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, 2016

OR

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

For the transition period from to

Commission file number: 001-36719

ANTERO MIDSTREAM PARTNERS LP
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**46-4109058** (IRS Employer Identification No.)
1615 Wynkoop Street **Denver, Colorado** (Address of principal executive offices)	**80202** (Zip Code)

(303) 357-7310
(Registrant's telephone number, including area code)

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

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

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

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

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

As of July 28, 2016, there were 100,235,435 common units and 75,940,957 subordinated units outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this report may contain forward-looking statements. Forward-looking statements give our current expectations, contain projections of results of operations or of financial condition, or forecasts of future events. Words such as “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “potential,” or “continue,” and similar expressions are used to identify forward-looking statements. They can be affected by assumptions used or by known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report. Actual results may vary materially. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- Antero Resources Corporation’s production and drilling and development plan;
- Antero Resources Corporation’s ability to successfully complete its recently announced acquisition of properties from a third party, and their successful development of any such acquired acreage;
- our ability to execute our business strategy;
- natural gas, natural gas liquids (“NGLs”) and oil prices;
- competition and government regulations;
- actions taken by third-party producers, operators, processors and transporters;
- legal or environmental matters;
- costs of conducting our gathering and compression operations;
- general economic conditions;
- credit markets;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions in this Form 10-Q that are not historical.

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the gathering and compression and water handling business. These risks include, but are not limited to, commodity price volatility, inflation, environmental risks, drilling and completion and other operating risks, regulatory changes, the uncertainty inherent in projecting future rates of production, cash flow and access to capital, the timing of development expenditures, and the other risks described under “Risk Factors” in this report and in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 24, 2016 (the “2015 Form 10-K”).

Should one or more of the risks or uncertainties described in this report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this report.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

ANTERO MIDSTREAM PARTNERS LP
Condensed Combined Consolidated Balance Sheets
December 31, 2015 and June 30, 2016
(Unaudited)
(In thousands)

	December 31, 2015	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 6,883	$ 8,684
Accounts receivable–Antero	65,712	54,794
Accounts receivable–third party	2,707	1,259
Prepaid expenses	—	106
Total current assets	75,302	64,843
Property and equipment:		
Gathering and compressions systems	1,485,835	1,579,568
Water handling and treatment systems	565,616	655,251
	2,051,451	2,234,819
Less accumulated depreciation	(157,625)	(205,588)
Property and equipment, net	1,893,826	2,029,231
Investment in unconsolidated affiliate	—	45,528
Other assets, net	10,904	13,268
Total assets	$ 1,980,032	$ 2,152,870
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	$ 10,941	$ 19,206
Accounts payable–Antero	2,138	2,142
Accrued capital expenditures	50,022	54,043
Accrued ad valorem taxes	7,195	9,737
Accrued liabilities	28,168	16,789
Other current liabilities	150	158
Total current liabilities	98,614	102,075
Long-term liabilities:		
Long-term debt	620,000	760,000
Contingent acquisition consideration	178,049	184,906
Other	624	543
Total liabilities	897,287	1,047,524
Contingencies (Note 11)		
Partners' capital:		
Common unitholders - public (59,286 units and 67,302 units issued and outstanding at December 31, 2015 and June 30, 2016, respectively)	1,351,317	1,364,766
Common unitholder - Antero (40,929 units and 32,929 units issued and outstanding at December 31, 2015 and June 30, 2016, respectively)	30,186	29,799
Subordinated unitholder - Antero (75,941 units issued and outstanding at December 31, 2015 and June 30, 2016)	(299,727)	(291,950)
General partner	969	2,731
Total partners' capital	1,082,745	1,105,346
Total liabilities and partners' capital	$ 1,980,032	$ 2,152,870

See accompanying notes to condensed combined consolidated financial statements.

ANTERO MIDSTREAM PARTNERS LP

Condensed Combined Consolidated Statements of Operations and Comprehensive Income

Three Months Ended June 30, 2015, and 2016

(Unaudited)

(In thousands, except per unit amounts)

	Three months ended June 30,	
	2015	2016
Revenue:		
Gathering and compression–Antero	$ 56,593	$ 71,715
Water handling and treatment–Antero	31,500	64,893
Gathering and compression–third party	—	202
Total revenue	88,093	136,810
Operating expenses:		
Direct operating	17,921	42,597
General and administrative (including $6,597 and $6,793 of equity-based compensation in 2015 and 2016, respectively)	12,159	13,305
Depreciation	21,253	24,140
Accretion of contingent acquisition consideration	—	3,461
Total operating expenses	51,333	83,503
Operating income	36,760	53,307
Interest expense, net	(1,636)	(3,879)
Equity in earnings of unconsolidated affiliate	—	484
Net income and comprehensive income	35,124	49,912
Pre-Water Acquisition net income attributed to parent	(15,674)	—
General partner interest in net income attributable to incentive distribution rights	—	(2,731)
Limited partners' interest in net income	$ 19,450	$ 47,181
Net income per limited partner unit:		
Basic:		
Common units	$ 0.13	$ 0.27
Subordinated units	$ 0.13	$ 0.27
Diluted:		
Common units	$ 0.13	$ 0.27
Subordinated units	$ 0.13	$ 0.27
Weighted average number of limited partner units outstanding:		
Basic:		
Common units	75,941	100,231
Subordinated units	75,941	75,941
Diluted:		
Common units	75,958	100,285
Subordinated units	75,941	75,941

See accompanying notes to condensed combined consolidated financial statements.

ANTERO MIDSTREAM PARTNERS LP

Condensed Combined Consolidated Statements of Operations and Comprehensive Income

Six Months Ended June 30, 2015, and 2016

(Unaudited)

(In thousands, except per unit amounts)

	Six months ended June 30,	
	2015	2016
Revenue:		
Gathering and compression–Antero	$ 108,836	$ 141,066
Water handling and treatment–Antero	64,941	131,339
Gathering and compression–third party	—	477
Water handling and treatment–third party	151	—
Total revenue	173,928	272,882
Operating expenses:		
Direct operating	37,222	91,738
General and administrative (including $12,376 and $12,766 of equity-based compensation in 2015 and 2016, respectively)	24,078	26,397
Depreciation	41,955	47,963
Accretion of contingent acquisition consideration	—	6,857
Total operating expenses	103,255	172,955
Operating income	70,673	99,927
Interest expense, net	(3,222)	(7,582)
Equity in earnings of unconsolidated affiliate	—	484
Net income and comprehensive income	67,451	92,829
Pre-Water Acquisition net income attributed to parent	(32,353)	—
General partner interest in net income attributable to incentive distribution rights	—	(4,581)
Limited partners' interest in net income	$ 35,098	$ 88,248
Net income per limited partner unit:		
Basic:		
Common units	$ 0.23	$ 0.50
Subordinated units	$ 0.23	$ 0.50
Diluted:		
Common units	$ 0.23	$ 0.50
Subordinated units	$ 0.23	$ 0.50
Weighted average number of limited partner units outstanding:		
Basic:		
Common units	75,941	100,226
Subordinated units	75,941	75,941
Diluted:		
Common units	75,956	100,262
Subordinated units	75,941	75,941

See accompanying notes to condensed combined consolidated financial statements.

ANTERO MIDSTREAM PARTNERS LP

Condensed Combined Consolidated Statements of Partners' Capital

Six Months Ended June 30, 2016

(Unaudited)

(In thousands)

	Partnership				
	Common Unitholders Public	Common Unitholder Antero	Subordinated Unitholder	General Partner	Total
Balance at December 31, 2015	$ 1,351,317	$ 30,186	$ (299,727)	$ 969	$ 1,082,745
Net income and comprehensive income	31,878	18,328	38,042	4,581	92,829
Distributions to unitholders	(28,862)	(16,742)	(34,554)	(2,819)	(82,977)
Equity-based compensation	3,873	4,604	4,289	—	12,766
Issuance of common units upon vesting of equity-based compensation awards, net of units withheld for income taxes	141	(158)	—	—	(17)
Sale of 8,000,000 units held by Antero to public	6,419	(6,419)	—	—	—
Balance at June 30, 2016	$ 1,364,766	$ 29,799	$ (291,950)	$ 2,731	$ 1,105,346

See accompanying notes to condensed combined consolidated financial statements.

ANTERO MIDSTREAM PARTNERS LP

Condensed Combined Consolidated Statements of Cash Flows

Six Months Ended June 30, 2015, and 2016

(Unaudited)

(In thousands)

	Six months ended June 30,	
	2015	**2016**
Cash flows provided by operating activities:		
Net income	$ 67,451	$ 92,829
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	41,955	47,963
Accretion of contingent acquisition consideration	—	6,857
Equity-based compensation	12,376	12,766
Equity in earnings of unconsolidated affiliate	—	(484)
Amortization of deferred financing costs	489	726
Changes in assets and liabilities:		
Accounts receivable–Antero	6,375	10,918
Accounts receivable–third party	5,574	1,448
Prepaid expenses	309	(106)
Accounts payable	1,103	4,515
Accounts payable–Antero	50	4
Accrued ad valorem tax	9,517	2,542
Accrued liabilities	(107)	(11,379)
Net cash provided by operating activities	145,092	168,599
Cash flows used in investing activities:		
Additions to gathering and compression systems	(159,798)	(96,969)
Additions to water handling and treatment systems	(33,265)	(78,625)
Investment in unconsolidated affiliate	—	(45,044)
Change in other assets	(126)	(3,090)
Net cash used in investing activities	(193,189)	(223,728)
Cash flows provided by (used in) financing activities:		
Deemed distribution to Antero, net	(65,385)	—
Distributions to unitholders	(41,660)	(82,977)
Borrowings on bank credit facilities, net	38,000	140,000
Payments of deferred financing costs	(19)	—
Other	(164)	(93)
Net cash provided by (used in) financing activities	(69,228)	56,930
Net increase (decrease) in cash and cash equivalents	(117,325)	1,801
Cash and cash equivalents, beginning of period	230,192	6,883
Cash and cash equivalents, end of period	$ 112,867	$ 8,684
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 2,784	$ 7,708
Supplemental disclosure of noncash investing activities:		
Increase (decrease) in accrued capital expenditures and accounts payable for property and equipment	$ (27,984)	$ 7,770

See accompanying notes to condensed combined consolidated financial statements.

ANTERO MIDSTREAM PARTNERS LP

Notes to Condensed Combined Consolidated Financial Statements

December 31, 2015 and June 30, 2016

(1) Business and Organization

Antero Midstream Partners LP (the "Partnership") is a growth-oriented limited partnership formed by Antero Resources Corporation ("Antero") to own, operate and develop midstream energy assets to service Antero's increasing production. The Partnership's assets consist of gathering pipelines, compressor stations and water handling and treatment assets, through which the Partnership provides midstream services to Antero under long-term, fixed-fee and cost plus contracts. Our assets are located in the southwestern core of the Marcellus Shale in northwest West Virginia and the core of the Utica Shale in southern Ohio. The Partnership's condensed combined consolidated financial statements as of June 30, 2016, include the accounts of the Partnership, Antero Midstream LLC ("Midstream Operating"), Antero Water LLC ("Antero Water"), and Antero Treatment LLC ("Antero Treatment"), all of which are entities under common control.

On September 23, 2015, Antero contributed (the "Water Acquisition") (i) all of the outstanding limited liability company interests of Antero Water to the Partnership and (ii) all of the assets, contracts, rights, permits and properties owned or leased by Antero and used primarily in connection with the construction, ownership, operation, use or maintenance of Antero's advanced waste water treatment complex under construction in Doddridge County, West Virginia, to Antero Treatment (collectively, (i) and (ii) are referred to herein as the "Contributed Assets"). Our results for the three and six months ended June 30, 2015 have been recast to include the historical results of Antero Water because the transaction was between entities under common control. Antero Water's operations prior to the Water Acquisition consisted entirely of fresh water handling operations.

References to "the Partnership," "we," "our," "us" or like terms, when referring to the three and six months ended June 30, 2015, refer to the Partnership's gathering and compression assets and operations, and include Antero's water assets and operations, which were contributed to us on September 23, 2015. References to "the Partnership," "we," "our," "us" or like terms, when referring to the three and six months ended June 30, 2016 or when used in the present tense or prospectively, refer to Antero Midstream Partners LP and its subsidiaries.

