interest (Note 4)	—	—	—	—	(33)	—	(3,927)	(3,960)
Redeemable noncontrolling interest valuation adjustment (Note 2)	—	—	—	—	(3,300)	—	—	(3,300)
Repurchase of warrants (Note 10)	—	—	—	—	(14,988)	—	—	(14,988)
Equity issued pursuant to incentive compensation plan (Note 10)	—	—	—	50,992	4,619	—	—	4,619
Warrants exercised (Note 10)	—	—	—	228,797	2	—	—	2
Accretion of beneficial conversion feature of Class A convertible preferred units (Note 10)	—	—	—	—	(8,983)	—	—	(8,983)
Net loss	(155)	—	—	—	(168,391)	—	(345)	(168,891)
	—	—	—	—	—	(11)	—	(11)

Other comprehensive loss								
Cumulative effect adjustment for adoption of ASC 606 (Note 15)	139	—	—	—	139,167	—	—	139,306
Cumulative effect adjustment for adoption of ASU 2016-01	(2)	—	—	—	(1,567)	1,569	—	—
BALANCES AT JUNE 30, 2018	$(50,919)	8,400,000	$202,731	121,752,514	$1,740,410	$ (257)	$ 79,463	$1,971,428

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

Table of Contents

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

	Three Months Ended June 30, 2018	2017
OPERATING ACTIVITIES:		
Net loss	$(169,289)	$(63,707)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Loss from discontinued operations, net of tax	4,041	5,658
Depreciation and amortization, including amortization of debt issuance costs	55,939	56,739
Loss on early extinguishment or revaluation of liabilities, net	937	3,281
Non-cash equity-based compensation expense	5,511	8,821
Loss (gain) on disposal or impairment of assets, net	101,335	(11,817)
Provision for doubtful accounts	196	305
Net adjustments to fair value of commodity derivatives	52,685	(36,527)
Equity in earnings of unconsolidated entities	(104)	(1,816)
Distributions of earnings from unconsolidated entities	—	1,426
Other	(206)	3,857
Changes in operating assets and liabilities, exclusive of acquisitions:		
Accounts receivable-trade and affiliates	(74,930)	129,058
Inventories	(48,770)	(3,963)
Other current and noncurrent assets	15,967	28,176
Accounts payable-trade and affiliates	(30,328)	(139,132)
Other current and noncurrent liabilities	13,830	9,956
Net cash used in operating activities-continuing operations	(73,186)	(9,685)
Net cash provided by operating activities-discontinued operations	31,790	10,676
Net cash (used in) provided by operating activities	(41,396)	991
INVESTING ACTIVITIES:		
Capital expenditures	(72,710)	(27,645)
Acquisitions, net of cash acquired	(116,592)	(19,897)
Settlements of commodity derivatives	(60,861)	23,349
Proceeds from sales of assets	5,406	18,493
Proceeds from divestitures of businesses and investments	18,594	—
Investments in unconsolidated entities	(6)	(5,250)
Distributions of capital from unconsolidated entities	—	2,115
Repayments on loan for natural gas liquids facility	2,707	2,401
Loan to affiliate	(1,050)	(500)
Net cash used in investing activities-continuing operations	(224,512)	(6,934)
Net cash used in investing activities-discontinued operations	(23,008)	(2,266)
Net cash used in investing activities	(247,520)	(9,200)
FINANCING ACTIVITIES:		
Proceeds from borrowings under Revolving Credit Facility	962,000	299,500
Payments on Revolving Credit Facility	(605,500)	(344,500)
Repurchase of senior secured and senior unsecured notes	(5,069)	(74,391)
Payments on other long-term debt	(163)	(159)
Debt issuance costs	(771)	(2,096)
Contributions from noncontrolling interest owners, net	169	23

