
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

Form 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2018

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 001-33078

Archrock Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

9807 Katy Freeway, Suite 100

Houston, Texas

(Address of principal executive offices)

22-3935108

(I.R.S. Employer
Identification No.)

77024

(Zip Code)

(281) 836-8000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer ☐

Non-accelerated filer ☐

Accelerated filer ☒

(Do not check if a smaller reporting company)

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. ☐

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

At July 26, 2018, the registrant's common equity consisted of 70,231,036 common units, all of which were held indirectly by Archrock, Inc.

TABLE OF CONTENTS

	Page
GLOSSARY	3
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	5
Condensed Consolidated Balance Sheets	5
Condensed Consolidated Statements of Operations	6
Condensed Consolidated Statements of Comprehensive Income	7
Condensed Consolidated Statements of Partners' Capital	8
Condensed Consolidated Statements of Cash Flows	9
Notes to Unaudited Condensed Consolidated Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures About Market Risk	35
Item 4. Controls and Procedures	36
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities	37
Item 3. Defaults Upon Senior Securities	37
Item 4. Mine Safety Disclosures	37
Item 5. Other Information	37
Item 6. Exhibits	38
SIGNATURES	39

GLOSSARY

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

2006 LTIP	The Archrock Partners, L.P. Long Term Incentive Plan, adopted in October 2006
2017 Form 10-K	Archrock Partners, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2017
2017 LTIP	The Archrock Partners, L.P. Long Term Incentive Plan, adopted in April 2017
51st District Court	51st Judicial District Court of Irion County, Texas
Amendment No. 1	Amendment No. 1 to Credit Agreement dated February 23, 2018, which amended that certain Credit Agreement, dated as of March 30, 2017, which governs the Credit Facility
Archrock	Prior to the Merger: Archrock, Inc., individually and together with its wholly-owned subsidiaries Subsequent to the Merger: Archrock, Inc., individually and together with its wholly-owned subsidiaries, excluding the Partnership
ASU 2016-02	Accounting Standards Update No. 2016-02 Leases (Topic 842)
ASU 2016-13	Accounting Standards Update No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments
ASU 2016-15	Accounting Standards Update No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments
ASU 2017-12	Accounting Standards Update No. 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities
Bcf	Billion cubic feet
Credit Facility	\$1.25 billion asset-based revolving credit facility, as amended by Amendment No. 1
EBITDA	Earnings before interest, taxes, depreciation and amortization
EES Leasing	Archrock Services Leasing LLC, formerly known as EES Leasing LLC
EIA	U.S. Energy Information Administration
Exchange Act	Securities Exchange Act of 1934, as amended
EXLP Leasing	Archrock Partners Leasing LLC, formerly known as EXLP Leasing LLC
FASB	Financial Accounting Standards Board
Financial Statements	The Partnership's Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q
Former Credit Facility	\$825.0 million revolving credit facility and \$150.0 million term loan, terminated in March 2017
GAAP	Accounting principles generally accepted in the U.S.
General Partner	Archrock General Partner, L.P., the Partnership's general partner, and an indirect, wholly-owned subsidiary of Archrock
Heavy Equipment Statutes	Texas Tax Code §§ 23.1241, 23.1242
Merger	The transaction completed on April 26, 2018 pursuant to the Merger Agreement in which Archrock acquired all of the Partnership's outstanding common units not already owned by Archrock
Merger Agreement	Agreement and Plan of Merger, dated as of January 1, 2018, among Archrock and the Partnership, which was amended by Amendment No. 1 to Agreement and Plan of Merger on January 11, 2018, and which was completed and effective on April 26, 2018
MMBtu	Million British thermal unit
Notes	\$350.0 million of 6% senior notes due April 2021 and \$350 million of 6% senior notes due October 2022
Omnibus Agreement	The Partnership's Fifth Amended and Restated Omnibus Agreement with Archrock, dated as of April 26, 2018
Partnership, we, our, us	Archrock Partners, L.P., together with its subsidiaries
Partnership Agreement	First Amended and Restated Agreement of Limited Partnership of Exterran Partners, L.P. (now Archrock Partners, L.P.), as amended, dated as of April 14, 2008
Revenue Recognition Update	Accounting Standards Update No. 2014-09 Revenue from Contracts with Customers (Topic 606) and additional related standards updates

[Table of Contents](#)

Revolving Loan Agreement	Agreement dated April 26, 2018 among the Partnership and Archrock under which the Partnership may make loans to Archrock
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Tcf	Trillion cubic feet
TCJA	Public Law No. 115-97, a comprehensive tax reform bill signed into law on December 22, 2017
U.S.	United States of America

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARCHROCK PARTNERS, L.P. CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands, except for unit amounts) (unaudited)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash	\$ 51	\$ 8,078
Accounts receivable, trade, net of allowance of \$1,502 and \$1,296, respectively	69,391	67,714
Current portion of interest rate swaps	2,816	186
Accrued interest on loan receivable due from Archrock	263	—
Total current assets	72,521	75,978
Property, plant and equipment	2,811,243	2,727,401
Accumulated depreciation	(978,550)	(953,325)
Property, plant and equipment, net	1,832,693	1,774,076
Intangible assets, net	53,061	60,747
Contract costs	24,660	—
Loan receivable due from Archrock	60,500	—
Other long-term assets	24,827	19,401
Total assets	\$ 2,068,262	\$ 1,930,202
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable, trade	\$ 40,559	\$ 18,368
Accrued liabilities	9,546	7,597
Deferred revenue	7,730	1,299
Accrued interest	12,835	12,972
Due to Archrock, net	8,849	4,683
Current portion of interest rate swaps	—	134
Total current liabilities	79,519	45,053
Long-term debt	1,458,863	1,361,053
Other long-term liabilities	8,596	9,356
Total liabilities	1,546,978	1,415,462
Commitments and contingencies (Note 12)		
Partners' capital:		
Common units: 70,231,036 and 70,310,590 issued, respectively	497,875	501,023
General partner units: 1,422,458 and 1,421,768 issued and outstanding, respectively	11,543	11,582
Accumulated other comprehensive income	11,866	4,476
Treasury units: 113,609 common units at December 31, 2017	—	(2,341)
Total partners' capital	521,284	514,740
Total liabilities and partners' capital	\$ 2,068,262	\$ 1,930,202

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

ARCHROCK PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 150,866	\$ 138,255	\$ 297,868	\$ 275,550
Costs and expenses:				
Cost of sales (excluding depreciation and amortization)	60,226	53,995	116,528	110,272
Selling, general and administrative	19,344	18,303	39,145	38,614
Depreciation and amortization	33,898	36,275	68,224	73,160
Long-lived asset impairment	3,846	3,081	6,912	9,291
Interest expense, net	22,542	21,299	44,151	41,522
Debt extinguishment costs	—	—	—	291
Merger-related costs	1,340	—	2,716	—
Other income, net	(394)	(933)	(681)	(821)
Total costs and expenses	140,802	132,020	276,995	272,329
Income before income taxes	10,064	6,235	20,873	3,221
Provision for (benefit from) income taxes	(417)	960	102	2,262
Net income	\$ 10,481	\$ 5,275	\$ 20,771	\$ 959

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

ARCHROCK PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 10,481	\$ 5,275	\$ 20,771	\$ 959
Other comprehensive income:				
Interest rate swap gain, net of reclassifications to earnings	2,178	463	7,163	2,138
Amortization of terminated interest rate swaps	61	—	227	—
Total other comprehensive income	2,239	463	7,390	2,138
Comprehensive income	\$ 12,720	\$ 5,738	\$ 28,161	\$ 3,097

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

ARCHROCK PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(in thousands, except for unit amounts)
(unaudited)

	Partners' Capital					Treasury Units		Accumulated Other Comprehensive Income (Loss)	Total
	Common Units		General Partner Units						
	\$	Units	\$	Units	\$	Units			
Balance at January 1, 2017	\$ 516,208	65,606,655	\$ 12,027	1,326,965	\$ (1,892)	(86,795)	\$ (4,170)	\$ 522,173	
Issuance of common units for vesting of phantom units		83,734						—	
Treasury units purchased					(404)	(22,977)		(404)	
Issuance of general partner units			22	1,231				22	
Distribution of capital, net	(370)		(141)					(511)	
Cash distributions	(37,474)		(757)					(38,231)	
Unit-based compensation expense	557							557	
Comprehensive income									
Net income	940		19					959	
Interest rate swap gain, net of reclassifications to earnings							2,138	2,138	
Balance at June 30, 2017	<u>\$ 479,861</u>	<u>65,690,389</u>	<u>\$ 11,170</u>	<u>1,328,196</u>	<u>\$ (2,296)</u>	<u>(109,772)</u>	<u>\$ (2,032)</u>	<u>\$ 486,703</u>	
Balance at January 1, 2018	\$ 501,023	70,310,590	\$ 11,582	1,421,768	\$ (2,341)	(113,609)	\$ 4,476	\$ 514,740	
Issuance of common units for vesting of phantom units		53,091						—	
Treasury units purchased					(250)	(19,036)		(250)	
Issuance of general partner units			9	690				9	
Contribution of capital	1,504							1,504	
Cash distributions	(35,571)		(720)					(36,291)	
Unit-based compensation expense	314							314	
Impact of adoption of Revenue Recognition Update	12,462		252					12,714	
Impact of adoption of ASU 2017-12	375		8					383	
Merger-related adjustments	(2,591)	(132,645)			2,591	132,645		—	
Comprehensive income									
Net income	20,359		412					20,771	
Interest rate swap gain, net of reclassifications to earnings							7,163	7,163	
Amortization of terminated interest rate swaps							227	227	
Balance at June 30, 2018	<u>\$ 497,875</u>	<u>70,231,036</u>	<u>\$ 11,543</u>	<u>1,422,458</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 11,866</u>	<u>\$ 521,284</u>	

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

ARCHROCK PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 20,771	\$ 959
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	68,224	73,160
Long-lived asset impairment	6,912	9,291
Amortization of deferred financing costs	2,862	3,017
Amortization of debt discount	694	653
Amortization of terminated interest rate swaps	227	—
Debt extinguishment costs	—	291
Interest rate swaps	327	980
Unit-based compensation expense	314	557
Provision for doubtful accounts	549	941
Gain on sale of property, plant and equipment	(618)	(759)
Deferred income tax provision (benefit)	(140)	2,232
Amortization of contract costs	4,758	—
Changes in assets and liabilities:		
Accounts receivable, trade	(2,477)	445
Contract costs	(13,102)	—
Other assets and liabilities	4,422	6,991
Net cash provided by operating activities	93,723	98,758
Cash flows from investing activities:		
Capital expenditures	(115,510)	(71,612)
Proceeds from sale of property, plant and equipment	13,719	5,062
Proceeds from insurance	252	—
Increase in amounts due from Archrock, net	—	(2,336)
Loan receivable due from Archrock	(60,500)	—
Net cash used in investing activities	(162,039)	(68,886)
Cash flows from financing activities:		
Proceeds from borrowings of long-term debt	272,830	789,000
Repayments of long-term debt	(176,636)	(756,500)
Payments for debt issuance costs	(3,332)	(14,855)
Payments for settlement of interest rate swaps that include financing elements	(207)	(1,041)
Distributions to unitholders	(36,291)	(38,231)
Net proceeds from sale of general partner units	9	22
Purchases of treasury units	(250)	(404)
Increase (decrease) in amounts due to Archrock, net	4,166	(8,012)
Net cash provided by (used in) financing activities	60,289	(30,021)
Net decrease in cash	(8,027)	(149)
Cash at beginning of period	8,078	217
Cash at end of period	\$ 51	\$ 68
Supplemental disclosure of non-cash transactions:		
Non-cash capital contribution from limited and general partner	\$ 1,504	\$ 2,720
Contract operations equipment acquired/exchanged, net	\$ —	\$ (3,231)

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

ARCHROCK PARTNERS, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

We are a Delaware limited partnership formed in June 2006 to provide natural gas contract operations services to customers throughout the U.S. Our contract operations services primarily include designing, sourcing, owning, installing, operating, servicing, repairing and maintaining equipment to provide natural gas compression services to our customers.

