Western Midstream Partners, LP
Form 10-Q
May 01, 2019

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2019

Or

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

For the transition period from to

WESTERN MIDSTREAM PARTNERS, LP
WESTERN MIDSTREAM OPERATING, LP
(Exact name of registrant as specified in its charter)

	Commission file number:	State or other jurisdiction of incorporation or organization:	I.R.S. Employer Identification No.:
Western Midstream Partners, LP	001-35753	Delaware	46-0967367
Western Midstream Operating, LP	001-34046	Delaware	26-1075808

	Address of principal executive offices:	Zip Code:	Registrant's telephone number, including area code:	Former Name:
Western Midstream Partners, LP	1201 Lake Robbins Drive The Woodlands, Texas	77380	(832) 636-6000	Western Gas Equity Partners, LP
Western Midstream Operating, LP	1201 Lake Robbins Drive The Woodlands, Texas	77380	(832) 636-6000	Western Gas Partners, LP

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.
Western Midstream Partners, LP Yes þ No ¨
Western Midstream Operating, LP Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Western Midstream Partners, LP Yes þ No ¨
Western Midstream Operating, LP Yes þ No ¨

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

Western Midstream Partners, LP	Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨	Emerging growth company ¨
Western Midstream Operating, LP	Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨	Emerging growth company ¨

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Western Midstream Partners, LP Yes ¨ No þ
Western Midstream Operating, LP Yes ¨ No þ

Common units outstanding as of April 29, 2019:
Western Midstream Partners, LP 452,990,862
Western Midstream Operating, LP None

FILING FORMAT

This quarterly report on Form 10-Q is a combined report being filed by two separate registrants: Western Midstream Partners, LP and Western Midstream Operating, LP. Western Midstream Operating, LP is a consolidated subsidiary of Western Midstream Partners, LP that has publicly traded debt, but does not have any publicly traded equity securities. Information contained herein related to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrant.

Part I, Item 1 of this quarterly report includes separate financial statements (i.e., consolidated statements of operations, consolidated balance sheets, consolidated statements of equity and partners’ capital and consolidated statements of cash flows) for Western Midstream Partners, LP and Western Midstream Operating, LP. The accompanying Notes to Consolidated Financial Statements, which are included under Part I, Item 1 of this quarterly report, and Management’s Discussion and Analysis of Financial Condition and Results of Operations, which is included under Part I, Item 2 of this quarterly report, are presented on a combined basis for each registrant, with any material differences between the registrants disclosed separately.

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COMMONLY USED TERMS AND DEFINITIONS

Unless the context otherwise requires, references to “we,” “us,” “our,” “WES,” “the Partnership,” or “Western Midstream Partners, LP” refer to Western Midstream Partners, LP (formerly Western Gas Equity Partners, LP) and its subsidiaries. As used in this Form 10-Q, the terms and definitions 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, FRP, Whitethorn LLC, Cactus II, Saddlehorn, Panola, Mi Vida, Ranch Westex and Red Bluff Express.
AMA: The Anadarko Midstream Assets, which are comprised of the Wattenberg processing plant, Wamsutter pipeline, DJ Basin oil system, DBM oil system, APC water systems, the 20% interest in Saddlehorn, the 15% interest in Panola, the 50% interest in Mi Vida and the 50% interest in Ranch Westex.
AMH: APC Midstream Holdings, LLC.
Anadarko or APC: Anadarko Petroleum Corporation and its subsidiaries, excluding us and the general partner.
Barrel or Bbl: 42 U.S. gallons measured at 60 degrees Fahrenheit.
Bbls/d: Barrels per day.
Board of Directors: The board of directors of the general partner.
Btu: British thermal unit; the approximate amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit.
Cactus II: Cactus II Pipeline LLC.
Chevron: Chevron Corporation.
Chevron Merger: Chevron’s acquisition by merger of Anadarko pursuant to, and subject to the conditions of, the Chevron Merger Agreement.
Chevron Merger Agreement: Agreement and Plan of Merger, dated as of April 11, 2019, by and among Chevron Corporation, Justify Merger Sub 1 Inc., Justify Merger Sub 2 Inc. and Anadarko.
Chipeta: Chipeta Processing, LLC.
Condensate: A natural gas liquid with a low vapor pressure mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.
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.
DBM: Delaware Basin Midstream, LLC.
DBM water systems: The produced water gathering and disposal systems in West Texas, including the APC water systems acquired as part of the acquisition of AMA.
DJ Basin complex: The Platte Valley system, Wattenberg system, Lancaster plant and Wattenberg processing plant (acquired as part of the acquisition of AMA).
EBITDA: Earnings before interest, taxes, depreciation, and amortization. For a definition of “Adjusted EBITDA,” see Key Performance Metrics under Part I, Item 2 of this Form 10-Q.
Exchange Act: The Securities Exchange Act of 1934, as amended.
Fort Union: Fort Union Gas Gathering, LLC.

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Fractionation: The process of applying various levels of higher pressure and lower temperature to separate a stream of natural gas liquids into ethane, propane, normal butane, isobutane and natural gasoline for end-use sale.
FRP: Front Range Pipeline LLC.
GAAP: Generally accepted accounting principles in the United States.
General partner: Western Midstream Holdings, LLC, the general partner of the Partnership.
Hydraulic fracturing: The injection of fluids into the wellbore to create fractures in rock formations, stimulating the production of oil or gas.
IDRs: Incentive distribution rights.
Imbalance: Imbalances result from (i) differences between gas and NGLs volumes nominated by customers and gas and NGLs volumes received from those customers and (ii) differences between gas and NGLs volumes received from customers and gas and NGLs volumes delivered to those customers.
IPO: Initial public offering.
LIBOR: London Interbank Offered Rate.
Marcellus Interest: The 33.75% interest in the Larry’s Creek, Seely and Warrensville gas gathering systems and related facilities located in northern Pennsylvania.
MBbls/d: Thousand barrels per day.
Mcf: Thousand cubic feet.
Merger: The merger of Clarity Merger Sub, LLC, a wholly owned subsidiary of the Partnership, with and into WES Operating, with WES Operating continuing as the surviving entity and a subsidiary of the Partnership, which closed on February 28, 2019.
Merger Agreement: The Contribution Agreement and Agreement and Plan of Merger, dated November 7, 2018, by and among the Partnership, WES Operating, Anadarko and certain of their affiliates, pursuant to which the parties thereto agreed to effect the Merger and certain other transactions.
MGR: Mountain Gas Resources, LLC.
MGR assets: The Red Desert complex and the Granger straddle plant.
Mi Vida: Mi Vida JV LLC.
MMBtu: Million British thermal units.
MMcf: Million cubic feet.
MMcf/d: 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.
NYSE: New York Stock Exchange.
Panola: Panola Pipeline Company, LLC.
Produced water: Byproduct associated with the production of crude oil and natural gas that often contains a number of dissolved solids and other materials found in oil and gas reservoirs.

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Ranch Westex: Ranch Westex JV LLC.
RCF: WES Operating’s senior unsecured revolving credit facility.
Red Bluff Express: Red Bluff Express Pipeline, LLC.
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.
ROTF: Regional oil treating facility.
Saddlehorn: Saddlehorn Pipeline Company, LLC.
SEC: U.S. Securities and Exchange Commission.
Springfield system: 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.
WES Operating: Western Midstream Operating, LP, formerly Western Gas Partners, LP.
WES Operating GP: Western Midstream Operating GP, LLC, the general partner of WES Operating.
West Texas complex: The DBM complex and DBJV and Haley systems, all of which were combined into a single complex effective January 1, 2018.
WGP RCF: The senior secured revolving credit facility that Western Gas Equity Partners, LP entered into in March 2016 and matured in March 2019.
White Cliffs: White Cliffs Pipeline, LLC.
Whitethorn LLC: Whitethorn Pipeline Company LLC.
364-day Facility: WES Operating’s 364-day senior unsecured credit facility.

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PART I. FINANCIAL INFORMATION (UNAUDITED)

Item 1. Financial Statements

WESTERN MIDSTREAM PARTNERS, LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
thousands except per-unit amounts	2019	2018 [1]
Revenues and other – affiliates		
Service revenues – fee based	$326,642	$222,038
Service revenues – product based	1,352	631
Product sales	50,443	62,507
Total revenues and other – affiliates	378,437	285,176
Revenues and other – third parties		
Service revenues – fee based	253,332	171,735
Service revenues – product based	18,027	22,792
Product sales	21,690	21,118
Other	397	233
Total revenues and other – third parties	293,446	215,878
Total revenues and other	671,883	501,054
Equity income, net – affiliates	57,992	30,229
Operating expenses		
Cost of product [2]	114,063	94,318
Operation and maintenance [2]	142,829	96,795
General and administrative [2]	22,844	15,829
Property and other taxes	16,285	14,600
Depreciation and amortization	113,946	84,790
Impairments	390	200
Total operating expenses	410,357	306,532
Gain (loss) on divestiture and other, net	(590)	116
Operating income (loss)	318,928	224,867
Interest income – affiliates	4,225	4,225
Interest expense [3]	(65,876)	(38,015)
Other income (expense), net	(35,206)	817
Income (loss) before income taxes	222,071	191,894
Income tax expense (benefit)	10,092	10,884
Net income (loss)	211,979	181,010
Net income (loss) attributable to noncontrolling interests	93,319	49,483
Net income (loss) attributable to Western Midstream Partners, LP	$118,660	$131,527
Limited partners’ interest in net income (loss):		
Net income (loss) attributable to Western Midstream Partners, LP	$118,660	$131,527
Pre-acquisition net (income) loss allocated to Anadarko	(29,116)	(30,522)
Limited partners’ interest in net income (loss)	89,544	101,005
Net income (loss) per common unit – basic and diluted	$0.30	$0.46
Weighted-average common units outstanding – basic and diluted	299,556	218,933

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.

(2) Cost of product includes product purchases from affiliates (as defined in Note 1) of $56.2 million and $34.8 million for the three months ended March 31, 2019 and 2018, respectively. Operation and maintenance includes charges from affiliates of $39.1 million and $23.0 million for the three months ended March 31, 2019 and 2018, respectively. General and administrative includes charges from affiliates of $18.9 million and $12.7 million for the three months ended March 31, 2019 and 2018, respectively. See Note 6.