Distributions to general and common unit partners and preferred unitholders	(53,905)	(53,399)
Proceeds from sale of preferred units, net of offering costs	—	202,977
Repurchase of warrants	(14,988)	(10,549)
Payments for settlement and early extinguishment of liabilities	(1,195)	(745)
Other	8,708	8,831
Net cash provided by financing activities-continuing operations	289,286	25,492
Net cash used in financing activities-discontinued operations	(9,033)	(9,999)
Net cash provided by financing activities	280,253	15,493
Less cash flows from discontinued operations	(251)	(1,589)
Net (decrease) increase in cash and cash equivalents	(8,412)	8,873
Cash and cash equivalents, beginning of period	22,094	7,826
Cash and cash equivalents, end of period	$13,682	$16,699
Supplemental cash flow information:		
Cash interest paid	$51,106	$54,335
Income taxes paid (net of income tax refunds)	$908	$1,247
Supplemental non-cash investing and financing activities:		
Distributions declared but not paid to Class B preferred unitholders	$4,725	$—
Accrued capital expenditures	$12,657	$1,389

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

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

Note 1—Organization and Operations

NGL Energy Partners LP ("we," "us," "our," or the "Partnership") is a Delaware limited partnership. NGL Energy Holdings LLC serves as our general partner. At June 30, 2018, our operations included:

- Our Crude Oil Logistics segment purchases crude oil from producers and transports it to refineries or for resale at pipeline injection stations, storage terminals, barge loading facilities, rail facilities, refineries, and other trade hubs, and provides storage, terminaling, trucking, marine and pipeline transportation services through its owned assets.
- Our Water Solutions segment provides services for the treatment and disposal of wastewater generated from crude oil and natural gas production and for the disposal of solids such as tank bottoms, drilling fluids and drilling muds and performs truck and frac tank washouts. In addition, our Water Solutions segment sells the recovered hydrocarbons that result from performing these services and it also sells freshwater to producers for exploration and production activities.
- Our Liquids segment supplies natural gas liquids to retailers, wholesalers, refiners, and petrochemical plants throughout the United States and in Canada using its leased underground storage and fleet of leased railcars, markets regionally through its 21 owned terminals throughout the United States, and provides terminaling and storage services at its salt dome storage facility joint venture in Utah.
- Our Retail Propane segment sells propane, distillates, equipment and supplies to end users consisting of residential, agricultural, commercial, and industrial customers and to certain resellers in 21 states and the District of Columbia. See below for a discussion of the sale of our Retail Propane segment.
- Our Refined Products and Renewables segment conducts gasoline, diesel, ethanol, and biodiesel marketing operations, purchases refined petroleum and renewable products primarily in the Gulf Coast, Southeast and Midwest regions of the United States and schedules them for delivery at various locations throughout the country. In addition, in certain storage locations, our Refined Products and Renewables segment may also purchase unfinished gasoline blending components for subsequent blending into finished gasoline to supply our marketing business as well as third parties.

Recent Developments

On July 10, 2018, we completed the sale of virtually all of our Retail Propane segment to Superior Plus Corp. ("Superior") for total consideration of $896.5 million in cash after adjusting for estimated working capital. Accordingly, upon satisfaction of the significant closing conditions for this transaction during the month of June 2018, the assets, liabilities and redeemable noncontrolling interest of the Retail Propane segment were classified as held for sale in our unaudited condensed consolidated balance sheets. This sale included all three of the retail propane businesses we acquired during the three months ended June 30, 2018 (see Note 4). We retained our 50% ownership interest in Victory Propane, LLC ("Victory Propane") (see Note 2). This transaction, combined with the sale of a portion of our Retail Propane segment to DCC LPG ("DCC") on March 30, 2018, represents a strategic shift in our operations and will have a significant effect on our operations and financial results going forward. Accordingly, the results of operations and cash flows related to the entire Retail Propane segment have been classified as discontinued operations for all periods presented and prior periods have been retrospectively adjusted in the unaudited condensed consolidated statements of operations and unaudited condensed consolidated statements of cash flows.

Note 2—Significant Accounting Policies

Basis of Presentation

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

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

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

Use of Estimates

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

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

Significant Accounting Policies

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

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value is based upon assumptions that market participants would use when pricing an asset or liability. We use the following fair value hierarchy, which prioritizes valuation technique inputs used to measure fair value into three broad levels:

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

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

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

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

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

Derivative Financial Instruments

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

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

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

Income Taxes

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

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

We evaluate uncertain tax positions for recognition and measurement in the unaudited condensed consolidated financial statements. To recognize a tax position, we determine whether it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation, based on the technical merits of the position. A tax position that meets the more likely than not threshold is measured to determine the amount of benefit to be recognized in the unaudited condensed consolidated financial statements. We had no material uncertain tax positions that required recognition in our unaudited condensed consolidated financial statements at June 30, 2018 or March 31, 2018.