The accompanying unaudited condensed consolidated financial statements included herein have been prepared in accordance with U.S. GAAP for interim financial information and the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP are not required in these interim financial statements and have been condensed or omitted. Management believes that the information furnished includes all adjustments, consisting only of normal recurring adjustments, which are necessary to present fairly our consolidated financial position, results of operations and cash flows for the periods indicated. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements presented in our 2017 Form 10-K, which contains a more comprehensive summary of our accounting policies. The interim results reported herein are not necessarily indicative of results for a full year. Certain prior year amounts have been reclassified to conform to the current year presentation.

Merger Transaction

On April 26, 2018, Archrock completed the acquisition of all of our outstanding common units and we became a wholly-owned subsidiary of Archrock. With the closing of the Merger, Archrock issued 57.6 million shares of its common stock at a fixed exchange ratio of 1.40 shares for each of the 41.2 million common units not owned by Archrock prior to the Merger. Additionally, all outstanding treasury units were retired and our incentive distribution rights, all of which were previously owned indirectly by Archrock prior to the Merger, were canceled and ceased to exist. As a result of the Merger, our common units are no longer publicly traded. Our Notes were not impacted by the Merger and remain outstanding.

Prior to the Merger, public unitholders held an approximate 57% ownership interest in us and Archrock owned our remaining equity interests, including the general partner interest. Subsequent to the Merger, Archrock continues to hold all of our general partner interest.

2. Recent Accounting Developments

Accounting Standards Updates Implemented

On January 1, 2018, we adopted ASU 2017-12 using the modified retrospective approach to existing cash flow hedge relationships as of January 1, 2018. ASU 2017-12 expands and refines hedge accounting for both financial and nonfinancial risk components, aligns the recognition and presentation of the effects of the hedging instrument and hedged item in the financial statements and eliminates the requirement to separately measure and report hedge ineffectiveness. As a result of the adoption of ASU 2017-12, we recognized a net gain of \$0.4 million as a cumulative-effect adjustment to opening retained earnings and a corresponding adjustment to other comprehensive income (loss) to reverse the cumulative ineffectiveness previously recognized in interest expense.

On January 1, 2018, we adopted ASU 2016-15 on a retrospective basis. ASU 2016-15 addresses diversity in practice and simplifies several elements of cash flow classification including how certain cash receipts and cash payments are classified in the statement of cash flows. ASU 2016-15 did not have an impact on our condensed consolidated statement of cash flow for the six months ended June 30, 2017.

Revenue Recognition Update

On January 1, 2018, we adopted the Revenue Recognition Update using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. We recognized the cumulative effect of initially applying the Revenue Recognition Update as an adjustment to the opening balance of retained earnings. For contracts that were modified before the effective date, we identified performance obligations on the basis of the current version of the contract, which included any contract modifications since inception. The application of the practical expedient for contract modifications did not have a material effect on the adjustment to retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Under previous guidance, contract operations revenue was recognized when earned, which generally occurs monthly when the service is provided under our customer contracts. Under the Revenue Recognition Update the timing of revenue recognition is impacted by contractual provisions for service availability guarantees of our compressor assets and re-billable costs associated with moving our compressor assets to a customer site. These changes are further discussed below and did not result in a material difference from previous practice for contract operations.

The Revenue Recognition Update provides guidance on contract costs that should be recognized as assets and amortized over the period that the related goods or services transfer to the customer. Certain costs that were previously expensed as incurred, such as sales commissions and freight charges to transport compressor assets, are deferred and amortized.

The following table summarizes the cumulative impact of the adoption of the Revenue Recognition Update on the opening balance sheet (in thousands):

	December 31, 2017	Adjustments Due to the Revenue Recognition Update	January 1, 2018
Assets			
Contract costs	\$ —	\$ 16,316	\$ 16,316
Liabilities			
Accrued liabilities	\$ 7,597	\$ 186	\$ 7,783
Deferred revenue	1,299	3,416	4,715
Partners' capital			
Common units	\$ 501,023	\$ 12,462	\$ 513,485
General partner units	11,582	252	11,834

[Table of Contents](#)

The following tables summarize the impact of the application of the Revenue Recognition Update on our condensed consolidated balance sheet and condensed consolidated statement of operations (in thousands):

Balance Sheet	June 30, 2018		
	As Reported	Balance Excluding the Impact of the Revenue Recognition Update	Effect of Change
Assets			
Accounts receivable, trade	\$ 69,391	\$ 69,237	\$ 154
Contract costs	24,660	—	24,660
Liabilities			
Accrued liabilities	\$ 9,546	\$ 9,349	\$ 197
Deferred revenue	7,730	1,497	6,233
Other long-term liabilities	8,596	8,608	(12)
Equity			
Common units	\$ 497,875	\$ 479,895	\$ 17,980
General partner units	11,543	11,127	416

Statement of Operations	Three Months Ended June 30, 2018		
	As Reported	Balance Excluding the Impact of the Revenue Recognition Update	Effect of Change
Revenue	\$ 150,866	\$ 151,798	\$ (932)
Cost of sales (excluding depreciation and amortization)	60,226	63,740	(3,514)
Selling, general and administrative	19,344	19,671	(327)
Benefit from income taxes	(417)	(393)	(24)
Net income	10,481	7,548	2,933

Statement of Operations	Six Months Ended June 30, 2018		
	As Reported	Balance Excluding the Impact of the Revenue Recognition Update	Effect of Change
Revenue	\$ 297,868	\$ 300,543	\$ (2,675)
Cost of sales (excluding depreciation and amortization)	116,528	124,037	(7,509)
Selling, general and administrative	39,145	39,981	(836)
Provision for income taxes	102	114	(12)
Net income	20,771	15,089	5,682

Accounting Standards Updates Not Yet Implemented

In June 2016, the FASB issued ASU 2016-13 that changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. Entities will apply ASU 2016-13 provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We are currently evaluating the impact of ASU 2016-13 on our consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02 that establishes a ROU model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach that involves recasting the comparative periods in the year of initial application is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain optional transition practical expedients available. We intend to adopt ASU 2016-02 on January 1, 2019 and are currently assessing the practical expedients.

Though our assessment of the impact of the adoption of ASU 2016-02 is ongoing, we anticipate significant changes to our consolidated balance sheets and disclosures based on the requirements prescribed by the new standard. We do not believe the standard will materially affect our consolidated statements of operations. We are in the process of assessing changes to our internal control structure and will continue to evaluate our business processes, systems and accounting policies that are necessary to implement this standard.

3. Revenue from Contracts with Customers**Revenue Recognition**

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we are entitled to receive in exchange for those goods or services. Sales and usage-based taxes that are collected from the customer are excluded from revenue.

The following table presents our revenue from contracts with customers disaggregated by revenue source (in thousands):

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
0 - 1,000 horsepower per unit	\$ 54,389	\$ 108,816
1,001 - 1,500 horsepower per unit	63,390	124,084
Over 1,500 horsepower per unit	32,465	63,900
Other ⁽¹⁾	622	1,068
Total revenue ⁽²⁾	\$ 150,866	\$ 297,868

⁽¹⁾ Primarily relates to fees associated with Partnership-owned non-compressor equipment.

⁽²⁾ Includes \$1.4 million and \$2.5 million for three and six months ended June 30, 2018, respectively, related to billable maintenance on Partnership-owned units that was recognized at a point in time. All other revenue is recognized over time.

Contract Operations

We provide comprehensive contract operations services, including the personnel, equipment, tools, materials and supplies to meet our customers' natural gas compression needs. Based on the operating specifications at the customer location and each customer's unique needs, these services include designing, sourcing, owning, installing, operating, servicing, repairing and maintaining equipment to provide natural gas compression services to our customers.

Natural gas compression services are generally satisfied over time, as the customer simultaneously receives and consumes the benefits provided by these services. Our performance obligation is a series in which the unit of service is one month, as the customer receives substantially the same benefit each month from the services regardless of the type of service activity performed, which may vary. If the transaction price is based on a fixed fee, revenue is recognized monthly on a straight-line basis over the period that we are providing services to the customer. Amounts invoiced to customers for costs associated with moving our compressor assets to a customer site are also included in the transaction price and are amortized over the initial contract term.

Variable consideration exists if customers are billed at a lesser standby rate when a unit is not running. We have elected to apply the invoicing practical expedient to recognize revenue for such variable consideration, as the invoice corresponds directly to the value transferred to the customer based on our performance completed to date. The rate for standby service is lower to reflect the decrease in costs and effort required to provide standby service when a unit is not running.

We also perform billable maintenance service on our natural gas compression equipment at the customer's request on an as-needed basis. The performance obligation is satisfied and revenue is recognized at the agreed-upon transaction price at the point in time when service is complete and the customer has accepted the work performed and can obtain the remaining benefits of the service that the unit will provide.

As of June 30, 2018, we had \$209.2 million of remaining performance obligations related to our contract compression service. We have elected the practical expedient to not consider the effects of the time value of money, as the expected time between the transfer of services and payment for such services is less than one year. This amount will be recognized through 2021 as follows (in thousands):

	2018	2019	2020	2021	Total
Remaining performance obligations	\$ 115,558	\$ 66,981	\$ 22,681	\$ 3,993	\$ 209,213

Contract Balances

Contract operations services are generally billed monthly at the beginning of the month in which service is being provided. We recognize a contract asset when we have the right to consideration in exchange for goods or services transferred to a customer when the right is conditioned on something other than the passage of time. We recognize a contract liability when we have an obligation to transfer goods or services to a customer for which we have already received consideration. Freight billings to transport compressor assets often result in a contract liability.

As of June 30, and January 1, 2018, our receivables from contracts with customers, net of allowance for doubtful accounts were \$68.7 million and \$66.2 million, respectively. As of June 30, and January 1, 2018, our contract liabilities were \$8.1 million and \$5.4 million, respectively, which are included in deferred revenue and other long-term liabilities in our condensed consolidated balance sheets. The increase in the contract liability balance was due to the deferral of \$8.1 million partially offset by \$5.4 million recognized as revenue during the period, each primarily related to freight billings.

4. Related Party Transactions

Revolving Loan Agreement with Archrock

In conjunction with the closing of the Merger on April 26, 2018, we and Archrock entered into the Revolving Loan Agreement under which we may make loans to Archrock from time to time in an aggregate amount not to exceed the Credit Facility's outstanding balance. The Revolving Loan Agreement matures on the maturity date of our Credit Facility. Interest on amounts loaned under the Revolving Loan Agreement is payable to us on a monthly basis and is calculated as a proportion of our total interest expense on the Credit Facility.

On April 26, 2018, Archrock terminated its credit facility and repaid the \$63.2 million in outstanding borrowings and accrued and unpaid interest and fees under the Archrock credit facility with a borrowing under the Revolving Loan Agreement. See Notes 1 ("Organization") and 6 ("Long-Term Debt") for further details of the Merger and our pay down of the Archrock credit facility.

At June 30, 2018, the balance of outstanding borrowings under the Revolving Loan Agreement was \$60.5 million. During the three and six months ended June 30, 2018, we recorded \$0.6 million of interest income earned on loans to Archrock under the Revolving Loan Agreement which was included in interest expense, net in our condensed consolidated statements of operations.

