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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED **DECEMBER 31, 2022**

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 001-35195

CSI Compressco LP

(EXACT NAME OF THE REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	**94-3450907**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1735 Hughes Landing Boulevard, Suite 200	**The Woodlands,**	**Texas**	**77380**
(Address of Principal Executive Offices)			**(ZIP CODE)**

(832) 365-2257
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
COMMON UNITS REPRESENTING LIMITED PARTNERSHIP INTERESTS	CCLP	NASDAQ

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.S. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes ☐ No ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). Yes ☐ No ☒

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

The aggregate market value of common stock held by non-affiliates of the Registrant was $97,097,507 as of June 30, 2022. As of March 9, 2023, there were 141,586,966 Common Units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE- NONE

TABLE OF CONTENTS

Forward-Looking Statements

This Annual Report on Form 10-K (this “Annual Report”) contains “forward-looking statements” and information based on our beliefs and those of our general partner. Forward-looking statements in this Annual Report are identifiable by the use of the following words, the negative of such words, and other similar words: “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “forecasts”, “goal”, “intends”, “may”, “might”, “plans”, “predicts”, “projects”, “seeks”, “should, “targets”, “will” and “would”.

Such forward-looking statements reflect our current views with respect to future events and financial performance and are based on assumptions that we believe to be reasonable but such forward-looking statements are subject to numerous risks, and uncertainties, including, but not limited to:

- economic and operating conditions that are outside of our control, including the trading price of our common units, and the supply, demand, and prices of oil and natural gas;
- the availability of adequate sources of capital to us, including changes to interest rates;
- our existing debt levels and our ability to obtain additional financing;
- our ability to continue to make cash distributions, or increase cash distributions from current levels, after the establishment of reserves, payment of debt service, and other contractual obligations;
- the restrictions on our business that are imposed under our long-term debt agreements;
- our dependence upon a limited number of customers and the activity levels of our customers;
- the levels of competition we encounter;
- our ability to renew our contracts with customers, which are generally short-term contracts;
- the availability of raw materials and labor at reasonable prices;
- risks related to acquisitions and our growth strategy;
- the credit and risk profile of Spartan;
- information technology risks including the risk from cyberattack;
- acts of terrorism, war or political or civil unrest in the United States or elsewhere, including the Russian military invasion of Ukraine;
- operating hazards, natural disasters, weather-related impacts, casualty losses and other matters beyond our control;
- the effects of existing and future laws and governmental regulations;
- global or national health concerns, including the outbreak of pandemics or epidemics such as the COVID-19 pandemic, including operational challenges, workforce challenges, and supply chain disruptions;
- the effect and results of litigation, regulatory matters, settlements, audits, assessments, and contingencies; and
- other risks and uncertainties under “Item 1A. Risk Factors” in this Annual Report and as included in our other filings with the U.S. Securities and Exchange Commission (“SEC”), which are available free of charge on the SEC website at www.sec.gov.

The risks and uncertainties referred to above are generally beyond our ability to control and we cannot predict all the risks and uncertainties that could cause our actual results to differ from those indicated by the forward-looking statements. If any of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may vary from those indicated by the forward-looking statements, and such variances may be material.

All subsequent written and oral forward-looking statements made by or attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward-looking statements we may make, except as may be required by law.

Summary Risk Factors

Our business is subject to varying degrees of risk and uncertainty. Investors should consider the risks and uncertainties summarized below, as well as the risks and uncertainties discussed in Part I, Item 1A, “Risk Factors” of this Annual Report. Additional risks not presently known to us or that we currently deem immaterial may also affect us. If any of these risks occur, our business, financial condition or results of operations could be materially and adversely affected.

Our business is subject to the following principal risks and uncertainties:

- Reduced demand for or production levels of oil and gas adversely affect the demand for and prices we charge for our services, which could cause our revenue and cash available for distribution to our unitholders to decrease.

- Our results of operations, cash flows and financial condition could continue to be adversely impacted by the COVID-19 pandemic.

