

Western Gas Partners LP
Form 10-Q
May 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

Or

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

For the transition period from _____ to _____

Commission file number: 001-34046

WESTERN GAS PARTNERS, LP
(Exact name of registrant as specified in its charter)
Delaware 26-1075808
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1201 Lake Robbins Drive 77380
The Woodlands, Texas
(Address of principal executive offices) (Zip Code)

(832) 636-6000
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

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

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

There were 130,666,567 common units outstanding as of May 2, 2016.

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COMMONLY USED TERMS AND DEFINITIONS

Unless the context otherwise requires, references to “we,” “us,” “our,” the “Partnership” or “Western Gas Partners, LP” refer to Western Gas Partners, LP and its subsidiaries. As used in this Form 10-Q, the terms below have the following meanings:

Affiliates: Subsidiaries of Anadarko, excluding us, but including equity interests in Fort Union, White Cliffs, Rendezvous, the Mont Belvieu JV, TEP, TEG, and FRP.

Anadarko: Anadarko Petroleum Corporation and its subsidiaries, excluding us and our general partner.

Anadarko-Operated Marcellus Interest: Our interest in the Larry’s Creek, Seely and Warrensville gas gathering systems.

Barrel or Bbl: 42 U.S. gallons measured at 60 degrees Fahrenheit.

Btu: British thermal unit; the approximate amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

Chipeta: Chipeta Processing, LLC.

Condensate: A natural gas liquid with a low vapor pressure mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.

COP: Continuous offering programs.

Cryogenic: The process in which liquefied gases are used to bring natural gas volumes to very low temperatures (below approximately -238 degrees Fahrenheit) to separate natural gas liquids from natural gas. Through cryogenic processing, more natural gas liquids are extracted than when traditional refrigeration methods are used.

DBJV: Delaware Basin JV Gathering LLC.

DBJV system: DBJV’s 50% interest in a gathering system and related facilities, with such gathering system and related facilities located in the Delaware Basin in Loving, Ward, Winkler and Reeves Counties, Texas.

DBM: Delaware Basin Midstream, LLC.

DBM complex: The cryogenic processing plants, gas gathering system, and related facilities and equipment that serve production from Reeves, Loving and Culberson Counties, Texas and Eddy and Lea Counties, New Mexico.

DJ Basin complex: The Platte Valley system, Wattenberg system and Lancaster plant, all of which were combined into a single complex in the first quarter of 2014.

EBITDA: Earnings before interest, taxes, depreciation, and amortization. For a definition of “Adjusted EBITDA,” see the caption Key Performance Metrics under Part I, Item 2 of this Form 10-Q.

Equity investment throughput: Our 14.81% share of average Fort Union throughput, 22% share of average Rendezvous throughput, 10% share of average White Cliffs throughput, 25% share of average Mont Belvieu JV throughput, 20% share of average TEP and TEG throughput and 33.33% share of average FRP throughput.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Fort Union: Fort Union Gas Gathering, LLC.

FRP: Front Range Pipeline LLC.

GAAP: Generally accepted accounting principles in the United States.

General partner: Western Gas Holdings, LLC.

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Imbalance: Imbalances result from (i) differences between gas and NGL volumes nominated by customers and gas and NGL volumes received from those customers and (ii) differences between gas and NGL volumes received from customers and gas and NGL volumes delivered to those customers.

IPO: Initial public offering.

LIBOR: London Interbank Offered Rate.

MBbls/d: One thousand barrels per day.

MGR assets: The Red Desert complex, the Granger straddle plant and the 22% interest in Rendezvous.

MICG: MICG, LLC.

MLP: Master limited partnership.

MMBtu: One million British thermal units.

MMcf: One million cubic feet.

MMcf/d: One million cubic feet per day.

Mont Belvieu JV: Enterprise EF78 LLC.

Natural gas liquid(s) or NGL(s): The combination of ethane, propane, normal butane, isobutane and natural gasolines that, when removed from natural gas, become liquid under various levels of higher pressure and lower temperature.

Non-Operated Marcellus Interest: Our interest in the Liberty and Rome gas gathering systems.

PIK Class C units: Additional Class C units issued as quarterly distributions to the holder of our Class C units.

RCF: Our senior unsecured revolving credit facility.

Red Desert complex: The Patrick Draw processing plant, the Red Desert processing plant, associated gathering lines, and related facilities.

Rendezvous: Rendezvous Gas Services, LLC.

Residue: The natural gas remaining after the unprocessed natural gas stream has been processed or treated.

SEC: U.S. Securities and Exchange Commission.

Springfield: Springfield Pipeline LLC.

Springfield gas gathering system: Springfield's 50.1% interest in the Springfield gas gathering system, which consists of gas gathering lines located in Dimmit, La Salle, Maverick and Webb Counties in South Texas.

Springfield oil gathering system: Springfield's 50.1% interest in the Springfield oil gathering system, which consists of oil gathering lines located in Dimmit, La Salle, Maverick and Webb Counties in South Texas.

Springfield system: Consists of the Springfield gas gathering system and Springfield oil gathering system.

TEFR Interests: The interests in TEP, TEG and FRP.

TEG: Texas Express Gathering LLC.

TEP: Texas Express Pipeline LLC.

WGP: Western Gas Equity Partners, LP.

White Cliffs: White Cliffs Pipeline, LLC.

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2018 Notes: Our 2.600% Senior Notes due 2018.

2021 Notes: Our 5.375% Senior Notes due 2021.

2022 Notes: Our 4.000% Senior Notes due 2022.

2025 Notes: Our 3.950% Senior Notes due 2025.

2044 Notes: Our 5.450% Senior Notes due 2044.

\$500.0 million COP: The registration statement filed with the SEC in August 2014 authorizing the issuance of up to an aggregate of \$500.0 million of our common units.

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PART I. FINANCIAL INFORMATION (UNAUDITED)

Item 1. Financial Statements

WESTERN GAS PARTNERS, LP
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

thousands except per-unit amounts	Three Months Ended	
	March 31,	
	2016	2015 ⁽¹⁾
Revenues and other – affiliates		
Gathering, processing and transportation	\$ 187,718	\$ 188,018
Natural gas and natural gas liquids sales	84,866	118,740
Other	—	170
Total revenues and other – affiliates	272,584	306,928
Revenues and other – third parties		
Gathering, processing and transportation	106,286	82,250
Natural gas and natural gas liquids sales	3,690	46,932
Other	581	896
Total revenues and other – third parties	110,557	130,078
Total revenues and other	383,141	437,006
Equity income, net ⁽²⁾	16,814	18,220
Operating expenses		
Cost of product ⁽³⁾	76,467	139,408
Operation and maintenance ⁽³⁾	76,213	76,185
General and administrative ⁽³⁾	11,277	11,081
Property and other taxes	10,350	9,280
Depreciation and amortization	65,095	68,975
Impairments	6,518	272,624
Total operating expenses	245,920	577,553
Gain (loss) on divestiture and other, net	(632)	(6)
Operating income (loss)	153,403	(122,333)
Interest income – affiliates	4,225	4,225
Interest expense ⁽⁴⁾	(32,036)	(22,960)
Other income (expense), net	124	71
Income (loss) before income taxes	125,716	(140,997)
Income tax (benefit) expense	6,633	12,270
Net income (loss)		