Mattersight Corp
Form 4
May 10, 2016

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
MURRAY MICHAEL JOHN

(Last) (First) (Middle)

200 W. MADISON, SUITE 3100

(Street)

CHICAGO, IL 60606

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Mattersight Corp [MATR]

3. Date of Earliest Transaction (Month/Day/Year)
05/09/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/09/2016		P		100,000	A	$ 3.446 (1)	563,553	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MURRAY MICHAEL JOHN 200 W. MADISON, SUITE 3100 CHICAGO, IL 60606	X			

Signatures

Christine R. Carsen, Attorney-in-fact	05/10/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The purchase price on the transaction date was reported using the average weighted purchase price. The price for all purchases on the transaction date ranged from $3.30 to $3.4799. The reporting person undertakes to provide to Mattersight Corporation, any security holder of Mattersight Corporation, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares purchased at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. yle="margin:0in 0in .0001pt;">

604

14,553

Net Income (Loss)

(19,224

)

(13,134

)

(2,023

)

3,949

14,553

Explanation of Responses:

(15,879

)

LESS: NET INCOME ALLOCATED TO GENERAL PARTNER

(11,056

)

(11,056

)

LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

(3,345

)

(3,345

)

NET INCOME (LOSS) ALLOCATED TO LIMITED PARTNERS

$

(19,224

)

$

(13,134

)

$

(2,023

)

$

3,949

$

152

$

(30,280

)

(1) The parent is a co-issuer of the 2019 Notes and 2021 Notes.

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At September 30, 2014 and March 31, 2014, and for the

Three Months and Six Months Ended September 30, 2014 and 2013

NGL ENERGY PARTNERS LP

Condensed Consolidating Statement of Operations

(U.S. Dollars in Thousands)

	Three Months Ended September 30, 2013				
	NGL Energy Partners LP (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES	$	$ 1,546,226	$ 47,735	$ (24)	$ 1,593,937
COST OF SALES		1,445,442	43,432	(24)	1,488,850
OPERATING COSTS AND EXPENSES:					
Operating		52,979	2,790		55,769
General and administrative		14,089	223		14,312
Depreciation and amortization		23,970	1,091		25,061
Operating Income		9,746	199		9,945
OTHER INCOME (EXPENSE):					
Interest expense	(4,179)	(6,880)	(13)	12	(11,060)
Other, net		528	(97)	(12)	419
Income (Loss) Before Income Taxes	(4,179)	3,394	89		(696)
INCOME TAX PROVISION		(236)			(236)
EQUITY IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	3,238	80		(3,318)	
Net Income (Loss)	(941)	3,238	89	(3,318)	(932)
LESS: NET INCOME ALLOCATED TO GENERAL PARTNER				(2,451)	(2,451)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				(9)	(9)

NET INCOME (LOSS) ALLOCATED TO LIMITED PARTNERS	$ (941)	$ 3,238	$ 89	$ (5,778)	$ (3,392)

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Three Months and Six Months Ended September 30, 2014 and 2013

NGL ENERGY PARTNERS LP

Condensed Consolidating Statement of Operations

(U.S. Dollars in Thousands)

	Six Months Ended September 30, 2014					
	NGL Energy Partners LP (Parent) (1)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES	$	$	$ 8,952,772	$ 76,421	$ (53)	$ 9,029,140
COST OF SALES			8,676,881	36,690	(53)	8,713,518
OPERATING COSTS AND EXPENSES:						
Operating			150,919	18,502		169,421
General and administrative			64,124	5,388		69,512
Depreciation and amortization			77,545	11,929		89,474
Operating Income (Loss)			(16,697)	3,912		(12,785)
OTHER INCOME (EXPENSE):						
Earnings of unconsolidated entities			4,875	1,387		6,262
Interest expense	(8,313)	(21,280)	(18,058)	(1,517)	23	(49,145)
Other, net			(1,056)	71	(23)	(1,008)
Income (Loss) Before Income Taxes	(8,313)	(21,280)	(30,936)	3,853		(56,676)
INCOME TAX (PROVISION) BENEFIT			993	(106)		887
EQUITY IN NET INCOME (LOSS) OF CONSOLIDATED SUBSIDIARIES	(50,886)		337		50,549	
Net Income (Loss)	(59,199)	(21,280)	(29,606)	3,747	50,549	(55,789)

LESS: NET INCOME ALLOCATED TO GENERAL PARTNER					(20,437)	(20,437)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS					(3,410)	(3,410)
NET INCOME (LOSS) ALLOCATED TO LIMITED PARTNERS	$ (59,199)	$ (21,280)	$ (29,606)	$ 3,747	$ 26,702	$ (79,636)

(1) The parent is a co-issuer of the 2019 Notes and 2021 Notes.

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

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Three Months and Six Months Ended September 30, 2014 and 2013

NGL ENERGY PARTNERS LP

Condensed Consolidating Statement of Operations

(U.S. Dollars in Thousands)

	Six Months Ended September 30, 2013				
	NGL Energy Partners LP (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
REVENUES	$	$ 2,914,531	$ 65,421	$ (58)	$ 2,979,894
COST OF SALES		2,735,890	56,094	(58)	2,791,926
OPERATING COSTS AND EXPENSES:					
Operating		99,710	5,104		104,814
General and administrative		32,297	469		32,766
Depreciation and amortization		46,000	1,785		47,785
Operating Income		634	1,969		2,603
OTHER INCOME (EXPENSE):					
Interest expense	(8,368)	(13,309)	(28)	23	(21,682)
Other, net		627	(135)	(23)	469
Income (Loss) Before Income Taxes	(8,368)	(12,048)	1,806		(18,610)
INCOME TAX BENEFIT		170			170
EQUITY IN NET INCOME (LOSS) OF CONSOLIDATED SUBSIDIARIES	(10,206)	1,672		8,534	
Net Income (Loss)	(18,574)	(10,206)	1,806	8,534	(18,440)
LESS: NET INCOME ALLOCATED TO GENERAL PARTNER				(4,139)	(4,139)
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				(134)	(134)

NET INCOME (LOSS) ALLOCATED TO LIMITED PARTNERS	$	(18,574)	$	(10,206)	$	1,806	$	4,261	$	(22,713)

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At September 30, 2014 and March 31, 2014, and for the

Three Months and Six Months Ended September 30, 2014 and 2013

NGL ENERGY PARTNERS LP

Condensed Consolidating Statements of Comprehensive Income (Loss)

(U.S. Dollars in Thousands)

	Three Months Ended September 30, 2014					
	NGL Energy Partners LP (Parent) (1)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ (19,224)	$ (13,134)	$ (2,023)	$ 3,949	$ 14,553	$ (15,879)
Other comprehensive income (loss)			4	(26)		(22)
Comprehensive income (loss)	$ (19,224)	$ (13,134)	$ (2,019)	$ 3,923	$ 14,553	$ (15,901)

(1) The parent is a co-issuer of the 2019 Notes and 2021 Notes.

	Three Months Ended September 30, 2013				
	NGL Energy Partners LP (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ (941)	$ 3,238	$ 89	$ (3,318)	$ (932)
Other comprehensive loss			(5)		(5)
Comprehensive income (loss)	$ (941)	$ 3,238	$ 84	$ (3,318)	$ (937)

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NGL ENERGY PARTNERS LP

Condensed Consolidating Statements of Comprehensive Income (Loss)

(U.S. Dollars in Thousands)

	Six Months Ended September 30, 2014					
	NGL Energy Partners LP (Parent) (1)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ (59,199)	$ (21,280)	$ (29,606)	$ 3,747	$ 50,549	$ (55,789)
Other comprehensive income (loss)			189	(26)		163
Comprehensive income (loss)	$ (59,199)	$ (21,280)	$ (29,417)	$ 3,721	$ 50,549	$ (55,626)

(1) The parent is a co-issuer of the 2019 Notes and 2021 Notes.

	Six Months Ended September 30, 2013				
	NGL Energy Partners LP (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$ (18,574)	$ (10,206)	$ 1,806	$ 8,534	$ (18,440)
Other comprehensive loss			(30)		(30)
Comprehensive income (loss)	$ (18,574)	$ (10,206)	$ 1,776	$ 8,534	$ (18,470)

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

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At September 30, 2014 and March 31, 2014, and for the

Three Months and Six Months Ended September 30, 2014 and 2013

NGL ENERGY PARTNERS LP

Condensed Consolidating Statement of Cash Flows

(U.S. Dollars in Thousands)

	Six Months Ended September 30, 2014				
	NGL Energy Partners LP (Parent) (1)	NGL Energy Finance Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
OPERATING ACTIVITIES:					
Net cash provided by (used in) operating activities	$ (8,180)	$ (15,383)	$ (56,019)	$ 17,947	$ (61,635)
INVESTING ACTIVITIES:					
Purchases of long-lived assets			(81,710)	(1,141)	(82,851)
Acquisitions of businesses, including acquired working capital, net of cash acquired			(657,514)	(1,250)	(658,764)
Cash flows from commodity derivatives			4,327		4,327
Proceeds from sales of assets			8,741		8,741
Investments in unconsolidated entities			(6,106)	(20,284)	(26,390)
Distributions of capital from unconsolidated entities			2,774	1,875	4,649
Net cash used in investing activities			(729,488)	(20,800)	(750,288)
FINANCING ACTIVITIES:					
Proceeds from borrowings under revolving credit facilities			1,923,500	56,000	1,979,500
Payments on revolving credit facilities			(1,766,000)	(38,000)	(1,804,000)
Issuance of notes		400,000			400,000
Payments on other long-term debt			(4,173)	(2)	(4,175)
Debt issuance costs	(269)	(7,209)	(1,720)		(9,198)
Contributions	395				395
Distributions to owners	(111,008)				(111,008)
Distributions to noncontrolling interest partners				(8,654)	(8,654)
Proceeds from sale of common units, net of offering costs	370,446				370,446
Net changes in advances with consolidated entities	(249,724)	(377,408)	632,995	(5,863)	
	9,840	15,383	784,602	3,481	813,306

Net cash provided by financing activities					
Net increase (decrease) in cash and cash equivalents	1,660		(905)	628	1,383
Cash and cash equivalents, beginning of period	1,181		8,728	531	10,440
Cash and cash equivalents, end of period	$ 2,841	$	$ 7,823	$ 1,159	$ 11,823

(1) The parent is a co-issuer of the 2019 Notes and 2021 Notes.

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

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NGL ENERGY PARTNERS LP

Condensed Consolidating Statement of Cash Flows

(U.S. Dollars in Thousands)

	Six Months Ended September 30, 2013			
	NGL Energy Partners LP (Parent)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
OPERATING ACTIVITIES:				
Net cash provided by (used in) operating activities	$ (8,312)	$ (44,607)	$ 4,175	$ (48,744)
INVESTING ACTIVITIES:				
Purchases of long-lived assets		(37,180)	(30,219)	(67,399)
Acquisitions of businesses, including acquired working capital, net of cash acquired	(334,085)	(56,237)	(2,283)	(392,605)
Cash flows from commodity derivatives		(19,074)		(19,074)
Proceeds from sales of assets		2,223	1	2,224
Net cash used in investing activities	(334,085)	(110,268)	(32,501)	(476,854)
FINANCING ACTIVITIES:				
Proceeds from borrowings under revolving credit facility		1,061,500		1,061,500
Payments on revolving credit facility		(893,000)		(893,000)
Proceeds from borrowings on other long-term debt		780	100	880
Payments on other long-term debt		(4,499)	(8)	(4,507)
Debt issuance costs	(133)	(2,085)		(2,218)
Contributions	504		1,940	2,444
Distributions to owners	(60,258)		(365)	(60,623)
Proceeds from sale of common units, net of offering costs	415,089			415,089
Net changes in advances with consolidated entities	(11,459)	(15,123)	26,582	
Net cash provided by financing activities	343,743	147,573	28,249	519,565
Net increase (decrease) in cash and cash equivalents	1,346	(7,302)	(77)	(6,033)
Cash and cash equivalents, beginning of period		11,206	355	11,561
Cash and cash equivalents, end of period	$ 1,346	$ 3,904	$ 278	$ 5,528

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NGL ENERGY PARTNERS LP AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements - Continued

At September 30, 2014 and March 31, 2014, and for the

Three Months and Six Months Ended September 30, 2014 and 2013

Note 15 Subsequent Events

Water Solutions Facility Acquisitions

As described in Note 4, we are party to a development agreement that provides us a right to purchase water disposal facilities developed by the other party to the agreement. During October and November 2014, we purchased five facilities under this development agreement and paid $52.2 million of cash for these facilities.

Sale of Natural Gas Liquids Terminal

In November 2014, we reached an agreement to sell one of our natural gas liquids terminals. We expect the sale to close in December 2014. We expect to record during the three months ending December 31, 2014 a loss on disposal of approximately $29.0 million, consisting of a loss of $21.0 million on property, plant and equipment and $8.0 million of allocated goodwill.

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

The following is a discussion of our financial condition and results of operations as of and for the three months and six months ended September 30, 2014. The discussion should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

Overview

We are a Delaware limited partnership. NGL Energy Holdings LLC serves as our general partner. At September 30, 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, and 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, and from the sale of recycled water and recovered hydrocarbons.

- 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 22 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 product 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 more than 20 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, which are entities that own refined products storage facilities.

Crude Oil Logistics

Our crude oil logistics business 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. We attempt to reduce our exposure to price fluctuations by using back-to-back contracts whenever possible. In addition, we enter into forward contracts, financial swaps, and commodity spread trades as economic hedges of our physical forward sales and purchase contracts with our customers and suppliers.

Most of our contracts to purchase or sell crude oil are at floating prices that are indexed to published rates in active markets, such as Cushing, Oklahoma. We seek to manage price risk by entering into purchase and sale contracts of similar volumes based on similar indexes and by entering into financial derivatives. We utilize our transportation assets to move crude oil from the wellhead to the highest value market. The spread between crude oil prices in different markets can fluctuate widely, which may expand or limit our opportunity to generate margins by transporting crude oil to different markets. We also seek to maximize margins by blending crude oil of varying properties.

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The range of low and high spot crude oil prices per barrel of NYMEX West Texas Intermediate Crude Oil at Cushing, Oklahoma and the prices at period end were as follows:

	Spot Price Per Barrel		
	Low	High	At Period End
Three Months Ended September 30,			
2014	$ 91.16	$ 105.34	$ 91.16
2013	97.99	110.53	102.33
Six Months Ended September 30,			
2014	$ 91.16	$ 107.26	$ 91.16
2013	86.68	110.53	102.33

We believe volatility in commodity prices will continue, and our ability to adjust to and manage this volatility may impact our financial results.

Water Solutions

Our water solutions segment generates revenues from the treatment and disposal of wastewater generated from crude oil and natural gas production, and from the sale of recycled water and recovered hydrocarbons. Our water processing facilities are strategically located near areas of high crude oil and natural gas production. A significant factor affecting the profitability of our water solutions segment is the extent of exploration and production in the areas near our facilities, which is based upon producers expectations about the profitability of drilling new wells. The primary customers of our facility in Wyoming have committed to deliver a specified minimum volume of water to our facility under long-term contracts. The primary customers of our facilities in the DJ Basin have committed to deliver to our facilities all wastewater produced at wells in a designated area. Most of the customers at our other facilities in Texas are not under volume commitments, other than one customer that has committed to deliver 50,000 barrels of wastewater per day to our facilities.