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

Inventories

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

Inventories consist of the following at the dates indicated:

	June 30, 2018	March 31, 2018
	(in thousands)	
Crude oil	$77,834	$77,351
Natural gas liquids:		
Propane	48,940	38,910
Butane	46,224	12,613
Other	8,265	6,515
Refined products:		
Gasoline	289,021	253,286
Diesel	88,092	113,939
Renewables:		
Ethanol	35,227	38,093
Biodiesel	6,883	10,596
Total	$600,486	$551,303

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

Investments in Unconsolidated Entities

Investments we do not control, but can exercise significant influence over, are accounted for using the equity method of accounting. Investments in partnerships and limited liability companies, unless our investment is considered to be minor, and investments in unincorporated joint ventures are also accounted for using the equity method of accounting. Under the equity method, we do not report the individual assets and liabilities of these entities on our unaudited condensed consolidated balance sheets; instead, our ownership interests are reported within investments in unconsolidated entities on our unaudited condensed consolidated balance sheets. Under the equity method, the investment is recorded at acquisition cost, increased by our proportionate share of any earnings and additional capital contributions and decreased by our proportionate share of any losses, distributions paid, and amortization of any excess investment. Excess investment is the amount by which our total investment exceeds our proportionate share of the net assets of the investee.

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

Entity	Segment	Ownership Interest (1)	Date Acquired or Formed	June 30, 2018	March 31, 2018
				(in thousands)	
Water treatment and disposal facility (2)	Water Solutions	50%	August 2015	$1,995	$2,094

E Energy Adams, LLC (3)	Refined Products and Renewables	—%	December 2013	—	15,142
Victory Propane, LLC (4)	Corporate and Other	50%	April 2015	—	—
Total				$1,995	$ 17,236

(1) Ownership interest percentages are at June 30, 2018.
(2) This is an investment in an unincorporated joint venture.

11

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

(3) On May 3, 2018, we sold our previously held 20% interest in E Energy Adams, LLC for net proceeds of $18.6 million and recorded a gain on disposal of $3.0 million during the three months ended June 30, 2018 within loss (gain) on disposal or impairment of assets, net in our unaudited condensed consolidated statement of operations.
(4) As our investment is $0 at June 30, 2018, our proportionate share of Victory Propane's losses have been recorded against the loan receivable we have with Victory Propane. See Note 13 for a further discussion.

Variable Interest Entity

Victory Propane was formed as a joint venture in April 2015 by us and an unrelated third party. The business purpose of Victory Propane is to acquire and/or develop retail propane operations in a defined geographic area. In conjunction with the formation of Victory Propane, we agreed to provide Victory Propane a revolving line of credit of $5.0 million to be used for working capital and/or acquisition funding. Victory Propane began using this revolving line of credit shortly after operations commenced. At June 30, 2018, we provided a majority of Victory Propane's financing and have concluded that Victory Propane is a variable interest entity because the equity of Victory Propane is not sufficient to fund its activities without additional subordinated financial support. Each joint venture member has an equal ownership interest in Victory Propane and has equal representation on Victory Propane's board of managers to make all significant decisions relating to the operations of Victory Propane. Therefore, we do not have the power to direct activities that significantly influence the economic performance of Victory Propane and have concluded that we are not the primary beneficiary. Our maximum exposure to loss related to Victory Propane is limited to the sum of our equity investment as shown in the table above and the outstanding loan receivable (see Note 13) at June 30, 2018.

Other Noncurrent Assets

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

	June 30, 2018	March 31, 2018
	(in thousands)	
Loan receivable (1)	$26,441	$29,463
Line fill (2)	33,437	34,897
Tank bottoms (3)	44,148	42,044
Minimum shipping fees - pipeline commitments (4)	23,204	88,757
Other	47,908	49,878
Total	$175,138	$245,039