The Partnership's gathering and compression assets consist of 8-, 12-, 16-, 20-, and 24-inch high and low pressure gathering pipelines and compressor stations that collect natural gas, NGLs and oil from Antero's wells in West Virginia and Ohio. The Partnership's assets also include two independent fresh water distribution systems that deliver water used by Antero for hydraulic fracturing activities in Antero's operating areas. The fresh water distribution systems consist of permanent buried pipelines, surface pipelines and fresh water storage facilitates, as well as pumping stations and impoundments to transport fresh water throughout the pipeline system.

During the second quarter of 2016, the Partnership exercised its option to purchase a 15% equity interest in Stonewall Gas Gathering LLC for approximately $45 million (see Note 9–Equity Method Investment for more information). Stonewall Gas Gathering LLC operates the 67-mile Stonewall gathering pipeline on which Antero is an anchor shipper. The Stonewall gathering pipeline was placed into service on November 30, 2015, and Antero has a firm commitment of 900 MMBtu/d through the system.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

These condensed combined consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") applicable to interim financial information, and should be read in the context of the December 31, 2015 combined consolidated financial statements and notes thereto for a more complete understanding of the Partnership's operations, financial position, and accounting policies. The December 31, 2015 combined consolidated financial statements were originally filed with the SEC in the 2015 Form 10-K.

The accompanying unaudited condensed combined consolidated financial statements of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information, and, accordingly, do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, these statements include all adjustments (consisting of normal and recurring accruals) considered necessary for a fair presentation of the Partnership's financial position as of December 31, 2015 and June 30, 2016, and the results of its operations and its cash flows for the three and six months ended June 30, 2015 and 2016. The Partnership has no items of other comprehensive income; therefore, its net income is identical to its comprehensive income.

Operating results for the period ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year.

Certain costs of doing business which are incurred by Antero on our behalf have been reflected in the accompanying condensed combined consolidated financial statements. These costs include general and administrative expenses attributed to us by Antero in exchange for:

- business services, such as payroll, accounts payable and facilities management;
- corporate services, such as finance and accounting, legal, human resources, investor relations and public and regulatory policy; and
- employee compensation, including equity-based compensation.

Transactions between us and Antero have been identified in the condensed combined consolidated financial statements (see Note 3-Transactions with Affiliates).

As of the date these condensed combined consolidated financial statements were filed with the SEC, the Partnership completed its evaluation of potential subsequent events for disclosure and no items requiring disclosure were identified, except the declaration of a cash distribution to unitholders, as described in Note 6—Partnership Equity and Distributions.

(b) Revenue Recognition

We provide gathering and compression and water handling and treatment services under fee-based contracts primarily based on throughput or cost plus margin. Under these arrangements, we receive fees for gathering oil and gas products, compression services, and water handling and treatment services. The revenue we earn from these arrangements is directly related to (1) in the case of natural gas gathering and compression, the volumes of metered natural gas that we gather, compress and deliver to natural gas compression sites or other transmission delivery points, (2) in the case of oil and condensate gathering, the volumes of metered oil and condensate that we gather and deliver to other transmission delivery points, (3) in the case of fresh water delivery, the quantities of fresh water delivered to our customers for use in their well completion operations, or (4) in the case of other fluid handling services, which includes the disposal and treatment of waste water and high rate transfer of fresh water, our costs plus 3%. We recognize revenue when all of the following criteria are met: (1) persuasive evidence of an agreement exists, (2) services have been rendered, (3) prices are fixed or determinable and (4) collectability is reasonably assured.

(c) Use of Estimates

The preparation of the condensed combined consolidated financial statements and notes in conformity with GAAP requires that management formulate estimates and assumptions that affect revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities. Items subject to estimates and assumptions include the useful lives of property and equipment and valuation of accrued liabilities, among others. Although management believes these estimates are reasonable, actual results could differ from these estimates.

(d) Cash and Cash Equivalents

Prior to September 23, 2015 Antero Water's operations were funded by Antero. Net amounts funded by Antero are reflected as "Deemed distribution to Antero, net" on the accompanying statements of Condensed Combined Consolidated Cash Flows.

We consider all liquid investments purchased with an initial maturity of six months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

(e) Property and Equipment

Property and equipment primarily consists of gathering pipelines, compressor stations and fresh water distribution pipelines and facilities stated at historical cost less accumulated depreciation. We capitalize construction-related direct labor and material costs. Maintenance and repair costs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives and salvage values of assets. The depreciation of fixed assets recorded under capital lease agreements is included in depreciation expense. Uncertainties that may impact these estimates of useful lives include, among others, changes in laws and regulations relating to environmental matters, including air and water quality, restoration and abandonment requirements, economic conditions, and supply and demand for our services in the areas in which we operate. When assets are placed into service, management makes estimates with respect to useful lives and salvage values that management believes are reasonable. However, subsequent events could cause a change in estimates, thereby impacting future depreciation amounts.

Our investment in property and equipment for the periods presented is as follows:

(in thousands)	Estimated useful lives	As of December 31, 2015	As of June 30, 2016
Land	n/a	$ 3,430	$ 6,504
Fresh water surface pipelines and equipment	5 years	34,402	35,641
Above ground storage tanks	10 years	4,296	4,301
Fresh water permanent buried pipelines and equipment	20 years	410,202	415,724
Gathering and compression systems	20 years	1,291,871	1,340,946
Construction-in-progress	n/a	307,250	431,703
Total property and equipment		2,051,451	2,234,819
Less accumulated depreciation		(157,625)	(205,588)
Property and equipment, net		$ 1,893,826	$ 2,029,231

(f) Impairment of Long-Lived Assets

We evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying values of the assets may not be recoverable. Generally, the basis for making such assessments is undiscounted future cash flow projections for the unit being assessed. If the carrying values of the assets are deemed not recoverable, the carrying values are reduced to the estimated fair value, which are based on discounted future cash flows or other techniques, as appropriate. No impairments for such assets have been recorded through June 30, 2016.

(g) Asset Retirement Obligations

Our gathering pipelines, compressor stations and fresh water distribution pipelines and facilities have an indeterminate life, if properly maintained. A liability will be recorded only if and when a future retirement obligation with a determinable life can be estimated. We are not able to make a reasonable estimate of when future dismantlement and removal dates of our pipelines, compressor stations and facilities, will occur and, because it has been determined that abandonment of all other ancillary assets would require minimal costs, we have not recorded asset retirement obligations at December 31, 2015 or June 30, 2016.

(h) Litigation and Other Contingencies

An accrual is recorded for a loss contingency when its occurrence is probable and damages can be reasonably estimated based on the anticipated most likely outcome or the minimum amount within a range of possible outcomes. We regularly review contingencies to determine the adequacy of our accruals and related disclosures. The ultimate amount of losses, if any, may differ from these estimates.

We accrue losses associated with environmental obligations when such losses are probable and can be reasonably estimated. Accruals for estimated environmental losses are recognized no later than at the time a remediation feasibility study, or an evaluation of response options, is complete. These accruals are adjusted as additional information becomes available or as circumstances change. Future environmental expenditures are not discounted to their present value. Recoveries of environmental costs from other parties are recorded separately as assets at their undiscounted value when receipt of such recoveries is probable.

(i) Equity-Based Compensation

On March 30, 2016, the FASB issued ASU No. 2016-09, *Stock Compensation–Improvements to Employee Share-Based Payment Accounting*, and the Partnership has elected to early-adopt the standard as of January 1, 2016. See Note 2 *(m) Recently Adopted Accounting Pronouncements*.

Our condensed combined consolidated financial statements reflect various equity-based compensation awards granted by Antero, as well as compensation expense associated with our own plan. These awards include profits interests awards, restricted stock, stock options, restricted units, and phantom units. For purposes of these condensed combined consolidated financial statements, we recognized as expense in each period an amount allocated from Antero, with the offset recorded as an increase in partners' capital. See Note 3—Transactions with Affiliates for additional information regarding Antero's allocation of expenses to us.

In connection with our initial public offering ("IPO"), our general partner adopted the Antero Midstream Partners LP Long-Term Incentive Plan ("Midstream LTIP"), pursuant to which certain non-employee directors of our general partner and certain officers, employees and consultants of our general partner and its affiliates are eligible to receive awards representing equity interests in the Partnership. An aggregate of 10,000,000 common units may be delivered pursuant to awards under the Midstream LTIP, subject to customary adjustments. For accounting purposes, these units are treated as if they are distributed from us to Antero. Antero recognizes compensation expense for the units awarded to its employees and a portion of that expense is allocated to us. See Note 5—Equity-Based Compensation.

(j) Income Taxes

Our condensed combined consolidated financial statements do not include a provision for income taxes as we are treated as a partnership for federal and state income tax purposes, with each partner being separately taxed on its share of taxable income.

(k) Fair Value Measures

The Financial Accounting Standards Board (the "FASB") Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, clarifies the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance also relates to all nonfinancial assets and liabilities that are not recognized or disclosed on a recurring basis (e.g., the initial recognition of asset retirement obligations and impairments of long -lived assets). The fair value is the price that we estimate would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used to prioritize inputs to valuation techniques used to estimate fair value. An asset or liability subject to the fair value requirements is categorized within the hierarchy based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The highest priority (Level 1) is given to unadjusted quoted market prices in active markets for identical assets or liabilities, and the lowest priority (Level 3) is given to unobservable inputs. Level 2 inputs are data, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

The carrying values on our balance sheet of our cash and cash equivalents, accounts receivable—Antero, accounts receivable—third party, prepaid expenses, other assets, accounts payable, accounts payable—Antero, accrued liabilities, accrued capital expenditures, accrued ad valorem tax, other current liabilities, other liabilities and the revolving credit facility approximate fair values due to their short-term maturities.

As discussed in Note 8—Fair Value Measurement, the Partnership has agreed to pay Antero contingent consideration in connection with the Water Acquisition.

(l) Investment in Unconsolidated Entities

The Partnership uses the equity method to account for its investments in companies if the investment provides the Partnership with the ability to exercise significant influence over, but not control, the operating and financial policies of the investee. The Partnership's consolidated net income includes the Partnership's proportionate share of the net income (loss) of such companies. The Partnership's judgment regarding the level of influence over each equity method investee includes considering key factors such as the Partnership's ownership interest, representation on the board of directors and participation in policy-making decisions of the investee and material intercompany transactions. See Note 9–Equity Method Investment.

(m) Recently Adopted Accounting Pronouncements

On March 30, 2016, the FASB issued ASU No. 2016-09, *Stock Compensation–Improvements to Employee Share-Based Payment Accounting*. This standard simplifies or clarifies several aspects of the accounting for equity-based payment awards, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Certain of these changes are required to be applied retrospectively, while other changes are required to be applied prospectively. The Partnership has elected to early-adopt the standard as of January 1, 2016.

As a result of adopting this standard, we will reclassify cash outflows attributable to tax withholdings on the net settlement of equity-classified awards from operating cash flows to financing cash flows. No retrospective adjustments to the condensed combined consolidated statement of cash flows were required for the six months ended June 30, 2015, because no equity-based compensation awards were settled during this period.

(3) Transactions with Affiliates

(a) Revenues

Gathering and compression revenues earned from Antero were $56.6 million and $71.7 million during the three months ended June 30, 2015 and 2016, respectively, and $108.8 million and $141.1 million during the six months ended June 30, 2015 and 2016, respectively. Water handling revenues earned from Antero were $31.5 million and $64.9 million during the three months ended June 30, 2015 and 2016, respectively, and $64.9 million and $131.3 million during the six months ended June 30, 2015 and 2016, respectively. Water handling revenue includes other fluid handling service revenues of zero and $29.6 million during the three months ended June 30, 2015 and 2016, respectively, and zero and $63.5 million during the six months ended June 30, 2015 and 2016, respectively, which is contractually billed by us based on costs plus 3%.

(b) Accounts receivable—Antero and Accounts payable—Antero

Accounts receivable—Antero represents amounts due from Antero, primarily related to gathering and compression services and water handling and treatment services. Accounts payable—Antero represents amounts due to Antero for general and administrative expenses and other costs.

(c) Allocation of Costs

The employees supporting our operations are employees of Antero. Direct operating expense includes allocated costs of $0.8 million and $1.0 million during the three months ended June 30, 2015 and 2016, respectively, and $1.4 million and $1.8 million during the six months ended June 30, 2015 and 2016, respectively, related to labor charges for Antero employees associated with the operation of our gathering lines, compressor stations, and water handling and treatment assets. General and administrative expense includes allocated costs of $11.4 million and $12.4 million during the three months ended June 30, 2015 and 2016, respectively, and $22.3 million and $23.9 million during the six months ended June 30, 2015 and 2016, respectively. These costs relate to: (i) various business services, including payroll processing, accounts payable processing and facilities management, (ii) various corporate services, including legal, accounting, treasury, information technology and human resources and (iii) compensation, including equity-based compensation (see Note 5—Equity-Based Compensation for more information). These expenses are charged or allocated to us based on the nature of the expenses and are allocated based on a combination of our proportionate share of Antero's gross property and equipment, capital expenditures and labor costs, as applicable.