Liquids

Our liquids segment purchases propane, butane, and other products from refiners, processing plants, fractionation facilities, producers, and other parties, and sells the product to retailers, refiners, petrochemical plants, and other participants in the wholesale markets. Our liquids segment owns 22 terminals, operates a fleet of owned and leased railcars, and leases underground storage capacity. We attempt to reduce our exposure to the impact of price fluctuations by using back-to-back contracts and pre-sale agreements that allow us to lock in a margin on a percentage of our winter volumes. We also attempt to reduce our exposure to the impact of price fluctuations by entering into swap agreements whereby we agree to pay a floating rate and receive a fixed rate on a specified notional amount of product. We enter into these agreements as economic hedges against the potential decline in the value of a portion of our inventory.

Our wholesale business is a cost-plus business that can be affected both by price fluctuations and volume variations. We establish our selling price based on a pass-through of our product supply, transportation, handling, storage, and capital costs plus an acceptable margin. The margins we realize in our wholesale business are substantially less on a per gallon basis than in our retail propane business.

Weather conditions and gasoline blending can have a significant impact on the demand for propane and butane, and sales volumes and prices are typically higher during the colder months of the year. Consequently, our revenues, operating profits, and operating cash flows are typically lower in the first and second quarters of each fiscal year.

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The range of low and high spot propane prices per gallon at Conway, Kansas, and Mt. Belvieu, Texas, two of our main pricing hubs, and the prices at period end were as follows:

	Conway, Kansas Spot Price Per Gallon			Mt. Belvieu, Texas Spot Price Per Gallon		
	Low	High	At Period End	Low	High	At Period End
Three Months Ended September 30,						
2014	$ 1.00	$ 1.10	$ 1.03	$ 0.99	$ 1.11	$ 1.04
2013	0.81	1.16	1.01	0.86	1.19	1.05
Six Months Ended September 30,						
2014	$ 0.96	$ 1.13	$ 1.03	$ 0.99	$ 1.13	$ 1.04
2013	0.77	1.16	1.01	0.81	1.19	1.05

The range of low and high spot butane prices per gallon at Mt. Belvieu, Texas and the prices at period end were as follows:

	Spot Price Per Gallon		
	Low	High	At Period End
Three Months Ended September 30,			
2014	$ 1.21	$ 1.30	$ 1.22
2013	1.19	1.44	1.38
Six Months Ended September 30,			
2014	$ 1.20	$ 1.30	$ 1.22
2013	1.08	1.44	1.38

We believe volatility in commodity prices will continue, and our ability to adjust to and manage this volatility may impact our financial results.

Retail Propane

Our retail propane segment is a cost-plus business that sells propane, distillates, and equipment and supplies to residential, agricultural, commercial, and industrial end users. Our retail propane segment purchases the majority of its propane from our liquids segment. Our retail propane segment generates margins based on the difference between the wholesale cost of product and the selling price of the product in the retail markets. These margins fluctuate over time due to supply and demand conditions. Weather conditions can have a significant impact on our sales volumes and prices, as a large portion of our sales are to residential customers who purchase propane and distillates for home heating purposes.

A significant factor affecting the profitability of our retail propane segment is our ability to maintain our realized product margin on a cents per gallon basis. Product margin is the differential between our sales prices and our total product costs, including transportation and storage. Historically, we have been successful in passing on price increases to our customers. We monitor propane prices daily and adjust our retail prices to maintain expected margins by passing on the wholesale costs to our customers. Volatility in commodity prices may continue, and our ability to adjust to and manage this volatility may impact our financial results.

The retail propane business is weather-sensitive and subject to seasonal volume variations due to propane s primary use as a heating source in residential and commercial buildings and for agricultural purposes. Consequently, our revenues, operating profits, and operating cash flows are typically lower in the first and second quarters of each fiscal year.

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Refined Products and Renewables

Our refined products and renewables segment provides integrated terminaling, storage, transportation, marketing, and related services for companies engaged in the trading, distribution and marketing of refined petroleum products, ethanol, and biodiesel. We conduct our operations in the United States along the Gulf Coast, in the Midwest, in Houston and Brownsville, Texas, along the Mississippi and Ohio rivers, and in the Southeast.

The range of low and high spot gasoline prices per gallon using NYMEX gasoline prompt-month futures and the prices at period end were as follows:

	Spot Price Per Gallon		
	Low	**High**	**At Period End**
Three Months Ended September 30,			
2014	$ 2.52	$ 3.04	$ 2.59
Six Months Ended September 30,			
2014	$ 2.52	$ 3.13	$ 2.59

The range of low and high spot diesel prices per gallon using NYMEX ULSD prompt-month futures and the prices at period end were as follows:

	Spot Price Per Gallon		
	Low	**High**	**At Period End**
Three Months Ended September 30,			
2014	$ 2.65	$ 2.98	$ 2.65
Six Months Ended September 30,			
2014	$ 2.65	$ 3.05	$ 2.65

Recent Developments

Development of Crude Oil Rail Transloading Facility

On October 2, 2014, we announced plans to build a crude oil rail transloading facility, backed by executed producer commitments, capable of handling unit trains west of Albuquerque, New Mexico in the San Juan Basin. We expect the terminal to be completed in the third quarter of calendar year 2015 and, we expect the terminal to have multiple inbound truck unloading bays, an initial outbound capacity of at least two unit trains per week, and over 240,000 barrels of storage.

Grand Mesa Pipeline, LLC

On September 5, 2014, we formed the Grand Mesa Pipeline, LLC (Grand Mesa) joint venture in which we have a 50% ownership interest. Grand Mesa expects to build a crude oil pipeline with initial capacity exceeding 130,000 barrels per day, originating in Weld County, Colorado, and terminating at our crude oil storage terminal in Cushing, Oklahoma.

TransMontaigne Inc.

On July 1, 2014, we acquired TransMontaigne Inc. (TransMontaigne) for $174.2 million of cash, net of cash acquired. 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 and crude oil. As part of this transaction, we acquired the 2.0% general partner

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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. The acquisition agreement contemplates a post-closing adjustment to the purchase price for certain working capital items. We estimate that we will pay an additional $27.5 million once the working capital settlement process has been completed.

On July 10, 2014, we submitted a nonbinding proposal to the conflicts committee of the board of directors of TLP s general partner. Under this proposal, each outstanding unit of TLP would be exchanged for one of our common units. On August 15, 2014, we and TLP s general partner terminated discussions regarding our previously submitted nonbinding proposal to acquire the outstanding common units of TLP.

Water Solutions Facilities

As described below, we are party to a development agreement that provides us a right to purchase water disposal facilities developed by the other party to the agreement. During the six months ended September 30, 2014, we purchased four water disposal facilities under this development agreement. We also purchased a 75% interest in one additional water disposal facility in July 2014 from a different seller. On a combined basis, we paid $82.9 million of cash for these five water disposal facilities.

During October and November 2014, we purchased five facilities under this development agreement and paid $52.2 million of cash for these facilities.

Water Supply Company

In June 2014, we acquired an interest in a water supply company that expands our water solutions business in the DJ Basin.

Gavilon, LLC

In December 2013, we acquired the ownership interests of Gavilon, LLC (Gavilon Energy). Gavilon Energy s assets include crude oil terminals in Oklahoma, Texas and Louisiana, a 50% interest in Glass Mountain Pipeline, LLC (Glass Mountain), which owns a crude oil pipeline that originates in western Oklahoma and terminates in Cushing, Oklahoma, and an 11% 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 owned and leased crude oil storage in Cushing, Oklahoma.

Coastal Plains Disposal #1, LLC (Coastal)

In September 2013, we acquired the ownership interests in three water disposal facilities in the Eagle Ford Basin in Texas, and an option to acquire an additional facility which we exercised in March 2014.

Oilfield Water Lines LP (OWL)

In August 2013, we acquired the ownership interests in four water disposal facilities and a fleet of approximately 55 water transportation vehicles located in the Eagle Ford Basin in Texas.

High Roller Wells Big Lake SWD No. 1 Ltd. (Big Lake)

In July 2013, we acquired a water disposal facility located in the Permian Basin in Texas. As part of this transaction, we entered into a five-year development agreement that provides us a right to purchase water disposal facilities that may be developed by the other party to the agreement.

Crescent Terminals, LLC and Cierra Marine, LP

In July 2013, we acquired the operating assets of Crescent Terminals, LLC (Crescent), which operates a leased crude oil storage and dock facility in Port Aransas, Texas. In addition, we also purchased the ownership interests of Cierra Marine, LP (Cierra Marine), whereby we acquired a fleet of four towboats and seven crude oil barges operating in the intercoastal waterways of Texas.

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Summary Discussion of Operating Results for the Three Months Ended September 30, 2014

During the three months ended September 30, 2014, we generated operating income of $7.8 million, compared to operating income of $9.9 million during the three months ended September 30, 2013.

Our crude oil logistics segment generated operating income of less than $0.1 million during the three months ended September 30, 2014, compared to operating income of $5.9 million during the three months ended September 30, 2013. Spreads between the price of crude oil in different markets narrowed during the three months ended September 30, 2013 and remained narrow, which reduced our opportunity to generate increased margins by transporting crude oil from lower-price markets to higher-price markets. In addition, prices declined steadily during the three months ended September 30, 2014, which adversely impacted our margins.

Our water solutions segment generated operating income of $14.8 million during the three months ended September 30, 2014, compared to operating income of $2.9 million during the three months ended September 30, 2013. This increase was due in part to an increase in the volume of wastewater processed, which was due to increased demand for existing facilities and to the development and acquisition of new facilities.

Our liquids segment generated operating income of $10.9 million during the three months ended September 30, 2014, compared to operating income of $14.6 million during the three months ended September 30, 2013. Although sales volumes were higher during the three months ended September 30, 2014 than during the three months ended September 30, 2013, product margins were similar. This was due in part to the impact of unrealized gains on derivatives, which reduced cost of sales by $0.3 million during the three months ended September 30, 2014 and by $3.3 million during the three months ended September 30, 2013. Operating and general and administrative expenses were higher during the three months ended September 30, 2014 than during the three months ended September 30, 2013, due to expanded operations. Due to the seasonal nature of demand for natural gas liquids, sales volumes of our liquids segment are typically lower during the first and second quarters of the fiscal year than during the third and fourth quarters of the fiscal year.

Our retail propane segment generated an operating loss of $3.1 million during the three months ended September 30, 2014, compared to an operating loss of $4.5 million during the three months ended September 30, 2013. Sales volumes increased due to high demand as a result of cold weather conditions during the previous winter. Due to the seasonal nature of demand for propane, sales volumes of our retail propane business typically are lower during the first and second quarters of the fiscal year than during the third and fourth quarters of the fiscal year.

Our refined products and renewables segment generated operating income of $8.8 million during the three months ended September 30, 2014. Our refined products and renewables segment began with our December 2013 acquisition of Gavilon Energy and expanded with our July 2014 acquisition of TransMontaigne.

We recorded $3.7 million of earnings from our equity method investments during the three months ended September 30, 2014. Most of our equity method investments were acquired in our December 2013 acquisition of Gavilon Energy and our July 2014 acquisition of TransMontaigne.

We incurred interest expense of $28.7 million during the three months ended September 30, 2014, compared to interest expense of $11.1 million during the three months ended September 30, 2013. The increase was due primarily to borrowings to finance acquisitions.

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Consolidated Results of Operations

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
		(in thousands)		
Total revenues	$ 5,380,526	$ 1,593,937	$ 9,029,140	$ 2,979,894
Total cost of sales	5,179,465	1,488,850	8,713,518	2,791,926
Operating and general and administrative expenses	143,192	70,081	238,933	137,580
Depreciation and amortization	50,099	25,061	89,474	47,785
Operating income (loss)	7,770	9,945	(12,785)	2,603
Earnings of unconsolidated entities	3,697		6,262	
Interest expense	(28,651)	(11,060)	(49,145)	(21,682)
Other, net	(617)	419	(1,008)	469
Loss before income taxes	(17,801)	(696)	(56,676)	(18,610)
Income tax (provision) benefit	1,922	(236)	887	170
Net loss	(15,879)	(932)	(55,789)	(18,440)
Less: Net income allocated to general partner	(11,056)	(2,451)	(20,437)	(4,139)
Less: Net income attributable to noncontrolling interests	(3,345)	(9)	(3,410)	(134)
Net loss attributable to parent equity	$ (30,280)	$ (3,392)	$ (79,636)	$ (22,713)

See the detailed discussion of revenues, cost of sales, operating expenses, general and administrative expenses, depreciation and amortization expense and operating income by segment below. The acquisitions described above had a significant impact on the comparability of our results of operations during the three months and six months ended September 30, 2014 and 2013.

Non-GAAP Financial Measures

The following table reconciles net loss attributable to parent equity to our EBITDA and Adjusted EBITDA, each of which are non-GAAP financial measures:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
		(in thousands)		
Net loss attributable to parent equity	$ (19,224)	$ (941)	$ (59,199)	$ (18,574)

Income tax provision (benefit)		(1,933)		236		(898)		(170)
Interest expense		27,929		11,060		48,446		21,682
Depreciation and amortization		48,366		25,753		92,716		48,948
EBITDA		55,138		36,108		81,065		51,886
Net unrealized (gains) losses on derivative contracts		(13,700)		167		(8,690)		3,745
Lower of cost or market adjustment		2,837				2,837		
Loss on disposal or impairment of assets		4,150		1,790		4,608		2,163
Equity-based compensation expense		13,745		3,217		21,659		10,292
Adjusted EBITDA	$	62,170	$	41,282	$	101,479	$	68,086

We define EBITDA as net income (loss) attributable to parent equity, plus interest expense, income taxes, and depreciation and amortization expense. We define Adjusted EBITDA as EBITDA excluding unrealized gains or losses on derivative contracts, gains or losses on the disposal or impairment of assets, and equity-based compensation expense. EBITDA and Adjusted EBITDA should not be considered an alternative to net income, income before income taxes, cash flows from operating activities, or any other measure of financial performance calculated in accordance with accounting principles generally accepted in the United States (GAAP) as

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those items are used to measure operating performance, liquidity or the ability to service debt obligations. We believe that EBITDA provides additional information to investors for evaluating our ability to make quarterly distributions to our unitholders and is presented solely as a supplemental measure. We believe that Adjusted EBITDA provides additional information for evaluating our financial performance without regard to our financing methods, capital structure and historical cost basis. Further, EBITDA and Adjusted EBITDA, as we define them, may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other entities.

For purposes of our Adjusted EBITDA calculation, we make a distinction between unrealized gains and losses on derivatives and realized gains and losses on derivatives. During the period when a derivative contract is open, we record changes in the fair value of the derivative as an unrealized gain or loss. When a derivative contract is settled, we reverse the previously-recorded unrealized gain or loss and record a realized gain or loss. The realized gain or loss is equal to the amount received or paid on the contract. We acquired Gavilon Energy in December 2013 and TransMontaigne in July 2014. We are still in the process of developing procedures to calculate realized and unrealized gains and losses for these operations in the same way we calculate them for our other operations. Accordingly, the net unrealized gains and losses in the table above exclude any unrealized gains and losses related to Gavilon Energy or TransMontaigne. For the three months and six months ended September 30, 2014, we excluded a lower-of-cost-or-market adjustment to crude oil inventory from the calculation of Adjusted EBITDA. A large portion of this adjustment was hedged through financial derivatives, and the related unrealized gain was also excluded from the calculation of Adjusted EBITDA.