- Our substantial leverage.
- We may be unable to repurchase or refinance our senior secured notes in the event of a change of control as required by their respective indentures.
- The loss of any of our most significant customers would result in a decline in our revenue and cash available to pay distributions to our common unitholders.
- Our ability to manage and grow our business effectively and provide quality services to our customers may be adversely affected if our general partner loses its management or we are unable to retain trained personnel.
- Pressure from competitors may result in price reductions and periods of reduced demand for our products.
- Our operations in non-U.S. markets expose us to legal, political and economic risks that could have a material impact on our business.
- Regulatory initiatives related to hydraulic fracturing could result in operating restrictions or delays in the completion of oil and gas wells that may reduce demand for our services.
- A cyberattack or other failure or security breach of our information technology infrastructure, or the theft, loss or misuse of personal data, could adversely affect our business and operations.
- The market price of our common units has been and may continue to be volatile.
- Spartan has conflicts of interest, which may permit it to favor its own interests to our unitholders' detriment.
- Our partnership agreement limits our general partner's fiduciary duties to our common unitholders and restricts the remedies available to our common unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.
- Our common unitholders have limited voting rights and are not entitled to elect our general partner or its directors.
- We are exempt from certain corporate governance requirements that provide additional protection to stockholders of other public companies.
- Our tax treatment depends on our status as a partnership for federal income tax purposes. Our cash available for distribution to unitholders may be substantially reduced if we become subject to entity-level taxation as a result of the Internal Revenue Service ("IRS") treating us as a corporation or legislative, judicial or administrative changes, and may also be reduced by any audit adjustments if imposed directly on the Partnership.
- Even if unitholders do not receive any cash distributions from us, unitholders will be required to pay taxes on their share of our taxable income. A unitholder's share of our taxable income may be increased as a result of the IRS successfully contesting any of the federal income tax positions we take.
- Tax-exempt entities and non-U.S. unitholders face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Certain Defined Terms

Unless the context requires otherwise, when we refer to "we," "us," "our," and "the Partnership," we are describing CSI Compressco LP and its wholly owned subsidiaries on a consolidated basis. References to "CSI Compressco GP" or "our general partner" refer to our general partner, CSI Compressco GP LLC (f/k/a CSI Compressco GP Inc.). References to "TETRA" refer to TETRA Technologies, Inc., the former owner of our general partner, and TETRA's controlled subsidiaries. References to "Spartan" refer to Spartan Energy Partners LP. References to the "Initial Public Offering" refer to the Partnership's initial public offering of common units representing limited partner interests in the Partnership ("common units") completed on June 20, 2011 pursuant to a Registration Statement on Form S-1, as amended (File No. 333-155260), initially filed on November 10, 2008 by the Partnership with the SEC pursuant to the Securities Act of 1933, as amended (the "Securities Act"), including a prospectus regarding the Initial Public Offering filed with the SEC on June 16, 2011 pursuant to Rule 424(b).

PART I

Item 1. Business.

The financial statements presented in this Annual Report are the consolidated financial statements of CSI Compressco LP, a Delaware limited partnership and its subsidiaries.

We were formed in October 2008. Our headquarters are located at 1735 Hughes Landing Boulevard, Suite 200, The Woodlands, Texas, 77380. Our phone number is (832) 365-2257 and our website is www.csicompressco.com. Our common units are traded on the NASDAQ Exchange ("NASDAQ") under the symbol "CCLP."

Our Corporate Governance Guidelines, Code of Conduct, Financial Code of Ethics, and Audit Committee Charter, as well as our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports are all available, free of charge, on our website at www.csicompressco.com as soon as practicable after we file the reports with the SEC. Information contained on or connected to our website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into any other filings with the SEC. The documents referenced above are available in print at no cost to any unitholder who requests them from our Corporate Secretary.

About CSI Compressco LP

We are a provider of contract services related to the exploration and production of oil and natural gas, including natural gas compression services and treating services. Natural gas compression is used for oil and natural gas production, gathering, artificial lift, transmission, processing, and storage. Treating services include removal of contaminants from a natural gas stream and cooling to reduce the temperature of produced gas and liquids. We also sell used standard compressor packages and provide aftermarket services and compressor package parts and components manufactured by third-party suppliers. We provide contract compression and treating services and compressor parts and component sales to a broad base of natural gas and oil exploration and production, midstream, transmission, and storage companies operating throughout many of the onshore producing regions of the United States, as well as in a number of international locations, including the countries of Mexico, Canada, Argentina, Egypt and Chile.