Omnibus Agreement

Our Omnibus Agreement with Archrock provides for, among other things:

- Archrock’s obligation to provide all operational staff, corporate staff and support services reasonably necessary to operate our business and our obligation to reimburse Archrock for such services;
- the terms under which we, Archrock, and our respective affiliates may transfer, exchange or lease compression equipment among one another;
- Archrock’s grant to us of a license to use certain intellectual property, including the “Archrock” logo; and
- Archrock’s and our obligations to indemnify each other for certain liabilities.

Common Control Transactions

Transactions between us and Archrock and its affiliates are transactions between entities under common control. Under GAAP, transfers of assets and liabilities between entities under common control are to be initially recorded on the books of the receiving entity at the carrying value of the transferor. Any difference between consideration given and the carrying value of the assets or liabilities is treated as a capital distribution or contribution.

Transfer, Exchange or Lease of Compression Equipment with Archrock

If Archrock determines in good faith that we or Archrock’s contract operations services business need to transfer, exchange or lease compression equipment between Archrock and us, the Omnibus Agreement permits such equipment to be transferred, exchanged or leased if it will not cause us to breach any existing contracts, suffer a loss of revenue under an existing compression services contract or incur any unreimbursed costs. In consideration for such transfer, exchange or lease of compression equipment, the transferee will either (i) transfer to the transferor compression equipment equal in value to the appraised value of the compression equipment transferred to it, (ii) agree to lease such compression equipment from the transferor or (iii) pay the transferor an amount in cash equal to the appraised value of the compression equipment transferred to it.

The TCJA made significant changes to the determination of partnership taxable income that included the cessation of like-kind exchange treatment for exchanges of tangible personal property. In accordance with this change, we no longer perform such exchanges as of January 1, 2018.

Transfer and Exchange of Overhauls

During the six months ended June 30, 2018 and June 30, 2017, Archrock contributed to us \$1.7 million and \$2.7 million, respectively, related to the completion of overhauls on compression equipment that was exchanged with us or contributed to us and where overhauls were in progress on the date of exchange or contribution.

Other Exchanges

The following table summarizes the like-kind exchange activity between Archrock and us for the six months ended June 30, 2017 prior to the enactment of the TCJA (dollars in thousands):

	Six Months Ended June 30, 2017	
	Transferred to Archrock	Transferred from Archrock
Compressor units	142	119
Horsepower	75,800	69,400
Net book value	\$ 35,311	\$ 32,071

During the six months ended June 30, 2017, we recorded capital distributions of \$3.2 million related to the differences in net book value on the exchanged compression equipment. No customer contracts were included in the exchanges.

Leases

The following table summarizes the aggregate cost and accumulated depreciation of equipment on lease to and from Archrock (in thousands):

	June 30, 2018		December 31, 2017	
Equipment on lease to Archrock				
Aggregate cost	\$	25,589	\$	3,560
Accumulated depreciation		4,418		272
Equipment on lease from Archrock				
Aggregate cost	\$	47,220	\$	224
Accumulated depreciation		23,272		34

The following table summarizes the revenue from Archrock related to the lease of our compression equipment and the cost of sales related to the lease of Archrock compression equipment (in thousands):

	Six Months Ended June 30,			
	2018		2017	
Revenue	\$	451	\$	61
Cost of sales		906		317

Reimbursement of Operating and SG&A Expense

Archrock provides all operational staff, corporate staff and support services reasonably necessary to run our business. These services may include, without limitation, operations, marketing, maintenance and repair, periodic overhauls of compression equipment, inventory management, legal, accounting, treasury, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes, facilities management, investor relations, enterprise resource planning system, training, executive, sales, business development and engineering.

Archrock charges us for costs that are directly attributable to us. Costs that are indirectly attributable to us and Archrock's other operations are allocated among Archrock's other operations and us. The allocation methodologies vary based on the nature of the charge and have included, among other things, headcount and horsepower. We believe that the allocation methodologies used to allocate indirect costs to us are reasonable.

5. Contract Costs

We capitalize incremental costs to obtain a contract with a customer if we expect to recover those costs. Capitalized costs include commissions paid to our sales force to obtain contract operations contracts. As of June 30, and January 1, 2018, we recorded contract costs of \$2.8 million and \$2.0 million, respectively, associated with sales commissions.

We capitalize costs incurred to fulfill a contract if those costs relate directly to a contract, enhance resources that we will use in satisfying performance obligations and if we expect to recover those costs. Capitalized costs incurred to fulfill our customer contracts include freight charges to transport compressor assets before transferring services to the customer and mobilization activities associated with our contract operations services. As of June 30, and January 1, 2018, we recorded contract costs of \$21.9 million and \$14.3 million, respectively, associated with freight and mobilization.

Contract operations costs are amortized based on the transfer of service to which the assets relate, which is estimated to be 36 months based on average contract term, including anticipated renewals. We assess periodically whether the 36-month estimate fairly represents the average contract term and adjust as appropriate. Contract costs associated with commissions are amortized to SG&A. Contract costs associated with freight and mobilization are amortized to cost of sales (excluding depreciation and amortization). During the three and six months ended June 30, 2018, we amortized \$0.3 million and \$0.5 million, respectively, related to commissions and \$2.4 million and \$4.3 million, respectively, related to freight and mobilization. During the three and six months ended June 30, 2018, there were no impairment losses recorded in relation to the costs capitalized.

6. Long-Term Debt

Long-term debt consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Credit Facility	\$ 770,500	\$ 674,306
6% senior notes due April 2021	350,000	350,000
Less: Debt discount, net of amortization	(2,162)	(2,523)
Less: Deferred financing costs, net of amortization	(2,825)	(3,338)
	345,013	344,139
6% senior notes due October 2022	350,000	350,000
Less: Debt discount, net of amortization	(3,108)	(3,441)
Less: Deferred financing costs, net of amortization	(3,542)	(3,951)
	343,350	342,608
Long-term debt	\$ 1,458,863	\$ 1,361,053

Credit Facility

The Credit Facility is a five-year, \$1.25 billion asset-based revolving credit facility that will mature on March 30, 2022 except that if any portion of our 6% senior notes due April 2021 are outstanding as of December 2, 2020, then maturity will instead be on December 2, 2020. In March 2017, we incurred \$14.9 million in transaction costs related to the formation of the Credit Facility. Concurrent with entering into the Credit Facility, we expensed \$0.6 million of unamortized deferred financing costs and recorded a debt extinguishment loss of \$0.3 million related to the termination of our Former Credit Facility.

On February 23, 2018, we amended the Credit Facility to, among other things:

- increase the maximum Total Debt to EBITDA ratios, as defined in the Credit Facility agreement (see below for the revised ratios), effective as of the execution of Amendment No. 1 on February 23, 2018; and
- effective upon completion of the Merger on April 26, 2018:
 - increase the aggregate revolving commitment from \$1.1 billion to \$1.25 billion;
 - increase the amount available for the issuance of letters of credit from \$25.0 million to \$50.0 million;
 - increase the basket sizes under certain covenants including covenants limiting our ability to make investments, incur debt, make restricted payments, incur liens and make asset dispositions;
 - name Archrock Services, L.P., one of Archrock’s subsidiaries, as a borrower under the Credit Facility and certain of Archrock’s other subsidiaries as loan guarantors; and
 - amend the definition of “Borrowing Base” to include certain assets of Archrock’s subsidiaries.

We incurred \$3.3 million in transaction costs related to Amendment No. 1 which were included in other long-term assets in our condensed consolidated balance sheet and are being amortized over the term of the Credit Facility.

On April 26, 2018, in connection with the Merger and Amendment No. 1, Archrock terminated its credit facility and we borrowed on our Credit Facility to repay the \$63.2 million in borrowings and accrued and unpaid interest and fees outstanding under the Archrock credit facility, which we recorded as a loan receivable due from Archrock (see Note 4 (“Related Party Transactions”) for further details of the loan receivable). In addition, the \$15.4 million of letters of credit outstanding under Archrock’s credit facility as of the Merger were converted to letters of credit under our Credit Facility.

As of June 30, 2018, we had \$15.4 million outstanding letters of credit under the Credit Facility and the applicable margin on amounts outstanding was 3.2%. The weighted average annual interest rate on the outstanding balance under the Credit Facility, excluding the effect of interest rate swaps, was 5.5% and 4.8% at June 30, 2018 and December 31, 2017, respectively. We incurred \$0.6 million and \$0.5 million in commitment fees on the daily unused amount of the Credit Facility and Former Credit Facility during the three months ended June 30, 2018 and 2017, respectively, and \$1.1 million and \$0.9 million during the six months ended June 30, 2018 and 2017, respectively.

We must maintain the following consolidated financial ratios, as defined in the Credit Facility agreement:

EBITDA to Interest Expense	2.5 to 1.0
Senior Secured Debt to EBITDA	3.5 to 1.0
Total Debt to EBITDA	
Through fiscal year 2018	5.95 to 1.0
Through fiscal year 2019	5.75 to 1.0
Through second quarter of 2020	5.50 to 1.0
Thereafter ⁽¹⁾	5.25 to 1.0

⁽¹⁾ Subject to a temporary increase to 5.5 to 1.0 for any quarter during which an acquisition meeting certain thresholds is completed and for the following two quarters after the quarter in which the acquisition closes.

As of June 30, 2018, we had undrawn capacity of \$464.1 million under the Credit Facility. As a result of the ratio requirements above, \$287.6 million of the \$464.1 million of undrawn capacity was available for additional borrowings as of June 30, 2018. As of June 30, 2018, we were in compliance with all covenants under the Credit Facility agreement.

The Notes

The Notes are guaranteed on a senior unsecured basis by all of our existing subsidiaries (other than Archrock Partners Finance Corp., which is a co-issuer of the Notes) and certain of our future subsidiaries. The Notes and the guarantees, respectively, are our and the guarantors' general unsecured senior obligations, rank equally in right of payment with all of our and the guarantors' other senior obligations, and are effectively subordinated to all of our and the guarantors' existing and future secured debt to the extent of the value of the collateral securing such indebtedness. In addition, the Notes and guarantees are effectively subordinated to all existing and future indebtedness and other liabilities of any future non-guarantor subsidiaries. All of our subsidiaries are 100% owned, directly or indirectly, by us and guarantees by our subsidiaries are full and unconditional and constitute joint and several obligations. We have no assets or operations independent of our subsidiaries and there are no significant restrictions upon our subsidiaries' ability to distribute funds to us. Archrock Partners Finance Corp. has no operations and does not have revenue other than as may be incidental as co-issuer of the Notes. Because we have no independent operations, the guarantees are full and unconditional (subject to customary release provisions) and constitute joint and several obligations of our subsidiaries other than Archrock Partners Finance Corp., and as a result we have not included consolidated financial information of our subsidiaries.

7. Partners' Capital

On April 26, 2018, Archrock completed the acquisition of all of our outstanding common units. Additionally, our incentive distribution rights, which were previously owned indirectly by Archrock, were canceled and ceased to exist. As a result of the Merger, our common units are no longer publicly traded. See Note 1 ("Organization") for further details on the Merger.

Prior to the Merger, Archrock owned 29,064,637 common units and 1,422,458 general partner units, collectively representing an approximate 43% interest in us.

Cash Distributions

As of the closing of the Merger, any distributions are paid to Archrock as the owner of all outstanding common and general partner units. In the six months ended June 30, 2018 we paid cash distributions of \$0.506 per common unit, or \$36.3 million, which covered the period from October 1, 2017 through March 31, 2018.

On July 31, 2018, our board of directors approved a cash distribution of approximately \$17.1 million, which covers the period from April 1, 2018 through June 30, 2018.