The following tables reconcile depreciation and amortization amounts per the EBITDA table above to depreciation and amortization amounts reported in our condensed consolidated statements of operations and condensed consolidated statements of cash flows:

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Six Months Ended September 30, 2014	Six Months Ended September 30, 2013
	(in thousands)			
Reconciliation to condensed consolidated statements of operations:				
Depreciation and amortization per EBITDA table	$ 48,366	$ 25,753	$ 92,716	$ 48,948
Intangible asset amortization recorded to cost of sales	(1,984)	(949)	(4,121)	(1,574)
Depreciation and amortization of unconsolidated entities	(5,734)		(8,615)	
Depreciation and amortization attributable to noncontrolling interests	9,451	257	9,494	411
Depreciation and amortization per condensed consolidated statements of operations	$ 50,099	$ 25,061	$ 89,474	$ 47,785

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2013
	(in thousands)	
Reconciliation to condensed consolidated statements of cash flows:		
Depreciation and amortization per EBITDA table	$ 92,716	$ 48,948
Amortization of debt issuance costs recorded to interest expense	4,029	2,462
Depreciation and amortization of unconsolidated entities	(8,615)	
Depreciation and amortization attributable to noncontrolling interests	9,494	411
Depreciation and amortization per condensed consolidated statements of cash flows	$ 97,624	$ 51,821

Segment Operating Results for the Three Months Ended September 30, 2014 and 2013

Items Impacting the Comparability of Our Financial Results

Our current and future results of operations may not be comparable to our historical results of operations for the periods presented, due to business combinations. We expanded our crude oil logistics business through a number of acquisitions, including our acquisitions of Gavilon Energy in December 2013 and TransMontaigne in July 2014. We expanded our water solutions business through several acquisitions of water disposal and transportation businesses, including OWL in August 2013, Coastal in September 2013, and other water disposal facilities subsequent to September 30, 2013. Our refined products and renewables businesses began with our December 2013 acquisition of Gavilon Energy and expanded with our July 2014 acquisition of TransMontaigne. The results of operations of our liquids and retail propane segments are impacted by seasonality, primarily due to the increase in volumes

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sold during the peak heating season from October through March. In addition, product price fluctuations can have a significant impact on our sales volumes and revenues. For these and other reasons, our results of operations for the three months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full fiscal year.

Volumes

The following table summarizes the volume of product sold and water delivered during the three months ended September 30, 2014 and 2013. Volumes shown in the following table include intersegment sales.

Segment	Three Months Ended September 30, 2014	2013	Change
	(in thousands)		
Crude oil logistics			
Crude oil sold (barrels)	21,549	9,280	12,269
Water solutions			
Water delivered (barrels)	30,869	16,459	14,410
Liquids			
Propane sold (gallons)	240,234	183,415	56,819
Other products sold (gallons)	197,510	195,292	2,218
Retail propane			
Propane sold (gallons)	23,551	20,599	2,952
Distillates sold (gallons)	3,434	3,072	362
Refined products and renewables			
Refined products sold (gallons)	890,141		890,141
Renewable products sold (gallons)	51,557		51,557

Operating Income (Loss) by Segment

Our operating income (loss) by segment is as follows:

Segment	Three Months Ended September 30, 2014	2013	Change
	(in thousands)		
Crude oil logistics	$ 38	$ 5,884	$ (5,846)
Water solutions	14,792	2,913	11,879
Liquids	10,929	14,605	(3,676)
Retail propane	(3,062)	(4,520)	1,458
Refined products and renewables	8,822		8,822

Corporate and other		(23,749)		(8,937)		(14,812)
Operating income	$	7,770	$	9,945	$	(2,175)

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Crude Oil Logistics

The following table summarizes the operating results of our crude oil logistics segment for the periods indicated:

	Three Months Ended September 30, 2014	2013	Change
		(in thousands)	
Revenues:			
Crude oil sales	$ 2,108,117	$ 1,013,061	$ 1,095,056
Crude oil transportation and other	13,082	9,794	3,288
Total revenues (1)	2,121,199	1,022,855	1,098,344
Expenses:			
Cost of sales	2,093,744	1,000,982	1,092,762
Operating expenses	12,432	11,760	672
General and administrative expenses	5,745	899	4,846
Depreciation and amortization expense	9,240	3,330	5,910
Total expenses	2,121,161	1,016,971	1,104,190
Segment operating income	$ 38	$ 5,884	$ (5,846)

(1) Revenues include $10.1 million and $8.8 million of intersegment sales during the three months ended September 30, 2014 and 2013, respectively, that are eliminated in our condensed consolidated statements of operations.

Revenues. Our crude oil logistics segment generated $2.1 billion of revenue from crude oil sales during the three months ended September 30, 2014, selling 21.5 million barrels at an average price of $97.83 per barrel. During the three months ended September 30, 2013, our crude oil logistics segment generated $1.0 billion of revenue from crude oil sales, selling 9.3 million barrels at an average price of $109.17 per barrel.

Crude oil transportation and other revenues of our crude oil logistics segment were $13.1 million during the three months ended September 30, 2014, compared to $9.8 million of crude oil transportation and other revenues during the three months ended September 30, 2013. This increase was due primarily to the Gavilon acquisition in December 2013.

Cost of Sales. Our cost of crude oil sold was $2.1 billion during the three months ended September 30, 2014, as we sold 21.5 million barrels at an average cost of $97.16 per barrel. Our cost of sales during the three months ended September 30, 2014 was reduced by $0.7 million of net unrealized gains on derivatives. During the three months ended September 30, 2013, our cost of crude oil sold was $1.0 billion, as we sold 9.3 million barrels at an average cost of $107.86 per barrel. Our cost of sales during the three months ended September 30, 2013 was increased by $3.1 million of net unrealized losses on derivatives.

The most significant drivers of the increase in our volumes, revenues, and cost of sales were the acquisitions of Gavilon Energy in December 2013 and TransMontaigne in July 2014. Spreads between the price of crude oil in different markets narrowed during the three months ended September 30, 2013 and remained narrow, which reduced our opportunity to generate increased margins by transporting crude oil from lower-price markets to higher-price markets.

Operating Expenses. Our crude oil logistics segment incurred $12.4 million of operating expenses during the three months ended September 30, 2014, compared to $11.8 million of operating expenses during the three months ended September 30, 2013.

General and Administrative Expenses. Our crude oil logistics segment incurred $5.7 million of general and administrative expenses during the three months ended September 30, 2014, compared to $0.9 million of general and administrative expenses during the three months ended September 30, 2013. This increase was due to the acquisitions of Gavilon Energy in December 2013 and TransMontaigne in July 2014. General and administrative expenses during the three months ended September 30, 2014 were increased by $2.2 million of compensation expense related to bonuses that the previous owners of Gavilon Energy granted to employees, contingent upon successful completion of the sale of the business. These bonuses will be payable in December 2014, contingent upon the continued service of the employees. General and administrative expenses during the three months ended September 30, 2014 were also increased by $1.2 million of compensation expense related to termination benefits for certain TransMontaigne employees.

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Depreciation and Amortization Expense. Our crude oil logistics segment incurred $9.2 million of depreciation and amortization expense during the three months ended September 30, 2014, compared to $3.3 million of depreciation and amortization expense during the three months ended September 30, 2013. This increase was primarily due to acquisitions and capital expansions.

Operating Income. Our crude oil logistics segment generated operating income of less than $0.1 million during the three months ended September 30, 2014, compared to operating income of $5.9 million during the three months ended September 30, 2013. Operating income during the three months ended September 30, 2014 was increased by $0.7 million of net unrealized gains on derivatives. Operating income during the three months ended September 30, 2013 was reduced by $3.1 million of net unrealized losses on derivatives. Spreads between the price of crude oil in different markets narrowed during the three months ended September 30, 2013 and remained narrow, which reduced our opportunity to generate increased margins by transporting crude oil from lower-price markets to higher-price markets.

Water Solutions

The following table summarizes the operating results of our water solutions segment for the periods indicated:

	Three Months Ended September 30,		Change	
	2014	2013	Acquisitions (1)	Other
	(in thousands)			
Revenues:				
Water treatment and disposal	$ 47,572	$ 28,823	$ 14,861	$ 3,888
Water transportation	5,147	5,367	1,354	(1,574)
Total revenues	52,719	34,190	16,215	2,314
Expenses:				
Cost of sales	(9,439)	3,782	1,152	(14,373)
Operating expenses	29,019	15,003	13,947	69
General and administrative expenses	774	1,054	126	(406)
Depreciation and amortization expense	17,573	11,438	5,708	427
Total expenses	37,927	31,277	20,933	(14,283)
Segment operating income	$ 14,792	$ 2,913	$ (4,718)	$ 16,597

(1) Represents the change in revenues and expenses attributable to acquisitions subsequent to June 30, 2013. The cost of sales amount shown in this column does not include derivative gains and losses, as these cannot be attributed to specific facilities.

Revenues. The acquisitions subsequent to June 30, 2013 generated $19.4 million of treatment and disposal revenue during the three months ended September 30, 2014, taking delivery of 14.0 million barrels of wastewater at an average revenue of $1.39 per barrel. Exclusive of the acquisitions subsequent to June 30, 2013, our water solutions segment generated $28.2 million of treatment and disposal revenue during the three months ended September 30, 2014, taking delivery of 16.9 million barrels of wastewater at an average revenue of $1.67 per barrel. The acquisitions subsequent to June 30, 2013 generated $4.5 million of treatment and disposal revenue during the three months ended September 30, 2013, taking delivery of 2.7 million barrels of wastewater at an average revenue of $1.68 per barrel. Exclusive of the acquisitions subsequent to

June 30, 2013, our water solutions segment generated $24.3 million of treatment and disposal revenue during the three months ended September 30, 2014, taking delivery of 13.8 million barrels of wastewater at an average revenue of $1.76 per barrel. The primary reasons for the increase in revenues and water delivered were acquisitions made subsequent to June 30, 2013, including our acquisitions of OWL and Coastal, and to an increase in water volumes processed due to higher demand from customers.

Water transportation revenues decreased by $0.2 million during the three months ended September 30, 2014 compared to the three months ended September 30, 2013. During September 2014, we sold our water transportation business in order to focus our efforts on water processing. As part of this transaction, the buyer of the transportation business committed to deliver to our facilities substantially all of the water it transports for a period of two years.

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Cost of Sales. We enter into derivatives in our water solutions business to protect against the risk of a decline in the market price of the hydrocarbons we expect to recover when processing the wastewater. Our cost of sales for the three months ended September 30, 2014 was reduced by $12.7 million of net unrealized gains on derivatives and increased by $0.3 million of net realized losses on derivatives. Our cost of sales for the three months ended September 30, 2013 was increased by $0.2 million of net unrealized losses on derivatives and $0.9 million of net realized losses on derivatives. In the table above, the full impact of the change in derivative gains and losses during the three months ended September 30, 2014 as compared to the three months ended September 30, 2013 is reported in the other column, as it is not possible to attribute these gains and losses to individual water facilities.

Operating Expenses. Our water solutions segment incurred $29.0 million of operating expenses during the three months ended September 30, 2014, compared to $15.0 million of operating expenses during the three months ended September 30, 2013. Of this increase, $13.9 million related to the acquisitions subsequent to June 30, 2013, which includes a loss of $4.0 million related to the sale of our water transportation business. This increase was partially offset by losses on disposal of property, plant and equipment of $2.0 million during the three months ended September 30, 2013 as a result of property damage from lightning strikes at two of our facilities.

General and Administrative Expenses. Our water solutions segment incurred $0.8 million of general and administrative expenses during the three months ended September 30, 2014, compared to $1.1 million of general and administrative expenses during the three months ended September 30, 2013.

Depreciation and Amortization Expense. Our water solutions segment incurred $17.6 million of depreciation and amortization expense during the three months ended September 30, 2014, compared to $11.4 million of depreciation and amortization expense during the three months ended September 30, 2013. Of this increase, $5.7 million related to the acquisitions subsequent to June 30, 2013, which included $0.5 million of amortization expense related to trade name intangible assets. Exclusive of the acquisitions subsequent to June 30, 2013, the increase is due in part to $0.6 million of amortization expense related to trade name intangible assets. During the year ended March 31, 2014, we ceased using certain trade names and began amortizing them as finite-lived defensive assets.

Operating Income. Our water solutions segment generated operating income of $14.8 million during the three months ended September 30, 2014, compared to operating income of $2.9 million during the three months ended September 30, 2013. This increase was due in part to an increase in the volume of wastewater processed, which was due to increased demand for existing facilities and to the development and acquisition of new facilities.

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Liquids

The following table summarizes the operating results of our liquids segment for the periods indicated:

	Three Months Ended September 30, 2014	2013	Change
		(in thousands)	
Revenues:			
Propane sales	$ 240,433	$ 191,437	$ 48,996
Other product sales	306,625	308,606	(1,981)
Other revenues	6,814	9,250	(2,436)
Total revenues (1)	553,872	509,293	44,579
Expenses:			
Cost of sales - propane	230,729	184,565	46,164
Cost of sales - other products	293,262	292,142	1,120
Cost of sales - other	4,222	7,106	(2,884)
Operating expenses	9,183	6,800	2,383
General and administrative expenses	2,163	1,403	760
Depreciation and amortization expense	3,384	2,672	712
Total expenses	542,943	494,688	48,255
Segment operating income	$ 10,929	$ 14,605	$ (3,676)

(1) Revenues include $14.1 million and $24.4 million of intersegment sales during the three months ended September 30, 2014 and 2013, respectively, that are eliminated in our condensed consolidated statements of operations.

Revenues. Our liquids segment generated $240.4 million of wholesale propane sales revenue during the three months ended September 30, 2014, selling 240.2 million gallons at an average price of $1.00 per gallon. During the three months ended September 30, 2013, our liquids segment generated $191.4 million of wholesale propane sales revenue, selling 183.4 million gallons at an average price of $1.04 per gallon. The increase in volume was due to higher market demand, due in part to cold weather conditions during the previous winter.

Our liquids segment generated $306.6 million of other wholesale products sales revenue during the three months ended September 30, 2014, selling 197.5 million gallons at an average price of $1.55 per gallon. During the three months ended September 30, 2013, our liquids segment generated $308.6 million of other wholesale products sales revenue, selling 195.3 million gallons at an average price of $1.58 per gallon.

Cost of Sales. Our cost of wholesale propane sales was $230.7 million during the three months ended September 30, 2014, as we sold 240.2 million gallons at an average cost of $0.96 per gallon. Our cost of wholesale propane sales during the three months ended September 30, 2014 was increased by $1.9 million of net unrealized losses on derivatives. During the three months ended September 30, 2013, our cost of wholesale propane sales was $184.6 million, as we sold 183.4 million gallons at an average cost of $1.01 per gallon. Our cost of wholesale propane sales during the three months ended September 30, 2013 was increased by $3.6 million of net unrealized losses on derivatives.

Our cost of sales of other products was $293.3 million during the three months ended September 30, 2014, as we sold 197.5 million gallons at an average cost of $1.48 per gallon. Our cost of sales of other products during the three months ended September 30, 2014 was reduced by $2.2 million of net unrealized gains on derivatives. During the three months ended September 30, 2013, our cost of sales of other products was $292.1 million, as we sold 195.3 million gallons at an average cost of $1.50 per gallon. Our cost of sales of other products during the three months ended September 30, 2013 was reduced by $6.9 million of net unrealized gains on derivatives.

Operating Expenses. Our liquids segment incurred $9.2 million of operating expenses during the three months ended September 30, 2014, compared to $6.8 million of operating expenses during the three months ended September 30, 2013. This increase was due primarily to expanded operations.

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General and Administrative Expenses. Our liquids segment incurred $2.2 million of general and administrative expenses during the three months ended September 30, 2014, compared to $1.4 million of general and administrative expenses during the three months ended September 30, 2013. This increase was due primarily to expanded operations.

Depreciation and Amortization Expense. Our liquids segment incurred $3.4 million of depreciation and amortization expense during the three months ended September 30, 2014, compared to $2.7 million of depreciation and amortization expense during the three months ended September 30, 2013.