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(d) Agreements

The Partnership has entered into various agreements with Antero, as summarized below.

Gathering and Compression

In connection with the IPO on November 10, 2014, the Partnership entered in a 20-year gathering and compression agreement, whereby Antero has agreed to dedicate all of its current and future acreage in West Virginia, Ohio and Pennsylvania to us (other than the existing third-party commitments). The initial term of the gathering and compression agreement is 20 years from the date thereof and from year to year thereafter until terminated by either party. We also have an option to gather and compress natural gas produced by Antero on any acreage it acquires in the future outside of West Virginia, Ohio and Pennsylvania on the same terms and conditions. Under the gathering and compression agreement, we receive a low pressure gathering fee of $0.30 per Mcf, a high pressure gathering fee of $0.18 per Mcf, a compression fee of $0.18 per Mcf, and a condensate gathering fee of $4.00 per Bbl, in each case subject to CPI-based adjustments. If and to the extent Antero requests that we construct new high pressure lines and compressor stations, the gathering and compression agreement contains minimum volume commitments that require Antero to utilize or pay for 75% and 70% , respectively, of the capacity of such new construction. Additional high pressure lines and compressor stations installed on our own initiative are not subject to such volume commitments.

Water Services Agreement

In connection with the Water Acquisition on September 23, 2015, the Partnership entered a 20-year Water Services Agreement with Antero whereby we have agreed to provide certain fluid handling services to Antero within an area of dedication in defined service areas in Ohio and West Virginia and Antero agreed to pay monthly fees to us for all fluid handling services provided by us in accordance with the terms of the Water Services Agreement. The initial term of the Water Services Agreement is 20 years from the date thereof and from year to year thereafter until terminated by either party. Under the agreement, Antero will pay a fixed fee of $3.685 per barrel in West Virginia and $3.635 per barrel in Ohio and all other locations for fresh water deliveries by pipeline directly to the well site, subject to annual CPI-based adjustments. Antero has committed to pay a fee on a minimum volume of fresh water deliveries in calendar years 2016 through 2019. Antero is obligated to pay a minimum volume fee to us in the event the aggregate volume of fresh water delivered to Antero under the Water Services Agreement is less than 90,000 barrels per day in 2016, 100,000 barrels per day in 2017 and 120,000 barrels per day in 2018 and 2019. Antero also agreed to pay us a fixed fee of $4.00 per barrel for waste water treatment at the advanced waste water treatment complex and a fee per barrel for waste water collected in trucks owned by the Partnership, in each case subject to annual CPI-based adjustments. Until such time as the advanced waste water treatment complex is placed into service or we operate our own fleet of trucks for transporting waste water, the Partnership will continue to contract with third parties to provide Antero flow back, produced water services, and high rate transfer services and Antero will reimburse us for our costs plus 3%. Other fluid handling services include the disposal and treatment of waste water and high rate transfer of fresh water. Other fluid handling service revenues were zero and $29.6 million during the three months ended June 30, 2015 and 2016, respectively, and zero and $63.5 million during the six months ended June 30, 2015 and 2016, respectively. Other fluid handling service operating expenses were zero and $28.7 million during the three months ended June 30, 2015 and 2016, respectively, and zero and $61.6 million during the six months ended June 30, 2015 and 2016.

Secondment Agreement

On September 23, 2015, the Partnership entered into a secondment agreement with Antero, our general partner, Midstream Operating, Antero Water and Antero Treatment, whereby Antero has agreed to provide seconded employees to perform certain operational services with respect to the Partnership's gathering and compression facilities and the Contributed Assets, and the Partnership has agreed to reimburse Antero for expenditures incurred by Antero in the performance of those operational services. The initial term of the secondment agreement is 20 years from November 10, 2014, and from year to year thereafter.

(4) Long-Term Debt

Revolving Credit Facility

We have a secured revolving credit facility with a syndicate of bank lenders. The revolving credit facility provides for lender commitments of $1.5 billion and a letter of credit sublimit of $150 million. The revolving credit facility matures on November 10, 2019.

The revolving credit facility is ratably secured by mortgages on substantially all of our properties, including the properties of our subsidiaries, and guarantees from our subsidiaries. The revolving credit facility contains certain covenants including restrictions on indebtedness, and requirements with respect to leverage and interest coverage ratios. The revolving credit facility provides that, so long as no event of default exists or would be caused thereby, and only to the extent permitted by our organizational documents, distributions to the holders of our equity interests may be made in accordance with the cash distribution policy adopted by the board of directors of our general partner in connection with the IPO. The Partnership was in compliance with all of the financial covenants under the revolving credit facility as of December 31, 2015 and June 30, 2016.

Principal amounts borrowed are payable on the maturity date with such borrowings bearing interest that is payable quarterly or, in the case of Eurodollar Rate Loans, at the end of the applicable interest period if shorter than six months. Interest is payable at a variable rate based on LIBOR or the base rate, determined by election at the time of borrowing. Commitment fees on the unused portion of the revolving credit facility are due quarterly at rates ranging from 0.25% to 0.375% of the unused facility based on utilization.

At December 31, 2015 and June 30, 2016, we had borrowings under the revolving credit facility of $620 million and $760 million, respectively, with a weighted average interest rate of 1.92% and 1.96%, respectively. No letters of credit were outstanding at December 31, 2015 or June 30, 2016.

(5) Equity-Based Compensation

Our general and administrative expenses include equity-based compensation costs allocated to us by Antero for grants made pursuant to Antero's long-term incentive plan and the Midstream LTIP. Equity-based compensation expense allocated to us was $6.6 million and $6.8 million for the three months ended June 30, 2015 and 2016, respectively, and $12.4 million and $12.8 million for the six months ended June 30, 2015 and 2016, respectively. These expenses were allocated to us based on our proportionate share of Antero's labor costs. Antero has unamortized expense totaling approximately $238.1 million as of June 30, 2016 related to its various equity-based compensation plans, which includes the Midstream LTIP. A portion of this will be allocated to us as it is amortized over the remaining service period of the related awards.

Midstream LTIP

Our general partner manages our operations and activities and Antero employs the personnel who provide support to our operations. In connection with the IPO, our general partner adopted the Midstream LTIP, pursuant to which non-employee directors of our general partner and certain officers, employees and consultants of our general partner and its affiliates are eligible to receive awards representing ownership interests in the Partnership. An aggregate of 10,000,000 common units may be delivered pursuant to awards under the Midstream LTIP, subject to customary adjustments. A total of 7,707,464 common units are available for future grant under the Midstream LTIP as of June 30, 2016. Restricted units and phantom units granted under the Midstream LTIP vest subject to the satisfaction of service requirements, upon the completion of which common units in the Partnership and distribution equivalent rights are delivered to the holder of the restricted units or phantom units. Compensation related to each restricted unit and phantom unit award is recognized on a straight-line basis over the requisite service period of the entire award. The grant date fair values of these awards are determined based on the closing price of the Partnership's common units on the date of grant. These units are accounted for as if they are distributed by the Partnership to Antero. Antero recognizes compensation expense for the units awarded and a portion of that expense is allocated to the Partnership. Antero allocates equity-based compensation expense to the Partnership based on our proportionate share of

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Antero's labor costs. The Partnership's portion of the equity-based compensation expense is included in general and administrative expenses, and recorded as a credit to the applicable classes of partners' capital.

A summary of restricted unit and phantom unit awards activity during the six months ended June 30, 2016 is as follows:

	Number of units	Weighted average grant date fair value	Aggregate intrinsic value (in thousands)
Total awarded and unvested—December 31, 2015	1,667,832	$ 28.97	$ 38,060
Granted	290,254	$ 21.24	
Vested	(6,354)	$ 24.98	
Forfeited	(62,728)	$ 28.42	
Total awarded and unvested—June 30, 2016	1,889,004	$ 27.81	$ 52,647

Intrinsic values are based on the closing price of the Partnership's common units on the referenced dates. Midstream LTIP unamortized expense of $42.5 million at June 30, 2016 is expected to be recognized over a weighted average period of approximately 2.6 years and our proportionate share will be allocated to us as it is recognized.

(6) Partnership Equity and Distributions

Our Minimum Quarterly Distribution

Our partnership agreement provides for a minimum quarterly distribution of $0.17 per unit for each quarter, or $0.68 per unit on an annualized basis.

Our partnership agreement generally provides that we distribute cash each quarter during the subordination period in the following manner:

- first, to the holders of common units, until each common unit has received the minimum quarterly distribution of $0.17 plus any arrearages from prior quarters;
- second, to the holders of subordinated units, until each subordinated unit has received the minimum quarterly distribution of $0.17; and
- third, to the holders of common units and subordinated units pro rata until each has received a distribution of $0.1955.

If cash distributions to our unitholders exceed $0.1955 per common unit and subordinated unit in any quarter, our unitholders and our general partner, as the holder of our incentive distribution rights ("IDRs"), will receive distributions according to the following percentage allocations:

	Marginal Percentage Interest in Distributions	
Total Quarterly Distribution Target Amount	Unitholders	General Partner (as holder of IDRs)
above $0.1955 up to $0.2125	85 %	15 %
above $0.2125 up to $0.2550	75 %	25 %
above $0.2550	50 %	50 %

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General Partner Interest

Our general partner does not own any limited partner or subordinated limited partner interests in us. However, our general partner owns the IDRs and may in the future own common units or other equity interests in us and will be entitled to receive cash distributions on such interests.

Subordinated Units

Antero owns all of our subordinated units. The principal difference between our common units and subordinated units is that, for any quarter during the subordination period, holders of the subordinated units are not entitled to receive any distribution from operating surplus until the common units have received the minimum quarterly distribution from operating surplus for such quarter plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. Subordinated units will not accrue arrearages. When the subordination period ends, all of the subordinated units will convert into an equal number of common units. The subordination period will end on the first business day after we have earned and paid at least $0.68 (the minimum quarterly distribution on an annualized basis) on each outstanding common unit and subordinated unit for each of three consecutive, non-overlapping four-quarter periods ending on or after September 30, 2017 and there are no outstanding arrearages on our common units.

To the extent we do not pay the minimum quarterly distribution on our common units, our common unitholders will not be entitled to receive such arrearage payments in the future except during the subordination period. To the extent we have cash available for distribution from operating surplus in any future quarter during the subordination period in excess of the amount necessary to pay the minimum quarterly distribution to holders of our common units, we will use this excess cash to pay any distribution arrearages on common units related to prior quarters before any cash distribution is made to holders of subordinated units.

Cash Distributions

The board of directors of our general partner has declared a cash distribution of $0.25 per unit for the quarter ended June 30, 2016. The distribution will be payable on August 24, 2016 to unitholders of record as of August 10, 2016.

The following table details the distributions paid during or pertaining to the periods presented below (in thousands, except per unit data):

			Distributions				
			Limited Partners				
Quarter and Year	**Record Date**	**Distribution Date**	**Common unitholders**	**Subordinated unitholders**	**General partner (IDRs)**	**Total**	**Distributions per limited partner unit**
Q4 2014	February 13, 2015	February 27, 2015	$ 7,161	$ 7,161	$ -	$ 14,322	$ 0.0943
Q1 2015	May 13, 2015	May 27, 2015	$ 13,669	$ 13,669	$ -	$ 27,338	$ 0.1800
Q2 2015	August 13, 2015	August 27, 2015	$ 14,429	$ 14,429	$ -	$ 28,858	$ 0.1900
Q3 2015	November 11, 2015	November 30, 2015	$ 20,470	$ 15,568	$ 295	$ 36,333	$ 0.2050
*	November 12, 2015	November 20, 2015	$ 397	$ -	$ -	$ 397	$ *
	Total 2015		$ 56,126	$ 50,827	$ 295	$ 107,248	
Q4 2015	February 15, 2016	February 29, 2016	$ 22,048	$ 16,708	$ 969	$ 39,725	$ 0.2200
Q1 2016	May 11, 2016	May 25, 2016	$ 23,556	$ 17,846	$ 1,850	$ 43,252	$ 0.2350
	Total 2016		$ 45,604	$ 34,554	$ 2,819	$ 82,977	

* Distribution equivalent rights on units that vested under the Midstream LTIP.