(3) Includes affiliate (as defined in Note 1) amounts of $1.8 million and $0.6 million for the three months ended March 31, 2019 and 2018, respectively. See Note 1 and Note 10.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM PARTNERS, LP
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

thousands except number of units	March 31, 2019	December 31, 2018 [1]
ASSETS		
Current assets		
Cash and cash equivalents	$100,047	$92,142
Accounts receivable, net [2]	212,423	221,164
Other current assets [3]	23,472	27,056
Total current assets	335,942	340,362
Note receivable – Anadarko	260,000	260,000
Property, plant and equipment		
Cost	11,580,329	11,258,773
Less accumulated depreciation	2,950,330	2,848,420
Net property, plant and equipment	8,629,999	8,410,353
Goodwill	445,800	445,800
Other intangible assets	833,404	841,408
Equity investments	1,217,156	1,092,088
Other assets [4]	74,694	67,194
Total assets	$11,796,995	$11,457,205
LIABILITIES, EQUITY AND PARTNERS' CAPITAL		
Current liabilities		
Accounts and imbalance payables	$328,867	$443,343
Short-term debt	2,000,000	28,000
Accrued ad valorem taxes	48,545	36,986
Accrued liabilities [5]	141,442	129,148
Total current liabilities	2,518,854	637,477
Long-term liabilities		
Long-term debt	5,208,411	4,787,381
APCWH Note Payable [6]	—	427,493
Deferred income taxes	15,355	280,017
Asset retirement obligations	311,716	300,024
Other liabilities [7]	151,118	132,130
Total long-term liabilities	5,686,600	5,927,045
Total liabilities	8,205,454	6,564,522
Equity and partners' capital		
Common units (452,990,862 and 218,937,797 units issued and outstanding at March 31, 2019, and December 31, 2018, respectively)	3,437,922	951,888
Net investment by Anadarko	—	1,388,018
Total partners' capital	3,437,922	2,339,906
Noncontrolling interests	153,619	2,552,777
Total equity and partners' capital	3,591,541	4,892,683
Total liabilities, equity and partners' capital	$11,796,995	$11,457,205

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.

(2)

Accounts receivable, net includes amounts receivable from affiliates (as defined in Note 1) of $68.5 million and $72.6 million as of March 31, 2019, and December 31, 2018, respectively.

(3) Other current assets includes affiliate amounts of $7.4 million and $3.7 million as of March 31, 2019, and December 31, 2018, respectively.

(4) Other assets includes affiliate amounts of $42.9 million and $42.2 million as of March 31, 2019, and December 31, 2018, respectively.

(5) Accrued liabilities includes affiliate amounts of $3.5 million and $2.2 million as of March 31, 2019, and December 31, 2018, respectively.

(6) See Note 1 and Note 6.

(7) Other liabilities includes affiliate amounts of $60.6 million and $47.8 million as of March 31, 2019, and December 31, 2018, respectively.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM PARTNERS, LP
CONSOLIDATED STATEMENTS OF EQUITY AND PARTNERS' CAPITAL
(UNAUDITED)

	Partners' Capital			
thousands	Net Investment by Anadarko	Common Units	Noncontrolling Interests	Total
Balance at December 31, 2018 [(1)]	$1,388,018	$951,888	$ 2,552,777	$4,892,683
Net income (loss)	29,116	89,544	93,319	211,979
Cumulative impact of the Merger transactions [(2)]	—	3,169,800	(3,169,800)	—
Above-market component of swap agreements with Anadarko [(3)]	—	7,407	—	7,407
WES Operating equity transactions, net [(4)]	—	(752,796)	752,796	—
Distributions to Chipeta noncontrolling interest owner	—	—	(1,935)	(1,935)
Distributions to noncontrolling interest owners of WES Operating	—	—	(100,999)	(100,999)
Distributions to Partnership unitholders	—	(131,910)	—	(131,910)
Acquisitions from affiliates [(5)]	(2,141,827)	106,856	27,470	(2,007,501)
Contributions of equity-based compensation from Anadarko	—	1,840	—	1,840
Net pre-acquisition contributions from (distributions to) Anadarko	451,591	—	—	451,591
Adjustments of net deferred tax liabilities	273,102	(4,375)	—	268,727
Other	—	(332)	(9)	(341)
Balance at March 31, 2019	$—	$3,437,922	$ 153,619	$3,591,541

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.
(2) See Note 1.
(3) See Note 6.
(4) The $752.8 million decrease to partners' capital, together with net income (loss) attributable to Western Midstream Partners, LP, totaled $(634.1) million for the three months ended March 31, 2019.
(5) The amounts allocated to common unitholders and noncontrolling interests represent a noncash investing activity related to the assets and liabilities assumed in the AMA acquisition.

	Partners' Capital			
thousands	Net Investment by Anadarko	Common Units	Noncontrolling Interests	Total
Balance at December 31, 2017 [(1)]	$1,050,171	$1,061,125	$ 2,883,754	$4,995,050
Cumulative effect of accounting change	629	(14,209)	(30,200)	(43,780)
Net income (loss)	30,522	101,005	49,483	181,010
Above-market component of swap agreements with Anadarko [(2)]	—	14,282	—	14,282
WES Operating equity transactions, net [(3)]	—	(2,525)	2,525	—
Distributions to Chipeta noncontrolling interest owner	—	—	(3,353)	(3,353)
Distributions to noncontrolling interest owners of WES Operating	—	—	(94,272)	(94,272)
Distributions to Partnership unitholders	—	(120,140)	—	(120,140)
Contributions of equity-based compensation from Anadarko	—	1,470	—	1,470

Net pre-acquisition contributions from (distributions to) Anadarko	64,251	—	—	64,251
Adjustments of net deferred tax liabilities	(175)	—	—	(175)
Other	—	58	92	150
Balance at March 31, 2018 [1]	$1,145,398	$1,041,066	$2,808,029	$4,994,493

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.

(2) See Note 6.

(3) The $2.5 million decrease to partners' capital, together with net income (loss) attributable to Western Midstream Partners, LP, totaled $129.0 million for the three months ended March 31, 2018.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM PARTNERS, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

thousands	Three Months Ended March 31, 2019	2018 [1]
Cash flows from operating activities		
Net income (loss)	$211,979	$181,010
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	113,946	84,790
Impairments	390	200
Non-cash equity-based compensation expense	2,368	1,630
Deferred income taxes	4,065	24,219
Accretion and amortization of long-term obligations, net	1,511	2,103
Equity income, net – affiliates	(57,992)	(30,229)
Distributions from equity investment earnings – affiliates	54,221	31,576
(Gain) loss on divestiture and other, net	590	(116)
(Gain) loss on interest-rate swaps	35,638	—
Lower of cost or market inventory adjustments	7	143
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	9,486	(29,632)
Increase (decrease) in accounts and imbalance payables and accrued liabilities, net	(55,529)	28,904
Change in other items, net	22,393	5,553
Net cash provided by operating activities	343,073	300,151
Cash flows from investing activities		
Capital expenditures	(386,144)	(533,185)
Acquisitions from affiliates	(2,007,501)	—
Acquisitions from third parties	(93,303)	—
Investments in equity affiliates	(36,543)	—
Distributions from equity investments in excess of cumulative earnings – affiliates	7,792	8,850
Proceeds from the sale of assets to third parties	(33)	116
Net cash used in investing activities	(2,515,732)	(524,219)
Cash flows from financing activities		
Borrowings, net of debt issuance costs [2]	2,430,750	1,444,082
Repayments of debt [3]	(467,595)	(630,000)
Increase (decrease) in outstanding checks	(5,890)	(6,684)
Registration expenses related to the issuance of Partnership common units	(855)	—
Distributions to Partnership unitholders [4]	(131,910)	(120,140)
Distributions to Chipeta noncontrolling interest owner	(1,935)	(3,353)
Distributions to noncontrolling interest owners of WES Operating	(100,999)	(94,272)
Net contributions from (distributions to) Anadarko	451,591	64,251
Above-market component of swap agreements with Anadarko [4]	7,407	14,282
Net cash provided by (used in) financing activities	2,180,564	668,166
Net increase (decrease) in cash and cash equivalents	7,905	444,098
Cash and cash equivalents at beginning of period	92,142	79,588
Cash and cash equivalents at end of period	$100,047	$523,686
Supplemental disclosures		
Interest paid, net of capitalized interest	$76,871	$25,949
Taxes paid (reimbursements received)	96	(87)

Accrued capital expenditures	203,509	367,095

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.

(2) For the three months ended March 31, 2019 and 2018, includes \$11.0 million and \$106.6 million of borrowings, respectively, under the APCWH Note Payable.

(3) For the three months ended March 31, 2019, includes a \$439.6 million repayment to settle the APCWH Note Payable. See Note 6.

(4) See Note 6.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM OPERATING, LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
thousands except per-unit amounts	2019	2018 [1]
Revenues and other – affiliates		
Service revenues – fee based	$326,642	$222,038
Service revenues – product based	1,352	631
Product sales	50,443	62,507
Total revenues and other – affiliates	378,437	285,176
Revenues and other – third parties		
Service revenues – fee based	253,332	171,735
Service revenues – product based	18,027	22,792
Product sales	21,690	21,118
Other	397	233
Total revenues and other – third parties	293,446	215,878
Total revenues and other	671,883	501,054
Equity income, net – affiliates	57,992	30,229
Operating expenses		
Cost of product [2]	114,063	94,318
Operation and maintenance [2]	142,829	96,795
General and administrative [2]	20,560	14,997
Property and other taxes	16,285	14,600
Depreciation and amortization	113,946	84,790
Impairments	390	200
Total operating expenses	408,073	305,700
Gain (loss) on divestiture and other, net	(590)	116
Operating income (loss)	321,212	225,699
Interest income – affiliates	4,225	4,225
Interest expense [3]	(65,631)	(36,952)
Other income (expense), net	(35,264)	782
Income (loss) before income taxes	224,542	193,754
Income tax expense (benefit)	10,092	10,884
Net income (loss)	214,450	182,870
Net income attributable to noncontrolling interest	1,854	2,985
Net income (loss) attributable to Western Midstream Operating, LP	$212,596	$179,885
Limited partners’ interest in net income (loss):		
Net income (loss) attributable to Western Midstream Operating, LP	$212,596	$179,885
Pre-acquisition net (income) loss allocated to Anadarko	(29,116)	(30,522)
General partner interest in net (income) loss [4]	—	(83,439)
Common and Class C limited partners’ interest in net income (loss) [4]	183,480	65,924
Net income (loss) per common unit – basic and diluted [4]	N/A	$0.38

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.