Operating Income. Our liquids segment generated operating income of $10.9 million during the three months ended September 30, 2014, compared to operating income of $14.6 million during the three months ended September 30, 2013. Although sales volumes were higher during the three months ended September 30, 2014 than during the three months ended September 30, 2013, product margins were similar. This was due in part to the impact of unrealized gains on derivatives, which reduced cost of sales by $0.3 million during the three months ended September 30, 2014 and by $3.3 million during the three months ended September 30, 2013. Operating and general and administrative expenses were higher during the three months ended September 30, 2014 than during the three months ended September 30, 2013, due to expanded operations. The wholesale natural gas liquids business is weather-sensitive and subject to seasonal volume variations due to propane s primary use as a heating source and butane s use in gasoline blending, and sales prices and volumes are typically higher during the colder months of the year. Consequently, our revenues, operating profits, and operating cash flows are typically lower in the first and second quarters of each fiscal year.

Retail Propane

The following table summarizes the operating results of our retail propane segment for the periods indicated:

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Change
	(in thousands)		
Revenues:			
Propane sales	$ 48,552	$ 40,651	$ 7,901
Distillate sales	11,530	10,562	968
Other revenues	8,276	8,198	78
Total revenues	68,358	59,411	8,947
Expenses:			
Cost of sales - propane	27,434	21,848	5,586
Cost of sales - distillates	9,840	9,265	575
Cost of sales - other	2,620	2,457	163
Operating expenses	21,205	20,997	208
General and administrative expenses	2,637	2,493	144
Depreciation and amortization expense	7,684	6,871	813
Total expenses	71,420	63,931	7,489
Segment operating loss	$ (3,062)	$ (4,520)	$ 1,458

Revenues. Our retail propane segment generated revenue of $48.6 million from propane sales during the three months ended September 30, 2014, selling 23.6 million gallons at an average price of $2.06 per gallon. During the three months ended September 30, 2013, our retail propane segment generated $40.7 million of revenue from propane sales, selling 20.6 million gallons at an average price of $1.97 per gallon. The increase in average sales prices during the three months ended September 30, 2014 compared to the three months ended September 30, 2013 was due primarily to higher market demand as a result of cold weather conditions during the recent winter.

Our retail propane segment generated revenue of $11.5 million from distillate sales during the three months ended September 30, 2014, selling 3.4 million gallons at an average price of $3.36 per gallon. During the three months ended September 30, 2013, our retail propane segment generated $10.6 million of revenue from distillate sales, selling 3.1 million gallons at an average price of $3.44 per gallon.

Cost of Sales. Our cost of retail propane sales was $27.4 million during the three months ended September 30, 2014, as we sold 23.6 million gallons at an average cost of $1.16 per gallon. During the three months ended September 30, 2013, our cost of retail propane sales was $21.8 million, as we sold 20.6 million gallons at an average cost of $1.06 per gallon.

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Our cost of distillate sales was $9.8 million during the three months ended September 30, 2014, as we sold 3.4 million gallons at an average cost of $2.87 per gallon. During the three months ended September 30, 2013, our cost of distillate sales was $9.3 million, as we sold 3.1 million gallons at an average cost of $3.02 per gallon.

Operating Expenses. Our retail propane segment incurred $21.2 million of operating expenses during the three months ended September 30, 2014, compared to $21.0 million of operating expenses during the three months ended September 30, 2013.

General and Administrative Expenses. Our retail propane segment incurred $2.6 million of general and administrative expenses during the three months ended September 30, 2014, compared to $2.5 million of general and administrative expenses during the three months ended September 30, 2013.

Depreciation and Amortization Expense. Our retail propane segment incurred $7.7 million of depreciation and amortization expense during the three months ended September 30, 2014, compared to $6.9 million of depreciation and amortization expense during the three months ended September 30, 2013.

Operating Loss. Our retail propane segment generated an operating loss of $3.1 million during the three months ended September 30, 2014, compared to an operating loss of $4.5 million during the three months ended September 30, 2013. The decrease in operating loss was due primarily due to an increase in propane sales volumes. Demand was high during the three months ended September 30, 2014, as customers sought to replenish their supplies of natural gas liquids that had been depleted during the winter. The retail propane business is weather-sensitive and subject to seasonal volume variations due to propane s primary use as a heating source in residential and commercial buildings and for agricultural purposes. Consequently, our revenues, operating profits, and operating cash flows are typically lower in the first and second quarters of each fiscal year.

Refined Products and Renewables

The following table summarizes the operating results of our refined products and renewables segment during the three months ended September 30, 2014 (in thousands). Our refined products and renewables segment began with our December 2013 acquisition of Gavilon Energy and expanded with our July 2014 acquisition of TransMontaigne.

Revenues:		
Refined products sales	$	2,489,795
Renewables sales (1)		117,425
Total revenues		2,607,220
Expenses:		
Cost of sales - refined products		2,435,868
Cost of sales - renewables (1)		114,983
Operating expenses		29,838
General and administrative expenses		5,792
Depreciation and amortization expense		11,917

Total expenses		2,598,398
Segment operating income	$	8,822

(1) Revenues and cost of sales include $4.9 million and $2.0 million, respectively, associated with freely tradable Renewable Identification Numbers (RINs) with no corresponding sales volume during the three months ended September 30, 2014.

Revenues. Our refined products and renewables segment generated $2.5 billion of refined products sales revenue during the three months ended September 30, 2014, selling 890.1 million gallons at an average price of $2.80 per gallon.

Our refined products and renewables segment generated $112.5 million of renewables sales revenue (excluding freely tradable RINS) during the three months ended September 30, 2014, selling 51.6 million gallons at an average price of $2.18 per gallon.

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Cost of Sales. Our cost of refined products sales was $2.4 billion during the three months ended September 30, 2014, as we sold 890.1 million gallons at an average cost of $2.74 per gallon.

Our cost of renewables sales was $113.0 million (excluding freely tradable RINS) during the three months ended September 30, 2014, as we sold 51.6 million gallons at an average cost of $2.19 per gallon. We use a weighted-average inventory costing method for our ethanol inventory. During periods of declining prices, our margins are reduced, as the weighted-average costing pool includes inventory that was purchased when prices were higher.

Operating Expenses. Our refined products and renewables segment incurred $29.8 million of operating expenses during the three months ended September 30, 2014.

General and Administrative Expenses. Our refined products and renewables segment incurred $5.8 million of general and administrative expenses during the three months ended September 30, 2014. General and administrative expenses during the three months ended September 30, 2014 were increased by $0.1 million of compensation expense related to bonuses that the previous owners of Gavilon Energy granted to employees, contingent upon successful completion of the sale of the business. These bonuses will be payable in December 2014, contingent upon the continued service of the employees. General and administrative expenses during the three months ended September 30, 2014 were also increased by $1.5 million of compensation expense related to termination benefits for certain TransMontaigne employees.

Depreciation and Amortization Expense. Our refined products and renewables segment incurred $11.9 million of depreciation and amortization expense during the three months ended September 30, 2014.

Operating Income. Our refined products and renewables segment generated operating income of $8.8 million during the three months ended September 30, 2014. The adverse impact resulting from declining refined products prices during the quarter was mitigated by gains on hedges entered into to protect against the risk of declines in inventory prices.

Corporate and Other

The operating loss within corporate and other includes the following components:

	Three Months Ended September 30, 2014	2013	Change
	(in thousands)		
Equity-based compensation expense	$ (13,745)	$ (3,217)	$ (10,528)
Acquisition expenses	(3,230)	(785)	(2,445)
Other corporate expenses	(6,774)	(4,935)	(1,839)
	$ (23,749)	$ (8,937)	$ (14,812)

The increase in equity-based compensation expense is due primarily to $10.5 million of expense associated with restricted units granted in July 2014 to certain employees as a discretionary bonus that vested in September 2014.

Acquisition expenses during the three months ended September 30, 2014 related primarily to the acquisition of TransMontaigne.

The increase in other corporate expenses is due primarily to increases in compensation expense, due to the addition of new corporate employees to provide general and administrative services in support of the growth of our business.

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Segment Operating Results for the Six Months Ended September 30, 2014 and 2013

Items Impacting the Comparability of Our Financial Results

Our current and future results of operations may not be comparable to our historical results of operations for the periods presented, due to business combinations. We expanded our crude oil logistics business through a number of acquisitions, including our acquisitions of Crescent and Cierra Marine in July 2013, Gavilon Energy in December 2013 and TransMontaigne in July 2014. We expanded our water solutions business through several acquisitions of water disposal and transportation businesses, including Big Lake in July 2013, OWL in August 2013, Coastal in September 2013, and other water disposal facilities subsequent to September 30, 2013. Our refined products and renewables businesses began with our December 2013 acquisition of Gavilon Energy and expanded with our July 2014 acquisition of TransMontaigne. The results of operations of our liquids and retail propane segments are impacted by seasonality, primarily due to the increase in volumes sold during the peak heating season from October through March. In addition, product price fluctuations can have a significant impact on our sales volumes and revenues. For these and other reasons, our results of operations for the six months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full fiscal year.

Volumes

The following table summarizes the volume of product sold and water delivered during the six months ended September 30, 2014 and 2013. Volumes shown in the following table include intersegment sales.

	Six Months Ended September 30,		
Segment	**2014**	**2013**	**Change**
		(in thousands)	
Crude oil logistics			
Crude oil sold (barrels)	40,806	18,535	22,271
Water solutions			
Water delivered (barrels)	51,804	26,498	25,306
Liquids			
Propane sold (gallons)	423,992	310,834	113,158
Other products sold (gallons)	384,235	373,722	10,513
Retail propane			
Propane sold (gallons)	47,142	43,992	3,150
Distillates sold (gallons)	8,712	8,176	536
Refined products and renewables			
Refined products sold (gallons)	1,221,949		1,221,949
Renewable products sold (gallons)	104,591		104,591

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Operating Income (Loss) by Segment

Our operating income (loss) by segment is as follows:

Segment	Six Months Ended September 30, 2014	2013	Change
	(in thousands)		
Crude oil logistics	$ 1,501	$ 12,493	$ (10,992)
Water solutions	13,885	5,956	7,929
Liquids	10,016	12,490	(2,474)
Retail propane	(4,648)	(6,024)	1,376
Refined products and renewables	7,567		7,567
Corporate and other	(41,106)	(22,312)	(18,794)
Operating income (loss)	$ (12,785)	$ 2,603	$ (15,388)

Crude Oil Logistics

The following table summarizes the operating results of our crude oil logistics segment for the periods indicated:

	Six Months Ended September 30, 2014	2013	Change
	(in thousands)		
Revenues:			
Crude oil sales	$ 4,035,061	$ 1,941,595	$ 2,093,466
Crude oil transportation and other	25,196	19,729	5,467
Total revenues (1)	4,060,257	1,961,324	2,098,933
Expenses:			
Cost of sales	4,001,158	1,917,876	2,083,282
Operating expenses	28,417	21,175	7,242
General and administrative expenses	10,210	1,766	8,444
Depreciation and amortization expense	18,971	8,014	10,957
Total expenses	4,058,756	1,948,831	2,109,925
Segment operating income	$ 1,501	$ 12,493	$ (10,992)

(1) Revenues include $19.8 million and $16.5 million of intersegment sales during the six months ended September 30, 2014 and 2013, respectively, that are eliminated in our condensed consolidated statements of operations.

Revenues. Our crude oil logistics segment generated $4.0 billion of revenue from crude oil sales during the six months ended September 30, 2014, selling 40.8 million barrels at an average price of $98.88 per barrel. During the six months ended September 30, 2013, our crude oil logistics segment generated $1.9 billion of revenue from crude oil sales, selling 18.5 million barrels at an average price of $104.75 per barrel.

Crude oil transportation and other revenues of our crude oil logistics segment were $25.2 million during the six months ended September 30, 2014, compared to $19.7 million of crude oil transportation and other revenues during the six months ended September 30, 2013. This increase was due primarily to the Crescent and Cierra Marine acquisition in July 2013 and the Gavilon acquisition in December 2013.

Cost of Sales. Our cost of crude oil sold was $4.0 billion during the six months ended September 30, 2014, as we sold 40.8 million barrels at an average cost of $98.05 per barrel. Our cost of sales during the six months ended September 30, 2014 was reduced by $3.1 million of net unrealized gains on derivatives. During the six months ended September 30, 2013, our cost of crude oil sold was $1.9 billion, as we sold 18.5 million barrels at an average cost of $103.47 per barrel. Our cost of sales during the six months ended September 30, 2013 was reduced by $1.5 million of net unrealized gains on derivatives.

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The most significant drivers of the increase in our volumes, revenues, and cost of sales were the acquisition of Gavilon Energy in December 2013 and TransMontaigne in July 2014. Spreads between the price of crude oil in different markets narrowed during the six months ended September 30, 2013 and remained narrow, which reduced our opportunity to generate increased margins by transporting crude oil from lower-price markets to higher-price markets.

Operating Expenses. Our crude oil logistics segment incurred $28.4 million of operating expenses during the six months ended September 30, 2014, compared to $21.2 million of operating expenses during the six months ended September 30, 2013. This increase was primarily due to the Gavilon acquisition in December 2013.

General and Administrative Expenses. Our crude oil logistics segment incurred $10.2 million of general and administrative expenses during the six months ended September 30, 2014, compared to $1.8 million of general and administrative expenses during the six months ended September 30, 2013. This increase was due to the acquisitions of Gavilon Energy in December 2013 and TransMontaigne in July 2014. General and administrative expenses during the six months ended September 30, 2014 were increased by $4.3 million of compensation expense related to bonuses that the previous owners of Gavilon Energy granted to employees, contingent upon successful completion of the sale of the business. These bonuses will be payable in December 2014, contingent upon the continued service of the employees. General and administrative expenses during the six months ended September 30, 2014 were also increased by $1.2 million of compensation expense related to termination benefits for certain TransMontaigne employees.

Depreciation and Amortization Expense. Our crude oil logistics segment incurred $19.0 million of depreciation and amortization expense during the six months ended September 30, 2014, compared to $8.0 million of depreciation and amortization expense during the six months ended September 30, 2013. This increase was primarily due to acquisitions and capital expansions.

Operating Income. Our crude oil logistics segment generated operating income of $1.5 million during the six months ended September 30, 2014, compared to operating income of $12.5 million during the six months ended September 30, 2013. Operating income during the three months ended September 30, 2014 was increased by $3.1 million of net unrealized gains on derivatives. Operating income during the three months ended September 30, 2013 was increased by $1.5 million of net unrealized gains on derivatives. Spreads between the price of crude oil in different markets narrowed during the six months ended September 30, 2013 and remained narrow, which reduced our opportunity to generate increased margins by transporting crude oil from lower-price markets to higher-price markets.

Water Solutions

The following table summarizes the operating results of our water solutions segment for the periods indicated:

	Six Months Ended September 30,		Change	
	2014	**2013**	**Acquisitions (1)**	**Other**
		(in thousands)		
Revenues:				
Water treatment and disposal	$ 89,288	$ 47,511	$ 28,627	$ 13,150

Water transportation	10,745	7,192	6,954	(3,401)
Total revenues	100,033	54,703	35,581	9,749
Expenses:				
Cost of sales	1,134	4,365	4,984	(8,215)
Operating expenses	48,748	24,010	23,141	1,597
General and administrative expenses	1,601	1,578	199	(176)
Depreciation and amortization expense	34,665	18,794	15,348	523
Total expenses	86,148	48,747	43,672	(6,271)
Segment operating income	$ 13,885	$ 5,956	$ (8,091)	$ 16,020

(1) Represents the change in revenues and expenses attributable to acquisitions subsequent to March 31, 2013. The cost of sales amount shown in this column does not include derivative gains and losses, as these cannot be attributed to specific facilities.