(1) Represents the noncurrent portion of 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 on certain third-party owned pipelines under long-term shipment commitments. At June 30, 2018, line fill consisted of 335,069 barrels of crude oil and 262,000 barrels of propane. At March 31, 2018, line fill consisted of 360,425 barrels of crude oil and 262,000 barrels of propane. Line fill held in pipelines we own is included within property, plant and equipment (see Note 5).
(3) Tank bottoms, which are product volumes required for the operation of storage tanks, are recorded at historical cost. We recover tank bottoms when the storage tanks are removed from service. At June 30, 2018 and March 31, 2018, tank bottoms held in third party terminals consisted of 389,737 barrels and 366,212 barrels of refined products, respectively. Tank bottoms held in terminals we own are included within property, plant and equipment (see Note 5).
(4) Represents the minimum shipping fees paid in excess of volumes shipped, or deficiency credits, for two contracts with crude oil pipeline operators. This amount can be recovered when volumes shipped exceed the minimum

monthly volume commitment (see Note 9). During the three months ended June 30, 2018, we entered into a definitive agreement, as described further in Note 13, in which we agreed to provide the benefit of our deficiency credit under one of these contracts. As a result of providing this benefit to the third party, we wrote off $67.7 million of these deficiency credits to loss (gain) on disposal or impairment of assets, net in our unaudited condensed consolidated statements of operation during the three months ended June 30, 2018. Under the remaining other contract for which we have the future benefit, we currently have 22 months in which to ship the excess volumes.

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

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

Accrued Expenses and Other Payables

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

	June 30, 2018	March 31, 2018
	(in thousands)	
Accrued compensation and benefits	$16,600	$18,033
Excise and other tax liabilities	33,982	40,829
Derivative liabilities	66,091	51,039
Accrued interest	32,758	39,947
Product exchange liabilities	13,911	11,842
Gavilon legal matter settlement (Note 9)	35,000	—
Deferred gain on sale of general partner interest in TLP (1)	—	30,113
Other	27,275	31,701
Total	$225,617	$223,504

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

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

Noncontrolling Interests

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

Balance at March 31, 2018	$9,927
Net loss attributable to redeemable noncontrolling interest	(398)
Redeemable noncontrolling interest valuation adjustment	3,300
Balance at June 30, 2018	$12,829

Business Combination Measurement Period

We record the assets acquired and liabilities assumed in a business combination at their acquisition date fair values. Pursuant to GAAP, an entity is allowed a reasonable period of time (not to exceed one year) to obtain the information necessary to identify and measure the fair value of the assets acquired and liabilities assumed in a business combination. As discussed in Note 4, certain of our acquisitions are still within this measurement period, and as a result, the acquisition date fair values we have recorded for the assets acquired and liabilities assumed are subject to change.

Also, as discussed in Note 4, we made certain adjustments during the three months ended June 30, 2018 to our estimates of the acquisition date fair values of assets acquired and liabilities assumed in business combinations that occurred during the fiscal year ended March 31, 2018.

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

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments-Credit Losses." The ASU requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected, which would include accounts receivable. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The ASU is effective for the Partnership beginning April 1, 2020, and requires a modified retrospective method of adoption, although early adoption is permitted. We are currently in the process of assessing the impact of this ASU on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." The ASU will replace previous lease accounting guidance in GAAP. The ASU requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The ASU retains a distinction between finance leases and operating leases. The ASU is effective for the Partnership beginning April 1, 2019, and requires a modified retrospective method of adoption. We are currently in the process of compiling a database of leases and analyzing each lease to assess the impact under this ASU on our consolidated financial statements.

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

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

Note 3—Loss Per Common Unit

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

	Three Months Ended June 30,	
	2018	2017
Weighted average common units outstanding during the period:		
Common units - Basic	121,544,421	120,535,909
Common units - Diluted	121,544,421	120,535,909

For the three months ended June 30, 2018 and 2017, the Performance Awards (as defined herein), warrants, Service Awards (as defined herein) and the Class A Preferred Units (as defined herein) were considered antidilutive.