(2) Cost of product includes product purchases from affiliates (as defined in Note 1) of $56.2 million and $34.8 million for the three months ended March 31, 2019 and 2018, respectively. Operation and maintenance includes

charges from affiliates of $39.1 million and $23.0 million for the three months ended March 31, 2019 and 2018, respectively. General and administrative includes charges from affiliates of $18.5 million and $12.5 million for the three months ended March 31, 2019 and 2018, respectively. See Note 6.

(3) Includes affiliate (as defined in Note 1) amounts of $1.8 million and $0.6 million for the three months ended March 31, 2019 and 2018, respectively. See Note 1 and Note 10.

(4) See Note 5 for the calculation of net income (loss) per common unit.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM OPERATING, LP
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

thousands except number of units	March 31, 2019	December 31, 2018 [1]
ASSETS		
Current assets		
Cash and cash equivalents	$97,728	$90,448
Accounts receivable, net [2]	214,148	221,373
Other current assets [3]	23,434	26,181
Total current assets	335,310	338,002
Note receivable – Anadarko	260,000	260,000
Property, plant and equipment		
Cost	11,580,329	11,258,773
Less accumulated depreciation	2,950,330	2,848,420
Net property, plant and equipment	8,629,999	8,410,353
Goodwill	445,800	445,800
Other intangible assets	833,404	841,408
Equity investments	1,217,156	1,092,088
Other assets [4]	74,694	67,194
Total assets	$11,796,363	$11,454,845
LIABILITIES, EQUITY AND PARTNERS' CAPITAL		
Current liabilities		
Accounts and imbalance payables	$328,867	$443,343
Short-term debt	2,000,000	—
Accrued ad valorem taxes	48,545	36,986
Accrued liabilities [5]	141,267	127,874
Total current liabilities	2,518,679	608,203
Long-term liabilities		
Long-term debt	5,208,411	4,787,381
APCWH Note Payable [6]	—	427,493
Deferred income taxes	15,355	280,017
Asset retirement obligations	311,716	300,024
Other liabilities [7]	151,118	132,130
Total long-term liabilities	5,686,600	5,927,045
Total liabilities	8,205,279	6,535,248
Equity and partners' capital		
Common units (318,675,578 and 152,609,285 units issued and outstanding at March 31, 2019, and December 31, 2018, respectively)	3,533,398	2,475,540
Class C units (zero and 14,372,665 units issued and outstanding at March 31, 2019, and December 31, 2018, respectively) [8]	—	791,410
General partner units (zero and 2,583,068 units issued and outstanding at March 31, 2019, and December 31, 2018, respectively) [8]	—	206,862
Net investment by Anadarko	—	1,388,018
Total partners' capital	3,533,398	4,861,830
Noncontrolling interest	57,686	57,767
Total equity and partners' capital	3,591,084	4,919,597
Total liabilities, equity and partners' capital	$11,796,363	$11,454,845

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.

(2) Accounts receivable, net includes amounts receivable from affiliates (as defined in Note 1) of $70.2 million and $72.8 million as of March 31, 2019, and December 31, 2018, respectively.

(3) Other current assets includes affiliate amounts of $7.4 million and $3.7 million as of March 31, 2019, and December 31, 2018, respectively.

(4) Other assets includes affiliate amounts of $42.9 million and $42.2 million as of March 31, 2019, and December 31, 2018, respectively.

(5) Accrued liabilities includes affiliate amounts of $3.5 million and $2.2 million as of March 31, 2019, and December 31, 2018, respectively.

(6) See Note 1 and Note 6.

(7) Other liabilities includes affiliate amounts of $60.6 million and $47.8 million as of March 31, 2019, and December 31, 2018, respectively.

(8) Immediately prior to the closing of the Merger (as defined in Note 1), all outstanding general partner units converted into a non-economic general partner interest in WES Operating and WES Operating common units and all outstanding Class C units converted into WES Operating common units on a one-for-one basis.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM OPERATING, LP
CONSOLIDATED STATEMENTS OF EQUITY AND PARTNERS' CAPITAL
(UNAUDITED)

	Partners' Capital					
thousands	Net Investment by Anadarko	Common Units	Class C Units	General Partner Units	Noncontrolling Interest	Total
Balance at December 31, 2018 [(1)]	$1,388,018	$2,475,540	$791,410	$206,862	$ 57,767	$4,919,597
Net income (loss)	29,116	170,847	10,636	1,997	1,854	214,450
Cumulative impact of the Merger transactions [(2)]	—	926,236	(802,588)	(123,648)	—	—
Above-market component of swap agreements with Anadarko [(3)]	—	7,407	—	—	—	7,407
Amortization of beneficial conversion feature of Class C units	—	(542)	542	—	—	—
Distributions to Chipeta noncontrolling interest owner	—	—	—	—	(1,935)	(1,935)
Distributions to WES Operating unitholders	—	(178,128)	—	(85,230)	—	(263,358)
Acquisitions from affiliates [(4)]	(2,141,827)	134,326	—	—	—	(2,007,501)
Contributions of equity-based compensation from Anadarko	—	1,819	—	19	—	1,838
Net pre-acquisition contributions from (distributions to) Anadarko	451,591	—	—	—	—	451,591
Adjustments of net deferred tax liabilities	273,102	(4,375)	—	—	—	268,727
Other	—	268	—	—	—	268
Balance at March 31, 2019	$—	$3,533,398	$—	$—	$ 57,686	$3,591,084

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.
(2) See Note 1.
(3) See Note 6.
(4) The amount allocated to common unitholders represents a noncash investing activity related to the assets and liabilities assumed in the AMA acquisition.

	Partners' Capital					
thousands	Net Investment by Anadarko	Common Units	Class C Units	General Partner Units	Noncontrolling Interest	Total
Balance at December 31, 2017 [(1)]	$1,050,171	$2,950,010	$780,040	$179,232	$ 61,729	$5,021,182
Cumulative effect of accounting change	629	(41,135)	(3,536)	(696)	958	(43,780)
Net income (loss)	30,522	59,133	6,791	83,439	2,985	182,870
Above-market component of swap agreements with Anadarko [(2)]	—	14,282	—	—	—	14,282
Amortization of beneficial conversion feature of Class C units	—	(810)	810	—	—	—
	—	—	—	—	(3,353)	(3,353)

Distributions to Chipeta noncontrolling interest owner						
Distributions to WES Operating unitholders	—	(140,394)	—	(76,192)	—	(216,586)
Contributions of equity-based compensation from Anadarko	—	1,435	—	29	—	1,464
Net pre-acquisition contributions from (distributions to) Anadarko	64,251	—	—	—	—	64,251
Adjustments of net deferred tax liabilities	(175)	—	—	—	—	(175)
Other	—	91	—	—	—	91
Balance at March 31, 2018 (1)	$1,145,398	$2,842,612	$784,105	$185,812	$ 62,319	$5,020,246

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.

(2) See Note 6.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM OPERATING, LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
thousands	2019	2018 [1]
Cash flows from operating activities		
Net income (loss)	$214,450	$182,870
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	113,946	84,790
Impairments	390	200
Non-cash equity-based compensation expense	2,116	1,563
Deferred income taxes	4,065	24,219
Accretion and amortization of long-term obligations, net	1,490	1,378
Equity income, net – affiliates	(57,992)	(30,229)
Distributions from equity investment earnings – affiliates	54,221	31,576
(Gain) loss on divestiture and other, net	590	(116)
(Gain) loss on interest-rate swaps	35,638	—
Lower of cost or market inventory adjustments	7	143
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	7,974	(29,633)
Increase (decrease) in accounts and imbalance payables and accrued liabilities, net	(54,430)	28,672
Change in other items, net	21,577	5,398
Net cash provided by operating activities	344,042	300,831
Cash flows from investing activities		
Capital expenditures	(386,144)	(533,185)
Acquisitions from affiliates	(2,007,501)	—
Acquisitions from third parties	(93,303)	—
Investments in equity affiliates	(36,543)	—
Distributions from equity investments in excess of cumulative earnings – affiliates	7,792	8,850
Proceeds from the sale of assets to third parties	(33)	116
Net cash used in investing activities	(2,515,732)	(524,219)
Cash flows from financing activities		
Borrowings, net of debt issuance costs [2]	2,430,750	1,444,090
Repayments of debt [3]	(439,595)	(630,000)
Increase (decrease) in outstanding checks	(5,890)	(6,684)
Distributions to WES Operating unitholders [4]	(263,358)	(216,586)
Distributions to Chipeta noncontrolling interest owner	(1,935)	(3,353)
Net contributions from (distributions to) Anadarko	451,591	64,251
Above-market component of swap agreements with Anadarko [4]	7,407	14,282
Net cash provided by (used in) financing activities	2,178,970	666,000
Net increase (decrease) in cash and cash equivalents	7,280	442,612
Cash and cash equivalents at beginning of period	90,448	78,814
Cash and cash equivalents at end of period	$97,728	$521,426
Supplemental disclosures		
Interest paid, net of capitalized interest	$76,637	$25,606
Taxes paid (reimbursements received)	96	(87)
Accrued capital expenditures	203,509	367,095

(1) Financial information has been recast to include the financial position and results attributable to AMA. See Note 1 and Note 3.
(2) For the three months ended March 31, 2019 and 2018, includes $11.0 million and $106.6 million of borrowings, respectively, under the APCWH Note Payable.
(3) For the three months ended March 31, 2019, includes a $439.6 million repayment to settle the APCWH Note Payable. See Note 6.
(4) See Note 6.