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Revenues. The acquisitions subsequent to March 31, 2013 generated $35.6 million of treatment and disposal revenue during the six months ended September 30, 2014, taking delivery of 22.9 million barrels of wastewater at an average revenue of $1.56 per barrel. Exclusive of the acquisitions subsequent to March 31, 2013, our water solutions segment generated $53.7 million of treatment and disposal revenue during the six months ended September 30, 2014, taking delivery of 28.9 million barrels of wastewater at an average revenue of $1.85 per barrel. The acquisitions subsequent to March 31, 2013 generated $7.0 million of treatment and disposal revenue during the six months ended September 30, 2013, taking delivery of 5.1 million barrels of wastewater at an average revenue of $1.37 per barrel. Exclusive of the acquisitions subsequent to March 31, 2013, our water solutions segment generated $40.5 million of treatment and disposal revenue during the six months ended September 30, 2014, taking delivery of 21.4 million barrels of wastewater at an average revenue of $1.89 per barrel. The primary reasons for the increase in revenues and water delivered were acquisitions made subsequent to March 31, 2013, including our acquisitions of Big Lake, OWL and Coastal, and to an increase in water volumes processed due to higher demand from customers.

Water transportation revenues increased by $3.6 million during the six months ended September 30, 2014 compared to the six months ended September 30, 2013, due primarily to the acquisition of OWL. During September 2014, we sold our water transportation business in order to focus our efforts on water processing. As part of this transaction, the buyer of the transportation business committed to deliver to our facilities substantially all of the water it transports for a period of two years.

Cost of Sales. We enter into derivatives in our water solutions business to protect against the risk of a decline in the market price of the hydrocarbons we expect to recover when processing the wastewater. Our cost of sales for the six months ended September 30, 2014 was reduced by $6.6 million of net unrealized gains on derivatives and increased by $1.5 million of net realized losses on derivatives. Our cost of sales for the six months ended September 30, 2013 was reduced by $0.3 million of net unrealized gains on derivatives and increased by $1.1 million of net realized losses on derivatives. In the table above, the full impact of the change in derivative gains and losses during the six months ended September 30, 2014 as compared to the six months ended September 30, 2013 is reported in the other column, as it is not possible to attribute these gains and losses to individual water facilities.

Operating Expenses. Our water solutions segment incurred $48.7 million of operating expenses during the six months ended September 30, 2014, compared to $24.0 million of operating expenses during the six months ended September 30, 2013. Of this increase, $23.1 million related to the acquisitions subsequent to March 31, 2013, which includes a loss of $4.0 million related to the sale of our water transportation business. This increase was partially offset by losses on disposal of property, plant and equipment of $2.0 million during the six months ended September 30, 2013 as a result of property damage from lightning strikes at two of our facilities.

General and Administrative Expenses. Our water solutions segment incurred $1.6 million of general and administrative expenses during the six months ended September 30, 2014 and the six months ended September 30, 2013.

Depreciation and Amortization Expense. Our water solutions segment incurred $34.7 million of depreciation and amortization expense during the six months ended September 30, 2014, compared to $18.8 million of depreciation and amortization expense during the six months ended September 30, 2013. Of this increase, $15.3 million related to the acquisitions subsequent to March 31, 2013, which included $1.0 million of amortization expense related to trade name intangible assets. Exclusive of the acquisitions subsequent to March 31, 2013, the increase is due in part to $1.2 million of amortization expense related to trade name intangible assets. During the year ended March 31, 2014, we ceased using certain trade names and began amortizing them as finite-lived defensive assets.

Operating Income. Our water solutions segment generated operating income of $13.9 million during the six months ended September 30, 2014, compared to operating income of $6.0 million during the six months ended September 30, 2013. This increase was due in part to an increase in the volume of wastewater processed, which was due to increased demand for existing facilities and to the development and acquisition of new facilities.

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Liquids

The following table summarizes the operating results of our liquids segment for the periods indicated:

	Six Months Ended September 30, 2014	2013	Change
		(in thousands)	
Revenues:			
Propane sales	$ 462,879	$ 315,274	$ 147,605
Other product sales	594,984	558,459	36,525
Other revenues	12,530	18,114	(5,584)
Total revenues (1)	1,070,393	891,847	178,546
Expenses:			
Cost of sales - propane	449,636	302,108	147,528
Cost of sales - other products	574,524	541,077	33,447
Cost of sales - other	7,403	12,474	(5,071)
Operating expenses	18,248	15,532	2,716
General and administrative expenses	3,981	2,790	1,191
Depreciation and amortization expense	6,585	5,376	1,209
Total expenses	1,060,377	879,357	181,020
Segment operating income	$ 10,016	$ 12,490	$ (2,474)

(1) Revenues include $55.5 million and $46.0 million of intersegment sales during the six months ended September 30, 2014 and 2013, respectively, that are eliminated in our condensed consolidated statements of operations.

Revenues. Our liquids segment generated $462.9 million of wholesale propane sales revenue during the six months ended September 30, 2014, selling 424.0 million gallons at an average price of $1.09 per gallon. During the six months ended September 30, 2013, our liquids segment generated $315.3 million of wholesale propane sales revenue, selling 310.8 million gallons at an average price of $1.01 per gallon. The increase in volume was due to higher market demand, due in part to cold weather conditions during the previous winter.

Our liquids segment generated $595.0 million of other wholesale products sales revenue during the six months ended September 30, 2014, selling 384.2 million gallons at an average price of $1.55 per gallon. During the six months ended September 30, 2013, our liquids segment generated $558.5 million of other wholesale products sales revenue, selling 373.7 million gallons at an average price of $1.49 per gallon.

Cost of Sales. Our cost of wholesale propane sales was $449.6 million during the six months ended September 30, 2014, as we sold 424.0 million gallons at an average cost of $1.06 per gallon. Our cost of wholesale propane sales during the six months ended September 30, 2014 was increased by $1.7 million of net unrealized losses on derivatives. During the six months ended September 30, 2013, our cost of wholesale propane sales was $302.1 million, as we sold 310.8 million gallons at an average cost of $0.97 per gallon. Our cost of wholesale propane sales during the six months ended September 30, 2013 was increased by $5.2 million of net unrealized losses on derivatives.

Product margins per gallon of propane sold were lower during the six months ended September 30, 2014 than during the six months ended September 30, 2013. Propane prices were high during the recent winter due to cold weather conditions, and prices declined during February and March 2014. We use a weighted-average inventory costing method for our wholesale propane inventory, with the costing pools segregated based on the location of the inventory. During periods of declining prices, our margins are reduced, as the weighted-average costing pool includes inventory that was purchased when prices were higher.

One of our business strategies is to purchase and store inventory during the warmer months for sale during the winter months. We seek to lock in a margin on inventory held in storage through back-to-back purchases and sales, fixed-price forward sale commitments, and financial derivatives. We also have contracts whereby we have committed to purchase ratable volumes each month at index prices. We seek to manage the price risk associated with these contracts primarily by selling the inventory immediately after it is received. When we sell product, we record the cost of the sale at the average cost of all inventory at that location, which may

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include inventory stored for sale in the future. During periods of rising prices, this can result in greater margins on these sales. During periods of falling prices, this can result in negative margins on these sales.

Our cost of sales of other products was $574.5 million during the six months ended September 30, 2014, as we sold 384.2 million gallons at an average cost of $1.50 per gallon. Our cost of sales of other products during the six months ended September 30, 2014 was reduced by $0.8 million of net unrealized gains on derivatives. During the six months ended September 30, 2013, our cost of sales of other products was $541.1 million, as we sold 373.7 million gallons at an average cost of $1.45 per gallon. Our cost of sales of other products during the six months ended September 30, 2013 was increased by $0.3 million of net unrealized losses on derivatives.

Operating Expenses. Our liquids segment incurred $18.2 million of operating expenses during the six months ended September 30, 2014, compared to $15.5 million of operating expenses during the six months ended September 30, 2013. This increase was due primarily to expanded operations.

General and Administrative Expenses. Our liquids segment incurred $4.0 million of general and administrative expenses during the six months ended September 30, 2014, compared to $2.8 million of general and administrative expenses during the six months ended September 30, 2013. This increase was due primarily to expanded operations.

Depreciation and Amortization Expense. Our liquids segment incurred $6.6 million of depreciation and amortization expense during the six months ended September 30, 2014, compared to $5.4 million of depreciation and amortization expense during the six months ended September 30, 2013.

Operating Income. Our liquids segment generated operating income of $10.0 million during the six months ended September 30, 2014, compared to operating income of $12.5 million during the six months ended September 30, 2013. The wholesale natural gas liquids business is weather-sensitive and subject to seasonal volume variations due to propane s primary use as a heating source and butane s use in gasoline blending, and sales prices and volumes are typically higher during the colder months of the year. Consequently, our revenues, operating profits, and operating cash flows are typically lower in the first and second quarters of each fiscal year.

Retail Propane

The following table summarizes the operating results of our retail propane segment for the periods indicated:

	Six Months Ended September 30, 2014		2013		Change
			(in thousands)		
Revenues:					
Propane sales	$	100,578	$	87,342	$ 13,236

Distillate sales	30,225	28,431	1,794
Other revenues	15,457	15,898	(441)
Total revenues	146,260	131,671	14,589
Expenses:			
Cost of sales - propane	56,721	47,027	9,694
Cost of sales - distillates	25,876	24,509	1,367
Cost of sales - other	4,821	5,100	(279)
Operating expenses	42,687	41,839	848
General and administrative expenses	5,548	5,109	439
Depreciation and amortization expense	15,255	14,111	1,144
Total expenses	150,908	137,695	13,213
Segment operating loss	$ (4,648)	$ (6,024)	$ 1,376

Revenues. Our retail propane segment generated revenue of $100.6 million from propane sales during the six months ended September 30, 2014, selling 47.1 million gallons at an average price of $2.13 per gallon. During the six months ended September 30, 2013, our retail propane segment generated $87.3 million of revenue from propane sales, selling 44.0 million gallons at an average price of $1.99 per gallon. The increase in volumes and average sales prices during the six months ended September 30, 2014 compared to the six months ended September 30, 2013 was due primarily to higher market demand as a result of cold weather conditions during the recent winter.

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Our retail propane segment generated revenue of $30.2 million from distillate sales during the six months ended September 30, 2014, selling 8.7 million gallons at an average price of $3.47 per gallon. During the six months ended September 30, 2013, our retail propane segment generated $28.4 million of revenue from distillate sales, selling 8.2 million gallons at an average price of $3.48 per gallon.

Cost of Sales. Our cost of retail propane sales was $56.7 million during the six months ended September 30, 2014, as we sold 47.1 million gallons at an average cost of $1.20 per gallon. During the six months ended September 30, 2013, our cost of retail propane sales was $47.0 million, as we sold 44.0 million gallons at an average cost of $1.07 per gallon.

Our cost of distillate sales was $25.9 million during the six months ended September 30, 2014, as we sold 8.7 million gallons at an average cost of $2.97 per gallon. During the six months ended September 30, 2013, our cost of distillate sales was $24.5 million, as we sold 8.2 million gallons at an average cost of $3.00 per gallon.

Operating Expenses. Our retail propane segment incurred $42.7 million of operating expenses during the six months ended September 30, 2014, compared to $41.8 million of operating expenses during the six months ended September 30, 2013.

General and Administrative Expenses. Our retail propane segment incurred $5.5 million of general and administrative expenses during the six months ended September 30, 2014, compared to $5.1 million of general and administrative expenses during the six months ended September 30, 2013.

Depreciation and Amortization Expense. Our retail propane segment incurred $15.3 million of depreciation and amortization expense during the six months ended September 30, 2014, compared to $14.1 million of depreciation and amortization expense during the six months ended September 30, 2013.

Operating Loss. Our retail propane segment generated an operating loss of $4.6 million during the six months ended September 30, 2014, compared to an operating loss of $6.0 million during the six months ended September 30, 2013. The decrease in operating loss was due primarily to an increase in propane sales volumes. Demand was high during the six months ended September 30, 2014, as customers sought to replenish their supplies of natural gas liquids that had been depleted during the winter. The retail propane business is weather-sensitive and subject to seasonal volume variations due to propane s primary use as a heating source in residential and commercial buildings and for agricultural purposes. Consequently, our revenues, operating profits, and operating cash flows are typically lower in the first and second quarters of each fiscal year.

Refined Products and Renewables

The following table summarizes the operating results of our refined products and renewables segment during the six months ended September 30, 2014 (in thousands). Our refined products and renewables segment began with our December 2013 acquisition of Gavilon Energy and expanded with our July 2014 acquisition of TransMontaigne.

Revenues:		
Refined products sales	$	3,476,018
Renewables sales (1)		248,699
Total revenues		3,724,717
Expenses:		
Cost of sales - refined products		3,418,880
Cost of sales - renewables (1)		246,284
Operating expenses		31,462
General and administrative expenses		7,763
Depreciation and amortization expense		12,761
Total expenses		3,717,150
Segment operating income	$	7,567

(1) Revenues and cost of sales include $6.7 million and $4.4 million, respectively, associated with freely tradable RINs with no corresponding sales volume during the six months ended September 30, 2014.

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Revenues. Our refined products and renewables segment generated $3.5 billion of refined products sales revenue during the six months ended September 30, 2014, selling 1.2 billion gallons at an average price of $2.84 per gallon.

Our refined products and renewables segment generated $242.0 (excluding freely tradable RINs) million of renewables sales revenue during the six months ended September 30, 2014, selling 104.6 million gallons at an average price of $2.31 per gallon.

Cost of Sales. Our cost of refined products sales was $3.4 billion during the six months ended September 30, 2014, as we sold 1.2 billion gallons at an average cost of $2.80 per gallon.

Our cost of renewables sales was $241.9 (excluding freely tradable RINs) million during the six months ended September 30, 2014, as we sold 104.6 million gallons at an average cost of $2.31 per gallon. We use a weighted-average inventory costing method for our ethanol inventory. During periods of declining prices, our margins are reduced, as the weighted-average costing pool includes inventory that was purchased when prices were higher.

Operating Expenses. Our refined products and renewables segment incurred $31.5 million of operating expenses during the six months ended September 30, 2014.

General and Administrative Expenses. Our refined products and renewables segment incurred $7.8 million of general and administrative expenses during the six months ended September 30, 2014. General and administrative expenses during the six months ended September 30, 2014 were increased by $0.4 million of compensation expense related to bonuses that the previous owners of Gavilon Energy granted to employees, contingent upon successful completion of the sale of the business. These bonuses will be payable in December 2014, contingent upon the continued service of the employees. General and administrative expenses during the six months ended September 30, 2014 were also increased by $1.5 million of compensation expense related to termination benefits for certain TransMontaigne employees.

Depreciation and Amortization Expense. Our refined products and renewables segment incurred $12.8 million of depreciation and amortization expense during the six months ended September 30, 2014.

Operating Income. Our refined products and renewables segment generated operating income of $7.6 million during the six months ended September 30, 2014. The adverse impact resulting from declining refined products prices during the quarter was mitigated by gains on hedges entered into to protect against the risk of declines in inventory prices.

Corporate and Other

The operating loss within corporate and other includes the following components:

	Six Months Ended September 30, 2014	2013	Change
		(in thousands)	
Equity-based compensation expense	$ (21,659)	$ (10,292)	$ (11,367)
Acquisition expenses	(4,328)	(1,368)	(2,960)
Other corporate expenses	(15,119)	(10,652)	(4,467)
	$ (41,106)	$ (22,312)	$ (18,794)

The increase in equity-based compensation expense is due primarily to $10.5 million of expense associated with restricted units granted in July 2014 to certain employees as a discretionary bonus that vested in September 2014.