(7) Net Income Per Limited Partner Unit

The Partnership's net income is attributed to the general partner and limited partners, including subordinated unitholders, in accordance with their respective ownership percentages, and when applicable, giving effect to incentive distributions paid to

the general partner. Basic and diluted net income per limited partner unit is calculated by dividing limited partners' interest in net income, less general partner incentive distributions, by the weighted average number of outstanding limited partner units during the period.

We compute earnings per unit using the two-class method for master limited partnerships. Under the two-class method, earnings per unit is calculated as if all of the earnings for the period were distributed under the terms of the partnership agreement, regardless of whether the general partner has discretion over the amount of distributions to be made in any particular period, whether those earnings would actually be distributed during a particular period from an economic or practical perspective, or whether the general partner has other legal or contractual limitations on its ability to pay distributions that would prevent it from distributing all of the earnings for a particular period.

We calculate net income available to limited partners based on the distributions pertaining to the current period's net income. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, are attributed to the general partner and limited partners in accordance with the contractual terms of the partnership agreement under the two-class method.

Basic earnings per unit is computed by dividing net earnings attributable to unitholders by the weighted average number of units outstanding during each period. Diluted net income per limited partner unit reflects the potential dilution that could occur if agreements to issue common units, such as awards under long-term incentive plans, were exercised, settled or converted into common units. When it is determined that potential common units resulting from an award should be included in the diluted net income per limited partner unit calculation, the impact is reflected by applying the treasury stock method. Earnings per common unit assuming dilution for the three months ended June 30, 2016 was calculated based on the diluted weighted average number of units outstanding of 100,285,180, including 54,511 dilutive units attributable to non-vested restricted unit and phantom unit awards. Earnings per common unit assuming dilution for the six months ended June 30, 2016 was calculated based on the diluted weighted average number of units outstanding of 100,262,031, including 35,933 dilutive units attributable to non-vested restricted unit and phantom unit awards. For the three and six months ended June 30, 2016, zero and 1,597,455 non-vested phantom unit and restricted unit awards, respectively, were anti-dilutive.

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The Partnership's calculation of net income per common and subordinated unit for the periods indicated is as follows (in thousands, except per unit data):

	Three months ended June 30,		Six months ended June 30,	
	2015	2016	2015	2016
Net income	$ 35,124	$ 49,912	$ 67,451	$ 92,829
Less:				
Pre-Water Acquisition net income attributed to parent	(15,674)	—	(32,353)	—
General partner interest in net income attributable to incentive distribution rights	—	(2,731)	—	(4,581)
Limited partner interest in net income	$ 19,450	$ 47,181	$ 35,098	$ 88,248
Net income allocable to common units - basic and diluted	$ 9,725	$ 26,843	$ 17,549	$ 50,206
Net income allocable to subordinated units - basic and diluted	9,725	20,338	17,549	38,042
Limited partner interest in net income - basic and diluted	$ 19,450	$ 47,181	$ 35,098	$ 88,248
Net income per limited partner unit - basic				
Common units	$ 0.13	$ 0.27	$ 0.23	$ 0.50
Subordinated units	$ 0.13	$ 0.27	$ 0.23	$ 0.50
Net income per limited partner unit - diluted				
Common units	$ 0.13	$ 0.27	$ 0.23	$ 0.50
Subordinated units	$ 0.13	$ 0.27	$ 0.23	$ 0.50
Weighted average limited partner units outstanding - basic				
Common units	75,941	100,231	75,941	100,226
Subordinated units	75,941	75,941	75,941	75,941
Weighted average limited partner units outstanding - diluted				
Common units	75,958	100,285	75,956	100,262
Subordinated units	75,941	75,941	75,941	75,941

(8) Fair Value Measurement

In connection with the Water Acquisition, we have agreed to pay Antero (a) $125 million in cash if the Partnership delivers 176,295,000 barrels or more of fresh water during the period between January 1, 2017 and December 31, 2019 and (b) an additional $125 million in cash if the Partnership delivers 219,200,000 barrels or more of fresh water during the period between January 1, 2018 and December 31, 2020. This contingent consideration liability is valued based on Level 3 inputs.

The following table provides a reconciliation of changes in Level 3 financial liabilities measured at fair value on a recurring basis (in thousands):

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Contingent Acquisition Consideration	**Six months ended June 30, 2016**
Beginning balance	$ 178,049
Accretion	6,857
Ending balance	$ 184,906

We account for contingent consideration in accordance with applicable accounting guidance pertaining to business combinations. We are contractually obligated to pay Antero contingent consideration in connection with the Water Acquisition, and therefore recorded this contingent consideration liability at the time of the Water Acquisition. We update our assumptions each reporting period based on new developments and adjust such amounts to fair value based on revised assumptions, if applicable, until such consideration is satisfied through payment upon achievement of the specified objectives or it is eliminated upon failure to achieve the specified objectives.

As of June 30, 2016, we expect to pay the entire amount of the contingent consideration amounts in 2019 and 2020. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration liability associated with future milestone payments was based on the risk adjusted present value of the contingent consideration payout.

(9) Equity Method Investment

Our consolidated net income includes the Partnership's proportionate share of the net income (loss) of equity method investees. When the Partnership records its proportionate share of net income (loss), it increases (decreases) equity income in the consolidated statements of operations and comprehensive income and the carrying value of that investment. The Partnership uses the equity method of accounting to account for its investment in Stonewall Gas Gathering LLC because it is a limited liability company, which maintains separate capital accounts, and the Partnership exercises significant influence over the entity. Our judgment regarding the level of influence over the Stonewall Gas Gathering LLC investment includes considering key factors such as the Partnership's ownership interest, representation on the board of directors and participation in policy-making decisions of Stonewall Gas Gathering LLC.

The carrying value of the Partnership's investment in Stonewall Gas Gathering LLC was $45.5 million at June 30, 2016, and is included in the "Investment in unconsolidated affiliate" line item on the condensed combined consolidated balance sheet. The Partnership's share of Stonewall Gas Gathering LLC's net income was $0.5 million for the three and six months ended June 30, 2016, and is included in "Equity in earnings of unconsolidated affiliate" on the condensed combined consolidated statement of operations and comprehensive income.

(10) Reporting Segments

The Partnership's operations are located in the United States and are organized into two reporting segments: (1) gathering and compression and (2) water handling and treatment.

Gathering and Compression

The gathering and compression segment includes a network of gathering pipelines and compressor stations that collect natural gas, NGLs and oil from Antero's wells in West Virginia and Ohio.

Water Handling and Treatment

The Partnership's water handling and treatment segment includes two independent fresh water distribution systems that source and deliver fresh water from the Ohio River and several regional waterways, and other fluid handling services for well completion operations in Antero's operating areas. These fresh water systems consist of permanent buried pipelines, surface pipelines and fresh water storage facilitates, as well as pumping stations and impoundments to transport the fresh water throughout the pipelines. Other fluid handling services consist of the disposal and treatment of waste water, including a waste water treatment facility, currently under construction, and high rate transfer of fresh water.

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These segments are monitored separately by management for performance and are consistent with internal financial reporting. These segments have been identified based on the differing products and services, regulatory environment and the expertise required for these operations. We evaluate the performance of the Partnership's business segments based on operating income. Interest expense is primarily managed and evaluated on a consolidated basis.

Summarized financial information concerning the Partnership's segments for the periods indicated is shown in the following table (in thousands):

	Gathering and Compression	Water Handling and Treatment	Consolidated Total
Three months ended June 30, 2015			
Revenues:			
Revenue - Antero	$ 56,593	$ 31,500	$ 88,093
Operating expenses:			
Direct operating	11,292	6,629	17,921
General and administrative (before equity-based compensation)	4,529	1,033	5,562
Equity-based compensation	5,388	1,209	6,597
Depreciation	15,091	6,162	21,253
Total expenses	36,300	15,033	51,333
Operating income	$ 20,293	$ 16,467	$ 36,760
Total assets	$ 1,392,898	$ 416,909	$ 1,809,807
Additions to property and equipment	$ 74,061	$ 11,950	$ 86,011
Three months ended June 30, 2016			
Revenues:			
Revenue - Antero	$ 71,715	$ 64,893	$ 136,608
Revenue - third-party	202	-	202
Total revenues	71,917	64,893	136,810
Operating expenses:			
Direct operating	7,447	35,150	42,597
General and administrative (before equity-based compensation)	4,837	1,675	6,512
Equity-based compensation	5,301	1,492	6,793
Depreciation	16,964	7,176	24,140
Accretion of contingent acquisition consideration	-	3,461	3,461
Total expenses	34,549	48,954	83,503
Operating income	$ 37,368	$ 15,939	$ 53,307
Total assets	$ 1,583,246	$ 569,624	$ 2,152,870
Additions to property and equipment	$ 48,283	$ 41,589	$ 89,872

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	Gathering and Compression	Water Handling and Treatment	Consolidated Total
Six months ended June 30, 2015			
Revenues:			
Revenue - Antero	$ 108,836	$ 64,941	$ 173,777
Revenue - third-party	—	151	151
Total revenues	108,836	65,092	173,928
Operating expenses:			
Direct operating	22,981	14,241	37,222
General and administrative (before equity-based compensation)	9,407	2,295	11,702
Equity-based compensation	10,011	2,365	12,376
Depreciation	29,673	12,282	41,955
Total expenses	72,072	31,183	103,255
Operating income	$ 36,764	$ 33,909	$ 70,673
Total assets	$ 1,392,898	$ 416,909	$ 1,809,807
Additions to property and equipment	$ 159,798	$ 33,265	$ 193,063
Six months ended June 30, 2016			
Revenues:			
Revenue - Antero	$ 141,066	$ 131,339	$ 272,405
Revenue - third-party	477	—	477
Total revenues	141,543	131,339	272,882
Operating expenses:			
Direct operating	15,066	76,672	91,738
General and administrative (before equity-based compensation)	9,785	3,846	13,631
Equity-based compensation	9,688	3,078	12,766
Depreciation	33,826	14,137	47,963
Accretion of contingent acquisition consideration	—	6,857	6,857
Total expenses	68,365	104,590	172,955
Operating income	$ 73,178	$ 26,749	$ 99,927
Total assets	$ 1,583,246	$ 569,624	$ 2,152,870
Additions to property and equipment	$ 96,969	$ 78,625	$ 175,594

(11) Contingencies

Environmental Obligations

We are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. We believe there are currently no such matters that will have a material adverse effect on our results of operations, cash flows or financial position.

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 condensed combined consolidated financial statements and related notes included elsewhere in this report. The information provided below supplements, but does not form part of, our condensed combined consolidated financial statements. This discussion contains forward-looking statements that are based on the views and beliefs of our management, as well as assumptions and estimates made by our management. Actual results could differ materially from such forward-looking statements as a result of various risk factors, including those that may not be in the control of management. For further information on items that could impact our future operating performance or financial condition, please see "Item 1A. Risk Factors." and the section entitled "Cautionary Statement Regarding Forward-Looking Statements." We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law. For more information please refer to the Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 24, 2016.

References to "the Partnership," "we," "our," "us" or like terms, when referring to the three and six months ended June 30, 2015, refer to the Partnership's gathering and compression assets and operations, and include Antero's water assets and operations, which were contributed to us on September 23, 2015. References to "the Partnership," "we," "our," "us" or like terms, when referring to the three and six months ended June 30, 2016 or when used in the present tense or prospectively, refer to Antero Midstream Partners LP and its subsidiaries.

Overview

We are a growth-oriented limited partnership formed by Antero to own, operate and develop midstream energy assets to service Antero's production. Our assets consist of gathering pipelines and compressor stations that collect natural gas, NGLs and oil from Antero's wells in the Marcellus Shale in West Virginia and the Utica Shale in Ohio. Our assets also include two independent fresh water distribution systems that deliver fresh water from the Ohio River and several regional waterways for well completion operations, and other fluid handling services in Antero's operating areas. The fresh water systems consist of permanent buried pipelines, surface pipelines and fresh water storage facilities, as well as pumping stations and impoundments to transport the fresh water throughout the pipelines. Other fluid handling services consist of the disposal and treatment of waste water, including a waste water treatment facility, currently under construction, and high rate transfer of fresh water. We believe that our strategically located assets and our relationship with Antero position us as a leading midstream energy company serving the Marcellus and Utica shale plays.