See accompanying Notes to Consolidated Financial Statements.

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WESTERN MIDSTREAM PARTNERS, LP AND WESTERN MIDSTREAM OPERATING, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

General. Western Midstream Partners, LP (formerly Western Gas Equity Partners, LP) is a Delaware master limited partnership formed in September 2012. Western Midstream Operating, LP (formerly Western Gas Partners, LP, and together with its subsidiaries, “WES Operating”) is a Delaware limited partnership formed by Anadarko Petroleum Corporation in 2007 to acquire, own, develop and operate midstream assets. Western Midstream Partners, LP owns, directly and indirectly, a 98.0% limited partner interest in WES Operating, and directly owns all of the outstanding equity interests of Western Midstream Operating GP, LLC, which holds the entire non-economic general partner interest in WES Operating.

For purposes of these consolidated financial statements, the “Partnership” refers to Western Midstream Partners, LP in its individual capacity or to Western Midstream Partners, LP and its subsidiaries, including Western Midstream Operating GP, LLC and WES Operating, as the context requires. “WES Operating GP” refers to Western Midstream Operating GP, LLC, individually as the general partner of WES Operating, and excludes WES Operating. The Partnership’s general partner, Western Midstream Holdings, LLC (the “general partner”), is a wholly owned subsidiary of Anadarko Petroleum Corporation. “Anadarko” refers to Anadarko Petroleum Corporation and its subsidiaries, excluding the Partnership and the general partner, and “affiliates” refers to subsidiaries of Anadarko, excluding the Partnership, but including equity interests in Fort Union Gas Gathering, LLC (“Fort Union”), White Cliffs Pipeline, LLC (“White Cliffs”), Rendezvous Gas Services, LLC (“Rendezvous”), Enterprise EF78 LLC (the “Mont Belvieu JV”), Texas Express Pipeline LLC (“TEP”), Texas Express Gathering LLC (“TEG”), Front Range Pipeline LLC (“FRP”), Whitethorn Pipeline Company LLC (“Whitethorn LLC”), Cactus II Pipeline LLC (“Cactus II”), Saddlehorn Pipeline Company, LLC (“Saddlehorn”), Panola Pipeline Company, LLC (“Panola”), Mi Vida JV LLC (“Mi Vida”), Ranch Westex JV LLC (“Ranch Westex”) and Red Bluff Express Pipeline, LLC (“Red Bluff Express”). See Note 3. The interests in TEP, TEG and FRP are referred to collectively as the “TEFR Interests.” “MGR assets” refers to the Red Desert complex and the Granger straddle plant. The “West Texas complex” refers to the Delaware Basin Midstream, LLC (“DBM”) complex and DBJV and Haley systems.

The Partnership is engaged in the business of gathering, compressing, treating, processing and transporting natural gas; gathering, stabilizing and transporting condensate, natural gas liquids (“NGLs”) and crude oil; and gathering and disposing of produced water. In addition, in its capacity as a processor of natural gas, the Partnership also buys and sells natural gas, NGLs and condensate on behalf of itself and as agent for its customers under certain of its contracts. The Partnership provides these midstream services for Anadarko, as well as for third-party customers. As of March 31, 2019, the Partnership’s assets and investments consisted of the following:

	Owned and Operated	Operated Interests	Non-Operated Interests	Equity Interests
Gathering systems [1]	17	2	3	2
Treating facilities	35	3	—	3
Natural gas processing plants/trains	24	3	—	5
NGLs pipelines	2	—	—	4
Natural gas pipelines	5	—	—	1
Oil pipelines	3	1	—	3

[1] Includes the DBM water systems.

These assets and investments are located in the Rocky Mountains (Colorado, Utah and Wyoming), North-central Pennsylvania, Texas and New Mexico. Mentone Train II, a processing train and part of the West Texas complex, commenced operation at the end of the first quarter of 2019.

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WESTERN MIDSTREAM PARTNERS, LP AND WESTERN MIDSTREAM OPERATING, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (CONTINUED)

Merger transactions. On February 28, 2019, the Partnership, WES Operating, Anadarko and certain of their affiliates consummated the transactions contemplated by the Contribution Agreement and Agreement and Plan of Merger (the “Merger Agreement”), dated as of November 7, 2018, pursuant to which, among other things, Clarity Merger Sub, LLC, a wholly owned subsidiary of the Partnership, merged with and into WES Operating, with WES Operating continuing as the surviving entity and a subsidiary of the Partnership (the “Merger”). In connection with the closing of the Merger, (i) the common units of WES Operating, which previously traded under the symbol “WES,” ceased to trade on the New York Stock Exchange (“NYSE”), (ii) the common units of the Partnership, which previously traded under the symbol “WGP,” began to trade on the NYSE under the symbol “WES,” (iii) the Partnership changed its name from Western Gas Equity Partners, LP to Western Midstream Partners, LP and (iv) WES Operating changed its name from Western Gas Partners, LP to Western Midstream Operating, LP.
The Merger Agreement also provided that the Partnership, WES Operating and Anadarko cause their respective affiliates to cause the following transactions, among others, to occur immediately prior to the Merger becoming effective in the order as follows: (1) Anadarko E&P Onshore LLC and WGR Asset Holding Company LLC (“WGRAH”) (the “Contributing Parties”) contributed to WES Operating all of their interests in each of Anadarko Wattenberg Oil Complex LLC, Anadarko DJ Oil Pipeline LLC, Anadarko DJ Gas Processing LLC, Wamsutter Pipeline LLC, DBM Oil Services, LLC, Anadarko Pecos Midstream LLC, Anadarko Mi Vida LLC and APC Water Holdings 1, LLC (“APCWH”) to WGR Operating, LP, Kerr-McGee Gathering LLC and DBM (each wholly owned by WES Operating) in exchange for aggregate consideration of $1.814 billion in cash from WES Operating, minus the outstanding amount payable pursuant to an intercompany note (the “APCWH Note Payable”) assumed by WES Operating in connection with the transaction, and 45,760,201 WES Operating common units; (2) APC Midstream Holdings, LLC (“AMH”) sold to WES Operating its interests in Saddlehorn and Panola in exchange for aggregate consideration of $193.9 million in cash; (3) WES Operating contributed cash in an amount equal to the outstanding balance of the APCWH Note Payable immediately prior to the effective time of the Merger to APCWH, and APCWH paid such cash to Anadarko in satisfaction of the APCWH Note Payable; (4) the Class C units converted into WES Operating common units on a one-for-one basis; and (5) WES Operating and WES Operating GP caused the conversion of the incentive distribution rights (“IDRs”) and the 2,583,068 general partner units in WES Operating held by WES Operating GP into a non-economic general partner interest in WES Operating and 105,624,704 WES Operating common units. The 45,760,201 WES Operating common units issued to the Contributing Parties, less 6,375,284 WES Operating common units retained by WGRAH, converted into the right to receive an aggregate of 55,360,984 common units of the Partnership upon the consummation of the Merger. Each WES Operating common unit issued and outstanding immediately prior to the closing of the Merger (other than WES Operating common units owned by the Partnership and WES Operating GP, and certain common units held by subsidiaries of Anadarko) was converted into the right to receive 1.525 common units of the Partnership. See Note 10 for additional information.

Chevron merger. On April 11, 2019, Anadarko, the indirect general partner and majority unitholder of the Partnership, which is the indirect general partner and majority unitholder of WES Operating, entered into the Chevron Merger Agreement pursuant to which, and subject to the conditions of the agreement, all outstanding shares of Anadarko will be acquired by Chevron in a stock and cash transaction. Anadarko expects the acquisition to close in the second half of 2019, although it is subject to Anadarko stockholder approval, regulatory approvals and other customary closing conditions.

WESTERN MIDSTREAM PARTNERS, LP AND WESTERN MIDSTREAM OPERATING, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (CONTINUED)

Basis of presentation. The following table outlines the ownership interests and the accounting method of consolidation used in the consolidated financial statements for entities not wholly owned:

	Percentage Interest	
Equity investments [1]		
Fort Union	14.81	%
White Cliffs	10.00	%
Rendezvous	22.00	%
Mont Belvieu JV	25.00	%
TEP	20.00	%
TEG	20.00	%
FRP	33.33	%
Whitethorn LLC	20.00	%
Cactus II	15.00	%
Saddlehorn	20.00	%
Panola	15.00	%
Mi Vida	50.00	%
Ranch Westex	50.00	%
Red Bluff Express	30.00	%
Proportionate consolidation [2]		
Marcellus Interest systems	33.75	%
Springfield system	50.10	%
Full consolidation		
Chipeta [3]	75.00	%

(1) Investments in non-controlled entities over which the Partnership exercises significant influence are accounted for under the equity method. “Equity investment throughput” refers to the Partnership’s share of average throughput for these investments.

(2) The Partnership proportionately consolidates its associated share of the assets, liabilities, revenues and expenses attributable to these assets.

(3) The 25% interest in Chipeta Processing LLC (“Chipeta”) held by a third-party member is reflected within noncontrolling interests in the consolidated financial statements, in addition to the noncontrolling interests noted below.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The consolidated financial statements include the accounts of the Partnership and entities in which it holds a controlling financial interest, including WES Operating and WES Operating GP. All significant intercompany transactions have been eliminated.

Certain information and note disclosures commonly included in annual financial statements have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, the accompanying consolidated financial statements and notes should be read in conjunction with the Partnership and WES Operating’s 2018 Forms 10-K, as filed with the SEC on February 20, 2019.

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (CONTINUED)

The consolidated financial results of WES Operating are included in the Partnership's consolidated financial statements. Throughout these notes to consolidated financial statements, and to the extent material, any differences between the consolidated financial results of the Partnership and WES Operating are discussed separately. The Partnership's consolidated financial statements differ from those of WES Operating primarily as a result of (i) the presentation of noncontrolling interest ownership (see Noncontrolling interests below and Note 5), (ii) the elimination of WES Operating GP's investment in WES Operating with WES Operating GP's underlying capital account, (iii) the general and administrative expenses incurred by the Partnership, which are separate from, and in addition to, those incurred by WES Operating, (iv) the inclusion of the impact of Partnership equity balances and Partnership distributions, and (v) the senior secured revolving credit facility ("WGP RCF") until its repayment in March 2019. See Note 10.