Acquisition expenses during the six months ended September 30, 2014 related primarily to the acquisition of TransMontaigne.

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The increase in other corporate expenses is due primarily to increases in compensation expense, due to the addition of new corporate employees to provide general and administrative services in support of the growth of our business.

Operating loss during the six months ended September 30, 2014 was increased by $0.4 million of compensation expense related to bonuses that the previous owners of Gavilon Energy granted to employees, contingent upon successful completion of the sale of the business. These bonuses will be payable in December 2014, contingent upon the continued service of the employees. This amount is reported within other corporate expenses in the table above.

Interest Expense

The largest component of interest expense during the three months and six months ended September 30, 2014 and 2013 has been interest on our Revolving Credit Facility, the 2019 Notes, the 2021 Notes, the 2022 Notes, and the TLP Credit Facility (each as hereinafter defined). See Note 7 to our condensed consolidated financial statements included in this Quarterly Report for additional information on our long-term debt. The change in interest expense during the periods presented is due primarily to fluctuations in the average outstanding debt balance and the applicable interest rates, as summarized below:

	Revolving Credit Facility		2019 Notes		2021 Notes		2022 Notes		TLP Credit Facility	
	Average Balance Outstanding (in thousands)	Average Interest Rate	Average Balance Outstanding (in thousands)	Interest Rate	Average Balance Outstanding (in thousands)	Interest Rate	Average Balance Outstanding (in thousands)	Interest Rate	Average Balance Outstanding (in thousands)	Average Interest Rate
Three Months Ended September 30,										
2014	$ 1,026,011	2.48%	$ 360,870	5.13%	$ 450,000	6.88%	$ 250,000	6.65%	$ 246,750	2.70%
2013	572,353	3.63%					250,000	6.65%		
Six Months Ended September 30,										
2014	$ 987,224	2.38%	$ 181,424	5.13%	$ 450,000	6.88%	$ 250,000	6.65%	$ 246,750	2.70%
2013	521,202	3.65%					250,000	6.65%		

Interest expense also includes amortization of debt issuance costs, letter of credit fees, interest on equipment financing notes, and accretion of interest on noninterest bearing debt obligations assumed in business combinations.

The increased level of debt outstanding during the three months and six months ended September 30, 2014 is due primarily to borrowings to finance acquisitions.

Income Tax Provision

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.

We have certain taxable corporate subsidiaries in the United States and in Canada, and our operations in Texas are subject to a state franchise tax that is calculated based on revenues net of cost of sales. We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled. Changes in tax rates are recognized in income in the period that includes the enactment date.

Income tax benefit was $1.9 million during the three months ended September 30, 2014, compared to $0.2 million of income tax expense during the three months ended September 30, 2013. The increase in the income tax benefit was primarily due to the July 2014 acquisition of TransMontaigne, as TransMontaigne is subject to United States federal and state income taxes.

Income tax benefit was $0.9 million during the six months ended September 30, 2014, compared to $0.2 million of an income tax benefit during the six months ended September 30, 2013. The increase in the income tax benefit was primarily due to the July 2014 acquisition of TransMontaigne, as TransMontaigne is subject to United States federal and state income taxes.

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Noncontrolling Interests

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

Net income attributable to noncontrolling interests was $3.3 million during the three months ended September 30, 2014, compared to less than $0.1 million of net income attributable to noncontrolling interests during the three months ended September 30, 2013. The increase was primarily due to the July 2014 acquisition of TransMontaigne, in which we acquired the general partner interest and a 19.7% limited partner interest in TLP.

Net income attributable to noncontrolling interests was $3.4 million during the six months ended September 30, 2014, compared to $0.1 million of net income attributable to noncontrolling interests during the six months ended September 30, 2013. The increase was primarily due to the July 2014 acquisition of TransMontaigne, in which we acquired the general partner interest and a 19.7% limited partner interest in TLP.

Seasonality

Seasonality impacts our liquids and retail propane segments. A large portion of our retail propane business is in the residential market where propane is used primarily for home heating purposes. Consequently, for these two segments, revenues, operating profits and operating cash flows are generated mostly in the third and fourth quarters of each fiscal year. See Liquidity, Sources of Capital and Capital Resource Activities Cash Flows.

Liquidity, Sources of Capital and Capital Resource Activities

Our principal sources of liquidity and capital are the cash flows from our operations and borrowings under our Revolving Credit Facility. Our cash flows from operations are discussed below.

Our borrowing needs vary significantly during the year due to the seasonal nature of our business. Our greatest working capital borrowing needs generally occur during the period of June through December, when we are building our natural gas liquids inventories in anticipation of the heating season. Our working capital borrowing needs generally decline during the period of January through March, when the cash flows from our retail propane and liquids segments are the greatest.

Our partnership agreement requires that, within 45 days after the end of each quarter we distribute all of our available cash (as defined in our partnership agreement) to unitholders as of the record date. Available cash for any quarter generally consists of all cash on hand at the end of that quarter, less the amount of cash reserves established by our general partner, to (i) provide for the proper conduct of our business, (ii) comply with applicable law, any of our debt instruments or other agreements, and (iii) provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters. TLP s partnership agreement also requires that, within 45 days after the end of each quarter it distribute all of its available cash (as defined in its partnership agreement) to its unitholders as of the record date. Available cash is defined similarly in TLP s partnership agreement and our partnership agreement.

We believe that our anticipated cash flows from operations and the borrowing capacity under our Revolving Credit Facility are sufficient to meet our liquidity needs for the next 12 months. If our plans or assumptions change or are inaccurate, or if we make acquisitions, we may need to raise additional capital. Our ability to raise additional capital, if necessary, depends on various factors and conditions, including market conditions. We cannot give any assurances that we can raise additional capital to meet these needs. Commitments or expenditures, if any, we may make toward any acquisition projects are at our discretion.

We continue to pursue a strategy of growth through acquisitions. We expect to consider financing future acquisitions through a variety of sources, including the use of available capacity on our Revolving Credit Facility, the issuance of equity to sellers of the businesses we acquire, private placements of common units or debt securities, and public offerings of common units or debt securities. Our ability to raise additional capital through the issuance of debt or equity securities will have a significant impact on our ability to continue to pursue our growth strategy.

Credit Agreement

On June 19, 2012, we entered into a credit agreement (as amended, the Credit Agreement) with a syndicate of banks. The Credit Agreement includes a revolving credit facility to fund working capital needs (the Working Capital Facility) and a revolving credit facility to fund acquisitions and expansion projects (the Expansion Capital Facility, and together with the Working Capital Facility, the Revolving Credit Facility).

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The Working Capital Facility had a total capacity of $1.335 billion for cash borrowings and letters of credit at September 30, 2014. At that date, we had outstanding borrowings of $942.5 million and outstanding letters of credit of $209.2 million on the Working Capital Facility. The Expansion Capital Facility had a total capacity of $858.0 million for cash borrowings at September 30, 2014. At that date, we had outstanding borrowings of $137.0 million on the Expansion Capital Facility. The capacity available under the Working Capital Facility may be limited by a borrowing base, as defined in the Credit Agreement, which is calculated based on the value of certain working capital items at any point in time.

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

All borrowings under the Credit Agreement bear interest, at our option, at (i) an alternate base rate plus a margin of 0.50% to 1.50% per annum or (ii) an adjusted LIBOR rate plus a margin of 1.50% to 2.50% per annum. The applicable margin is determined based on our consolidated leverage ratio, as defined in the Credit Agreement. At September 30, 2014, all borrowings under the Credit Agreement were LIBOR borrowings with an interest rate at September 30, 2014 of 1.91%, calculated as the LIBOR rate of 0.16% plus a margin of 1.75%. At September 30, 2014, the interest rate in effect on letters of credit was 2.00%. Commitment fees are charged at a rate ranging from 0.38% to 0.50% on any unused credit. At September 30, 2014, our outstanding borrowings and interest rates under our Revolving Credit Facility were as follows (dollars in thousands):

	Amount	Rate
Expansion Capital Facility		
LIBOR borrowings	$ 137,000	1.91%
Working Capital Facility		
LIBOR borrowings	942,500	1.91%

The Credit Agreement is secured by substantially all of our assets. The Credit Agreement specifies that our leverage ratio, as defined in the Credit Agreement, cannot exceed 4.25 to 1 at any quarter end. At September 30, 2014, our leverage ratio was approximately 3.4 to 1. The Credit Agreement also specifies that our interest coverage ratio, as defined in the Credit Agreement, cannot be less than 2.75 to 1 at any quarter end. At September 30, 2014, our interest coverage ratio was approximately 4.8 to 1.

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

At September 30, 2014, we were in compliance with the covenants under the Credit Agreement.

2019 Notes

On July 9, 2014, we issued $400.0 million of 5.125% Senior Notes Due 2019 (the 2019 Notes) in a private placement exempt from registration under the Securities Act of 1933, as amended (the Securities Act), pursuant to Rule 144A and Regulation S under the Securities Act. We received net proceeds of $393.5 million, after the initial purchasers discount of $6.0 million and estimated offering costs of $0.5 million. We used the net proceeds to reduce the outstanding balance on our Revolving Credit Facility.

The 2019 Notes mature on July 15, 2019. Interest is payable on January 15 and July 15 of each year. We have the right to redeem the 2019 Notes prior to the maturity date, although we would be required to pay a premium price for early redemption.

The Partnership and NGL Energy Finance Corp. are co-issuers of the 2019 Notes, and the obligations under the 2019 Notes are guaranteed by certain of our existing and future restricted subsidiaries that incur or guarantee indebtedness under certain of our other indebtedness, including the Revolving Credit Facility. The purchase agreement and the indenture governing the 2019 Notes contain various customary representations, warranties, and additional covenants, including, without limitation, limitations on fundamental changes and limitations on indebtedness and liens. Our obligations under the purchase agreement and the indenture may be accelerated following certain events of default (subject to applicable cure periods), including, without limitation, (i) the failure to pay principal or interest when due, (ii) experiencing an event of default on certain other debt agreements, or (iii) certain events of bankruptcy or insolvency.

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At September 30, 2014, we were in compliance with the covenants under the purchase agreement and indenture governing the 2019 Notes.

We also entered into a registration rights agreement whereby we have committed to exchange the 2019 Notes for a new issue of notes registered under the Securities Act that has substantially identical terms to the 2019 Notes on or before July 9, 2015. If we are unable to fulfill this obligation, we would be required to pay liquidated damages to the holders of the 2019 Notes.

2021 Notes

On October 16, 2013, we issued $450.0 million of 6.875% Senior Notes Due 2021 (the 2021 Notes) in a private placement exempt from registration under the Securities Act pursuant to Rule 144A and Regulation S under the Securities Act. We received net proceeds of $438.4 million, after the initial purchasers discount of $10.1 million and offering costs of $1.5 million. We used the net proceeds to reduce the outstanding balance on our Revolving Credit Facility.

The 2021 Notes mature on October 15, 2021. Interest is payable on April 15 and October 15 of each year. We have the right to redeem the 2021 Notes prior to the maturity date, although we would be required to pay a premium for early redemption.

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

At September 30, 2014, we were in compliance with the covenants under the purchase agreement and indenture governing the 2021 Notes.

We also entered into a registration rights agreement whereby we have committed to exchange the 2021 Notes for a new issue of notes registered under the Securities Act that has substantially identical terms to the 2021 Notes on or before October 16, 2014. Our inability to register the notes on time may result in liquidated damages of approximately $0.1 million per month.

2022 Notes

On June 19, 2012, we entered into a Note Purchase Agreement (as amended, the Note Purchase Agreement) whereby we issued $250.0 million of Senior Notes in a private placement (the 2022 Notes). The 2022 Notes bear interest at a fixed rate of 6.65%. Interest is payable quarterly. The

2022 Notes are required to be repaid in semi-annual installments of $25.0 million beginning on December 19, 2017 and ending on the maturity date of June 19, 2022. We have the option to prepay outstanding principal, although we would incur a prepayment penalty. The 2022 Notes are secured by substantially all of our assets and rank equal in priority with borrowings under the Credit Agreement.

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

The Note Purchase Agreement provides for customary events of default that include, among other things (subject in certain cases to customary grace and cure periods): (i) nonpayment of principal or interest, (ii) breach of certain covenants contained in the Note Purchase Agreement or the 2022 Notes, (iii) failure to pay certain other indebtedness or the acceleration of certain other indebtedness prior to maturity if the total amount of such indebtedness unpaid or accelerated exceeds $10.0 million, (iv) the rendering of a judgment for the payment of money in excess of $10.0 million, (v) the failure of the Note Purchase Agreement, the 2022 Notes, or the guarantees by the subsidiary guarantors to be in full force and effect in all material respects and (vi) certain events of bankruptcy

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or insolvency. Generally, if an event of default occurs (subject to certain exceptions), the trustee or the holders of at least 51% in aggregate principal amount of the then outstanding 2022 Notes of any series may declare all of the 2022 Notes of such series to be due and payable immediately.

At September 30, 2014, we were in compliance with the covenants under the Note Purchase Agreement.

TLP Credit Facility

On March 9, 2011, TLP entered into an amended and restated senior secured credit facility (TLP Credit Facility), which has been subsequently amended from time to time. The TLP Credit Facility provides for a maximum borrowing line of credit equal to the lesser of (i) $350 million and (ii) 4.75 times Consolidated EBITDA (as defined in the TLP Credit Facility: $352.9 million at September 30, 2014). TLP may elect to have loans under the TLP Credit Facility that bear interest either (i) at a rate of LIBOR plus a margin ranging from 2% to 3% depending on the total leverage ratio then in effect, or (ii) at the base rate plus a margin ranging from 1% to 2% depending on the total leverage ratio then in effect. TLP also pays a commitment fee on the unused amount of commitments, ranging from 0.375% to 0.50% per annum, depending on the total leverage ratio then in effect. TLP s obligations under the TLP Credit Facility are secured by a first priority security interest in favor of the lenders in the majority of TLP assets.

The terms of the TLP Credit Facility include covenants that restrict TLP s ability to make cash distributions, acquisitions and investments, including investments in joint ventures. TLP may make distributions of cash to the extent of its available cash as defined in the TLP partnership agreement. TLP may make acquisitions and investments that meet the definition of permitted acquisitions ; other investments which may not exceed 5% of consolidated net tangible assets ; and permitted JV investments . Permitted JV investments include up to $225 million of investments in BOSTCO, the Specified BOSTCO Investment . In addition to the Specified BOSTCO Investment, under the terms of the TLP Credit Facility, TLP may make an additional $75 million of other permitted JV investments (including additional investments in BOSTCO). The principal balance of loans and any accrued and unpaid interest are due and payable in full on the maturity date, March 9, 2016.

The TLP Credit Facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). The primary financial covenants contained in the TLP Credit Facility are (i) a total leverage ratio test (not to exceed 4.75 times), (ii) a senior secured leverage ratio test (not to exceed 3.75 times) in the event TLP issues senior unsecured notes, and (iii) a minimum interest coverage ratio test (not less than 3.0 times).

If TLP were to fail any financial performance covenant, or any other covenant contained in the TLP Credit Facility, TLP would seek a waiver from its lenders under such facility. If TLP was unable to obtain a waiver from its lenders and the default remained uncured after any applicable grace period, TLP would be in breach of the TLP Credit Facility, and the lenders would be entitled to declare all outstanding borrowings immediately due and payable. TLP was in compliance with all of the financial covenants under the TLP Credit Facility as of September 30, 2014.

At September 30, 2014, TLP had $252.0 million of outstanding borrowings under the TLP Credit Facility and no outstanding letters of credit.