8. Unit-Based Compensation**Long-Term Incentive Plan**

In April 2017, we adopted the 2017 LTIP to provide for the benefit of the employees, directors and consultants of us, Archrock and our respective affiliates. The 2006 LTIP expired in 2016 and, as such, no further grants have been or can be made under that plan following expiration. Previous grants made under the 2006 LTIP continue to be governed by the 2006 LTIP and the applicable award agreements. Because we grant phantom units to non-employees, we are required to remeasure the fair value of these phantom units, which is based on the fair value of our common units, each period and record a cumulative adjustment of the expense previously recognized. Phantom units granted under the 2017 and 2006 LTIP may include nonforfeitable tandem distribution equivalent rights to receive cash distributions on unvested phantom units in the quarter in which distributions are paid on common units. Phantom units granted generally vest one-third per year on dates as specified in the applicable award agreements subject to continued service through the applicable vesting date. During the three months ended June 30, 2018, 53,091 phantom units vested with a weighted average grant date fair value per unit of \$11.24.

Pursuant to the Merger, all outstanding phantom units previously granted under the 2017 and 2006 Partnership LTIP were converted into comparable awards based on Archrock's common shares. As such, all outstanding phantom units were converted, effective as of the closing of the Merger, into Archrock restricted stock units. See Note 1 ("Organization and Summary of Significant Accounting Policies") for further details regarding the Merger. Each Archrock restricted stock unit will be subject to the same vesting, forfeiture and other terms and conditions applicable to the converted Partnership phantom units.

9. Derivatives

We are exposed to market risks associated with changes in interest rates. We use derivative instruments to minimize the risks and costs associated with financial activities by managing our exposure to interest rate fluctuations on a portion of our debt obligations. We do not use derivative instruments for trading or other speculative purposes.

At June 30, 2018, we were a party to the following interest rate swaps, which were entered into to offset changes in expected cash flows due to fluctuations in the associated variable interest rates:

Expiration Date	Notional Value (in millions)
May 2019	\$ 100.0
May 2020	100.0
March 2022	300.0
	<u>\$ 500.0</u>

[Table of Contents](#)

As of June 30, 2018, the weighted average effective fixed interest rate on our interest rate swaps was 1.8%. We have designated these interest rate swaps as cash flow hedging instruments so that any change in their fair values is recognized as a component of other comprehensive income (loss) until the hedged transaction affects earnings. At that time, amounts in other comprehensive income (loss) are reclassified into earnings and presented in the same income statement line item as the earnings effect of the hedged item. Prior to adoption of ASU 2017-12, we performed quarterly calculations to determine whether the swap agreements continued to be highly effective at achieving offsetting changes in cash flows attributable to the hedged risk. As the swap terms substantially coincide with the hedged item and are expected to offset changes in expected cash flows due to fluctuations in the variable rate, we expect the hedging relationship to continue to be highly effective. Upon adoption of ASU 2017-12, we perform subsequent quarterly prospective and retrospective hedge effectiveness assessments qualitatively unless facts and circumstances related to the hedging relationships change such that we can no longer assert qualitatively that the cash flow hedge relationships were and continue to be highly effective. We estimate that \$2.8 million of deferred gain attributable to interest rate swaps and included in our accumulated other comprehensive income (loss) at June 30, 2018, will be reclassified into earnings as interest income at then-current values during the next twelve months as the underlying hedged transactions occur. Cash flows from derivatives designated as hedges are classified in our condensed consolidated statements of cash flows under the same category as the cash flows from the underlying assets, liabilities or anticipated transactions, unless the derivative contract contains a significant financing element; in this case, the cash settlements for these derivatives are classified as cash flows from financing activities in our condensed consolidated statements of cash flows.

In August 2017, we amended the terms of certain of our interest rate swap agreements, designated as cash flow hedges against the variability of future interest payments due under the Credit Facility, with a notional value of \$300.0 million. The amended terms adjusted the fixed interest rate and extended the maturity dates to March 2022. These amendments effectively created new derivative contracts and terminated the old derivative contracts. As a result, as of the amendment date, we discontinued the original cash flow hedge relationships on a prospective basis and designated the amended interest rate swaps under new cash flow hedge relationships based on the amended terms. The fair value of the interest rate swaps immediately prior to the execution of the amendments was a liability of \$0.7 million. The associated amount in accumulated other comprehensive income (loss) was amortized into interest expense over the original terms of the interest rate swaps through May 2018.

The following tables present the effect of derivative instruments designated as hedging instruments on our consolidated financial position and results of operations (in thousands):

Balance Sheet Location	Fair Value Asset (Liability)	
	June 30, 2018	December 31, 2017
Current portion of interest rate swaps	\$ 2,816	\$ 186
Other long-term assets	9,050	4,490
Current portion of interest rate swaps	—	(134)
	<u>\$ 11,866</u>	<u>\$ 4,542</u>

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)
Derivatives designated as cash flow hedges:			
Interest rate swaps			
Three months ended June 30, 2018	\$ 2,245	Interest expense, net	\$ 6
Three months ended June 30, 2017	(336)	Interest expense, net	(799)
Six months ended June 30, 2018	6,941	Interest expense, net	(449)
Six months ended June 30, 2017	363	Interest expense, net	(1,775)

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow Hedging Relationships			
		Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Interest Expense, Net			
Total amount of income and expense line items presented in the statement of operations in which the effects of cash flow hedges are recorded	\$	22,542	\$ 44,151
Interest Contracts:			
Amount of gain reclassified from accumulated other comprehensive income into income	\$	207	\$ 153

The counterparties to our derivative agreements are major financial institutions. We monitor the credit quality of these financial institutions and do not expect non-performance by any counterparty, although such non-performance could have a material adverse effect on us. We have no specific collateral posted for our derivative instruments.

10. Fair Value Measurements

The accounting standard for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into the following three categories:

- *Level 1* — Quoted unadjusted prices for identical instruments in active markets to which we have access at the date of measurement.
- *Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or prices vary substantially over time or among brokered market makers.
- *Level 3* — Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect our own assumptions regarding how market participants would price the asset or liability based on the best available information.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

On a quarterly basis, our interest rate swaps are valued based on the income approach (discounted cash flow) using market observable inputs, including forward London Interbank Offered Rate curves. These fair value measurements are classified as Level 2.

The following table presents our interest rate swaps asset and liability measured at fair value on a recurring basis with pricing levels as of the date of valuation (in thousands):

	June 30, 2018	December 31, 2017
Interest rate swaps asset	\$ 11,866	\$ 4,676
Interest rate swaps liability	—	(134)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

During the six months ended June 30, 2018, we recorded non-recurring fair value measurements related to our idle and previously-culled compressor units. Our estimate of the compressor units' fair value was primarily based on either the expected net sale proceeds compared to other fleet units we recently sold and/or a review of other units recently offered for sale by third parties, or the estimated component value of the equipment we plan to use. We discounted the expected proceeds, net of selling and other carrying costs, using a weighted average disposal period of four years. These fair value measurements are classified as Level 3. The fair value of our impaired compressor units was \$0.7 million and \$1.8 million at June 30, 2018 and December 31, 2017, respectively. See Note 11 ("Long-Lived Asset Impairment") for further details.

Other Financial Instruments

The carrying amounts of our cash, receivables and payables approximate fair value due to the short-term nature of those instruments.

The carrying amounts of borrowings outstanding under our Credit Facility approximate fair value due to their variable interest rates. The fair value of these outstanding borrowings was estimated using a discounted cash flow analysis based on interest rates offered on loans with similar terms to borrowers of similar credit quality, which are Level 3 inputs.

The fair value of our fixed rate debt was estimated based on quoted prices in inactive markets and is considered a Level 2 measurement. The following table summarizes the carrying amount and fair value of our fixed rate debt (in thousands):

	June 30, 2018	December 31, 2017
Carrying amount of fixed rate debt ⁽¹⁾	\$ 688,363	\$ 686,747
Fair value of fixed rate debt	696,000	702,000

⁽¹⁾ Carrying amounts are shown net of unamortized debt discounts and unamortized deferred financing costs. See Note 6 ("Long-Term Debt") for further details.

11. Long-Lived Asset Impairment

We review long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized, for impairment whenever events or changes in circumstances, including the removal of compressor units from our active fleet, indicate that the carrying amount of an asset may not be recoverable.

We periodically review the future deployment of our idle compression assets for units that are not of the type, configuration, condition, make or model that are cost efficient to maintain and operate. Based on these reviews, we determine that certain idle compressor units should be retired from the active fleet. The retirement of these units from the active fleet triggers a review of these assets for impairment and as a result of our review, we may record an asset impairment to reduce the book value of each unit to its estimated fair value. The fair value of each unit is estimated based on the expected net sale proceeds compared to other fleet units we recently sold, a review of other units recently offered for sale by third parties or the estimated component value of the equipment we plan to use.

In connection with our review of our idle compression assets, we evaluate for impairment idle units that were culled from our fleet in prior years and are available for sale. Based on that review, we may reduce the expected proceeds from disposition and record additional impairment to reduce the book value of each unit to its estimated fair value.

The following table presents the results of our impairment review (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Idle compressor units retired from the active fleet	70	40	105	105
Horsepower of idle compressor units retired from the active fleet	17,000	13,000	30,000	35,000
Impairment recorded on idle compressor units retired from the active fleet	\$ 3,846	\$ 3,081	\$ 6,912	\$ 9,291

12. Commitments and Contingencies

Insurance Matters

Our business can be hazardous, involving unforeseen circumstances such as uncontrollable flows of natural gas or well fluids and fires or explosions. Archrock insures our property and operations against many, but not all, of these risks. We believe that our insurance coverage is customary for the industry and adequate for our business; however, losses and liabilities not covered by insurance would increase our costs.

In addition, Archrock is substantially self-insured for worker's compensation, employer's liability, property, auto liability, general liability and employee group health claims in view of the relatively high per-incident deductibles it absorbs under its insurance arrangements for these risks. Losses up to the deductible amounts are estimated and accrued based upon known facts, historical trends and industry averages.

Tax Matters

We are subject to a number of state and local taxes that are not income-based. As many of these taxes are subject to audit by the taxing authorities, it is possible that an audit could result in additional taxes due. We accrue for such additional taxes when we determine that it is probable that we have incurred a liability and we can reasonably estimate the amount of the liability. As of June 30, 2018 and December 31, 2017, we accrued \$2.4 million and \$1.6 million, respectively, for the outcomes of non-income based tax audits. We do not expect that the ultimate resolutions of these audits will result in a material variance from the amounts accrued. We do not accrue for unasserted claims for tax audits unless we believe the assertion of a claim is probable, it is probable that it will be determined that the claim is owed and we can reasonably estimate the claim or range of the claim. We believe the likelihood is remote that the impact of potential unasserted claims from non-income based tax audits could be material to our consolidated financial position, but it is possible that the resolution of future audits could be material to our consolidated results of operations or cash flows for the period in which the resolution occurs.

Litigation and Claims

In the ordinary course of business, we are involved in various pending or threatened legal actions. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from any of these actions will not have a material adverse effect on our consolidated financial position, results of operations or cash flows, including our ability to make cash distributions to our unitholders. However, because of the inherent uncertainty of litigation and arbitration proceedings, we cannot provide assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our consolidated financial position, results of operations or cash flows, including our ability to make cash distributions to our unitholders.