Address, Internet Website and Availability of Public Filings

Our principal executive offices are at 1615 Wynkoop Street, Denver, Colorado 80202. Our telephone number is (303) 357-7310. Our website is located at *www.anteromidstream.com*.

We make available free of charge our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. These documents are located at *www.anteromidstream.com* under the "Investors Relations" link.

Information on our website is not incorporated into this Quarterly Report on Form 10-Q or our other filings with the SEC and is not a part of them.

2016 Developments and Highlights

Financial Results

For the three months ended June 30, 2016, we generated cash flow from operations of $86.2 million, net income of $49.9 million, and Adjusted EBITDA of $87.7 million. This compares to cash flow from operations of $75.0 million, net income of $35.1 million, and Adjusted EBITDA of $64.6 million for the three months ended June 30, 2015. See "—Non-GAAP Financial Measures" for a definition of Adjusted EBITDA (a non-GAAP measure) and a reconciliation of Adjusted EBITDA to net income.

For the six months ended June 30, 2016, we generated cash flow from operations of $168.6 million, net income of $92.8 million, and Adjusted EBITDA of $167.5 million. This compares to cash flow from operations of $145.1 million, net income of $67.5 million, and Adjusted EBITDA of $125.0 million for the six months ended June 30, 2015. See "—Non-GAAP Financial Measures" for a definition of Adjusted EBITDA (a non-GAAP measure) and a reconciliation of Adjusted EBITDA to net income.

During the second quarter of 2016, the Partnership exercised its option to purchase a 15% equity interest in Stonewall Gas Gathering LLC for approximately $45 million. The Stonewall gathering pipeline was placed into service on November 30, 2015 and Antero has a firm commitment of 900 MMBtu/d through the system.

Antero Core Acreage Acquisition

On June 9, 2016, Antero announced the acquisition of 55,000 net acres in the core of the Marcellus Shale, primarily located in Wetzel, Tyler and Doddridge Counties. Substantially all of the approximately 106,000 gross acre footprint will be dedicated to us for gathering, compression and water services.

Additionally, in July 2016, a third party exercised its 30-day option to sell the remaining working interest in the acquired properties, or an additional 11,500 net acres, to Antero.

Energy Industry Environment

In late 2014, global energy commodity prices declined precipitously as a result of several factors, including an increase in worldwide commodity supplies, a stronger U.S. dollar, relatively mild weather in large portions of the U.S. during winter months, and strong competition among oil producing countries for market share. These events continued throughout 2015 and into 2016 and, along with slower economic growth in China, have led to the continuation of low commodity prices. Spot prices for WTI declined from approximately $106.00 per Bbl in June 2014 to less than $50.00 per Bbl in January 2015, and have remained at or below $50.00 per Bbl since mid-2015. Spot prices for Henry Hub natural gas declined from approximately $4.40 per MMBtu in January 2014 to $3.00 per MMBtu in January 2015. Prices further declined to less than $2.00 per MMBtu in March 2016, although they have recently recovered to approximately $2.80 per MMBtu in June 2016. Spot prices for propane, which is the largest portion of Antero's NGLs sales, declined from approximately $1.55 per gallon in January 2014 to less than $0.50 per gallon in January 2015, and declined further to less than $0.35 per gallon in January 2016, although prices recovered to approximately $0.50 per gallon in June 2016.

Cash Distributions

The board of directors of our general partner has declared a cash distribution of $0.25 per unit for the quarter ended June 30, 2016. The distribution will be payable on August 24, 2016 to unitholders of record as of August 10, 2016.

2016 Capital Budget

During the three and six months ended June 30, 2016, our total gathering and compression capital expenditures were approximately $48.3 million and $97.0 million, respectively, and our total water handling and treatment capital expenditures were approximately $41.6 million and $78.6 million, respectively. During 2016, we plan to expand our existing Marcellus and Utica Shale gathering, compression, and fresh water delivery infrastructure to accommodate Antero's development plans. Our 2016 capital budget is approximately $435 million, which includes $410 million of expansion capital and $25 million of maintenance capital. The capital budget includes $240 million of expansion capital on gathering and compression infrastructure, approximately 90% of which will be invested in the Marcellus Shale and the remaining 10% will be invested in the Utica Shale. The gathering and compression budget will result in 9 miles and 22 miles of additional low pressure and high pressure gathering pipelines, respectively, and 240 MMcf/d of incremental compression capacity in 2016. We also expect to invest $40 million of expansion capital in fresh water delivery infrastructure, approximately 75% of which will be invested in the Marcellus Shale and the remaining 25% will be invested in the Utica Shale. In addition, we plan to construct one fresh water storage impoundment as well as 11 miles and 19 miles of fresh water trunklines and surface pipelines, respectively. Our 2016 budget also includes $130 million of construction capital for the advanced waste water treatment facility, which is expected to be placed into service in late 2017.

Antero's 2016 capital budget for drilling, completions, and land in 2016 is $1.4 billion, a 24% reduction from Antero's 2015 capital expenditures. Antero plans to operate an average of 7 drilling rigs in 2016 as compared to an average of 14 rigs in 2015, and plans to complete 110 horizontal wells in the Marcellus and Utica Shales in 2016 as compared to 131 in 2015. In conjunction with the reduction in capital expenditures during 2016, Antero plans to defer the completion of 70 wells until 2017.

Credit Facility

As of June 30, 2016, lender commitments under our revolving credit facility were $1.5 billion, with a letter of credit sublimit of $150 million. At June 30, 2016, we had borrowings of $760 million and no letters of credit outstanding under the revolving credit facility. Our revolving credit facility matures in November 2019. See "—Debt Agreements—Revolving Credit Facility" for a description of our revolving credit facility.

Items Affecting Comparability of Our Financial Results

Certain of the historical financial results discussed below may not be comparable to our future financial results primarily as a result of the significant increase in the scope of our operations over the last several years. Our gathering and compression and water handling and treatment systems are relatively new, having been substantially built within the last three years. Accordingly, our revenues and expenses over that time reflect the significant ramp up in our operations. Similarly, Antero has experienced significant changes in its production and drilling and completion schedule over that same period. Accordingly, it may be difficult to project trends from our historical financial data going forward.

Results of operations and cash flows for the three and six months ended June 30, 2015 have been recast to include the Water Acquisition.

Results of Operations

Three months ended June 30, 2015 compared to three months ended June 30, 2016

We have two operating segments: (1) gathering and compression and (2) water handling and treatment. The operating results and assets of our reportable segments were as follows for the three months ended June 30, 2015 and 2016 (in thousands):

	Gathering and Compression	Water Handling and Treatment	Consolidated Total
Three months ended June 30, 2015			
Revenues:			
Revenue - Antero	$ 56,593	$ 31,500	$ 88,093
Operating expenses:			
Direct operating	11,292	6,629	17,921
General and administrative (before equity-based compensation)	4,529	1,033	5,562
Equity-based compensation	5,388	1,209	6,597
Depreciation	15,091	6,162	21,253
Total expenses	36,300	15,033	51,333
Operating income	$ 20,293	$ 16,467	$ 36,760
Total assets	$ 1,392,898	$ 416,909	$ 1,809,807
Additions to property and equipment	$ 74,061	$ 11,950	$ 86,011
Three months ended June 30, 2016			
Revenues:			
Revenue - Antero	$ 71,715	$ 64,893	$ 136,608
Revenue - third-party	202	-	202
Total revenues	71,917	64,893	136,810
Operating expenses:			
Direct operating	7,447	35,150	42,597
General and administrative (before equity-based compensation)	4,837	1,675	6,512
Equity-based compensation	5,301	1,492	6,793
Depreciation	16,964	7,176	24,140
Accretion of contingent acquisition consideration	-	3,461	3,461
Total expenses	34,549	48,954	83,503
Operating income	$ 37,368	$ 15,939	$ 53,307
Total assets	$ 1,583,246	$ 569,624	$ 2,152,870
Additions to property and equipment	$ 48,283	$ 41,589	$ 89,872

The following table sets forth selected operating data for the three months ended June 30, 2015 compared to the three months ended June 30, 2016:

	Three months ended June 30, 2015	Three months ended June 30, 2016	Amount of Increase (Decrease)	Percentage Change
	($ in thousands, except average realized fees)			
Revenue:				
Revenue - Antero	$ 88,093	$ 136,608	$ 48,515	55 %
Revenue - third-party	—	202	202	*
Total revenue	88,093	136,810	48,717	55 %
Operating expenses:				
Direct operating	17,921	42,597	24,676	138 %
General and administrative (before equity-based compensation)	5,562	6,512	950	17 %
Equity-based compensation	6,597	6,793	196	3 %
Depreciation	21,253	24,140	2,887	14 %
Accretion of contingent acquisition consideration	—	3,461	3,461	*
Total operating expenses	51,333	83,503	32,170	63 %
Operating income	36,760	53,307	16,547	45 %
Interest expense	(1,636)	(3,879)	(2,243)	137 %
Equity in earnings of unconsolidated affiliate	—	484	484	*
Net income	$ 35,124	$ 49,912	$ 14,788	42 %
Adjusted EBITDA[(1)]	$ 64,610	$ 87,701	$ 23,091	36 %
Operating Data:				
Gathering—low pressure (MMcf)	87,803	123,116	35,313	40 %
Gathering—high pressure (MMcf)	108,954	114,013	5,059	5 %
Compression (MMcf)	41,319	59,834	18,515	45 %
Condensate gathering (MBbl)	272	180	(92)	(34)%
Fresh water distribution (MBbl)	8,666	9,589	923	11 %
Waste water handling and treatment (MBbl)	—	2,740	2,740	*
Wells serviced by fresh water distribution	23	31	8	35 %
Gathering—low pressure (MMcf/d)	965	1,353	388	40 %
Gathering—high pressure (MMcf/d)	1,197	1,253	56	5 %
Compression (MMcf/d)	454	658	204	45 %
Condensate gathering (MBbl/d)	3	2	(1)	(34)%
Fresh water distribution (MBbl/d)	95	105	10	11 %
Waste water handling and treatment (MBbl/d)	—	30	30	*
Average realized fees:				
Average gathering—low pressure fee ($/Mcf)	$ 0.31	$ 0.31	$ 0.00	0 %
Average gathering—high pressure fee ($/Mcf)	$ 0.19	$ 0.19	$ 0.00	0 %
Average compression fee ($/Mcf)	$ 0.19	$ 0.19	$ 0.00	0 %
Average gathering—condensate fee ($/Bbl)	$ 4.16	$ 4.17	$ 0.01	0 %
Average fresh water distribution fee - Antero ($/Bbl)	$ 3.64	$ 3.68	$ 0.04	1 %

* Not meaningful or applicable.

(1) For a discussion of the non-GAAP financial measure Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please see "—Non-GAAP Financial Measure" below.

Sources of Water Handling and Treatment Revenue. Water handling and treatment revenues are generated from fresh water delivery and other fluid handling services. Fresh water deliver is billed at a fixed fee per barrel. Other fluid handling services include the disposal and treatment of waste water and high rate transfer of fresh water and are billed at our cost plus 3%.

Revenue - Antero. Revenues from gathering and compression of natural gas and condensate, and water handling and treatment increased from $88.1 million for the three months ended June 30, 2015 to $136.8 million for the three months ended June 30, 2016. Revenues from our gathering and compression segment increased from $56.6 million for the three months ended June 30,

2015 to $71.7 million for the three months ended June 30, 2016. Revenues from our water handling and treatment segment increased from $31.5 million for the three months ended June 30, 2015 to $64.9 million for the three months ended June 30, 2016. These fluctuations are primarily the result of:

- low pressure gathering revenue increased $11.2 million period over period due to an increase of throughput volumes of 35 Bcf, or 388 MMcf/d, which was primarily due to 126 additional wells serviced since June 30, 2015;
- compression revenue increased $3.5 million due to an increase of throughput volumes of 19 Bcf, or 204 MMcf/d, primarily due to the addition of one new compressor station that was placed in service after June 30, 2015;
- other fluid handling services revenue increased $29.6 million because other fluid handling services did not begin until the fourth quarter of 2015; and
- fresh water delivery revenue increased $3.8 million due to an increase in fresh water distribution of 923 MBbl, or 10 MBbl/d, primarily due to an increase in the number of wells completed by Antero.