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The following table summarizes our basis in the assets and liabilities of TLP at September 30, 2014, inclusive of the impact of our acquisition accounting for the business combination with TransMontaigne (in thousands):

Cash and cash equivalents	$	726
Accounts receivable - trade, net		12,252
Accounts receivable - affiliates		1,105
Inventories		1,613
Prepaid expenses and other current assets		1,363
Property, plant and equipment, net		504,272
Goodwill		29,118
Intangible assets, net		38,571
Investments in unconsolidated entities		268,410
Other noncurrent assets		1,910
Accounts payable - trade		(4,009)
Accounts payable - affiliates		(146)
Accrued expenses and other payables		(11,625)
Advance payments received from customers		(141)
Long-term debt		(252,000)
Other noncurrent liabilities		(4,247)
Net assets	$	587,172

Revolving Credit Balances

The following table summarizes Revolving Credit Facility borrowings:

	Average Daily Balance	Lowest Balance (in thousands)	Highest Balance
Six Months Ended September 30, 2014:			
Expansion borrowings	$ 346,855	$ 114,000	$ 578,500
Working capital borrowings	640,369	339,500	1,024,500
TLP credit facility	246,750	228,000	258,500
Six Months Ended September 30, 2013:			
Expansion borrowings	$ 440,423	$ 255,000	$ 546,000
Working capital borrowings	80,779		229,500

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Cash Flows

The following table summarizes the sources (uses) of our cash flows:

Cash Flows Provided by (Used in):	Six Months Ended September 30, 2014	2013
	(in thousands)	
Operating activities, before changes in operating assets and liabilities	$ 19,091	$ 60,976
Changes in operating assets and liabilities	(80,726)	(109,720)
Operating activities	$ (61,635)	$ (48,744)
Investing activities	(750,288)	(476,854)
Financing activities	813,306	519,565

Operating Activities. The seasonality of our natural gas liquids businesses has a significant effect on our cash flows from operating activities. The changes in our operating assets and liabilities caused by the seasonality of our retail and wholesale natural gas liquids businesses also have a significant impact on our net cash flows from operating activities. Increases in natural gas liquids prices will tend to result in reduced operating cash flows due to the need to use more cash to fund increases in inventories, and price decreases tend to increase our operating cash flow due to lower cash requirements to fund increases in inventories.

In general, our operating cash flows are at their lowest levels during our first and second fiscal quarters, or the six months ending September 30, when we experience operating losses or lower operating income as a result of lower volumes of natural gas liquids sales and when we are building our inventory levels for the upcoming heating season. Our operating cash flows are generally greatest during our third and fourth fiscal quarters, or the six months ending March 31, when our operating income levels are highest and customers pay for natural gas liquids consumed during the heating season months. We borrow under our revolving credit facilities to supplement our operating cash flows as necessary during our first and second quarters.

Investing Activities. Our cash flows from investing activities are primarily impacted by our capital expenditures. In periods where we are engaged in significant acquisitions, we will generally realize negative cash flows in investing activities, which, depending on our cash flows from operating activities, may require us to increase borrowings under our Revolving Credit Facility.

During the six months ended September 30, 2014, we paid $82.9 million for capital expenditures. Of this amount, $65.7 million represented expansion capital and $17.2 million represented maintenance capital. During the six months ended September 30, 2013, we paid $67.4 million for capital expenditures. Of this amount, $52.4 million represented expansion capital and $15.0 million represented maintenance capital.

During the six months ended September 30, 2014, we paid (i) $554.5 million in the TransMontaigne acquisition, (ii) $82.9 million to acquire water disposal facilities, (iii) $15.0 million to acquire an interest in a water supply company, and (iv) $6.4 million to acquire retail propane businesses. During the six months ended September 30, 2013, we completed a number of business combinations for which we paid $392.6

million of cash, net of cash acquired, on a combined basis.

Financing Activities. Changes in our cash flow from financing activities include borrowings from and repayments on our revolving credit facilities, to fund our operating or investing requirements. In periods where our cash flows from operating activities are reduced (such as during our first and second quarters), we may fund the cash flow deficits through our Working Capital Facility. During the six months ended September 30, 2014, we borrowed $175.5 million on our revolving credit facilities (net of repayments). During the six months ended September 30, 2014, we issued the 2019 Notes for $400.0 million. During the six months ended September 30, 2014, we received net proceeds of $370.4 million from the sale of our common units. During the six months ended September 30, 2013, we borrowed $168.5 million on our Revolving Credit Facility (net of repayments). During the six months ended September 30, 2013, we received net proceeds of $415.1 million from the sale of our common units.

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Cash flows from financing activities also include distributions paid to owners and noncontrolling interest partners. We expect our distributions to our partners to increase in future periods under the terms of our partnership agreement. Based on the number of common units outstanding at September 30, 2014 (exclusive of unvested restricted units issued pursuant to employee and director compensation programs), if we made distributions equal to our minimum quarterly distribution of $0.3375 per unit ($1.35 annualized), total distributions would equal $29.9 million per quarter ($119.7 million per year). To the extent our cash flows from operating activities are not sufficient to finance our required distributions, we may be required to increase borrowings under our Working Capital Facility.

The following table summarizes the distributions declared since our initial public offering:

Date Declared	Record Date	Date Paid	Amount Per Unit	Amount Paid To Limited Partners (in thousands)	Amount Paid To General Partner (in thousands)
July 25, 2011	August 3, 2011	August 12, 2011	$ 0.1669	$ 2,467	$ 3
October 21, 2011	October 31, 2011	November 14, 2011	0.3375	4,990	5
January 24, 2012	February 3, 2012	February 14, 2012	0.3500	7,735	10
April 18, 2012	April 30, 2012	May 15, 2012	0.3625	9,165	10
July 24, 2012	August 3, 2012	August 14, 2012	0.4125	13,574	134
October 17, 2012	October 29, 2012	November 14, 2012	0.4500	22,846	707
January 24, 2013	February 4, 2013	February 14, 2013	0.4625	24,245	927
April 25, 2013	May 6, 2013	May 15, 2013	0.4775	25,605	1,189
July 25, 2013	August 5, 2013	August 14, 2013	0.4938	31,725	1,739
October 23, 2013	November 4, 2013	November 14, 2013	0.5113	35,908	2,491
January 23, 2014	February 4, 2014	February 14, 2014	0.5313	42,150	4,283
April 24, 2014	May 5, 2014	May 15, 2014	0.5513	43,737	5,754
July 24, 2014	August 4, 2014	August 14, 2014	0.5888	52,036	9,481
October 23, 2014	November 4, 2014	November 14, 2014	0.6088	53,902	11,141

Distributions to noncontrolling interest partners are primarily comprised of distributions that TLP is required to make within 45 days after the end of each quarter to its unitholders as of the record date. To the extent TLP s cash flows from operating activities are not sufficient to finance its required distributions, it may be required to increase borrowings under the TLP Credit Facility.

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Contractual Obligations

The following table summarizes our contractual obligations at September 30, 2014 for our fiscal years ending thereafter:

	Total	Six Months Ending March 31, 2015	Years Ending March 31, 2016	2017	2018	Thereafter
			(in thousands)			
Principal payments on long-term debt						
Expansion capital borrowings	$ 137,000	$	$	$	$	$ 137,000
Working capital borrowings	942,500					942,500
2019 Notes	400,000					400,000
2021 Notes	450,000					450,000
2022 Notes	250,000				25,000	225,000
TLP Credit Facility	252,000		252,000			
Other long-term debt	10,913	2,345	3,128	2,362	1,459	1,619
Interest payments on long-term debt						
Revolving credit facility (1)	115,595	14,097	28,194	28,194	28,194	16,916
2019 Notes	102,500	10,250	20,500	20,500	20,500	30,750
2021 Notes	232,031	15,469	30,938	30,938	30,938	123,748
2022 Notes	91,438	8,313	16,625	16,625	16,209	33,666
TLP Credit Facility (1)	5,868	3,352	2,516			
Other long-term debt	655	220	206	123	78	28
Letters of credit	209,188					209,188
Future minimum lease payments under noncancelable operating leases	507,354	71,007	106,384	88,666	74,265	167,032
Future minimum throughput payments under noncancelable agreements (2)	441,168	41,822	95,050	82,916	62,565	158,815
Fixed-price commodity purchase commitments	102,000	101,344	656			
Index-price commodity purchase commitments (3)	984,872	950,613	34,259			
Total contractual obligations	$ 5,235,082	$ 1,218,832	$ 590,456	$ 270,324	$ 259,208	$ 2,896,262
Natural gas liquids gallons under fixed-price purchase commitments (thousands) (4)	88,574	87,944	630			
Natural gas liquids gallons under index-price purchase commitments (thousands) (4)	528,459	520,243	8,216			
Crude oil barrels under index-price purchase commitments (thousands) (4)	4,437	4,079	358			

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(1) The estimated interest payments on our revolving credit facilities are based on principal and letters of credit outstanding at September 30, 2014. See Note 7 to our condensed consolidated financial statements included in this Quarterly Report for additional information

on our revolving credit facilities.

(2) At September 30, 2014, we had agreements with crude oil and refined products pipeline operators obligating us to minimum throughput payments in exchange for pipeline capacity commitments.

(3) Index prices are based on a forward price curve at September 30, 2014. A theoretical change of $0.10 per gallon in the underlying commodity price at September 30, 2014 would result in a change of $52.8 million in the value of our index-price natural gas liquids purchase commitments. A theoretical change of $1.00 per barrel in the underlying commodity price at September 30, 2014 would result in a change of $4.4 million in the value of our index-price crude oil purchase commitments.

(4) At September 30, 2014, we had fixed-price and index-price sales contracts for 278.4 million and 370.6 million gallons of natural gas liquids, respectively. At September 30, 2014, we had index-price sales contracts for 3.9 million barrels of crude oil.

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Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements other than the operating leases described in Note 9 to our condensed consolidated financial statements included in this Quarterly Report.

Environmental Legislation

Please see our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 for a discussion of proposed environmental legislation and regulations that, if enacted, could result in increased compliance and operating costs. However, at this time we cannot predict the structure or outcome of any future legislation or regulations or the eventual cost we could incur in compliance.

Trends

Crude Oil Logistics

Crude oil prices fluctuate widely due to changes in supply and demand conditions. The opportunity to generate revenues in our crude oil logistics business is heavily influenced by the volume of crude oil being produced. Currently, production of crude oil in North America is increasing, but changes in the level of production could impact our ability to generate revenues in the future.

Spreads between the price of crude oil in different markets can also fluctuate widely. If these price differences are wide, we are able to generate increased margins by transporting crude oil from lower-price markets to higher-price markets. During the six months ended September 30, 2013, spreads remained narrow. When price differences between markets are reduced, it is necessary to renegotiate price terms with producers and to not fully utilize our transportation fleet until this process has been completed and margins have improved.

Crude oil prices declined steadily during the three months ended September 30, 2014. Declining prices can have an adverse impact on product margins, due to delays between when product is purchased and when it is sold. If prices continue to decline, low prices could have an adverse effect on the level of crude oil production.

Water Solutions

Our opportunity to generate revenues in our water solutions business is based on the level of production of natural gas and crude oil in the areas where our facilities are located. Currently, production levels are strong, and we are expanding our operations in Colorado and Texas to meet this demand. Crude oil prices declined steadily during the three months ended September 30, 2014. A portion of our revenues are generated from the sale of recovered hydrocarbons, and therefore crude oil prices impact the revenues of our water solutions segment. If crude oil prices continue to decline, the low prices could have an adverse effect on the level of crude oil production.

Liquids

The volumes we sell in our wholesale natural gas liquids business are heavily dependent on the demand for propane and butane, which is influenced by weather conditions and gasoline blending. The margins we generate in our wholesale natural gas liquids business are influenced by changes in prices over the course of a year. During years when demand is higher during the winter months, we have the opportunity to utilize our storage assets to increase margins.

Demand for natural gas liquids was high during the recent winter, due to cold weather conditions. Demand continued to be high during the six months ended September 30, 2014, as customers sought to replenish their supplies of natural gas liquids that had been depleted during the winter. As a result, sales volumes and prices were higher during the six months ended September 30, 2014 than during the corresponding period in the prior year. However, our product margin per gallon sold was lower during the six months ended September 30, 2014 than during the corresponding period in the prior year, as we began the year with inventory that had a high cost basis as a result of the high demand during the previous winter.

We use a weighted-average inventory costing method for our wholesale propane inventory, with the costing pools segregated based on the location of the inventory. During periods of declining prices, our margins are reduced, as the weighted-average costing pool includes inventory that was purchased when prices were higher.

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One of our business strategies is to purchase and store inventory during the warmer months for sale during the winter months. We seek to lock in a margin on inventory held in storage through back-to-back purchases and sales, fixed-price forward sale commitments, and financial derivatives. We also have contracts whereby we have committed to purchase ratable volumes each month at index prices. We seek to manage the price risk associated with these contracts primarily by selling the inventory immediately after it is received. When we sell product, we record the cost of the sale at the average cost of all inventory at that location, which may include inventory stored for sale in the future. During periods of rising prices, this can result in greater margins on these sales. During periods of falling prices, this can result in negative margins on these sales.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP. The core principle of this ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU is effective for the Partnership beginning April 1, 2017, and allows for both full retrospective and modified retrospective (with cumulative effect) methods of adoption. We are in the process of determining the method of adoption and assessing the impact of this ASU on our consolidated financial statements.

Critical Accounting Policies

The preparation of financial statements and related disclosures in compliance with GAAP requires the selection and application of appropriate accounting principles to the relevant facts and circumstances of the Partnership s operations and the use of estimates made by management. We have identified the following accounting policies that are most important to the portrayal of our financial condition and results of operations. The application of these accounting policies, which requires subjective or complex judgments regarding estimates and projected outcomes of future events, and changes in these accounting policies, could have a material effect on our consolidated financial statements.

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 business are recognized upon receipt of the wastewater at our 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 to 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.

Impairment of Long-Lived Assets

Goodwill is subject to at least an annual assessment for impairment. We perform our annual assessment of impairment during the fourth quarter of our fiscal year, and more frequently if circumstances warrant. To perform this assessment, we consider qualitative factors to determine whether it is more likely than not that the fair value of each reporting unit exceeds its carrying amount. We completed the assessment of each of our reporting units and determined it was more likely than not that no impairment existed for the year ended March 31, 2014. The assessment of the value of our reporting units requires us to make certain assumptions relating to future operations. When evaluating operating performance, various factors are considered, such as current and changing economic conditions and the commodity price environment, among others. If the growth assumptions embodied in the current year impairment testing prove inaccurate, we could incur an impairment charge.

We evaluate property, plant and equipment and amortizable intangible assets for potential impairment when events and circumstances warrant such a review. A long-lived asset group is considered impaired when the anticipated undiscounted future cash flows from the use and eventual disposition of the asset group is less than its carrying value.

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We evaluate equity method investments for impairment when we believe the current fair value may be less than the carrying amount. We record impairments of equity method investments if we believe the decline in value is other than temporary.

Asset Retirement Obligations

We are required to recognize the fair value of a liability for an asset retirement obligation if a reasonable estimate of fair value can be made. In order to determine the fair value of such a liability, we must make certain estimates and assumptions including, among other things, projected cash flows, the estimated timing of retirement, a credit-adjusted risk-free interest rate, and an assessment of market conditions, which could significantly impact the estimated fair value of the asset retirement obligation. These estimates and assumptions are very subjective and can vary over time. We have recorded a liability of $2.7 million at September 30, 2014. This liability is related to wastewater disposal facilities and crude oil facilities for which we have contractual and regulatory obligations to perform remediation and, in some instances, dismantlement and removal activities when the assets are retired.