Adjustments to previously issued financial statements. The consolidated statements of operations for the three months ended March 31, 2018, include adjustments to revenue and cost of product expense of the following amounts: (i) $14.3 million increase in Service revenues - fee based, (ii) $5.3 million increase in Product sales and (iii) $19.6 million increase in Cost of product. During the third quarter of 2018, management determined that under Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) adopted on January 1, 2018, the Partnership's marketing affiliate was acting as its agent in certain product sales transactions on behalf of the Partnership and in performing marketing services on behalf of the Partnership's customers. The adjustments have no impact to Operating income (loss), Net income (loss), the balance sheets, cash flows or any non-GAAP metric the Partnership uses to evaluate its operations (see Key Performance Metrics under Part I, Item 2 of this Form 10-Q) and are not considered material to the results of operations for the three months ended March 31, 2018.

Presentation of Partnership assets. The term "Partnership assets" includes both the assets owned and the interests accounted for under the equity method by the Partnership, through its partnership interests in WES Operating as of March 31, 2019 (see Note 8). Because the Partnership owns the entire non-economic general partner interest in and controls WES Operating GP, and the general partner is controlled by Anadarko, each of the Partnership's acquisitions of assets from Anadarko has been considered a transfer of net assets between entities under common control. As such, assets acquired from Anadarko were initially recorded at Anadarko's historic carrying value, which did not correlate to the total acquisition price paid by the Partnership. Further, after an acquisition of assets from Anadarko, the Partnership is required to recast its financial statements to include the activities of such assets from the date of common control.
For those periods requiring recast, the consolidated financial statements for periods prior to the acquisition of assets from Anadarko are prepared from Anadarko's historical cost-basis accounts and may not necessarily be indicative of the actual results of operations that would have occurred if the Partnership had owned the assets during the periods reported. Net income (loss) attributable to the assets acquired from Anadarko for periods prior to the Partnership's acquisition of such assets is not allocated to the limited partners.

Use of estimates. In preparing financial statements in accordance with GAAP, management makes informed judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Management evaluates its estimates and related assumptions regularly, using historical experience and other methods considered reasonable. Changes in facts and circumstances or additional information may result in revised estimates and actual results may differ from these estimates. Effects on the business, financial condition and results of operations resulting from revisions to estimates are recognized when the facts that give rise to the revisions become known. The information included herein reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the consolidated financial statements, and certain prior-period amounts have been reclassified to conform to the current-year presentation.

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (CONTINUED)

Noncontrolling interests. For periods subsequent to the consummation of the Merger, the Partnership's noncontrolling interests in the consolidated financial statements consisted of (i) the 25% interest in Chipeta held by a third-party member and (ii) the 2.0% limited partner interest in WES Operating held by a subsidiary of Anadarko. For periods prior to the consummation of the Merger, the Partnership's noncontrolling interests in the consolidated financial statements consisted of (i) the 25% interest in Chipeta held by a third-party member, (ii) the publicly held limited partner interests in WES Operating, (iii) the common units issued by WES Operating to subsidiaries of Anadarko as part of the consideration paid for prior acquisitions from Anadarko, and (iv) the Class C units issued by WES Operating to a subsidiary of Anadarko as part of the funding for the acquisition of DBM. For all periods presented, WES Operating's noncontrolling interest in the consolidated financial statements consisted of the 25% interest in Chipeta held by a third-party member. See Note 5.
When WES Operating issues equity, the carrying amount of the noncontrolling interest reported by the Partnership is adjusted to reflect the noncontrolling ownership interest in WES Operating. The resulting impact of such noncontrolling interest adjustment on the Partnership's interest in WES Operating is reflected as an adjustment to the Partnership's partners' capital.

Shutdown of gathering systems. In May 2018, after assessing a number of factors, with safety and protection of the environment as the primary focus, the Partnership decided to take the Kitty Draw gathering system in Wyoming (part of the Hilight system) and the Third Creek gathering system in Colorado (part of the DJ Basin complex) permanently out of service. During the second quarter of 2018, an accrual of $10.9 million in anticipated costs associated with the shutdown of the systems was recorded as a reduction in affiliate Product sales in the consolidated statements of operations. During the first quarter of 2019, $5.5 million of the accrual related to the Kitty Draw gathering system was reversed due to producer settlements being less than initial estimates.

Segments. The Partnership's operations continue to be organized into a single operating segment, the assets of which gather, compress, treat, process and transport natural gas; gather, stabilize and transport condensate, NGLs and crude oil; and gather and dispose of produced water in the United States.

Recently adopted accounting standards. ASU 2016-02, Leases (Topic 842) requires lessees to recognize a lease liability and a right-of-use ("ROU") asset for all leases, including operating leases, with a term greater than 12 months on the balance sheet. This ASU modifies the definition of a lease and outlines the recognition, measurement, presentation, and disclosure of leasing arrangements by both lessees and lessors. The Partnership adopted this standard on January 1, 2019, using the modified retrospective method applied to all leases that existed on January 1, 2019, and prior-period financial statements were not adjusted. The Partnership elected not to reassess contracts that commenced prior to adoption, to continue applying its current accounting policy for existing or expired land easements and not to recognize ROU assets or lease liabilities for short-term leases.

Leases. The Partnership determines if an arrangement is a lease based on rights and obligations conveyed at inception of a contract. Operating leases are included in other assets, accrued liabilities and other liabilities on the consolidated balance sheets. ROU assets and lease liabilities are recognized at the commencement date based on the present value of future lease payments over the lease term. As the rate implicit in the Partnership's leases is generally not readily determinable, the Partnership discounts lease liabilities using the Partnership's incremental borrowing rate at the commencement date. Non-lease components associated with leases that begin in 2019 or later are accounted for as part of the lease component, and prepaid lease payments are included in ROU assets. Options to extend or terminate a lease are included in the lease term when it is reasonably certain that the Partnership will exercise that option. Leases of 12 months or less are not recognized on the consolidated balance sheets. Lease cost is recognized over the lease term and is generally recognized on a straight-line basis. Variable lease payments are recognized when the obligation for those payments is incurred.

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WESTERN MIDSTREAM PARTNERS, LP AND WESTERN MIDSTREAM OPERATING, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table summarizes revenue from contracts with customers:

	Three Months Ended March 31,	
thousands	2019	2018
Revenue from customers		
Service revenues – fee based	$579,974	$393,773
Service revenues – product based	19,379	23,423
Product sales	72,800	84,868
Total revenue from customers	672,153	502,064
Revenue from other than customers		
Net gains (losses) on commodity price swap agreements	(667)	(1,243)
Other	397	233
Total revenues and other	$671,883	$501,054

Contract balances. Receivables from customers, which are included in Accounts receivable, net on the consolidated balance sheets were $315.3 million and $214.3 million as of March 31, 2019, and December 31, 2018, respectively. Contract assets primarily relate to accrued deficiency fees the Partnership expects to charge customers once the related performance periods are completed. The following table summarizes the current period activity related to contract assets from contracts with customers:

thousands	
Balance at December 31, 2018	$47,621
Amounts transferred to Accounts receivable, net that were included in the contract assets balance at the beginning of the period	(1,376)
Additional estimated revenues recognized	3,810
Balance at March 31, 2019	$50,055

Contract assets at March 31, 2019	
Other current assets	$7,172
Other assets	42,883
Total contract assets from contracts with customers	$50,055

2. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Contract liabilities primarily relate to (i) fees that are charged to customers for only a portion of the contract term and must be recognized as revenues over the expected period of customer benefit, (ii) fixed and variable fees under cost of service contracts that are received from customers for which revenue recognition is deferred and (iii) aid in construction payments received from customers that must be recognized over the expected period of customer benefit. The following table summarizes the current period activity related to contract liabilities from contracts with customers:

thousands	
Balance at December 31, 2018	$145,624
Cash received or receivable, excluding revenues recognized during the period	15,213
Revenues recognized that were included in the contract liability balance at the beginning of the period	(9,279)
Balance at March 31, 2019	$151,558

Contract liabilities at March 31, 2019	
Accrued liabilities	$6,364
Other liabilities	145,194
Total contract liabilities from contracts with customers	$151,558

Transaction price allocated to remaining performance obligations. Revenues expected to be recognized from certain performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2019, are reflected in the following table. The Partnership applies the optional exemptions in Topic 606 and does not disclose consideration for remaining performance obligations with an original expected duration of one year or less or for variable consideration related to unsatisfied (or partially unsatisfied) performance obligations. Therefore, the following table represents only a portion of expected future revenues from existing contracts as most future revenues from customers are dependent on future variable customer volumes and, in some cases, variable commodity prices for those volumes.

thousands	
Remainder of 2019	$532,477
2020	862,428
2021	911,450
2022	976,136
2023	932,921
Thereafter	4,500,175
Total	$8,715,587

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WESTERN MIDSTREAM PARTNERS, LP AND WESTERN MIDSTREAM OPERATING, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. ACQUISITIONS AND DIVESTITURES

AMA acquisition. In February 2019, WES Operating acquired the following assets from Anadarko (see Note 1), which are collectively referred to as the Anadarko Midstream Assets ("AMA"):

- Wattenberg processing plant. The Wattenberg processing plant consists of a cryogenic train (with capacity of 190 million cubic feet per day ("MMcf/d")) and a refrigeration train (with capacity of 100 MMcf/d) located in Adams County, Colorado, now part of the DJ Basin complex.

- Wamsutter pipeline. The Wamsutter pipeline is a crude oil gathering pipeline located in Sweetwater County, Wyoming and delivers crude oil into Andeavor's Wamsutter Pipeline System.