Heavy Equipment

In 2011, the Texas Legislature enacted changes related to the appraisal of natural gas compressors for ad valorem tax purposes by expanding the definitions of "Heavy Equipment Dealer" and "Heavy Equipment" effective from the beginning of 2012. Under the revised Heavy Equipment Statutes, we believe we are a Heavy Equipment Dealer, that our natural gas compressors are Heavy Equipment and that we, therefore, are required to file our ad valorem taxes under this new methodology. We further believe that our natural gas compressors are taxable under the Heavy Equipment Statutes in the counties where we maintain a business location and keep natural gas compressors instead of where the compressors may be located on January 1 of a tax year. As a result of this new methodology, our ad valorem tax expense (which is reflected in our condensed consolidated statements of operations as a component of cost of sales (excluding depreciation and amortization expense)) includes a benefit of \$8.8 million during the six months ended June 30, 2018. Since the change in methodology became effective in 2012, we have recorded an aggregate benefit of \$75.0 million as of June 30, 2018, of which \$18.2 million has been agreed to by a number of appraisal review boards and county appraisal districts and \$56.8 million has been disputed and is currently in litigation. A large number of appraisal review boards denied our position, although some accepted it, and we filed 82 petitions for review in the appropriate district courts with respect to the 2012 tax year, 93 petitions for review in the appropriate district courts with respect to the 2013 tax year, 103 petitions for review in the appropriate district courts with respect to the 2014 tax year, 111 petitions for review in the appropriate district courts with respect to the 2015 tax year, 105 petitions for review in the appropriate district courts with respect to the 2016 tax year and 108 petitions for review in the appropriate district courts with respect to the 2017 tax year.

To date, only five cases have advanced to the point of trial or submission of summary judgment motions on the merits, and only three cases have been decided, with two of the decisions having been rendered by the same presiding judge. All three of those decisions were appealed, and all three of the appeals have been decided by intermediate appellate courts.

On October 17, 2013, the 143rd Judicial District Court of Loving County, Texas ruled in *EXLP Leasing LLC & EES Leasing LLC v. Loving County Appraisal District* that our wholly-owned subsidiary, Archrock Partners Leasing LLC, formerly known as EXLP Leasing, and Archrock's subsidiary, Archrock Services Leasing LLC, formerly known as EES Leasing, are Heavy Equipment Dealers and that their compressors qualify as Heavy Equipment, but the district court further held that the Heavy Equipment Statutes were unconstitutional as applied to EXLP Leasing's and EES Leasing's compressors. EXLP Leasing and EES Leasing appealed the district court's constitutionality holding to the Eighth Court of Appeals in El Paso, Texas. On September 23, 2015, the Eighth Court of Appeals ruled in EXLP Leasing's and EES Leasing's favor by overruling the 143rd District Court's constitutionality ruling. The Eighth Court of Appeals also ruled, however, that EXLP Leasing's and EES Leasing's natural gas compressors are taxable in the counties where they were located on January 1 of the tax year at issue.

On October 28, 2013, the 143rd Judicial District Court of Ward County, Texas ruled in *EES Leasing LLC & EXLP Leasing LLC v. Ward County Appraisal District* that EXLP Leasing and EES Leasing are Heavy Equipment Dealers and that their compressors qualify as Heavy Equipment, but the court held that the Heavy Equipment Statutes were unconstitutional as applied to their compressors. EXLP Leasing and EES Leasing appealed the district court's constitutionality holding to the Eighth Court of Appeals in El Paso, Texas, and the Ward County Appraisal District cross-appealed the district court's rulings that EXLP Leasing's and EES Leasing's compressors qualify as Heavy Equipment. On September 23, 2015, the Eighth Court of Appeals ruled in EXLP Leasing's and EES Leasing's favor by overruling the 143rd District Court's constitutionality ruling and affirming its ruling that EXLP Leasing's and EES Leasing's compressors qualify as Heavy Equipment. The Eighth Court of Appeals also ruled, however, that EXLP Leasing's and EES Leasing's natural gas compressors are taxable in the counties where they were located on January 1 of the tax year at issue.

The Ward County Appraisal District and Loving County Appraisal District each filed (on January 27, 2016 and February 10, 2016, respectively) a petition asking the Texas Supreme Court to review its respective Eighth Court of Appeals decision. On March 11, 2016, EXLP Leasing and EES Leasing filed responses to the appraisal districts' petitions and cross-petitions for review in each case asking the Texas Supreme Court to also review the Eighth Court of Appeals' determination that natural gas compressors are taxable in the counties where they were located on January 1 of the tax year at issue. The Ward County Appraisal District filed its response to EXLP Leasing's and EES Leasing's cross-petition on June 6, 2016, and EXLP Leasing and EES Leasing filed their reply on June 21, 2016. The Loving County Appraisal District filed its response to EXLP Leasing's and EES Leasing's cross-petition on May 27, 2016, and EXLP Leasing and EES Leasing filed their reply on June 10, 2016.

On March 18, 2014, the 10th Judicial District Court of Galveston, Texas ruled in *EXLP Leasing LLC & EES Leasing LLC v. Galveston Central Appraisal District* that EXLP Leasing and EES Leasing are Heavy Equipment Dealers and that their compressors qualify as Heavy Equipment, but the court held the Heavy Equipment Statutes unconstitutional as applied to their compressors. EXLP Leasing and EES Leasing appealed the district court's constitutionality holding to the Fourteenth Court of Appeals in Houston, Texas. On August 25, 2015, the Fourteenth Court of Appeals issued a ruling stating that EXLP Leasing's and EES Leasing's compressors are taxable in the counties where they were located on January 1 of the tax year at issue, and it remanded the case to the district court for further evidence on the issue of whether the Heavy Equipment Statutes are constitutional as applied to EXLP Leasing's and EES Leasing's compressors. On November 24, 2015, EXLP Leasing and EES Leasing filed a petition asking the Texas Supreme Court to review this decision. On March 21, 2016, the Galveston Central Appraisal District filed a response to EXLP Leasing's and EES Leasing's petition for review, and EXLP Leasing and EES Leasing filed their reply on April 26, 2016.

In *EES Leasing v. Irion County Appraisal District*, EES Leasing and the appraisal district each filed motions for summary judgment in the 51st District Court concerning the applicability and constitutionality of the Heavy Equipment Statutes. On May 20, 2014, the district court entered an order denying both motions for summary judgment, holding that a fact issue existed as to the applicability of the Heavy Equipment Statutes to the one compressor at issue. The presiding judge for the 51st District Court has since consolidated the 2012 tax year case with EES Leasing's 2013 tax year case, which also included EXLP Leasing as a party. On August 27, 2015, the presiding judge abated the combined case, *EES Leasing LLC and EXLP Leasing LLC v. Irion County Appraisal District*, until the final resolution of the appellate cases considering the constitutionality of the Heavy Equipment Statutes, or further order of the court.

EXLP Leasing and EES Leasing also filed a motion for summary judgment in *EES Leasing LLC & EXLP Leasing LLC v. Harris County Appraisal District*, pending in the 189th Judicial District Court of Harris County, Texas. The court heard arguments on the motion on December 6, 2013 but has yet to rule. No trial date has been set.

On June 3, 2015, the Fourth Court of Appeals in San Antonio, Texas issued a decision reversing the 406th District Court's dismissal of EXLP Leasing's and EES Leasing's tax appeals for want of jurisdiction. In *EXLP Leasing LLC et. al v. Webb County Appraisal District*, United Independent School District ("United ISD") intervened as a party in interest and sought to dismiss the lawsuit arguing that the district court was without jurisdiction to hear the appeal. Under Section 42.08(b) of the Texas Tax Code, a property owner must pay before the delinquency date the lesser of (1) the amount of taxes due on the portion of the taxable value of the property that is not in dispute or (2) the amount of taxes due on the property under the order from which the appeal is taken. EXLP Leasing and EES Leasing paid zero taxes to Webb County because the entire amount of tax assessed by Webb County was in dispute. Instead, as required by the Heavy Equipment Statutes and Texas Comptroller forms, EXLP Leasing and EES Leasing paid taxes on the compressors at issue to Victoria County, where they maintain their place of business and keep natural gas compressors. The Webb County Appraisal District and United ISD contested EXLP Leasing's and EES Leasing's position that the Heavy Equipment Statutes contain situs provisions requiring that taxes be paid where the dealer has a business location and keeps its natural gas compressors, instead arguing that taxes are payable to the county where each compressor is located as of January 1 of the tax year at issue. The district court granted United ISD's motion to dismiss on April 1, 2014 and declined EXLP Leasing's and EES Leasing's motion to reconsider. The Fourth Court of Appeals reversed, holding that, based on the plain meaning of Section 42.08(b)(1), and because the entire amount was in dispute, EXLP Leasing and EES Leasing were not required to prepay disputed taxes to invoke the trial court's jurisdiction. The Fourth Court of Appeals denied United ISD's request for a rehearing. On September 29, 2015, United ISD filed a petition for review in the Texas Supreme Court. On December 4, 2015, the Texas Supreme Court denied United ISD's petition for review.

United ISD has four delinquency lawsuits concerning the 2012 tax year pending against EXLP Leasing and EES Leasing in the 49th District Court of Webb County, Texas. The cases have been abated pending the resolution of EXLP Leasing's and EES Leasing's 2012 tax year case pending in the 406th Judicial District Court of Webb County, Texas.

On September 2, 2016, the Texas Supreme Court requested that consolidated merits briefs be filed in EXLP Leasing's and EES Leasing's cases against the Loving County Appraisal District, Ward County Appraisal District, and Galveston Central Appraisal District, as well as two similar cases involving different taxpayers. On September 19, 2016, the Supreme Court entered a consolidated briefing schedule for the five cases. Consolidated briefing was completed on February 7, 2017.

On March 10, 2017, the Texas Supreme Court granted EXLP Leasing's and EES Leasing's petition for review in *EXLP Leasing LLC & EES Leasing LLC v. Galveston Central Appraisal District*. The case was argued before the Texas Supreme Court on October 10, 2017. On March 2, 2018, the Texas Supreme Court ruled in favor of EXLP Leasing and EES Leasing by reversing the Fourteenth Court of Appeals' decision. In doing so, the Supreme Court upheld the validity of the Heavy Equipment Rules and held that compressors are taxable in the county of EXLP Leasing's and EES Leasing's business location, not where each compressor is located on January 1. On April 2, 2018, the Galveston Central Appraisal District filed a motion for rehearing. On April 3, 2018, EXLP Leasing and EES Leasing filed a letter stating that they do not plan to file a response to Galveston Central Appraisal District's motion for rehearing unless the Texas Supreme Court requests they do so.

We continue to believe that the revised statutes are constitutional as applied to natural gas compressors and that under the revised statutes our natural gas compressors are taxable in the counties where we maintain a business location and keep natural gas compressors. Recognizing the similarity of the issues and that these cases will ultimately be resolved by the Texas appellate courts, most of the remaining 2012-2017 district court cases have been formally or effectively abated pending final judgment from the Texas Supreme Court.

If we are unsuccessful in our litigation, we would be required to pay ad valorem taxes up to the aggregate benefit we have recorded, and the additional ad valorem tax payments may also be subject to substantial penalties and interest. In addition, while we do not expect the ultimate determination of the issue of where the natural gas compressors are taxable under the Heavy Equipment Statutes would have an impact on the amount of taxes due, we could be subject to substantial penalties if we are unsuccessful on this issue. Also, if we are unsuccessful in our litigation, or if legislation is enacted in Texas that repeals or alters the Heavy Equipment Statutes such that in the future we do not qualify as a Heavy Equipment Dealer or our compressors do not qualify as Heavy Equipment, then we would likely be required to pay these ad valorem taxes under the old methodology going forward, which would increase our quarterly cost of sales expense up to approximately the amount of our then-most recent quarterly benefit recorded. If this litigation is resolved against us in whole or in part, or if in the future we do not qualify as a Heavy Equipment Dealer or our compressors do not qualify as Heavy Equipment because of new or revised Texas statutes, we will incur additional taxes and could be subject to substantial penalties and interest, which would impact our future results of operations, financial position and cash flows, including our cash available for distribution.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited financial statements and the notes thereto included in the Financial Statements of this Quarterly Report on Form 10-Q and in conjunction with our 2017 Form 10-K.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements." All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q are forward-looking statements, including, without limitation, statements regarding the effects of the Merger; the Partnership's business growth strategy and projected costs; future financial position; the sufficiency of available cash flows to fund continuing operations and make cash distributions; the expected amount of our capital expenditures; anticipated cost savings; future revenue and other financial or operational measures related to our business; the future value of our equipment; and plans and objectives of our management for our future operations. You can identify many of these statements by looking for words such as "believe," "expect," "intend," "project," "anticipate," "estimate," "will continue" or similar words or the negative thereof.