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

Depreciation Methods and Estimated Useful Lives of Property, Plant and Equipment

Depreciation expense represents the systematic write-off of the cost of our property, plant and equipment, net of residual or salvage value (if any), to the results of operations for the quarterly and annual periods during which the assets are used. We depreciate the majority of our property, plant and equipment using the straight-line method, which results in us recording depreciation expense evenly over the estimated life of the individual asset. The estimate of depreciation expense requires us to make assumptions regarding the useful economic lives and residual values of our assets. At the time we acquire and place our property, plant and equipment in service, we develop assumptions about the useful economic lives and residual values of such assets that we believe to be reasonable; however, circumstances may develop that could require us to change these assumptions in future periods, which would change our depreciation expense prospectively. Examples of such circumstances include changes in laws and regulations that limit the estimated economic life of an asset, changes in technology that render an asset obsolete, or changes in expected salvage values.

Amortization of Intangible Assets

Amortization expense represents the systematic write-off of the cost of our amortizable intangible assets to the results of operations for the quarterly and annual periods during which the assets are used. We amortize the majority of these intangible assets using the straight-line method, which results in us recording amortization expense evenly over the estimated life of the individual asset. The estimate of amortization expense requires us to make assumptions regarding the useful economic lives of our assets. At the time we acquire intangible assets, we develop assumptions about the useful economic lives of such assets that we believe to be reasonable; however, circumstances may develop that could require us to change these assumptions in future periods, which would change our amortization expense prospectively. Examples of such circumstances include changes in customer attrition rates and changes in laws and regulations that could limit the estimated economic life of an asset.

Business Combinations

We have made in the past, and expect to make in the future, acquisitions of other businesses. We record business combinations using the acquisition method, in which the assets acquired and liabilities assumed are recorded at their estimated fair values. Fair values of assets acquired and liabilities assumed are based upon available information and may involve us engaging an independent third party to perform an appraisal. Estimating fair values can be complex and subject to significant business judgment. We must also identify and include in the allocation all acquired tangible and intangible assets that meet certain criteria, including assets that were not previously recorded by the acquired entity. The estimates most commonly involve property, plant and equipment and intangible assets, including those with indefinite lives. The estimates also include the fair value of contracts including commodity purchase and sale agreements, storage and transportation contracts, and employee compensation commitments. The excess of the purchase price over the net fair value of acquired assets and assumed liabilities is recorded as goodwill, which is not amortized but is reviewed annually for impairment. 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. The impact of subsequent changes to the identification of assets and liabilities may require retrospective adjustments to our previously-reported consolidated financial position and results of operations.

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Inventories

Our inventories consist primarily of crude oil, natural gas liquids, refined products, ethanol, and biodiesel. The market values of these commodities change on a daily basis as supply and demand conditions change. 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. At the end of each fiscal year, we also perform a lower of cost or market analysis; if the cost basis of the inventories would not be recoverable based on market prices at the end of the year, we reduce the book value of the inventories to the recoverable amount. 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. When performing this analysis during interim periods within a fiscal year, accounting standards do not require us to record a lower of cost or market write-down if we expect the market values to recover by our fiscal year end of March 31. We are unable to control changes in the market value of these commodities and are unable to determine whether write-downs will be required in future periods. In addition, write-downs at interim periods could be required if we cannot conclude that market values will recover sufficiently by our fiscal year end.

Equity-Based Compensation

Our general partner has granted certain restricted units to employees and directors under a long-term incentive plan. These units vest in tranches, subject to the continued service of the recipients.

We record the expense for the first tranche of each award on a straight-line basis over the period beginning with the grant date of the awards and ending with the vesting date of the tranche. We record the expense for succeeding tranches over the period beginning with the vesting date of the previous tranche and ending with the vesting date of the tranche.

At each balance sheet date, we adjust the cumulative expense recorded using the estimated fair value of the awards at the balance sheet date. We calculate the fair value of the awards using the closing price of our common units on the New York Stock Exchange on the balance sheet date, adjusted to reflect the fact that the holders of the unvested units are not entitled to distributions during the vesting period. We estimate the impact of the lack of distribution rights during the vesting period using the value of the most recent distribution and assumptions that a market participant might make about future distribution growth.

We report unvested units as liabilities on our condensed consolidated balance sheets. When units vest and are issued, we record an increase to equity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

At September 30, 2014, a significant portion of our long-term debt is variable-rate debt. Changes in interest rates impact the interest payments of our variable-rate debt but generally do not impact the fair value of the liability. Conversely, changes in interest rates impact the fair value of the fixed-rate debt but do not impact its cash flows.

Our Revolving Credit Facility is variable-rate debt with interest rates that are generally indexed to bank prime or LIBOR interest rates. At September 30, 2014, we had $1.1 billion of outstanding borrowings under our Revolving Credit Facility at a rate of 1.91%. A change in interest rates of 0.125% would result in an increase or decrease of our annual interest expense of $1.3 million, based on borrowings outstanding at September 30, 2014.

The TLP Credit Facility is variable-rate debt with interest rates that are generally indexed to bank prime or LIBOR interest rates. At September 30, 2014, TLP had $252.0 million of outstanding borrowings under the TLP Credit Facility at a rate of 2.66%. A change in interest rates of 0.125% would result in an increase or decrease in TLP s annual interest expense of $0.3 million, based on borrowings outstanding at September 30, 2014.

Commodity Price and Credit Risk

Our operations are subject to certain business risks, including commodity price risk and credit risk. Commodity price risk is the risk that the market value of crude oil, propane, and other natural gas liquids 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.

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As is customary in the crude oil industry, we generally receive payment from customers for sales of crude oil on a monthly basis. As a result, receivables from individual customers in our crude oil logistics segment are generally higher than the receivables from customers in our other segments.

Procedures and limits for managing commodity price risks and credit risks are specified in our market risk policy and credit risk policy, respectively. Open commodity positions and market price changes are monitored daily and are reported to senior management and to marketing operations personnel. We attempt to minimize credit risk exposure through credit policies and periodic monitoring procedures as well as through customer deposits, restrictions on product liftings, letters of credit and entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain transactions, as deemed appropriate. The principal counterparties associated with our operations at September 30, 2014 were retailers, resellers, energy marketers, producers, refiners and dealers.

The natural gas liquids and crude oil industries are margin-based and cost-plus businesses in which gross profits depend on the differential of sales prices over supply costs. As a result, our profitability may be impacted by changes in wholesale prices of natural gas liquids and crude oil. When there are sudden and sharp increases in the wholesale cost of natural gas liquids and crude oil, we may not be able to pass on these increases to our customers through retail or wholesale prices. Natural gas liquids and crude oil are commodities and the price we pay for them can fluctuate significantly in response to supply or other market conditions. We have no control over supply or market conditions. In addition, the timing of cost increases can significantly affect our realized margins. Sudden and extended wholesale price increases could reduce our gross margins and could, if continued over an extended period of time, reduce demand by encouraging end users to conserve or convert to alternative energy sources.

We engage in derivative financial and other risk management transactions, including various types of forward contracts and financial derivatives, to reduce the effect of price volatility on our product costs, protect the value of our inventory positions, and to help ensure the availability of product during periods of short supply. We attempt to balance our contractual portfolio by purchasing volumes when we have a matching purchase commitment from our wholesale and retail customers. We may experience net unbalanced positions from time to time. In addition to our ongoing policy to maintain a balanced position, for accounting purposes we are required, on an ongoing basis, to track and report the market value of our derivative portfolio.

Although we use derivative commodity instruments to reduce the market price risk associated with forecasted transactions, we have not accounted for such derivative commodity instruments as hedges. We record the changes in fair value of these derivative commodity instruments within cost of sales. The following table summarizes the hypothetical impact on the fair value of our commodity derivatives of an increase of 10% in the value of the underlying commodity (in thousands):

		Increase (Decrease) To Fair Value
Crude oil (crude oil logistics segment)	$	(3,699)
Crude oil (water solutions segment)		(10,595)
Propane (liquids segment)		5,519
Other products (liquids segment)		(930)
Refined products (refined products and renewables segment)		(51,414)
Renewables (refined products and renewables segment)		346

Fair Value

We use observable market values for determining the fair value of our derivative instruments. In cases where actively quoted prices are not available, other external sources are used which incorporate information about commodity prices in actively quoted markets, quoted prices in less active markets and other market fundamental analysis.

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Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), that are designed to provide reasonable assurance that information required to be disclosed in our filings and submissions under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer of our general partner, as appropriate, to allow timely decisions regarding required disclosure.

We completed an evaluation under the supervision and with participation of our management, including the principal executive officer and principal financial officer of our general partner, of the effectiveness of the design and operation of our disclosure controls and procedures at September 30, 2014. Based on this evaluation, the principal executive officer and principal financial officer of our general partner have concluded that as of September 30, 2014, such disclosure controls and procedures were effective to provide the reasonable assurance described above.

Other than changes that have resulted or may result from our acquisitions of Gavilon Energy or TransMontaigne, as discussed below, there have been no changes in our internal controls over financial reporting (as defined in Rule 13(a) 15(f) of the Exchange Act) during the three months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We acquired Gavilon Energy in December 2013 and TransMontaigne in July 2014, as described in Note 4 to our condensed consolidated financial statements included in this Quarterly Report. At this time, we continue to evaluate the business and internal controls and processes of these acquired businesses and are making various changes to their operating and organizational structures based on our business plan. We are in the process of implementing our internal control structure over these acquired businesses. We expect that our evaluation and integration efforts related to those operations will continue into future fiscal quarters.

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PART II

Item 1. Legal Proceedings

For information related to legal proceedings, please see the discussion under the captions Legal Contingencies and Customer Dispute in Note 9 to our unaudited condensed consolidated financial statements in Part I, Item I, of this Quarterly Report, which information is incorporated by reference into this Item 1.

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in Item 1A Risk Factors in our Annual report on Form 10-K for the fiscal year ended March 31, 2014, 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number		Exhibit
3.1		Amendment No. 2 to Third Amended and Restated Limited Liability Company Agreement of NGL Energy Holdings LLC, dated as of June 27, 2014 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-35172) filed on July 3, 2014)
4.1		Amendment No. 6 to Note Purchase Agreement, dated as of June 30, 2014, among the Partnership and the purchasers named therein (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35172) filed on July 3, 2014)
4.2		Indenture, dated as of July 9, 2014, by and among NGL Energy Partners LP, NGL Energy Finance Corp., the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35172) filed with the SEC on July 9, 2014)
4.3		Forms of 5.125% Senior Notes due 2019 (incorporated by reference and included as Exhibits A1 and A2 to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35172) filed with the SEC on July 9, 2014)
4.4		Registration Rights Agreement, dated as of July 9, 2014, by and among NGL Energy Partners LP, NGL Energy Finance Corp., the guarantors listed therein on Exhibit A and RBS Securities Inc. as representative of the several initial purchasers (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K (File No. 001-35172) filed with the SEC on July 9, 2014)
4.5	*	First Supplemental Indenture, dated as of July 31, 2014, among NGL Energy Partners LP, NGL Energy Finance Corp., the guaranteeing Subsidiaries party thereto and U.S. Bank National Association, as Trustee.
4.6	*	Third Supplemental Indenture, dated as of July 31, 2014, among NGL Energy Partners LP, NGL Energy Finance Corp., the guaranteeing subsidiaries party thereto and U.S. Bank National Association, as Trustee.
10.1		Amendment No. 6 to Credit Agreement, dated as of June 12, 2014, among NGL Energy Operating LLC, the Partnership, the subsidiary borrowers party thereto, Deutsche Bank Trust Company Americas and the other financial institutions party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35172) filed on June 16, 2014)
10.2		Amendment No. 7 to Credit Agreement, dated as of June 27, 2014, among NGL Energy Operating LLC, the Partnership, the subsidiary borrowers party thereto, Deutsche Bank Trust Company Americas and the other financial institutions party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35172) filed on July 3, 2014)
12.1	*	Ratios of earnings to fixed charges
31.1	*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS	**	XBRL Instance Document
101.SCH	**	XBRL Schema Document
101.CAL	**	XBRL Calculation Linkbase Document
101.DEF	**	XBRL Definition Linkbase Document
101.LAB	**	XBRL Label Linkbase Document
101.PRE	**	XBRL Presentation Linkbase Document

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* Exhibits filed with this report.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2014 and March 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three months and six months ended September 30, 2014 and 2013, (iii) Condensed Consolidated Statements of Comprehensive Loss for the three months and six months ended September 30, 2014 and 2013, (iv) Condensed Consolidated Statement of Changes in Equity for the six months ended

September 30, 2014, (v) Condensed Consolidated Statements of Cash Flows for the six months ended September 30, 2014 and 2013, and (vi) Notes to Condensed Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	NGL ENERGY PARTNERS LP		
	By:	NGL Energy Holdings LLC, its general partner	
Date: November 10, 2014		By:	/s/ H. Michael Krimbill H. Michael Krimbill Chief Executive Officer
Date: November 10, 2014		By:	/s/ Atanas H. Atanasov Atanas H. Atanasov Chief Financial Officer

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EXHIBIT INDEX

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4.1		Amendment No. 6 to Note Purchase Agreement, dated as of June 30, 2014, among the Partnership and the purchasers named therein (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35172) filed on July 3, 2014)
4.2		Indenture, dated as of July 9, 2014, by and among NGL Energy Partners LP, NGL Energy Finance Corp., the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35172) filed with the SEC on July 9, 2014)
4.3		Forms of 5.125% Senior Notes due 2019 (incorporated by reference and included as Exhibits A1 and A2 to Exhibit 4.1 to the Current Report on Form 8-K (File No. 001-35172) filed with the SEC on July 9, 2014)
4.4		Registration Rights Agreement, dated as of July 9, 2014, by and among NGL Energy Partners LP, NGL Energy Finance Corp., the guarantors listed therein on Exhibit A and RBS Securities Inc. as representative of the several initial purchasers (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K (File No. 001-35172) filed with the SEC on July 9, 2014)
4.5	*	First Supplemental Indenture, dated as of July 31, 2014, among NGL Energy Partners LP, NGL Energy Finance Corp., the guaranteeing Subsidiaries party thereto and U.S. Bank National Association, as Trustee.
4.6	*	Third Supplemental Indenture, dated as of July 31, 2014, among NGL Energy Partners LP, NGL Energy Finance Corp., the guaranteeing subsidiaries party thereto and U.S. Bank National Association, as Trustee.
10.1		Amendment No. 6 to Credit Agreement, dated as of June 12, 2014, among NGL Energy Operating LLC, the Partnership, the subsidiary borrowers party thereto, Deutsche Bank Trust Company Americas and the other financial institutions party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35172) filed on June 16, 2014)
10.2		Amendment No. 7 to Credit Agreement, dated as of June 27, 2014, among NGL Energy Operating LLC, the Partnership, the subsidiary borrowers party thereto, Deutsche Bank Trust Company Americas and the other financial institutions party thereto (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-35172) filed on July 3, 2014)
12.1	*	Ratios of earnings to fixed charges
31.1	*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS	**	XBRL Instance Document
101.SCH	**	XBRL Schema Document
101.CAL	**	XBRL Calculation Linkbase Document
101.DEF	**	XBRL Definition Linkbase Document
101.LAB	**	XBRL Label Linkbase Document
101.PRE	**	XBRL Presentation Linkbase Document

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* Exhibits filed with this report.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2014 and March 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three months and six months ended September 30, 2014 and 2013, (iii) Condensed Consolidated Statements of Comprehensive Loss for the three months and six months ended September 30, 2014 and 2013, (iv) Condensed Consolidated Statement of Changes in Equity for the six months ended

September 30, 2014, (v) Condensed Consolidated Statements of Cash Flows for the six months ended September 30, 2014 and 2013, and (vi) Notes to Condensed Consolidated Financial Statements.