Direct operating expenses. Total direct operating expenses increased from $17.9 million for the three months ended June 30, 2015 to $42.6 million for the three months ended June 30, 2016. Direct operating expenses related to our gathering and compression segment decreased from $11.3 million for the three months ended June 30, 2015 to $7.4 million for the three months ended June 30, 2016. The decrease was primarily the result of a decrease in ad valorem taxes. Direct operating expenses related to our water handling and treatment segment increased from $6.6 million for the three months ended June 30, 2015 to $35.2 million for the three months ended June 30, 2016. The increase was primarily due to other fluid handling services, which began in the fourth quarter of 2015. Other fluid handling service costs are billed to Antero at our cost plus 3%. Other fluid handling service revenues were zero and $29.6 million during the three months ended June 30, 2015 and 2016, respectively, and other fluid handling service operating expenses were zero and $28.7 million during the three months ended June 30, 2015 and 2016, respectively.

General and administrative expenses. General and administrative expenses (before equity-based compensation expense) increased from $5.6 million for the three months ended June 30, 2015 to $6.5 million for the three months ended June 30, 2016. The increase was primarily a result of increased staffing levels and related salary and benefits expenses and increased general corporate expenses to support our growth.

Equity-based compensation expenses. Equity-based compensation expense increased slightly from $6.6 million for the three months ended June 30, 2015 to $6.8 million for the three months ended June 30, 2016. This increase was due to additional awards made under Antero's and our equity-based compensation plans. Equity-based compensation expense allocated to us from Antero has no effect on our cash flows.

Accretion of contingent acquisition consideration. Total contingent acquisition consideration accretion expense increased from zero for the three months ended June 30, 2015 to $3.5 million for the three months ended June 30, 2016. In connection with the Water Acquisition, we have agreed to pay Antero (a) $125 million in cash if we deliver 176 million barrels or more of fresh water during the period between January 1, 2017 and December 31, 2019 and (b) an additional $125 million in cash if we deliver 219 million barrels or more of fresh water during the period between January 1, 2018 and December 31, 2020. In conjunction with the Water Acquisition on September 23, 2015, we recorded a liability for the discounted net present value of the contingent acquisition consideration and, as time passes, we recognize accretion expense to increase the discounted liability to the expected liability amounts in 2019 and 2020.

Depreciation expense. Total depreciation expense increased from $21.3 million for the three months ended June 30, 2015 to $24.1 million for the three months ended June 30, 2016. The increase was primarily due to additional gathering, compression, and water handling and treatment assets placed into service.

Interest expense. Interest expense increased from $1.6 million for the three months ended June 30, 2015 to $3.9 million for the three months ended June 30, 2016. The increase was due to increased amounts outstanding under the revolving credit facility and increased commitment fees on the increased amount of lender commitments under the facility.

Operating income. Total operating income increased from $36.8 million for the three months ended June 30, 2015 to $53.3 million for the three months ended June 30, 2016. Operating income related to our gathering and compression segment increased from $20.3 million for the three months ended June 30, 2015 to $37.4 million for the three months ended June 30, 2016. The increase was primarily due to an increase in gathering and compression throughput volumes in the second quarter of 2016. Operating income related to our water handling and treatment segment decreased from $16.5 million for the three months ended June 30, 2015 to $15.9 million for the three months ended June 30, 2016. This decrease was primarily due to the accretion of contingent acquisition consideration beginning in the fourth quarter of 2015 in conjunction with the Water Acquisition, partially offset by an increase in fresh water throughput volumes in the second quarter of 2016.

Adjusted EBITDA. Adjusted EBITDA increased from $64.6 million for the three months ended June 30, 2015 to $87.7 million for the three months ended June 30, 2016. The increase was primarily due to an increase in gathering and compression and fresh water throughput volumes. For a discussion of the non-GAAP financial measure Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please see "—Non-GAAP Financial Measure" below.

Six months ended June 30, 2015 compared to six months ended June 30, 2016

The operating results and assets of our reportable segments were as follows for the six months ended June 30, 2015 and 2016 (in thousands):

	Gathering and Compression	Water Handling and Treatment	Consolidated Total
Six months ended June 30, 2015			
Revenues:			
Revenue - Antero	$ 108,836	$ 64,941	$ 173,777
Revenue - third-party	—	151	151
Total revenues	108,836	65,092	173,928
Operating expenses:			
Direct operating	22,981	14,241	37,222
General and administrative (before equity-based compensation)	9,407	2,295	11,702
Equity-based compensation	10,011	2,365	12,376
Depreciation	29,673	12,282	41,955
Total expenses	72,072	31,183	103,255
Operating income	$ 36,764	$ 33,909	$ 70,673
Total assets	$ 1,392,898	$ 416,909	$ 1,809,807
Additions to property and equipment	$ 159,798	$ 33,265	$ 193,063
Six months ended June 30, 2016			
Revenues:			
Revenue - Antero	$ 141,066	$ 131,339	$ 272,405
Revenue - third-party	477	—	477
Total revenues	141,543	131,339	272,882
Operating expenses:			
Direct operating	15,066	76,672	91,738
General and administrative (before equity-based compensation)	9,785	3,846	13,631
Equity-based compensation	9,688	3,078	12,766
Depreciation	33,826	14,137	47,963
Accretion of contingent acquisition consideration	—	6,857	6,857
Total expenses	68,365	104,590	172,955
Operating income	$ 73,178	$ 26,749	$ 99,927
Total assets	$ 1,583,246	$ 569,624	$ 2,152,870
Additions to property and equipment	$ 96,969	$ 78,625	$ 175,594

The following table sets forth selected operating data for the six months ended June 30, 2015 compared to the six months ended June 30, 2016:

	Six months ended June 30, 2015	Six months ended June 30, 2016	Amount of Increase (Decrease)	Percentage Change
	($ in thousands, except average realized fees)			
Revenue:				
Revenue - Antero	$ 173,777	$ 272,405	$ 98,628	57 %
Revenue - third-party	151	477	326	216 %
Total revenue	173,928	272,882	98,954	57 %
Operating expenses:				
Direct operating	37,222	91,738	54,516	146 %
General and administrative (before equity-based compensation)	11,702	13,631	1,929	16 %
Equity-based compensation	12,376	12,766	390	3 %
Depreciation	41,955	47,963	6,008	14 %
Accretion of contingent acquisition consideration	—	6,857	6,857	*
Total operating expenses	103,255	172,955	69,700	68 %
Operating income	70,673	99,927	29,254	41 %
Interest expense	(3,222)	(7,582)	(4,360)	135 %
Equity in earnings of unconsolidated affiliate	—	484	484	*
Net income	$ 67,451	$ 92,829	$ 25,378	38 %
Adjusted EBITDA[(1)]	$ 125,004	$ 167,513	$ 42,509	34 %
Operating Data:				
Gathering—low pressure (MMcf)	171,971	241,713	69,742	41 %
Gathering—high pressure (MMcf)	211,034	225,175	14,141	7 %
Compression (MMcf)	73,520	114,936	41,416	56 %
Condensate gathering (MBbl)	489	450	(39)	(8)%
Fresh water distribution (MBbl)	17,865	18,447	582	3 %
Waste water handling and treatment (MBbl)	—	5,044	5,044	*
Wells serviced by fresh water distribution	57	61	4	7 %
Gathering—low pressure (MMcf/d)	950	1,328	378	41 %
Gathering—high pressure (MMcf/d)	1,166	1,237	71	7 %
Compression (MMcf/d)	406	632	226	56 %
Condensate gathering (MBbl/d)	3	2	(1)	(8)%
Fresh water distribution (MBbl/d)	99	101	2	3 %
Waste water handling and treatment (MBbl/d)	—	28	28	*
Average realized fees:				
Average gathering—low pressure fee ($/Mcf)	$ 0.31	$ 0.31	$ 0.00	0 %
Average gathering—high pressure fee ($/Mcf)	$ 0.19	$ 0.19	$ 0.00	0 %
Average compression fee ($/Mcf)	$ 0.19	$ 0.19	$ 0.00	0 %
Average gathering—condensate fee ($/Bbl)	$ 4.16	$ 4.17	$ 0.01	0 %
Average fresh water distribution fee - Antero ($/Bbl)	$ 3.64	$ 3.68	$ 0.04	1 %

* Not meaningful or applicable.

(1) For a discussion of the non-GAAP financial measure Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please see "—Non-GAAP Financial Measure" below.

Sources of Water Handling and Treatment Revenue. Water handling and treatment revenues are generated from fresh water delivery and other fluid handling services. Fresh water deliver is billed at a fixed fee per barrel. Other fluid handling services include the disposal and treatment of waste water and high rate transfer of fresh water and are billed at our cost plus 3%.

Revenue - Antero. Revenues from gathering and compression of natural gas and condensate, and water handling and treatment increased from $173.8 million for the six months ended June 30, 2015 to $272.4 million for the six months ended June 30, 2016. Revenues from our gathering and compression segment increased from $108.8 million for the six months ended June 30, 2015

to $141.1 million for the six months ended June 30, 2016. Revenues from our water handling and treatment segment increased from $65.0 million for the six months ended June 30, 2015 to $131.3 million for the six months ended June 30, 2016. These fluctuations are primarily the result of:

- low pressure gathering revenue increased $22.2 million period over period due to an increase of throughput volumes of 70 Bcf, or 378 MMcf/d, which was primarily due to 126 additional wells serviced since June 30, 2015;
- compressor revenue increased $8.0 million due to an increase of throughput volumes of 41 Bcf, or 226 MMcf/d, primarily due to the addition of one new compressor station that was placed in service after June 30, 2015;
- high pressure gathering revenue increased $2.2 million due to an increase of throughput volumes of 14 Bcf, or 71 MMcf/d, primarily as a result of the addition of two new high pressure gathering lines placed in service after June 30, 2015;
- other fluid handling services revenue increased $63.5 million because other fluid handling services did not begin until the fourth quarter of 2015; and
- fresh water delivery revenue increased $2.9 million due to an increase in fresh water distribution of 582 MBbl, or 2 MBbl/d, primarily due to an increase in the number of wells completed by Antero.

Direct operating expenses. Total direct operating expenses increased from $37.2 million for the six months ended June 30, 2015 to $91.7 million for the six months ended June 30, 2016. Direct operating expenses related to our gathering and compression segment decreased from $23.0 million for the six months ended June 30, 2015 to $15.1 million for the six months ended June 30, 2016. The decrease was primarily the result of a decrease in ad valorem taxes. Direct operating expenses related to our water handling and treatment segment increased from $14.2 million for the six months ended June 30, 2015 to $76.6 million for the six months ended June 30, 2016. The increase was primarily due to other fluid handling services, which began in the fourth quarter of 2015. Other fluid handling service costs are billed at our cost plus 3%. Other fluid handling service revenues were zero and $63.5 million during the six months ended June 30, 2015 and 2016, respectively, and other fluid handling service operating expenses were zero and $61.6 million during the six months ended June 30, 2015 and 2016, respectively.

General and administrative expenses. General and administrative expenses (before equity-based compensation expense) increased from $11.7 million for the six months ended June 30, 2015 to $13.6 million for the six months ended June 30, 2016. The increase was primarily a result of increased staffing levels and related salary and benefits expenses and increased general corporate expenses to support our growth.

Equity-based compensation expenses. Equity-based compensation expense increased from $12.4 million for the six months ended June 30, 2015 to $12.8 million for the six months ended June 30, 2016. This increase was due to additional awards made under Antero's and our equity-based compensation plans. Equity-based compensation expense allocated to us from Antero has no effect on our cash flows.

Accretion of contingent acquisition consideration. Total contingent acquisition consideration accretion expense increased from zero for the six months ended June 30, 2015 to $6.9 million for the six months ended June 30, 2016. In connection with the Water Acquisition, we have agreed to pay Antero (a) $125 million in cash if we deliver 176 million barrels or more of fresh water during the period between January 1, 2017 and December 31, 2019 and (b) an additional $125 million in cash if we deliver 219 million barrels or more of fresh water during the period between January 1, 2018 and December 31, 2020. In conjunction with the Water Acquisition on September 23, 2015, we recorded a liability for the discounted net present value of the contingent acquisition consideration and, as time passes, we recognize accretion expense to increase the discounted liability to the expected liability amounts in 2019 and 2020.

Depreciation expense. Total depreciation expense increased from $42.0 million for the six months ended June 30, 2015 to $48.0 million for the six months ended June 30, 2016. The increase was primarily due to additional gathering, compression, and water handling and treatment assets placed into service.