Such forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this Quarterly Report on Form 10-Q. Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, no assurance can be given that these expectations will prove to be correct. Known material factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include the risk factors described in our 2017 Form 10-K, and those set forth from time to time in our filings with the SEC, which are available through our website at www.archrock.com and through the SEC's website at www.sec.gov, as well as the following risks and uncertainties:

- the risk that cost savings, tax benefits and any other synergies from the Merger may not be fully realized or may take longer to realize than expected;
- the impact and outcome of pending and future litigation, including litigation, if any, relating to the Merger;
- conditions in the oil and natural gas industry, including a sustained decrease in the level of supply or demand for oil or natural gas or a sustained low price of oil or natural gas;
- our reduced profit margins or the loss of market share resulting from competition or the introduction of competing technologies by other companies;
- our dependence on Archrock to provide personnel and services, including its ability to hire, train and retain key employees and to cost-effectively perform the services necessary to conduct our business;
- changes in economic or political conditions, including terrorism and legislative changes;
- the inherent risks associated with our operations, such as equipment defects, impairments, malfunctions and natural disasters;
- the loss of our status as a partnership for U.S. federal income tax purposes;
- the risk that counterparties will not perform their obligations under our financial instruments;
- the financial condition of our customers;
- our ability to implement certain business and financial objectives, such as:
 - winning profitable new business;
 - growing our asset base and enhancing asset utilization;
 - integrating acquired businesses;
 - generating sufficient cash; and

- accessing the capital markets at an acceptable cost;
- liability related to the use of our services;
- changes in governmental safety, health, environmental or other regulations, which could require us to make significant expenditures; and
- our level of indebtedness and ability to fund our business.

All forward-looking statements included in this Quarterly Report on Form 10-Q are based on information available to us on the date of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this Quarterly Report on Form 10-Q.

Overview

We are a Delaware limited partnership formed in June 2006 and are the U.S. market leader in the full-service natural gas compression business. Our contract operations services primarily include designing, sourcing, owning, installing, operating, servicing, repairing and maintaining equipment. We monitor our customers' compression services requirements over time and, as necessary, modify the level of services and related equipment we employ to address changing operating conditions. We operate in one segment.

Recent Business Developments

Merger Transaction

On April 26, 2018, Archrock completed the acquisition of all of our outstanding common units and we became a wholly-owned subsidiary of Archrock. Additionally, all outstanding treasury units were retired and our incentive distribution rights, all of which were previously owned indirectly by Archrock prior to the Merger, were canceled and ceased to exist. As a result of the Merger, our common units are no longer publicly traded. Our Notes were not impacted by the Merger and remain outstanding. See Note 1 ("Organization") for further details of the Merger.

Amendment to the Partnership Credit Facility

On February 23, 2018, we amended the Credit Facility to, among other things, increase the maximum Total Debt to EBITDA ratio. In addition, certain terms of Amendment No. 1 became effective as of the closing of the Merger on April 26, 2018, including an increase in the Credit Facility's aggregate revolving commitment to \$1.25 billion. See "Liquidity and Capital Resources — Financial Resources" below and Note 6 ("Long-Term Debt") to the Financial Statements for further details of Amendment No. 1.

Trends and Outlook

Our business environment and corresponding operating results are affected by the level of energy industry spending for the exploration, development and production of oil and natural gas reserves in the U.S. Spending by oil and natural gas exploration and production companies is dependent upon these companies' forecasts regarding the expected future supply, demand and pricing of oil and natural gas products as well as their estimates of risk-adjusted costs to find, develop and produce reserves. For example, oil and natural gas exploration and development activity and the number of well completions typically decline when there is a significant reduction in oil and natural gas prices or significant instability in energy markets. Our revenue, earnings and financial position are affected by, among other things, market conditions that impact demand and pricing for natural gas compression, our customers' decisions between using our services or our competitors' services, our customers' decisions regarding whether to own and operate the equipment themselves and the timing and consummation of any acquisition of additional contract operations customer service agreements and equipment from third parties. Although our contract operations business is typically less impacted by commodity prices than certain other oil and natural gas service providers, changes in oil and natural gas exploration and production spending normally result in changes in demand for our services.

Natural gas consumption in the U.S. for the twelve months ended April 30, 2018 increased 6% to 28,505 Bcf compared to 26,973 Bcf for the twelve months ended April 30, 2017. The EIA forecasts that total U.S. natural gas consumption will increase 7% in 2018 compared to 2017. The EIA estimates that the U.S. natural gas consumption level will be 32 Tcf in 2040, or 18% of the projected worldwide total of 177 Tcf.

Natural gas marketed production in the U.S. for the twelve months ended April 30, 2018 increased 6% to 29,797 Bcf compared to 28,083 Bcf for the twelve months ended April 30, 2017. The EIA forecasts that total U.S. natural gas marketed production will increase 11% in 2018 compared to 2017. The EIA estimates that the U.S. natural gas production level will be 38 Tcf in 2040, or 21% of the projected worldwide total of 177 Tcf.

Historically, oil and natural gas prices and the level of drilling and exploration activity in the U.S. have been unpredictable. The average price for natural gas, based on daily Henry Hub spot prices, in the first half of 2018 was \$2.96 per MMBtu compared to \$3.05 per MMBtu in the first half of 2017, with spot prices of \$2.96 per MMBtu and \$2.98 per MMBtu at June 29, 2018 and June 30, 2017, respectively. The U.S. liquefied natural gas composite price was \$7.49 per MMBtu and \$6.25 per MMBtu in April 2018 and April 2017, respectively, and the average price in the twelve months ended April 30, 2018 was \$7.22 per MMBtu compared to \$5.82 per MMBtu in the twelve months ended April 30, 2017. The West Texas Intermediate crude oil spot price was \$74.13 per barrel and \$46.02 per barrel at June 29, 2018 and June 30, 2017, respectively, and the average crude oil price in the first half of 2018 was \$65.55 per barrel compared to \$49.85 per barrel in the first half of 2017.

Increased stability of oil and natural gas prices in 2017 and 2018 has contributed to increased production, which has resulted in increased new orders for our compression services in 2017 and thus far in 2018. Additionally, we increased our investment in new fleet units in 2017 and thus far in 2018 to take advantage of improved market conditions. As a result of these increased orders and investment, our revenue and average operating horsepower increased 8% and 6%, respectively, in the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

According to the Barclays 2018 E&P Spending Survey Update, North America upstream spending is expected to increase by 9% in 2018. Due to this forecasted increase in customer spending in 2018 and the significant increase in new orders for compression services and investment in new fleet units in 2017 and thus far into 2018, we anticipate an increase in revenue and average operating horsepower during 2018 compared to 2017.

According to Drillinginfo, natural gas production is expected to increase approximately 18% through 2022, with further increases anticipated beyond then. We believe that significantly improved quantities, accessibility and price stability of natural gas in the U.S. will continue to drive higher levels of demand for liquefied natural gas exports, natural gas exports via pipeline to Mexico and natural gas use in power generation as well as use as a petrochemical feedstock, which will in turn lead to a significant increase in demand for compression services.

Operating Highlights

The following table summarizes our available and operating horsepower and horsepower utilization (in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Total available horsepower (at period end) ⁽¹⁾⁽²⁾	3,385	3,281	3,385	3,281
Total operating horsepower (at period end) ⁽¹⁾⁽³⁾	3,048	2,860	3,048	2,860
Average operating horsepower	3,040	2,843	3,017	2,852
Horsepower utilization:				
Spot (at period end)	90%	87%	90%	87%
Average	90%	87%	90%	87%

⁽¹⁾ Includes compressor units comprising approximately 64,000 and 23,000 horsepower leased from Archrock as of June 30, 2018 and 2017, respectively. Excludes compressor units comprising approximately 30,000 and 6,000 horsepower leased to Archrock as of June 30, 2018 and 2017, respectively (see Note 4 ("Related Party Transactions") to our Financial Statements).

⁽²⁾ Defined as idle and operating horsepower. New compressor units completed by a third party manufacturer that have been delivered to us are included in the fleet.

⁽³⁾ Defined as horsepower that is operating under contract and horsepower that is idle but under contract and generating revenue such as standby revenue.

Financial Results of Operations

Summary of Results

Net income. We generated net income of \$10.5 million and \$5.3 million during the three months ended June 30, 2018 and 2017, respectively. The increase in net income was primarily due to the increase in revenue, the decrease in depreciation and amortization and the change from provision for income taxes to benefit from income taxes, partially offset by increases in cost of sales (excluding depreciation and amortization), Merger-related costs, interest expense and SG&A.

We generated net income of \$20.8 million and \$1.0 million during the six months ended June 30, 2018 and 2017, respectively. The increase in net income was primarily due to the increase in revenue and decreases in depreciation and amortization, long-lived asset impairment and provision for income taxes, partially offset by increases in cost of sales (excluding depreciation and amortization), Merger-related costs and interest expense.

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

The following table summarizes our revenue, costs and expenses and net income (in thousands):

	Three Months Ended June 30,	
	2018	2017
Revenue	\$ 150,866	\$ 138,255
Costs and expenses:		
Cost of sales (excluding depreciation and amortization)	60,226	53,995
Selling, general and administrative	19,344	18,303
Depreciation and amortization	33,898	36,275
Long-lived asset impairment	3,846	3,081
Interest expense, net	22,542	21,299
Merger-related costs	1,340	—
Other income, net	(394)	(933)
Provision for (benefit from) income taxes	(417)	960
Net income	\$ 10,481	\$ 5,275

Revenue. The increase in revenue during the three months ended June 30, 2018 compared to the three months ended June 30, 2017 was primarily due to a 7% increase in average operating horsepower and an increase in rates resulting from an increase in customer demand driven by improved market conditions. The increase in revenue was slightly offset by the deferral of rebillable freight revenue as a result of the adoption of the Revenue Recognition Update.

Cost of sales (excluding depreciation and amortization). The increase in cost of sales (excluding depreciation and amortization) during the three months ended June 30, 2018 compared to the three months ended June 30, 2017 was primarily due to increases in costs associated with the increase in average operating horsepower, the mobilization of compressor units, freight expense, lube oil expense and other operating costs of providing our services. The increase in cost of sales was partially offset by the capitalization of freight and mobilization costs incurred to fulfill contracts prior to the transfer of service as a result of the adoption of the Revenue Recognition Update.

Selling, general and administrative. SG&A is primarily comprised of an allocation of expenses, including costs for personnel support and related expenditures, from Archrock to us pursuant to the terms of the Omnibus Agreement (see Note 4 (“Related Party Transactions”) to our Financial Statements for further details on the Omnibus Agreement). The increase in SG&A expense was primarily due to an increase in costs allocated to us by Archrock, partially offset by a decrease in commission expense.

Depreciation and amortization. The decrease in depreciation and amortization expense during the three months ended June 30, 2018 compared to the three months ended June 30, 2017 was primarily due to a decrease in depreciation expense resulting from certain assets reaching the end of their depreciable lives as well as the impact of asset impairments during 2017 and early 2018, partially offset by an increase in depreciation expense associated with fixed asset additions.