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

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

	Three Months Ended June 30,	
	2018	2017
	(in thousands, except unit and per unit amounts)	
Loss from continuing operations	$ (165,248)	$ (58,049)
Less: Continuing operations loss (income) attributable to noncontrolling interests	345	(52)
Net loss from continuing operations attributable to NGL Energy Partners LP	(164,903)	(58,101)
Less: Distributions to preferred unitholders (1)	(20,157)	(9,684)
Less: Continuing operations loss allocated to general partner (2)	151	35
Less: Repurchase of warrants (3)	—	(349)
Net loss from continuing operations allocated to common unitholders	$ (184,909)	$ (68,099)
Loss from discontinued operations attributable to NGL Energy Partners, net of tax	$ (4,041)	$ (5,658)
Less: Discontinued operations loss attributable to redeemable noncontrolling interests	398	397
Less: Discontinued operations loss allocated to general partner (2)	4	5
Net loss from discontinued operations allocated to common unitholders	$ (3,639)	$ (5,256)
Net loss allocated to common unitholders	$ (188,548)	$ (73,355)
Basic loss per common unit		
Loss from continuing operations	$ (1.52)	$ (0.56)
Loss from discontinued operations, net of tax	(0.03)	(0.05)
Net loss	$ (1.55)	$ (0.61)
Diluted loss per common unit		
Loss from continuing operations	$ (1.52)	$ (0.56)
Loss from discontinued operations, net of tax	(0.03)	(0.05)
Net loss	$ (1.55)	$ (0.61)
Basic weighted average common units outstanding	121,544,421	120,535,909
Diluted weighted average common units outstanding	121,544,421	120,535,909

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

Note 4—Acquisitions

The following summarizes our acquisitions during the three months ended June 30, 2018:

Water Pipeline Company

On April 24, 2018, we acquired the remaining 18.375% interest in NGL Water Pipelines, LLC operating in the Delaware Basin portion of the Permian Basin in West Texas for total consideration of approximately $4.0 million. The acquisition of the remaining interest was accounted for as an equity transaction, no gain or loss was recorded, and the carrying value of the noncontrolling interest was adjusted to reflect the change in ownership interest of the subsidiary. As of the date of the transaction, the 18.375% interest had a carrying value of $3.9 million.

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

Saltwater Water Solutions Facilities

During the three months ended June 30, 2018, we acquired five saltwater disposal facilities (including 13 wells) for total consideration of approximately $98.4 million. The agreements for these acquisitions contemplate post-closing payments for certain working capital items. We are accounting for these transactions as business combinations.

The following table summarizes the preliminary estimates of the fair values as of June 30, 2018, for the assets acquired and liabilities assumed (in thousands):

Property, plant and equipment	$29,419
Goodwill	51,756
Intangible assets	17,207
Current liabilities	(250)
Fair value of net assets acquired	$98,132

As of June 30, 2018, the allocation of the purchase price is considered preliminary as we are continuing to gather additional information to (i) finalize the fair values of the property, plant and equipment and intangible assets, (ii) calculate any asset retirement obligations and (iii) determine if the leases we assumed are considered to be favorable or unfavorable to market.

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

The operations of these water solutions facilities have been included in our unaudited condensed consolidated statement of operations since their acquisition date. Our unaudited condensed consolidated statement of operations for the three months ended June 30, 2018 includes revenues of $1.5 million and operating income of $0.5 million that were generated by the operations of these water solutions facilities. We incurred $0.2 million of transaction costs related to these acquisitions during the three months ended June 30, 2018. These amounts are recorded within general and administrative expenses in our unaudited condensed consolidated statement of operations.

During the three months ended June 30, 2018, we also acquired two disposal wells for total consideration of $9.1 million, which we are accounting for as an acquisition of assets.

Freshwater Water Solutions Facilities

During the three months ended June 30, 2018, we acquired four freshwater facilities (including 16 wells) and a right-of-way that can be used for pipelines for total consideration of approximately $14.5 million. The agreement for this acquisition contemplates post-closing payments for certain working capital items. We are accounting for this transaction as a business combination.

The following table summarizes the preliminary estimates of the fair values as of June 30, 2018, for the assets acquired and liabilities assumed (in thousands):

Property, plant and equipment	$3,052
Goodwill	6,608
Intangible assets	4,840

Fair value of net assets acquired	$14,500

As of June 30, 2018, the allocation of the purchase price is considered preliminary as we are continuing to gather additional information to (i) finalize the fair values of the property, plant and equipment and intangible assets, (ii) calculate any asset retirement obligations, (iii) calculate any contingent consideration liabilities and (iv) determine if the leases we assumed are considered to be favorable or unfavorable to market.