- DJ Basin oil system. The DJ Basin oil system consists of (i) a crude oil gathering system, (ii) a centralized oil stabilization facility ("COSF") and (iii) a 12-mile crude oil pipeline, located in Weld County, Colorado. The COSF consists of Trains I through VI with total capacity of 155 thousand barrels per day ("MBbls/d") and two storage tanks with total capacity of 500,000 barrels. Train VI commenced operation in 2018. The pipeline connects the COSF to Tampa Rail.

- DBM oil system. The DBM oil system consists of (i) a crude oil gathering system, (ii) three central production facilities ("CPFs"), which include ten processing trains with total capacity of 71 MBbls/d, (iii) three storage tanks with total capacity of 30,000 barrels, (iv) a 14-mile crude oil pipeline, and (v) two regional oil treating facilities ("ROTFs"), which include four trains with total capacity of 120 MBbls/d, located in Reeves and Loving Counties, Texas. The ROTFs commenced operation in 2018. The pipeline transports crude oil from the DBM oil system and one third-party CPF into Plains All American Pipeline.

- APC water systems. The APC water systems consist of five produced-water disposal systems with total capacity of 565 MBbls/d, located in Reeves, Loving, Winkler and Ward Counties, Texas, which are now part of the DBM water systems. One produced-water disposal system commenced operation in 2017 and the others commenced operation in 2018.

- A 20% interest in Saddlehorn. Saddlehorn owns (i) a crude oil and condensate pipeline (excluding pipeline capacity leased by Saddlehorn) that originates in Laramie County, Wyoming and terminates in Cushing, Oklahoma, and (ii) four storage tanks with total capacity of 300,000 barrels. The Saddlehorn interest is accounted for under the equity method and the pipeline is operated by a third party.

- A 15% interest in Panola. Panola owns a 248-mile NGLs pipeline that originates in Panola County, Texas and terminates in Mont Belvieu, Texas. The Panola interest is accounted for under the equity method and the pipeline is operated by a third party.

- A 50% interest in Mi Vida. Mi Vida owns a cryogenic gas processing plant (with capacity of 200 MMcf/d) located in Ward County, Texas. The interest in Mi Vida is accounted for under the equity method and the processing plant is operated by a third party.

- A 50% interest in Ranch Westex. Ranch Westex owns a processing plant consisting of a cryogenic train (with capacity of 100 MMcf/d) and a refrigeration train (with capacity of 25 MMcf/d), located in Ward County, Texas. The interest in Ranch Westex is accounted for under the equity method and the processing plant is operated by a third party.

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3. ACQUISITIONS AND DIVESTITURES (CONTINUED)

Because the acquisition of AMA was a transfer of net assets between entities under common control, the Partnership and WES Operating's historical financial statements previously filed with the SEC have been recast in this Form 10-Q to include the results attributable to AMA as if it was owned for all periods presented. The consolidated financial statements for periods prior to the acquisition of AMA have been prepared from Anadarko's historical cost-basis accounts and may not necessarily be indicative of the actual results of operations that would have occurred if AMA had been owned during the periods reported.
The following tables present the impact of AMA on Revenues and other, Equity income, net – affiliates and Net income (loss) as presented in the Partnership and WES Operating's historical consolidated statements of operations:

	Three Months Ended March 31, 2018			
thousands	Partnership Historical (1)	AMA	Eliminations	Combined
Revenues and other	$456,802	$51,664	$ (7,412)	$501,054
Equity income, net – affiliates	20,424	9,805	—	30,229
Net income (loss)	150,488	30,522	—	181,010

	Three Months Ended March 31, 2018			
thousands	WES Operating Historical (1)	AMA	Eliminations	Combined
Revenues and other	$456,802	$51,664	$ (7,412)	$501,054
Equity income, net – affiliates	20,424	9,805	—	30,229
Net income (loss)	152,348	30,522	—	182,870

(1) See Adjustments to previously issued financial statements within Note 1.

Red Bluff Express acquisition. In January 2019, the Partnership acquired a 30% interest in Red Bluff Express, which owns a natural gas pipeline operated by a third party connecting processing plants in Reeves and Loving Counties, Texas to the WAHA hub in Pecos County, Texas. The Partnership acquired its 30% interest from a third party via an initial net investment of $92.5 million, which represented its share of costs incurred up to the date of acquisition. The initial investment was funded with cash on hand and the interest in Red Bluff Express is accounted for under the equity method. See Note 8.

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4. PARTNERSHIP DISTRIBUTIONS

The partnership agreement requires the Partnership to distribute all of its available cash (as defined in its partnership agreement) to unitholders of record on the applicable record date within 55 days of the end of each quarter. The Board of Directors of the general partner (the “Board of Directors”) declared the following cash distributions to the Partnership’s unitholders for the periods presented:

thousands except per-unit amounts Quarters Ended	Total Quarterly Distribution per Unit	Total Quarterly Cash Distribution	Date of Distribution
2018 [1]			
March 31	$ 0.56875	$ 124,518	May 2018
June 30	0.58250	127,531	August 2018
September 30	0.59500	130,268	November 2018
December 31	0.60250	131,910	February 2019
2019			
March 31 [2]	$ 0.61000	$ 276,324	May 2019

[1] The 2018 distributions were declared and paid prior to the closing of the Merger.

[2] The Board of Directors declared a cash distribution to the Partnership’s unitholders for the first quarter of 2019 of $0.61000 per unit, or $276.3 million in aggregate. The cash distribution is payable on May 14, 2019, to unitholders of record at the close of business on May 1, 2019.

Available cash. The amount of available cash (as defined in the partnership agreement) generally is all cash on hand at the end of the quarter, plus, at the discretion of the general partner, working capital borrowings made subsequent to the end of such quarter, less the amount of cash reserves established by the general partner to provide for the proper conduct of the Partnership’s business, including reserves to fund future capital expenditures; to comply with applicable laws, debt instruments or other agreements; or to provide funds for distributions to its unitholders for any one or more of the next four quarters. Working capital borrowings generally include borrowings made under a credit facility or similar financing arrangement. Working capital borrowings may only be those that, at the time of such borrowings, were intended to be repaid within 12 months. In all cases, working capital borrowings are used solely for working capital purposes or to fund distributions to partners.

WES Operating partnership distributions. For the 2018 periods noted below, WES Operating paid the following cash distributions to WES Operating’s common and general partner unitholders:

thousands except per-unit	Total Quarterly Distribution	Total Quarterly Cash	Date of Distribution

Quarters Ended 2018	amounts per Unit	Distribution	
March 31	$ 0.935	$ 221,133	May 2018
June 30	0.950	225,691	August 2018
September 30	0.965	230,239	November 2018
December 31	0.980	234,787	February 2019

Immediately prior to the closing of the Merger, the IDRs and the general partner units were converted into a non-economic general partner interest in WES Operating and WES Operating common units, and upon consummation of the Merger, all WES Operating common units held by the public and subsidiaries of Anadarko (other than common units held by the Partnership, WES Operating GP and 6.4 million common units held by a subsidiary of Anadarko) were converted into common units of the Partnership. Beginning in the first quarter of 2019, WES Operating will make distributions to the Partnership and a subsidiary of Anadarko in respect of their proportionate share of limited partner interests in WES Operating. For the three months ended March 31, 2019, WES Operating will distribute $283.3 million to its limited partners. See Note 5.

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4. PARTNERSHIP DISTRIBUTIONS (CONTINUED)

WES Operating Class C unit distributions. Prior to the closing of the Merger, WES Operating's Class C units received quarterly distributions at a rate equivalent to WES Operating's publicly-traded common units. The distributions were paid in the form of additional Class C Units ("PIK Class C units") and were disregarded with respect to WES Operating's distributions of WES Operating's available cash. The number of PIK Class C units issued in connection with a distribution payable on the Class C units was determined by dividing the corresponding distribution attributable to the Class C units by the volume-weighted-average price of WES Operating's common units for the ten days immediately preceding the payment date for the common unit distribution, less a 6% discount. WES Operating recorded the PIK Class C unit distributions at fair value at the time of issuance. This Level 2 fair value measurement used WES Operating's unit price as a significant input in the determination of the fair value. See Note 5 for further discussion of the Class C units.
In February 2019, immediately prior to the closing of the Merger, all outstanding Class C units converted into WES Operating common units on a one-for-one basis (see Note 1).

WES Operating's general partner interest and incentive distribution rights. Prior to the closing of the Merger, WES Operating GP was entitled to 1.5% of all quarterly distributions that WES Operating made prior to its liquidation and, as the former holder of the IDRs, was entitled to incentive distributions at the maximum distribution sharing percentage of 48.0% for all prior periods presented. Immediately prior to the closing of the Merger, the IDRs and the general partner units converted into a non-economic general partner interest in WES Operating and WES Operating common units (see Note 1).

5. EQUITY AND PARTNERS' CAPITAL

Holdings of Partnership equity. The Partnership's common units are listed on the NYSE under the symbol "WES." As of March 31, 2019, Anadarko held 251,197,617 common units, representing a 55.5% limited partner interest in the Partnership, and, through its ownership of the general partner, Anadarko indirectly held the entire non-economic general partner interest in the Partnership. The public held 201,793,245 common units, representing a 44.5% limited partner interest in the Partnership.
In February 2019, the Partnership issued common units in connection with the closing of the Merger (see Note 1) as follows:

Partnership common units outstanding prior to the Merger		218,937,797
WES Operating common units outstanding prior to the Merger	152,609,285	
WES Operating Class C units outstanding prior to the Merger	14,681,388	
Less: WES Operating common units owned by the Partnership	(50,132,046)	
WES Operating common units subject to conversion into Partnership common units	117,158,627	
Exchange ratio per unit	1.525	
Partnership common units issued for WES Operating common units [(1)]		178,692,081
WES Operating common units issued as part of the AMA acquisition	45,760,201	
Less: WES Operating common units retained by a subsidiary of Anadarko	(6,375,284)	
WES Operating acquisition common units subject to conversion into Partnership common units	39,384,917	
Conversion ratio per unit	1.4056	
Partnership common units issued for WES Operating acquisition common units		55,360,984
Partnership common units outstanding at March 31, 2019		452,990,862

(1) Total Partnership units issued upon consummation of the Merger exceeds the calculation of such units using the exchange ratio due to the rounding convention reflected in the Merger Agreement.