[Table of Contents](#)

Long-lived asset impairment. During the three months ended June 30, 2018 and 2017, we reviewed the future deployment of our idle compression assets for units that were not of the type, configuration, condition, make or model that are cost efficient to maintain and operate. In addition, we evaluated for impairment idle units that had been culled from our fleet in prior years and were available for sale. See Note 11 (“Long-Lived Asset Impairment”) to our Financial Statements for further details.

The following table presents the results of our impairment review (dollars in thousands):

	Three Months Ended June 30,	
	2018	2017
Idle compressor units retired from the active fleet	70	40
Horsepower of idle compressor units retired from the active fleet	17,000	13,000
Impairment recorded on idle compressor units retired from the active fleet	\$ 3,846	\$ 3,081

Interest expense. The increase in interest expense during the three months ended June 30, 2018 compared to the three months ended June 30, 2017 was primarily due to increases in the average outstanding balance of long-term debt and the weighted average effective interest rate, partially offset by \$0.6 million of interest income earned on the note receivable from Archrock during the three months ended June 30, 2018.

Merger-related costs. We incurred \$1.3 million of Merger-related costs consisting of financial advisory, legal and other professional fees during the three months ended June 30, 2018.

Other income, net. The decrease in other income, net during the three months ended June 30, 2018 compared to the three months ended June 30, 2017 was primarily due to a \$0.5 million decrease in the gain on sale of property, plant and equipment.

Provision for (benefit from) income taxes. The change from provision for income taxes to benefit from income taxes during the three months ended June 30, 2018 compared to the three months ended June 30, 2017 was primarily due to a lower unrecognized tax benefit recorded in 2018 compared to 2017 and a benefit recorded in 2018 for the settlement of a tax audit.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

The following table summarizes our revenue, costs and expenses and net income (in thousands):

	Six Months Ended June 30,	
	2018	2017
Revenue	\$ 297,868	\$ 275,550
Costs and expenses:		
Cost of sales (excluding depreciation and amortization)	116,528	110,272
Selling, general and administrative	39,145	38,614
Depreciation and amortization	68,224	73,160
Long-lived asset impairment	6,912	9,291
Interest expense, net	44,151	41,522
Debt extinguishment costs	—	291
Merger-related costs	2,716	—
Other income, net	(681)	(821)
Provision for income taxes	102	2,262
Net income	\$ 20,771	\$ 959

Revenue. The increase in revenue during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to a 6% increase in average operating horsepower and an increase in rates resulting from an increase in customer demand driven by improved market conditions. The increase in revenue was partially offset by the deferral of rebillable freight revenue as a result of the adoption of the Revenue Recognition Update.

Cost of sales (excluding depreciation and amortization). The increase in cost of sales (excluding depreciation and amortization) during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily driven by increases in costs associated with the increase in average operating horsepower, the mobilization of compressor units, freight expense, lube oil expense and other operating costs of providing our services. The increase in cost of sales was partially offset by the capitalization of freight and mobilization costs incurred to fulfill contracts prior to the transfer of service as a result of the adoption of the Revenue Recognition Update.

Selling, general and administrative. SG&A is primarily comprised of an allocation of expenses, including costs for personnel support and related expenditures, from Archrock to us pursuant to the terms of the Omnibus Agreement (see Note 4 (“Related Party Transactions”) to our Financial Statements for further details on the Omnibus Agreement). The increase in SG&A expense was primarily due to an increase in costs allocated to us by Archrock, partially offset by a decrease in commission expense.

Depreciation and amortization. The decrease in depreciation and amortization expense during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to a decrease in depreciation expense resulting from certain assets reaching the end of their depreciable lives as well as the impact of asset impairments during 2017 and early 2018, partially offset by an increase in depreciation expense associated with fixed asset additions.

Long-lived asset impairment. During the six months ended June 30, 2018 and 2017, we reviewed the future deployment of our idle compression assets for units that were not of the type, configuration, condition, make or model that are cost efficient to maintain and operate. In addition, we evaluated for impairment idle units that had been culled from our fleet in prior years and were available for sale. See Note 11 (“Long-Lived Asset Impairment”) to our Financial Statements for further details.

The following table presents the results of our impairment review (dollars in thousands):

	Six Months Ended June 30,	
	2018	2017
Idle compressor units retired from the active fleet	105	105
Horsepower of idle compressor units retired from the active fleet	30,000	35,000
Impairment recorded on idle compressor units retired from the active fleet	\$ 6,912	\$ 9,291

Interest expense. The increase in interest expense during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to increases in the weighted average effective interest rate and the average outstanding balance of long-term debt, partially offset by \$0.6 million of interest income earned on the note receivable from Archrock during the six months ended June 30, 2018 and a \$0.6 million write-off of deferred financing costs associated with the termination of our Former Credit Facility in the six months ended June 30, 2017.

Merger-related costs. We incurred \$2.7 million of Merger-related costs consisting of financial advisory, legal and other professional fees during the six months ended June 30, 2018.

Provision for income taxes. The decrease in provision for income taxes during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to a lower unrecognized tax benefit recorded in 2018 compared to 2017 and a benefit recorded in 2018 for the settlement of a tax audit.

Liquidity and Capital Resources

Overview

Our ability to fund operations, finance capital expenditures and make distributions to Archrock depends on the levels of our operating cash flows and access to the capital and credit markets. Our primary sources of liquidity are cash flows generated from our operations and our borrowing availability under the Credit Facility. On April 26, 2018, in connection with the closing of the Merger and Amendment No. 1, the aggregate revolving commitment of the Credit Facility was increased from \$1.1 billion to \$1.25 billion. See “Financial Resources” below and Note 6 (“Long-Term Debt”) to the Financial Statements for further details of Amendment No. 1.

Our cash flow is affected by numerous factors including prices and demand for our services, volatility in commodity prices and their effect on oil and natural gas exploration and production spending, conditions in the financial markets and other factors. New orders for compression services were strong in 2017 and we have continued to book new orders at elevated rates into 2018. We believe that our operating cash flows and borrowings under the Credit Facility will be sufficient to meet our liquidity needs through at least June 30, 2019.

We intend to distribute all of our available cash to Archrock as our sole unitholder. Available cash is reduced by cash reserves established by our General Partner to provide for the proper conduct of our business, including future capital expenditures. To the extent we are unable to finance growth externally and we are unwilling to establish cash reserves to fund future acquisitions, our cash distribution policy will significantly impair our ability to grow. Because we distribute all of our available cash, we may not grow as quickly as businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or growth capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain our per unit distribution level, which in turn may impact the available cash that we have to distribute for each unit. There are no limitations in our Partnership Agreement or in the terms of the Credit Facility on our ability to issue additional units, including units ranking senior to our common units.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Capital Requirements

The natural gas compression business is capital intensive, requiring significant investment to maintain and upgrade existing operations. Our capital spending is dependent on the demand for our services and the availability of the type of compression equipment required for us to render those services to our customers. Our capital requirements have consisted primarily of, and we anticipate will continue to consist of, the following:

- growth capital expenditures, which are made to expand or replace partially or fully depreciated assets or to expand the operating capacity or revenue generating capabilities of existing or new assets, whether through construction, acquisition or modification; and
- maintenance capital expenditures, which are made to maintain the existing operating capacity of our assets and related cash flows, further extending the useful lives of the assets.

The majority of our growth capital expenditures are related to the acquisition cost of new compressor units that we add to our fleet. In addition, growth capital expenditures can also include the upgrading of major components on an existing compressor unit where the current configuration of the compressor unit is no longer in demand and the compressor is not likely to return to an operating status without the capital expenditures. These latter expenditures substantially modify the operating parameters of the compressor unit such that it can be used in applications for which it previously was not suited. Maintenance capital expenditures are related to major overhauls of significant components of a compressor unit such as the engine, compressor and cooler, which return the components to a like-new condition, but do not modify the applications for which the compressor unit was designed.

[Table of Contents](#)

Archrock manages its and our respective fleets as one pool of compression equipment from which we can each readily fulfill our respective customers' service needs. When we or Archrock are advised of a contract operations services opportunity, Archrock reviews both our and its fleet for an available and appropriate compressor unit. If the owner of the appropriate compressor unit is not the contracting entity, the unit is leased to or exchanged for other equipment of the contracting entity. The owner of the equipment being transferred is required to pay the costs associated with making the idle equipment suitable for the proposed customer. For equipment that is leased, the maintenance capital cost is a component of the lease rate that is paid under the lease. During 2017, we increased our purchases of new compressor units. If we continue to acquire more compression equipment, as is anticipated throughout 2018, we expect that more of our equipment will be available to satisfy our or Archrock's customer requirements. As a result, we expect that our maintenance capital expenditures will continue to increase and that our lease expense will decrease.

In addition, our capital requirements include funding distributions to our unitholders. Given our objective of long-term growth through acquisitions, growth capital expenditure projects and other internal growth projects, we anticipate that over time we will continue to invest capital to grow and acquire assets. We expect to actively consider a variety of assets for potential acquisitions and growth projects. We expect to fund these future capital expenditures with borrowings under our Credit Facility and the issuance of additional debt and equity securities, as appropriate, given market conditions. The timing of future capital expenditures will be based on the economic environment, including the availability of debt and equity capital.

Financial Resources

Credit Facility

On February 23, 2018, we amended the Credit Facility to, among other things:

- increase the maximum Total Debt to EBITDA ratios, as defined in the Credit Facility agreement (see below for the revised ratios), effective as of the execution of Amendment No. 1 on February 23, 2018; and
- effective upon the closing of the Merger on April 26, 2018:
 - increase the aggregate revolving commitment from \$1.1 billion to \$1.25 billion;
 - increase the amount available for the issuance of letters of credit from \$25.0 million to \$50.0 million;
 - increase the basket sizes under certain covenants including covenants limiting our ability to make investments, incur debt, make restricted payments, incur liens and make asset dispositions;
 - name Archrock Services, L.P., one of Archrock's subsidiaries, as a borrower under the Credit Facility and certain of Archrock's other subsidiaries as loan guarantors; and
 - amend the definition of "Borrowing Base" to include certain assets of Archrock's subsidiaries.

On April 26, 2018, in connection with the Merger and Amendment No. 1, Archrock terminated its credit facility and we borrowed on the Credit Facility to repay the \$63.2 million in borrowings and accrued and unpaid interest and fees outstanding under the Archrock credit facility, which we recorded as a loan receivable due from Archrock (see Note 4 ("Related Party Transactions") for further details of the loan receivable). In addition, the \$15.4 million of letters of credit outstanding under Archrock's credit facility as of the Merger were converted to letters of credit under our Credit Facility.

The following tables present the weighted average annual interest rate and average daily debt balance of our Credit Facility (dollars in thousands):

	June 30, 2018	December 31, 2017
Weighted average annual interest rate ⁽¹⁾	5.5%	4.8%

⁽¹⁾ Excludes the effect of interest rate swaps.

	Six Months Ended June 30,	
	2018	2017
Average daily debt balance ⁽¹⁾	\$ 717,055	\$ 594,400

⁽¹⁾ The amount for the six months ended June 30, 2018 pertain to the Credit Facility. The amount for the six months ended June 30, 2017 pertain to a mix of our Credit Facility and our Former Credit Facility.

The Credit Facility matures on March 30, 2022, except that if any portion of our 6% senior notes due April 2021 are outstanding as of December 2, 2020, then maturity will instead be on December 2, 2020. Portions of the Credit Facility up to \$50.0 million are available for the issuance of swing line loans. The Credit Facility borrowing base consists of eligible accounts receivable, inventory and compressor units.