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

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

The operations of these water solutions facilities have been included in our unaudited condensed consolidated statement of operations since their acquisition date. Our unaudited condensed consolidated statement of operations for the three months ended June 30, 2018 includes revenues of $0.5 million and operating income of $0.4 million that were generated by the operations of these water solutions facilities. We incurred $0.2 million of transaction costs related to these acquisitions during the three months ended June 30, 2018. These amounts are recorded within general and administrative expenses in our unaudited condensed consolidated statement of operations.

Retail Propane Businesses

During the three months ended June 30, 2018, we acquired three retail propane businesses for total consideration of approximately $19.1 million. We are accounting for these transactions as business combinations. The assets and liabilities are included in current assets and current liabilities held for sale in our unaudited condensed consolidated balance sheet (see Note 14).

Note 5—Property, Plant and Equipment

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

Description	Estimated Useful Lives	June 30, 2018	March 31, 2018
		(in thousands)	
Natural gas liquids terminal and storage assets	2–30 years	$238,561	$238,487
Pipeline and related facilities	30–40 years	243,616	243,616
Refined products terminal assets and equipment	15–25 years	6,736	6,736
Vehicles and railcars	3–25 years	122,649	121,159
Water treatment facilities and equipment	3–30 years	632,707	601,139
Crude oil tanks and related equipment	2–30 years	215,367	218,588
Barges and towboats	5–30 years	97,366	92,712
Information technology equipment	3–7 years	31,153	30,749
Buildings and leasehold improvements	3–40 years	147,847	147,442
Land		56,257	51,816
Tank bottoms and line fill (1)		20,118	20,118
Other	3–20 years	11,797	11,794
Construction in progress		146,106	77,596
		1,970,280	1,861,952
Accumulated depreciation		(365,782)	(343,345)
Net property, plant and equipment		$1,604,498	$1,518,607

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

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

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

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

	Three Months Ended June 30,	
	2018	2017
	(in thousands)	
Depreciation expense	$24,729	$24,782
Capitalized interest expense	$149	$—

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

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

	Three Months Ended June 30,	
	2018	2017
	(in thousands)	
Crude Oil Logistics	$(2,041)	$(3,632)
Water Solutions	2,475	524
Liquids	(10)	—
Total	$424	$(3,108)

Note 6—Goodwill

The following table summarizes changes in goodwill by segment during the three months ended June 30, 2018:

	Crude Oil Logistics	Water Solutions	Liquids	Refined Products and Renewables	Total
	(in thousands)				
Balances at March 31, 2018	$579,846	$424,465	$149,169	$ 51,127	$1,204,607
Acquisitions (Note 4)	—	58,364	—	—	58,364
Balances at June 30, 2018	$579,846	$482,829	$149,169	$ 51,127	$1,262,971

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

Note 7—Intangible Assets

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

Description	Amortizable Lives	June 30, 2018 Gross Carrying Amount	June 30, 2018 Accumulated Amortization	June 30, 2018 Net	March 31, 2018 Gross Carrying Amount	March 31, 2018 Accumulated Amortization	March 31, 2018 Net
		(in thousands)					
Amortizable:							
Customer relationships	3–20 years	$727,042	$(336,778)	$390,264	$718,763	$(328,666)	$390,097
Customer commitments	10 years	310,000	(51,667)	258,333	310,000	(43,917)	266,083
Pipeline capacity rights	30 years	161,785	(18,393)	143,392	161,785	(17,045)	144,740
Rights-of-way and easements	1–40 years	66,196	(3,769)	62,427	63,995	(3,214)	60,781
Executory contracts and other agreements	3–30 years	41,730	(14,993)	26,737	42,919	(15,424)	27,495
Non-compete agreements	2–32 years	8,538	(928)	7,610	5,465	(706)	4,759
Debt issuance costs (1)	5 years	41,763	(25,786)	15,977	40,992	(24,593)	16,399
Total amortizable		1,357,054	(452,314)	904,740	1,343,919	(433,565)	910,354
Non-amortizable:							
Trade names		2,800	—	2,800	2,800	—	2,800
Total non-amortizable		2,800	—	2,800	2,800	—	2,800
Total		$1,359,854	$(452,314)	$907,540	$1,346,719	$(433,565)	$913,154

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

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

The weighted-average remaining amortization period for intangible assets is approximately 13.4 years.

Amortization expense is as follows for the periods indicated:

Recorded In	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
	(in thousands)	
Depreciation and amortization	$27,316	$27,635
Cost of sales	1,465	