Interest expense. Interest expense increased from $3.2 million for the six months ended June 30, 2015 to $7.6 million for the six months ended June 30, 2016. The increase was due to increased amounts outstanding under the revolving credit facility and increased commitment fees on the increased amount of lender commitments under the facility.

Operating income. Total operating income increased from $70.7 million for the six months ended June 30, 2015 to $99.9 million for the six months ended June 30, 2016. Operating income related to our gathering and compression segment increased from $36.8 million for the six months ended June 30, 2015 to $73.2 million for the six months ended June 30, 2016. The increase was primarily due to an increase in gathering and compression throughput volumes in the first half of 2016. Operating income related to our water handling and treatment segment decreased from $33.9 million for the six months ended June 30, 2015 to $26.7 million for the six months ended June 30, 2016. This decrease was primarily due to the accretion of contingent acquisition consideration beginning in the fourth quarter of 2015 in conjunction with the Water Acquisition, partially offset by an increase in fresh water throughput volumes in the first half of 2016.

Adjusted EBITDA. Adjusted EBITDA increased from $125.0 million for the six months ended June 30, 2015 to $167.5 million for the six months ended June 30, 2016. The increase was primarily due to an increase in gathering and compression and fresh water throughput volumes. For a discussion of the non-GAAP financial measure Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please see "—Non-GAAP Financial Measure" below.

Capital Resources and Liquidity

Sources and Uses of Cash

Capital and liquidity is provided by operating cash flow, cash on our balance sheet, and borrowings under our revolving credit facility, further discussed below. We expect cash flow from operations to continue to contribute to our liquidity in the future. We expect the combination of these capital resources, as well as future potential capital market transactions, will be adequate to meet our working capital requirements, capital expenditures program and expected quarterly cash distributions for at least the next 12 months.

The board of directors of our general partner has adopted a cash distribution policy pursuant to which we intend to distribute at least the minimum quarterly distribution of $0.17 per unit ($0.68 per unit on an annualized basis) on all of our units to the extent we have sufficient cash after the establishment of cash reserves and the payment of our expenses, including payments to our general partner and its affiliates. The board of directors of our general partner has declared a cash distribution of $0.25 per unit for the quarter ended June 30, 2016. The distribution will be payable on August 24, 2016 to unitholders of record as of August 10, 2016.

We expect our future cash requirements relating to working capital, maintenance capital expenditures and quarterly cash distributions to our partners will be funded from cash flows internally generated from our operations. Our expansion capital expenditures will be funded by borrowings under our revolving credit facility or from potential capital markets transactions.

The following table and discussion presents a summary of our combined net cash provided by or (used in) operating activities, investing activities and financing activities for the periods indicated.

(in thousands)	Six months ended June 30, 2015	Six months ended June 30, 2016	Increase
Operating activities	$ 145,092	$ 168,599	$ 23,507
Investing activities	(193,189)	(223,728)	30,539
Financing activities	(69,228)	56,930	126,158
Net increase (decrease) in cash and cash equivalents	$ (117,325)	$ 1,801	

Cash Flow Provided by Operating Activities

Net cash provided by operating activities was $145.1 million and $168.6 million for the six months ended June 30, 2015 and 2016, respectively. The increase in cash flow from operations for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 was primarily the result of increased gathering and compression and fresh water handling revenues, as a result of additional gathering and compression and water handling systems placed in service since June 30, 2015.

Cash Flow Used in Investing Activities

Prior to September 23, 2015 all of our water handling and treatment capital expenditures were funded by Antero.

During the six months ended June 30, 2015, and 2016, we used cash flows in investing activities of $193.2 million and $223.7 million, respectively, primarily as a result of our capital expenditures for gathering systems, compressor stations, and water handling and treatment systems. Cash flows used in investing activities during the six months ended June 30, 2016 includes $45.0 million for our investment in Stonewall Gas Gathering LLC.

The board of directors of our general partner has approved a gathering and compression capital budget of $435 million for 2016 to expand our existing gathering and compression systems and water handling and treatment systems to accommodate Antero's development plans. Our capital budgets may be adjusted as business conditions warrant. The amount, timing and allocation of capital expenditures is largely discretionary and within our control. If natural gas, NGLs, and oil prices decline to levels below acceptable levels or costs increase to levels above acceptable levels, Antero could choose to defer a significant portion of its budgeted capital expenditures until later periods. As a result, we may also defer a significant portion of our budgeted capital expenditures to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flow. We routinely monitor and adjust our capital expenditures in response to changes in Antero's development plans, changes in prices, availability of financing, acquisition costs, industry conditions, the timing of regulatory approvals, success or lack of success in Antero's drilling activities, contractual obligations, internally generated cash flow and other factors both within and outside our control.

Cash Flow Provided by (Used in) Financing Activities

Net cash used in financing activities for the six months ended June 30, 2015 of $69.2 million is the result of $65.4 million in net deemed distributions to Antero related to pre-Water Acquisition distributions to Antero and $41.7 million in quarterly cash distributions to our unitholders, partially offset by $38.0 million in net borrowings under the revolving credit facility.

Net cash provided by financing activities for the six months ended June 30, 2016 of $56.9 million include $140.0 million in net borrowings under the revolving credit facility, reduced by $83.0 million in quarterly cash distributions to our unitholders.

Debt Agreements

Revolving Credit Facility

We have a senior secured revolving bank credit facility (the "Credit Facility") with a syndicate of lenders. As of June 30, 2016, the Credit Facility provided for lender commitments of $1.5 billion and for a letter of credit sublimit of $150 million. At June 30, 2016, we had $760 million of borrowings and no letters of credit outstanding under the Credit Facility. The Credit Facility will mature on November 10, 2019.

Principal amounts borrowed are payable on the maturity date with such borrowings bearing interest that is payable quarterly. We have a choice of borrowing in Eurodollars or at the base rate. Eurodollar loans bear interest at a rate per annum equal to the LIBOR Rate administered by the ICE Benchmark Administration for one, two, three, six or twelve months plus an applicable margin ranging from 150 to 225 basis points, depending on the leverage ratio then in effect. Base rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank's reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 100 basis points, plus an applicable margin ranging from 50 to 125 basis points, depending on the leverage ratio then in effect.

The revolving credit facility is guaranteed by our subsidiaries and is secured by mortgages on substantially all of our and our subsidiaries' properties. The revolving credit facility contains restrictive covenants that may limit our ability to, among other things:

- incur additional indebtedness;
- sell assets;
- make loans to others;
- make investments;
- enter into mergers;
- make certain restricted payments;
- incur liens; and
- engage in certain other transactions without the prior consent of the lenders.

Borrowings under the revolving credit facility also require us to maintain the following financial ratios:

- an interest coverage ratio, which is the ratio of our consolidated EBITDA to its consolidated current interest charges of at least 2.5 to 1.0 at the end of each fiscal quarter; provided that upon obtaining an investment grade rating, the borrower may elect not to be subject to such ratio;
- a consolidated total leverage ratio, which is the ratio of consolidated debt to consolidated EBITDA (annualized until the fiscal quarter ending September 30, 2016), of not more than 5.00 to 1.00 at the end of each fiscal quarter; provided that after electing to issue unsecured high yield notes, the consolidated total leverage ratio will not be more than 5.25 to 1.0, or, following the election of the borrower for two fiscal quarters after a material acquisition, 5.50 to 1.0; and
- if we elect to issue unsecured high yield notes, a consolidated senior secured leverage ratio, which is the ratio of consolidated senior secured debt to consolidated EBITDA, of not more than 3.75 to 1.0.

We were in compliance with such covenants and ratios as of December 31, 2015 and June 30, 2016. The actual borrowing capacity available to us may be limited by the interest coverage ratio, consolidated total leverage ratio, and consolidated senior secured leverage ratio covenants.

Contractual Obligations

At June 30, 2016, we had $760 million of borrowings and no letters of credit outstanding under the Credit Facility. Under the terms of our Credit Facility, we are required to pay a commitment fee of 0.25% on any unused portion of the Credit Facility.

A summary of our contractual obligations by maturity date as of June 30, 2016 is provided in the following table.

	Year ended June 30,						
(in millions)	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Credit Facility (1)	$ —	—	—	760	—	—	760
Water treatment (2)	112	36	—	—	—	—	148
Contingent acquisition consideration (3)	—	—	—	125	125	—	250
Total	$ 112	36	—	885	125	—	1,158

(1) Includes outstanding principal amounts on our Credit Facility at June 30, 2016. This table does not include future commitment fees, interest expense or other fees on our Credit Facility because they are floating rate instruments and we cannot determine with accuracy the timing of future loan advances, repayments, or future interest rates to be charged.

(2) Includes obligations related to the construction of our waste water treatment facility.

(3) In connection with the Water Acquisition, we have agreed to pay Antero (a) $125 million in cash if the Partnership delivers 176 million barrels or more of fresh water during the period between January 1, 2017 and December 31, 2019 and (b) an additional $125 million in cash if the Partnership delivers 219 million barrels or more of fresh water during the period between January 1, 2018 and December 31, 2020.

Non-GAAP Financial Measures

We view Adjusted EBITDA as an important indicator of our performance. We define Adjusted EBITDA as net income before equity-based compensation expense, interest expense, interest income, income taxes and depreciation and amortization expense, excluding pre-acquisition income and expenses attributable to the parent, and equity in earnings of unconsolidated affiliate.

We use Adjusted EBITDA to assess:

- the financial performance of our assets, without regard to financing methods in the case of Adjusted EBITDA, capital structure or historical cost basis;
- our operating performance and return on capital as compared to other publicly traded partnerships in the midstream energy sector, without regard to financing or capital structure; and
- the viability of acquisitions and other capital expenditure projects.

We define Distributable Cash Flow as Adjusted EBITDA less cash interest paid, income tax withholding payments and cash reserved for payments upon vesting of equity-based compensation awards, and ongoing maintenance capital expenditures paid, excluding pre-acquisition amounts attributable to the parent, plus cash to be received from unconsolidated affiliate. We use Distributable Cash Flow as a performance metric to compare the cash generating performance of the Partnership from period to period and to compare the cash generating performance for specific periods to the cash distributions (if any) that are expected to be paid to unitholders. Distributable Cash Flow does not reflect changes in working capital balances.

Adjusted EBITDA and Distributable Cash Flow are non-GAAP financial measures. The GAAP measures most directly comparable to Adjusted EBITDA and Distributable Cash Flow is net income. The non-GAAP financial measures of Adjusted EBITDA and Distributable Cash Flow should not be considered as alternatives to the GAAP measure of net income. Adjusted EBITDA and Distributable Cash Flow are not presentations made in accordance with GAAP and have important limitations as an analytical tool because they include some, but not all, items that affect net income and Adjusted EBITDA. You should not consider Adjusted EBITDA and Distributable Cash Flow in isolation or as a substitute for analyses of results as reported under GAAP. Our definition of Adjusted EBITDA and Distributable Cash Flow may not be comparable to similarly titled measures of other partnerships.

The following table represents a reconciliation of our Adjusted EBITDA and Distributable Cash Flow to the most directly comparable GAAP financial measures for the periods presented.

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2015**	**2016**	**2015**	**2016**
Reconciliation of Net Income to Adjusted EBITDA and Distributable Cash Flow:				
Net income	$ 35,124	$ 49,912	$ 67,451	$ 92,829
Interest expense	1,636	3,879	3,222	7,582
Depreciation expense	21,253	24,140	41,955	47,963
Accretion of contingent acquisition consideration	—	3,461	—	6,857
Equity-based compensation	6,597	6,793	12,376	12,766
Equity in earnings of unconsolidated affiliate	—	(484)	—	(484)
Adjusted EBITDA	64,610	87,701	125,004	167,513
Pre-Water Acquisition net income attributed to parent	(15,674)	—	(32,353)	—
Pre-Water Acquisition depreciation expense attributed to parent	(6,162)	—	(12,282)	—
Pre-Water Acquisition equity-based compensation expense attributed to parent	(1,209)	—	(2,365)	—
Pre-Water Acquisition interest expense attributed to parent	(793)	—	(1,556)	—
Adjusted EBITDA attributable to the Partnership	40,772	87,701	76,448	167,513
Cash interest paid, net - attributable to the Partnership	(598)	(4,264)	(1,177)	(7,708)
Cash reserved for payment of income tax withholding upon vesting of Antero Midstream LP equity-based compensation awards (1)	—	(1,000)	—	(2,000)
Cash to be received from unconsolidated affiliate	—	778	—	778
Maintenance capital expenditures (2)	(3,379)	(5,710)	(5,787)	(11,518)
Distributable cash flow	$ 36,795	$ 77,505	$ 69,484	$ 147,065

(1) Estimate of current period portion of expected cash payment for income tax withholding attributable to vesting of Midstream LTIP equity-based compensation awards to be paid in the fourth quarter.