We must maintain the following consolidated financial ratios, as defined in the Credit Facility agreement:

EBITDA to Interest Expense	2.5 to 1.0
Senior Secured Debt to EBITDA	3.5 to 1.0
Total Debt to EBITDA	
Through fiscal year 2018	5.95 to 1.0
Through fiscal year 2019	5.75 to 1.0
Through second quarter of 2020	5.50 to 1.0
Thereafter ⁽¹⁾	5.25 to 1.0

⁽¹⁾ Subject to a temporary increase to 5.50 to 1.0 for any quarter during which an acquisition meeting certain thresholds is completed and for the following two quarters after the quarter in which the acquisition closes.

As a result of the ratio requirements above, \$287.6 million of the \$464.1 million of undrawn capacity under the Credit Facility was available for additional borrowings as of June 30, 2018.

The Credit Facility agreement contains various additional covenants including, but not limited to, mandatory prepayments from the net cash proceeds of certain asset transfers, restrictions on the use of proceeds from borrowings and limitations on our ability to incur additional indebtedness, engage in transactions with affiliates, merge or consolidate, sell assets, make certain investments and acquisitions, make loans, grant liens, repurchase equity and pay distributions. In addition, if as of any date we have cash (other than proceeds from a debt or equity issuance received in the 30 days prior to such date reasonably expected to be used to fund an acquisition permitted under the Credit Facility agreement) in excess of \$50.0 million, then such excess amount will be used to pay down outstanding borrowings of a corresponding amount under the Credit Facility. As of June 30, 2018, we were in compliance with all covenants under the Credit Facility.

Cash Flows

The following table summarizes our sources and uses of cash during the six months ended June 30, 2018 and 2017 (in thousands):

	Six Months Ended June 30,	
	2018	2017
Net cash provided by (used in):		
Operating activities	\$ 93,723	\$ 98,758
Investing activities	(162,039)	(68,886)
Financing activities	60,289	(30,021)
Net change in cash	\$ (8,027)	\$ (149)

Operating Activities. The decrease in net cash provided by operating activities during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to an increase in cost of sales, including freight and mobilization costs incurred to fulfill contracts prior to the transfer of service, an increase in cash paid for interest, an increase in Merger-related costs and an increase in accounts receivable as a result of the timing of payments received from our customers. These activities were partially offset by an increase in revenues primarily driven by improved market conditions.

Investing Activities. The increase in net cash used in investing activities during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to a \$60.5 million loan receivable due from Archrock issued pursuant the termination of the Archrock credit facility with borrowings under our Credit Facility (see Note 4 (“Related Party Transactions”) for further detail regarding the Revolving Loan Agreement and resulting loan receivable due from Archrock) and a \$43.9 million increase in capital expenditures, partially offset by an \$8.7 million increase in proceeds from sale of property, plant and equipment.

Financing Activities. The change in net cash provided by (used in) financing activities during the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to a \$63.7 million increase in net borrowings of long-term debt, a \$12.2 million increase in amounts due to Archrock, net and a \$11.5 million decrease in payments for debt issuance costs.

Distributions to Archrock

Our Partnership Agreement requires us to distribute all of our “available cash” quarterly. Under our Partnership Agreement, available cash is defined generally to mean, for each fiscal quarter, (i) our cash on hand at the end of the quarter in excess of the amount of reserves our General Partner determines is necessary or appropriate to provide for the conduct of our business, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our unitholders for any one or more of the upcoming four quarters, plus, (ii) if our General Partner so determines, all or a portion of our cash on hand on the date of determination of available cash for the quarter.

On July 31, 2018, our board of directors approved a cash distribution of approximately \$17.1 million. The distribution covers the period from April 1, 2018 through June 30, 2018. As of the closing of the Merger, any distributions will be paid to Archrock as the owner of all outstanding common and general partner units. The amount of our cash distributions will be determined by our board of directors on a quarterly basis, taking into account a number of factors. There is no guarantee that we will continue to pay cash distributions to Archrock at the current level, or at all.

Off-Balance Sheet Arrangements

For information on our obligations with respect to letters of credit see Note 6 (“Long-Term Debt”) to our Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk primarily associated with changes in the floating interest rate of the Partnership Credit Facility. We use derivative instruments to manage our exposure to fluctuations in this floating interest rate and thereby minimize the risks and costs associated with financing activities. We do not use derivative instruments for trading or other speculative purposes.

As of June 30, 2018, after taking into consideration interest rate swaps, we had \$270.5 million of outstanding indebtedness that was effectively subject to floating interest rates. A 1% increase in the effective interest rate on our outstanding debt subject to floating interest rates at June 30, 2018 would result in an annual increase in our interest expense of \$2.7 million.

For further information regarding our use of interest rate swaps to manage our exposure to interest rate fluctuations, see Note 9 (“Derivatives”) to our Financial Statements.

Item 4. Controls and Procedures

This Item 4 includes information concerning the controls and controls evaluation referred to in the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Exchange Act included in this Quarterly Report as Exhibits 31.1 and 31.2.

Management's Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act), which are designed to provide reasonable assurance that we are able to record, process, summarize and report the information required to be disclosed in our reports under the Exchange Act within the time periods specified in the rules and forms of the SEC. Based on the evaluation, as of June 30, 2018, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to management, and made known to our principal executive officer and principal financial officer, on a timely basis to ensure that it is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12 (“Commitments and Contingencies”) to our Financial Statements for a discussion of litigation related to the Heavy Equipment Statutes, which is incorporated by reference into this Item 1.

In the ordinary course of business, we are also involved in various other pending or threatened legal actions. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from any of these other actions will not have a material adverse effect on our consolidated financial position, results of operations or cash flows, including our ability to make cash distributions to our unitholders. However, because of the inherent uncertainty of litigation and arbitration proceedings, we cannot provide assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our consolidated financial position, results of operations or cash flows, including our ability to make cash distributions to our unitholders.

Item 1A. Risk Factors

There have been no material changes or updates to our risk factors that were previously disclosed in our 2017 Form 10-K.

Item 2. Unregistered Sales of Equity Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of January 1, 2018, by and among Archrock, Inc., Archrock GP LLC, Archrock General Partner, L.P. and Archrock Partners, L.P., incorporated by reference to Exhibit 2.1 of Archrock Partners' Current Report on Form 8-K filed on January 2, 2018
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of January 11, 2018, by and among Archrock, Inc., Archrock GP LLC, Archrock General Partner, L.P., Archrock Partners, L.P. and Amethyst Merger Sub LLC, incorporated by reference to Exhibit 2.2 of Archrock Partners' Current Report on Form 8-K filed on January 16, 2018
3.1	Certificate of Limited Partnership of UCO Partners, L.P. (now Archrock Partners, L.P.), incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed on June 27, 2006
3.2	Certificate of Amendment to Certificate of Limited Partnership of Universal Compression Partners, L.P. (now Archrock Partners, L.P.), dated as of August 20, 2007, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 24, 2007
3.3	Certificate of Amendment of Certificate of Limited Partnership of Exterran Partners, L.P. (now Archrock Partners, L.P.), incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 5, 2015
3.4	Composite Certificate of Limited Partnership of Archrock Partners, L.P., incorporated by reference to Exhibit 3.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015
3.5	First Amended and Restated Agreement of Limited Partnership of Exterran Partners, L.P. (now Archrock Partners, L.P.), as amended, incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008
3.6	Certificate of Limited Partnership of UCO General Partner, LP (now Archrock General Partner, L.P.), incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1 filed on June 27, 2006
3.7	Amended and Restated Limited Partnership Agreement of UCO General Partner, LP (now Archrock General Partner, L.P.), incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on October 26, 2006
3.8	Certificate of Formation of UCO GP, LLC (now Archrock GP, LLC), incorporated by reference to Exhibit 3.5 to the Registrant's Registration Statement on Form S-1 filed June 27, 2006
3.9	Amended and Restated Limited Liability Company Agreement of UCO GP, LLC (now Archrock GP, LLC), incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed on October 26, 2006
3.10	Amendment No. 2 to the First Amended and Restated Agreement of Limited Partnership of Archrock Partners, L.P., dated December 22, 2017, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 22, 2017
4.1	Indenture, dated as of March 27, 2013, by and among Exterran Partners, L.P., EXLP Finance Corp., the Guarantors named therein and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on March 28, 2013
4.2	Registration Rights Agreement, dated as of March 27, 2013, by and among Exterran Partners, L.P., EXLP Finance Corp., the Guarantors named therein and Wells Fargo Securities, LLC, as representative of the Initial Purchasers, incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on March 28, 2013
4.3	Indenture, dated as of April 7, 2014, by and among Exterran Partners, L.P., EXLP Finance Corp., the Guarantors named therein and Wells Fargo Bank, National Association, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 11, 2014
4.4	Registration Rights Agreement, dated as of April 7, 2014, by and among Exterran Partners, L.P., EXLP Finance Corp., the Guarantors named therein and Wells Fargo Securities, LLC, as representative of the Initial Purchasers, incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on April 11, 2014
31.1*	Certification of the Principal Executive Officer of Archrock GP LLC (as general partner of the general partner of Archrock Partners, L.P.) pursuant to Rule 13a-14 under the Securities Exchange Act of 1934
31.2*	Certification of the Principal Financial Officer of Archrock GP LLC (as general partner of the general partner of Archrock Partners, L.P.) pursuant to Rule 13a-14 under the Securities Exchange Act of 1934
32.1**	Certification of the Chief Executive Officer of Archrock GP LLC (as general partner of the general partner of Archrock Partners, L.P.) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer of Archrock GP LLC (as general partner of the general partner of Archrock Partners, L.P.) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1*	Interactive data files pursuant to Rule 405 of Regulation S-T

* Filed herewith.

** Furnished, not filed.

SIGNATURES

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

ARCHROCK PARTNERS, L.P.

By: ARCHROCK GENERAL PARTNER, L.P.
its General Partner

By: ARCHROCK GP LLC
its General Partner

By: /s/ RAYMOND K. GUBA
Raymond K. Guba
Interim Chief Financial Officer
(Principal Financial Officer)

By: /s/ DONNA A. HENDERSON
Donna A. Henderson
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

August 2, 2018

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, D. Bradley Childers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Archrock Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ D. BRADLEY CHILDERS

Name: D. Bradley Childers
Title: Chief Executive Officer, Archrock GP LLC
(Principal Executive Officer)
As General Partner of Archrock General Partner, L.P.
As General Partner of Archrock Partners, L.P.

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Raymond K. Guba, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Archrock Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ RAYMOND K. GUBA

Name: Raymond K. Guba
 Title: Interim Chief Financial Officer, Archrock GP LLC
 (Principal Financial Officer)
 As General Partner of Archrock General Partner, L.P.
 As General Partner of Archrock Partners, L.P.

**Certification of CEO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Archrock Partners, L.P. (the "Partnership") for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), D. Bradley Childers, as Chief Executive Officer of Archrock GP LLC, the general partner of the Partnership's general partner, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ D. BRADLEY CHILDERS

Name: D. Bradley Childers
Title: Chief Executive Officer, Archrock GP LLC
As General Partner of Archrock General Partner, L.P.
As General Partner of Archrock Partners, L.P.

Date: August 2, 2018

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Archrock Partners, L.P. (the "Partnership") for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Raymond K. Guba, as Interim Chief Financial Officer of Archrock GP LLC, the general partner of the Partnership's general partner, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ RAYMOND K. GUBA

Name: Raymond K. Guba
Title: Interim Chief Financial Officer, Archrock GP LLC
As General Partner of Archrock General Partner, L.P.
As General Partner of Archrock Partners, L.P.

Date: August 2, 2018

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