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5. EQUITY AND PARTNERS' CAPITAL (CONTINUED)

Holdings of WES Operating equity. As of March 31, 2019, (i) the Partnership, directly and indirectly through its ownership of WES Operating GP, owned a 98.0% limited partner interest and the entire non-economic general partner interest in WES Operating and (ii) Anadarko, through its ownership of WGRAH, owned a 2.0% limited partner interest in WES Operating, which is reflected as a noncontrolling interest within the consolidated financial statements of the Partnership (see Note 1).

WES Operating interests. The following table summarizes WES Operating's units issued during the three months ended March 31, 2019:

	Common Units	Class C Units	General Partner Units	Total
Balance at December 31, 2018	152,609,285	14,372,665	2,583,068	169,565,018
PIK Class C units	—	308,723	—	308,723
Conversion of Class C units [(1)]	14,681,388	(14,681,388)	—	—
IDR and General partner unit conversion [(1)]	105,624,704	—	(2,583,068)	103,041,636
Units issued as part of the AMA acquisition [(1)]	45,760,201	—	—	45,760,201
Balance at March 31, 2019	318,675,578	—	—	318,675,578

(1) See Note 1 for further details on the units issued and converted in connection with the closing of the Merger.

WES Operating Class C units. In November 2014, WES Operating issued 10,913,853 Class C units to AMH, pursuant to a Unit Purchase Agreement with Anadarko and AMH. The Class C units were issued to partially fund the acquisition of DBM.
The Class C units were issued at a discount to the then-current market price of the common units into which they were convertible. This discount, totaling $34.8 million, represented a beneficial conversion feature, and at issuance, was reflected as an increase in WES Operating common unitholders' capital and a decrease in Class C unitholder capital to reflect the fair value of the Class C units at issuance. The beneficial conversion feature was considered a non-cash distribution that was recognized from the date of issuance through the date of conversion, resulting in an increase in Class C unitholder capital and a decrease in common unitholders' capital as amortized. The beneficial conversion feature was amortized assuming the extended conversion date of March 1, 2020, using the effective yield method. The impact of the beneficial conversion feature amortization was included in the calculation of earnings per unit (see WES Operating's net income (loss) per common unit below).
All outstanding Class C units converted into WES Operating common units on a one-for-one basis immediately prior to the closing of the Merger (see Note 1).

Partnership's net income (loss) per common unit. The Partnership's net income (loss) per common unit is calculated by dividing the limited partners' interest in net income (loss) by the weighted-average number of common units outstanding during the period. Net income (loss) per common unit is calculated assuming that cash distributions are equal to the net income attributable to the Partnership. Net income (loss) attributable to the Partnership assets (as defined in Note 1) acquired from Anadarko for periods prior to the acquisition of the assets is not allocated to the limited partners when calculating net income (loss) per common unit. Net income equal to the amount of available cash (as defined by the partnership agreement) is allocated to the Partnership's common unitholders consistent with actual cash distributions.

WES Operating's net income (loss) per common unit. For periods subsequent to the closing of the Merger, net income (loss) per common unit for WES Operating is not calculated as it no longer has publicly traded units. For periods prior to the closing of the Merger, Net income (loss) attributable to Western Midstream Operating, LP earned on and subsequent to the date of acquisition of the Partnership assets was allocated as discussed below. Net income (loss) attributable to the Partnership assets acquired from Anadarko for periods prior to the acquisition of the assets was not allocated to the unitholders for purposes of calculating net income (loss) per common unit.

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5. EQUITY AND PARTNERS' CAPITAL (CONTINUED)

General partner. The general partner's allocation was equal to cash distributions plus its portion of undistributed earnings or losses. Specifically, net income equal to the amount of available cash (as defined by WES Operating's partnership agreement) was allocated to the general partner consistent with actual cash distributions and capital account allocations, including incentive distributions. Undistributed earnings (net income in excess of distributions) or undistributed losses (available cash in excess of net income) was then allocated to the general partner in accordance with its weighted-average ownership percentage during each period.

Common and Class C unitholders. The Class C units were considered a participating security because they participated in distributions with common units according to a predetermined formula (see Note 4). The common and Class C unitholders' allocation was equal to their cash distributions plus their respective allocations of undistributed earnings or losses. Specifically, net income equal to the amount of available cash (as defined by the WES Operating partnership agreement) was allocated to the common and Class C unitholders consistent with actual cash distributions and capital account allocations. Undistributed earnings or undistributed losses were then allocated to the common and Class C unitholders in accordance with their respective weighted-average ownership percentages during each period. The common unitholder allocation also included the impact of the amortization of the Class C units beneficial conversion feature. The Class C unitholder allocation was similarly impacted by the amortization of the Class C units beneficial conversion feature (see WES Operating Class C units above).

Calculation of net income (loss) per unit. Basic net income (loss) per common unit was calculated by dividing the net income (loss) attributable to common unitholders by the weighted-average number of common units outstanding during the period. The common units issued in connection with acquisitions and equity offerings were included on a weighted-average basis for periods they were outstanding. Diluted net income (loss) per common unit was calculated by dividing the sum of (i) the net income (loss) attributable to common units and (ii) the net income (loss) attributable to the Class C units as a participating security, by the sum of the weighted-average number of common units outstanding plus the dilutive effect of the weighted-average number of outstanding Class C units.
The following table illustrates the calculation of WES Operating's net income (loss) per common unit:

thousands except per-unit amounts	Three Months Ended March 31, 2018
Net income (loss) attributable to Western Midstream Operating, LP	$179,885
Pre-acquisition net (income) loss allocated to Anadarko	(30,522)
General partner interest in net (income) loss	(83,439)
Common and Class C limited partners' interest in net income (loss)	$65,924
Net income (loss) allocable to common units [1]	$58,323
Net income (loss) allocable to Class C units [1]	7,601
Common and Class C limited partners' interest in net income (loss)	$65,924
Net income (loss) per unit	
Common units – basic and diluted [2]	$0.38
Weighted-average units outstanding	
Common units – basic and diluted	152,602
Excluded due to anti-dilutive effect:	

Class C units [2]	13,380

[1] Adjusted to reflect amortization of the beneficial conversion feature.
[2] The impact of Class C units would be anti-dilutive for the period presented.

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6. TRANSACTIONS WITH AFFILIATES

Affiliate transactions. Revenues from affiliates include amounts earned by the Partnership from services provided to Anadarko as well as from the sale of natural gas, condensate and NGLs to Anadarko. Anadarko sells such natural gas, condensate and NGLs as an agent on behalf of either the Partnership or the Partnership's customers. When such sales are on the Partnership's customers' behalf, the Partnership recognizes associated service revenues and cost of product expense. When such sales are on the Partnership's behalf, the Partnership recognizes product sales revenues based on the Anadarko sales price to the third party and cost of product expense associated with these sales activities.
In addition, the Partnership purchases natural gas, condensate and NGLs from an affiliate of Anadarko pursuant to gas purchase agreements. Operation and maintenance expense includes amounts accrued for or paid to affiliates for the operation of the Partnership assets, whether in providing services to affiliates or to third parties, including field labor, measurement and analysis, and other disbursements. A portion of general and administrative expenses is paid by Anadarko, which results in affiliate transactions pursuant to the reimbursement provisions of the omnibus agreements of the Partnership and WES Operating. Affiliate expenses do not bear a direct relationship to affiliate revenues, and third-party expenses do not bear a direct relationship to third-party revenues.

Merger transactions. As discussed in more detail in Note 1, on February 28, 2019, the Partnership, WES Operating, Anadarko and certain of their affiliates consummated the Merger and the other transactions contemplated in the Merger Agreement, which included the acquisition of AMA from Anadarko. See Note 3.

Cash management. Anadarko operates a cash management system whereby excess cash from most of its subsidiaries' separate bank accounts is generally swept to centralized accounts. Prior to the acquisition of Partnership assets, third-party sales and purchases related to such assets were received or paid in cash by Anadarko within its centralized cash management system. The outstanding affiliate balances were entirely settled through an adjustment to net investment by Anadarko in connection with the acquisition of the Partnership assets. Subsequent to the acquisition of Partnership assets from Anadarko, transactions related to such assets are cash-settled directly with third parties and with Anadarko affiliates. Chipeta cash settles its transactions directly with third parties and Anadarko, as well as with the other subsidiaries of the Partnership.

Note receivable - Anadarko. In May 2008, WES Operating loaned $260.0 million to Anadarko in exchange for a 30-year note bearing interest at a fixed annual rate of 6.50%, payable quarterly. The fair value of the note receivable from Anadarko was $303.9 million and $279.6 million at March 31, 2019, and December 31, 2018, respectively. The fair value of the note reflects consideration of credit risk and any premium or discount for the differential between the stated interest rate and quarter-end market interest rate, based on quoted market prices of similar debt instruments. Accordingly, the fair value of the note receivable from Anadarko is measured using Level 2 inputs.

APCWH Note Payable. In June 2017, APCWH entered into an eight-year note payable agreement with Anadarko, which was repaid upon consummation of the Merger. See Note 1 and Note 10.

Commodity price swap agreements. WES Operating had commodity price swap agreements with Anadarko to mitigate exposure to the commodity price risk inherent in its percent-of-proceeds, percent-of-product and keep-whole contracts. Notional volumes for each of the commodity price swap agreements were not specifically defined. Instead, the commodity price swap agreements applied to the actual volume of natural gas, condensate and NGLs purchased and sold. The commodity price swap agreements did not satisfy the definition of a derivative financial instrument and, therefore, were not required to be measured at fair value. Net gains (losses) on commodity price swap agreements were $(0.7) million (due to settlement of 2018 activity in 2019) and $(1.2) million for the three months ended March

31, 2019 and 2018, respectively, and are reported in the consolidated statements of operations as affiliate Product sales. These commodity price swap agreements expired without renewal on December 31, 2018.