(2) Maintenance capital expenditures represent that portion of our estimated capital expenditures associated with (i) the connection of new wells to our gathering and compression systems that we believe will be necessary to offset the natural production declines Antero will experience on its wells over time, and (ii) water distribution to new wells necessary to maintain the average throughput volume on our systems.

Critical Accounting Policies and Estimates

The following discussion relates to the critical accounting policies and estimates for both the Partnership and our Predecessors. The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of our condensed combined consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our financial statements. We provide expanded discussion of our more significant accounting policies, estimates and judgments in our 2015 Form 10-K. We believe these accounting policies reflect our more significant estimates and assumptions used in preparation of our financial statements. Also, see note 2 of the notes to our audited combined consolidated financial statements, included in our 2015 Form 10-K, for a discussion of additional accounting policies and estimates made by management.

New Accounting Pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard becomes effective for the Partnership on January 1, 2018. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Partnership has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases, which requires all leasing arrangements to be presented in the balance sheet as liabilities along with a corresponding asset. The ASU will replace most existing leases guidance in GAAP when it becomes effective. The new standard becomes effective for the Partnership on January 1, 2019. The Partnership is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures and has not yet determined the effect of the standard on its ongoing financial reporting.

On June 16, 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which requires an entity to measure its financial assets at the net amount expected to be collected. The ASU will replace most existing guidance in GAAP regarding the valuation of financial assets when it becomes effective. The new standard becomes effective for the Partnership on January 1, 2020. The Partnership does not believe that this standard will have a material impact on its ongoing financial reporting upon adoption.

Off-Balance Sheet Arrangements

As of June 30, 2016, we did not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risk. The term "market risk" refers to the risk of loss arising from adverse changes in commodity prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

Commodity Price Risk

Our gathering and compression and water services agreements with Antero provide for fixed-fee structures, and we intend to continue to pursue additional fixed-fee opportunities with Antero and third parties in order to avoid direct commodity price exposure. However, to the extent that our future contractual arrangements with Antero or third parties do not provide for fixed-fee structures, we may become subject to commodity price risk. We are subject to commodity price risks to the extent that they impact Antero's development program and production and therefore our gathering volumes.

Interest Rate Risk

Our primary exposure to interest rate risk results from outstanding borrowings under our Credit Facility, which has a floating interest rate. We do not currently, but may in the future, hedge the interest on portions of our borrowings under our revolving credit facility from time-to-time in order to manage risks associated with floating interest rates. At June 30, 2016, we had $760 million of borrowings and no letters of credit outstanding under the revolving credit facility. A 1.0% increase in our Credit Facility interest rate for the six months ended June 30, 2016 would have resulted in an estimated $3.5 million increase in interest expense.

Credit Risk

We are dependent on Antero as our primary customer, and we expect to derive a substantial majority of our revenues from Antero for the foreseeable future. As a result, any event, whether in our area of operations or otherwise, that adversely affects Antero's production, drilling schedule, financial condition, leverage, market reputation, liquidity, results of operations or cash flows may adversely affect our revenues and cash available for distribution.

Further, we are subject to the risk of non-payment or non-performance by Antero, including with respect to our gathering and compression and water services agreements. We cannot predict the extent to which Antero's business would be impacted if conditions in the energy industry were to deteriorate further, nor can we estimate the impact such conditions would have on Antero's ability to execute its drilling and development program or to perform under our agreement. Any material non-payment or non-performance by Antero could reduce our ability to make distributions to our unitholders.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2016 at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Our operations are subject to a variety of risks and disputes normally incident to our business. As a result, we may, at any given time, be a defendant in various legal proceedings and litigation arising in the ordinary course of business. However, we are not currently subject to any material litigation.

During the third quarter of 2015, the West Virginia Department of Environmental Protection ("WVDEP") issued Antero Midstream a NOV for improper installation of an engine catalyst at the startup of the North Canton Compressor Station. In April 2016, Antero Midstream agreed to remediation plans with the WVDEP and paid a civil administrative penalty of $412,000 in settlement of this matter.

Item 1A. Risk Factors.

We are subject to certain risks and hazards due to the nature of the business activities we conduct. For a discussion of these risks, see "Item 1A. Risk Factors" in our 2015 Form 10-K. The risks described in our 2015 Form 10-K could materially and adversely affect our business, financial condition, cash flows, and results of operations. There have been no material changes to the risks described in our 2015 Form 10-K. We may experience additional risks and uncertainties not currently known to us; or, as a result of developments occurring in the future, conditions that we currently deem to be immaterial may also materially and adversely affect our business, financial condition, cash flows and results of operations.

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

Issuer Purchases of Equity Securities

The following table sets forth our share purchase activity for each period presented:

Period	Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet be Purchased Under the Plan
April 1, 2016 - April 30, 2016	1,551	$ 11.56	—	N/A
May 1, 2016 - May 31, 2016	—	$ —	—	N/A
June 1, 2016 - June 30, 2016	—	$ —	—	N/A

Shares purchased represent shares of our common stock transferred to us in order to satisfy tax withholding obligations incurred upon the vesting of restricted stock and restricted stock units held by Antero's employees.

Item 5. Other Information.

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934

Pursuant to Section 13(r) of the Securities Exchange Act of 1934, we, Antero Midstream Partners LP, may be required to disclose in our annual and quarterly reports to the SEC, whether we or any of our "affiliates" knowingly engaged in certain activities, transactions or dealings relating to Iran or with certain individuals or entities targeted by U.S. economic sanctions. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law. Because the SEC defines the term "affiliate" broadly, it includes any entity under common "control" with us (and the term "control" is also construed broadly by the SEC).

The description of the activities below has been provided to us by Warburg Pincus LLC ("WP"), affiliates of which: (i) beneficially own more than 10% of our outstanding common units and/or are members of our general partner's board of directors, (ii) beneficially own more than 10% of the equity interests of, and have the right to designate members of the board of directors of Santander Asset Management Investment Holdings Limited ("SAMIH"). SAMIH may therefore be deemed to be under common "control" with us; however, this statement is not meant to be an admission that common control exists.

The disclosure below relates solely to activities conducted by SAMIH and its affiliates. The disclosure does not relate to any activities conducted by us or by WP and does not involve our or WP's management. Neither we nor WP has had any involvement in or control over the disclosed activities, and neither we nor WP has independently verified or participated in the preparation of the disclosure. Neither we nor WP is representing as to the accuracy or completeness of the disclosure nor do we or WP undertake any obligation to correct or update it.

We understand that one or more SEC-reporting affiliates of SAMIH intends to disclose in their next annual or quarterly SEC report that:

(a) Santander UK plc (“Santander UK”) holds two frozen savings accounts and two frozen current accounts for three customers resident in the United Kingdom (“U.K.”) who are currently designated by the United States (“U.S.”) under the Specially Designated Global Terrorist (“SDGT”) sanctions program. The accounts held by each customer were blocked after the customer’s designation and have remained blocked and dormant through the first half of 2016. Revenue generated by Santander UK on these accounts in the first half of 2016 was £7.31 whilst net profits in the first half of 2016 were negligible relative to the overall profits of Banco Santander, S.A.

(b) An Iranian national, resident in the U.K., who is currently designated by the U.S. under the Iranian Financial Sanctions Regulations (“IFSR”) and the Weapons of Mass Destruction Proliferators Sanctions Regulations, held a mortgage with Santander UK that was issued prior to any such designation. The mortgage account was redeemed and closed on April 13, 2016. No further drawdown has been made (or would be allowed) under this mortgage although Santander UK continued to receive repayment installments prior to redemption. In the first half of 2016, total revenue generated by Santander UK in connection with the mortgage was £434.64 whilst net profits were negligible relative to the overall profits of Banco Santander S.A. Santander UK does not intend to enter into any new relationships with this customer, and any disbursements will only be made in accordance with applicable sanctions. The same Iranian national also held two investment accounts with Santander ISA Managers Limited. The funds within both accounts were invested in the same portfolio fund. The accounts have remained frozen until the investments were closed on May 12, 2016 and checks issued to the customer on May 13, 2016. Total revenue in the first half of 2016 generated by Santander UK in connection with the investment accounts was £7.60 whilst net profits in the first half of 2016 were negligible relative to the overall profits of Banco Santander, S.A.

(c) A UK national designated by the US under the SDGT sanctions program holds a Santander UK current account. The account remained in arrears through the first half of 2016 (£1,344.01 in debit) and is currently being managed by Santander UK Collections & Recoveries department.

(d) In addition, during the first half of 2016, Santander UK has identified an OFAC match on a power of attorney account. A party listed on the account is currently designated by the US under the SDGT and IFSR sanctions programs. During the first half of 2016, related revenue generated by Santander UK was £129.21 whilst net profits in the first half of 2016 were negligible relative to the overall profits of Banco Santander, S.A.

Item 6. Exhibits.

The exhibits required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index accompanying this Form 10-Q and are incorporated herein by reference.

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.

ANTERO MIDSTREAM PARTNERS LP

By: **ANTERO RESOURCES MIDSTREAM MANAGEMENT LLC, its general partner**

By: /s/ Michael N. Kennedy
Michael N. Kennedy
Chief Financial Officer

Date: August 2, 2016

EXHIBIT INDEX

3.1	Certificate of Conversion of Antero Resources Midstream LLC, dated November 5, 2014 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (Commission File No. 001-36719) filed on November 7, 2014).
3.2	Certificate of Limited Partnership of Antero Midstream Partners LP, dated November 5, 2014 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K (Commission File No. 001-36719) filed on November 7, 2014).
3.3	Agreement of Limited Partnership, dated as of November 10, 2014, by and between Antero Resources Midstream Management LLC, as the General Partner, and Antero Resources Corporation, as the Organizational Limited Partner (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (Commission File No. 001-36719) filed on November 17, 2014).
3.4	Amendment No. 1 to Agreement of Limited Partnership of Antero Midstream Partners LP, dated as of February 23, 2016 (incorporated by reference to Exhibit 3.4 to the Annual Report on Form 10-K (Commission File No. 001-36719) filed on February 24, 2016).
31.1 *	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
31.2 *	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
32.1 *	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
32.2 *	Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
101 *	The following financial information from this Form 10-Q of ANTERO MIDSTREAM PARTNERS, LP for the quarter ended June 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Combined Consolidated Balance Sheets, (ii) Condensed Combined Consolidated Statements of Operations, (iii) Condensed Combined Consolidated Statements of Partners' Capital, (iv) Condensed Combined Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Combined Consolidated Financial Statements, tagged as blocks of text.

The exhibits marked with the asterisk symbol (*) are filed or furnished with this Quarterly Report on Form 10-Q.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Paul M. Rady, Chief Executive Officer of Antero Midstream Partners LP, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 of Antero Midstream Partners LP (the "registrant");

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(s) 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; and

    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; and

    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.

5. The registrant's other certifying officer(s) 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, 2016

/s/ Paul M. Rady
Paul M. Rady
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Michael N. Kennedy, Chief Financial Officer of Antero Midstream Partners LP, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 of Antero Midstream Partners LP (the "registrant");

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(s) 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; and

   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; and

   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.

5. The registrant's other certifying officer(s) 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, 2016

/s/ Michael N. Kennedy
Michael N. Kennedy
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF ANTERO MIDSTREAM PARTNERS LP
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Quarterly Report on Form 10-Q of Antero Midstream Partners LP for the quarter ended June 30, 2016, I, Paul M. Rady, Chief Executive Officer of Antero Midstream Partners LP, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. This Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 fairly presents, in all material respects, the financial condition and results of operations of Antero Midstream Partners LP for the periods presented therein.

Date: August 2, 2016

/s/ Paul M. Rady
Paul M. Rady
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF ANTERO MIDSTREAM PARTNERS LP
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Quarterly Report on Form 10-Q of Antero Midstream Partners LP for the quarter ended June 30, 2016, I, Michael N. Kennedy, Chief Financial Officer of Antero Midstream Partners LP, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. This Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 fairly presents, in all material respects, the financial condition and results of operations of Antero Midstream Partners LP for the periods presented therein.

Date: August 2, 2016

/s/ Michael N. Kennedy
Michael N. Kennedy
Chief Financial Officer