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6. TRANSACTIONS WITH AFFILIATES (CONTINUED)

Revenues or costs attributable to volumes sold and purchased during 2018 and/or settled during 2019 for the DJ Basin complex and the MGR assets are recognized in the consolidated statements of operations at the applicable market price in the tables below. A capital contribution from Anadarko is recorded in the consolidated statements of equity and partners’ capital for an amount equal to (i) the amount by which the swap price for product sales exceeds the applicable market price in the tables below, minus (ii) the amount by which the swap price for product purchases exceeds the applicable market price in the tables below. For the three months ended March 31, 2019 and 2018, the capital contributions from Anadarko were $7.4 million (due to settlement of 2018 activity in 2019) and $14.3 million, respectively. The tables below summarize the swap prices compared to the forward market prices:

	DJ Basin Complex	
per barrel except natural gas	2018 Swap Prices	2018 Market Prices (1)
Ethane	$18.41	$ 5.41
Propane	47.08	28.72
Isobutane	62.09	32.92
Normal butane	54.62	32.71
Natural gasoline	72.88	48.04
Condensate	76.47	49.36
Natural gas (per MMBtu)	5.96	2.21

	MGR Assets	
per barrel except natural gas	2018 Swap Prices	2018 Market Prices (1)
Ethane	$23.11	$ 2.52
Propane	52.90	25.83
Isobutane	73.89	30.03
Normal butane	64.93	29.82
Natural gasoline	81.68	47.25
Condensate	81.68	56.76
Natural gas (per MMBtu)	4.87	2.21

(1) Represents the New York Mercantile Exchange forward strip price as of December 20, 2017, for the 2018 Market Prices, adjusted for product specification, location, basis and, in the case of NGLs, transportation and fractionation costs.

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6. TRANSACTIONS WITH AFFILIATES (CONTINUED)

Gathering and processing agreements. The Partnership has significant gathering and processing arrangements with affiliates of Anadarko on a majority of its systems. Natural gas gathering, treating and transportation throughput (excluding equity investment throughput) attributable to production owned or controlled by Anadarko was 6% and 7% for the three months ended March 31, 2019 and 2018, respectively. Natural gas processing throughput (excluding equity investment throughput) attributable to production owned or controlled by Anadarko was 41% and 40% for the three months ended March 31, 2019 and 2018, respectively. Crude oil, NGLs and produced water gathering, treating, transportation and disposal throughput (excluding equity investment throughput) attributable to production owned or controlled by Anadarko was 83% and 79% for the three months ended March 31, 2019 and 2018, respectively.

Commodity purchase and sale agreements. The Partnership sells a significant amount of its natural gas, condensate and NGLs to Anadarko Energy Services Company (“AESC”), Anadarko’s marketing affiliate that acts as an agent in the sale to a third party. In addition, the Partnership purchases natural gas, condensate and NGLs from AESC pursuant to purchase agreements. The purchase and sale agreements with AESC are generally one-year contracts, subject to annual renewal.

LTIPs. The general partner awards phantom units under the Western Gas Partners, LP 2017 Long-Term Incentive Plan (assumed by the Partnership in connection with the Merger) and the Western Gas Equity Partners, LP 2012 Long-Term Incentive Plan (collectively referred to as the “LTIPs”) to its independent directors, but also from time to time to the executive officers and Anadarko employees performing services for the Partnership. The phantom units awarded to the independent directors vest one year from the grant date, while all other awards are subject to graded vesting over a three-year service period.

Anadarko Incentive Plan. General and administrative expenses included equity-based compensation expense allocated to the Partnership by Anadarko, for awards granted to the executive officers of the general partner and other employees under the Anadarko Petroleum Corporation 2012 Omnibus Incentive Compensation Plan, as amended and restated (the “Anadarko Incentive Plan”). Portions of these amounts are reflected as contributions to partners’ capital in the consolidated statements of equity and partners’ capital.

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6. TRANSACTIONS WITH AFFILIATES (CONTINUED)

Summary of affiliate transactions. The following table summarizes material affiliate transactions included in the Partnership's consolidated financial statements:

	Three Months Ended March 31,	
thousands	2019	2018
Revenues and other [1]	$378,437	$285,176
Equity income, net – affiliates [1]	57,992	30,229
Cost of product [1]	56,172	34,819
Operation and maintenance [1]	39,141	23,001
General and administrative [2]	18,894	12,688
Operating expenses	114,207	70,508
Interest income [3]	4,225	4,225
Interest expense [4]	1,833	577
APCWH Note Payable borrowings [5]	11,000	106,565
Repayment of APCWH Note Payable [5]	439,595	—
Distributions to Partnership unitholders [6]	102,654	98,000
Distributions to WES Operating unitholders [7]	2,543	1,850
Above-market component of swap agreements with Anadarko	7,407	14,282

(1) Represents amounts earned or incurred on and subsequent to the date of the acquisition of Partnership assets, as well as amounts earned or incurred by Anadarko on a historical basis related to the Partnership assets prior to the acquisition of such assets.

(2) Represents general and administrative expense incurred on and subsequent to the date of the acquisition of Partnership assets, as well as a management services fee for expenses incurred by Anadarko for periods prior to the acquisition of such assets. These amounts include equity-based compensation expense allocated to the Partnership by Anadarko (see LTIPs and Anadarko Incentive Plan within this Note 6) and amounts charged by Anadarko under the omnibus agreements of the Partnership and WES Operating.

(3) Represents interest income recognized on the note receivable from Anadarko.

(4) Includes amounts related to the APCWH Note Payable (see Note 1 and Note 10).

(5) See Note 1.

(6) Represents distributions paid to Anadarko under the partnership agreement of the Partnership (see Note 4 and Note 5).

(7) Represents distributions paid to other subsidiaries of Anadarko under WES Operating's partnership agreement (see Note 4 and Note 5).

The following table summarizes affiliate transactions for WES Operating (which are included in the Partnership's consolidated financial statements) to the extent the amounts differ from the Partnership's consolidated financial statements:

	Three Months Ended March 31,	
thousands	2019	2018
General and administrative [1]	$18,498	$12,479

Distributions to WES Operating unitholders (2)	164,902	124,164

(1) Represents general and administrative expense incurred on and subsequent to the date of the acquisition of Partnership assets, as well as a management services fee for expenses incurred by Anadarko for periods prior to the acquisition of such assets. These amounts include equity-based compensation expense allocated to WES Operating by Anadarko (see LTIPs and Anadarko Incentive Plan within this Note 6) and amounts charged by Anadarko under the omnibus agreement of WES Operating.

(2) Represents distributions paid to the Partnership and other subsidiaries of Anadarko under WES Operating's partnership agreement (see Note 4 and Note 5). For the three months ended March 31, 2019, includes distributions to the Partnership and a subsidiary of Anadarko related to the repayment of the WGP RCF (see Note 10).

6. TRANSACTIONS WITH AFFILIATES (CONTINUED)

Concentration of credit risk. Anadarko was the only customer from whom revenues exceeded 10% of consolidated revenues for all periods presented in the consolidated statements of operations.

7. PROPERTY, PLANT AND EQUIPMENT

A summary of the historical cost of property, plant and equipment is as follows:

thousands	Estimated Useful Life	March 31, 2019	December 31, 2018
Land	n/a	$8,858	$5,298
Gathering systems – pipelines	30 years	4,828,320	4,764,099
Gathering systems – compressors	15 years	1,809,009	1,712,939
Processing complexes and treating facilities	25 years	2,944,387	2,844,337
Transportation pipeline and equipment	6 to 45 years	172,637	172,558
Produced water disposal systems	20 years	667,106	629,946
Assets under construction	n/a	603,234	604,265
Other	3 to 40 years	546,778	525,331
Total property, plant and equipment		11,580,329	11,258,773
Less accumulated depreciation		2,950,330	2,848,420
Net property, plant and equipment		$8,629,999	$8,410,353

The cost of property classified as “Assets under construction” is excluded from capitalized costs being depreciated. These amounts represent property that is not yet suitable to be placed into productive service as of the respective balance sheet date.

Impairments. During the three months ended March 31, 2019, the Partnership recognized impairments of $0.4 million. During the year ended December 31, 2018, the Partnership recognized impairments of $230.6 million, including impairments of $125.9 million at the Third Creek gathering system and $8.1 million at the Kitty Draw gathering system. These assets were impaired to their estimated salvage values of $1.8 million and zero, respectively, using the market approach and Level 3 fair value inputs, due to the shutdown of the systems in May 2018. Also during 2018, the Partnership recognized impairments of $38.7 million and $34.6 million at the Hilight and MIGC systems, respectively. These assets were impaired to their estimated fair values of $4.9 million and $15.2 million, respectively, using the income approach and Level 3 fair value inputs, due to a reduction in estimated future cash flows. The remaining $23.3 million of impairments was primarily related to (i) a $10.9 million impairment at the GNB NGL pipeline, which was impaired to its estimated fair value of $10.0 million using the income approach and Level 3 fair value inputs, and (ii) a $5.6 million impairment related to an idle facility at the Chipeta complex, which was impaired to its estimated salvage value of $1.5 million using the market approach and Level 3 fair value inputs.

8. EQUITY INVESTMENTS

The following table presents the equity investments activity for the three months ended March 31, 2019:

thousands	Balance at December 31, 2018	Acquisitions	Equity income, net	Contributions [1]	Distributions	Distributions in excess of cumulative earnings [2]	Balance at March 31, 2019
Fort Union	$ 2,259	$ —	$ (573)	$ —	$ —	$ (237)	$ 1,449
White Cliffs	43,020	—	3,225	1,845	(3,079)	(935)	44,076
Rendezvous	37,841	—	121	—	(607)	(671)	36,684
Mont Belvieu JV	104,949	—	7,127	—	(4,500)	—	107,576
TEG	19,358	—	830	—	(835)	(316)	19,037
TEP	193,198	—	8,665	6,000	(9,865)	—	197,998
FRP	176,436	—	7,125	—	(6,480)	—	177,081
Whitethorn LLC	161,858	—	21,860	3,228	(17,058)	(5,213)	164,675
Cactus II	106,360	—	—	17,791	—	—	124,151
Saddlehorn	108,507	—	4,830	—			