We are one of the largest service providers of natural gas compression services in the United States, using our fleet of compressor packages that employ a full spectrum of low-, medium-, and high-horsepower engines. Low-horsepower compressor packages enhance production for dry gas wells and liquids-loaded gas wells by deliquefying the wells, lowering wellhead pressure, and increasing gas velocity. These packages are also used in connection with oil and liquids production and in vapor recovery and casing gas system applications. Low- to medium-horsepower compressor packages are typically selected for wellhead and natural gas gathering systems, artificial lift systems, and other applications primarily in connection with natural gas and oil production. Our high-horsepower compressor package offerings are typically deployed in natural gas production, natural gas gathering, centralized gas lift, centralized compression facilities, and midstream applications.

Our aftermarket business provides a wide range of services and compressor package parts and components manufactured by third-party suppliers to support the needs of customers who own compression equipment. These services include operations, maintenance, overhaul, and reconfiguration services and may be provided under turnkey engineering, procurement and construction contracts. Our aftermarket services are provided by our factory- and internally-trained technicians in most of the major oil and natural gas producing basins in the United States and Mexico.

Our long-term growth strategy includes expanding our existing businesses through organic growth and accretive acquisitions, both in the U.S. and internationally.

Our operations are organized into a single business segment. See Note 15 - "Segments" in the Notes to Consolidated Financial Statements in this Annual Report for further information. For financial information regarding our revenues and total assets, see Note 16 - "Geographic Information" contained in the Notes to Consolidated Financial Statements in this Annual Report.

Contribution of Spartan entities

On November 10, 2021, the Partnership entered into a Contribution Agreement (the “Contribution Agreement”) by and among the Partnership, CSI Compressco GP, Spartan, and CSI Compressco Sub Inc., a Delaware corporation (“Compressco Sub”). Pursuant to the terms of the Contribution Agreement, Spartan contributed to the Partnership 100% of the limited liability company interest in Treating Holdco, LLC, a Delaware limited liability company (“Treating Holdco”), 100% of the common stock in Spartan Terminals Operating, Inc., a Delaware corporation (“Spartan Terminals”), and 99% of the limited liability company interests in Spartan Operating Company LLC, a Delaware limited liability company (“Spartan Operating” and together with Treating Holdco and Spartan Terminals, “Spartan Treating”) (such interests in Spartan Treating, the “Contributed Interests”) and the Partnership, CSI Compressco GP and Spartan agreed to cancel the incentive distribution rights (the “IDRs”) in the Partnership in exchange for the issuance of 48.4 million common units. We refer to the acquisition of the Contributed Interests as the “Spartan Acquisition.” As the Partnership and Spartan Treating were under common control at the time of the Spartan Acquisition, the results of operations have been combined for the Partnership and Spartan Treating from the date of common control which was January 29, 2021.

Certain of our U.S. services are performed by our wholly owned subsidiary CSI Compressco Operating LLC, a Delaware limited liability company (our “Operating LLC”), pursuant to contracts that our outside legal counsel has concluded generate qualifying income under Section 7704 of the Internal Revenue Code of 1986, as amended (the “Code”), or “qualifying income.” We do not pay U.S. federal income taxes on the portion of our business conducted by Operating LLC. Compressco Sub, which is also a wholly owned subsidiary of ours, conducts substantially all of our operations that our outside legal counsel has not concluded generate qualifying income, and we pay U.S. federal income tax with respect to such operations. We strive to ensure that all new U.S. compression contracts are entered into by our Operating LLC and generate qualifying income. We also pay state and local income taxes in certain states, and we incur income taxes related to our foreign operations.

As a limited partnership, we are managed and controlled by our general partner. On January 29, 2021, Spartan acquired from TETRA our general partner, our IDRs and 10.95 million of our common units in the Partnership (the “GP Sale”). As of March 9, 2023, common units held by the public represented approximately a 54.7% ownership interest, which is exclusive of Spartan’s 44.9% limited partner interest and 0.5% general partner interest. In connection with the GP Sale, on January 29, 2021, TETRA entered into a Transition Services Agreement (the “Transition Services Agreement”) with the Partnership, pursuant to which TETRA provided certain accounting, information technology and back-office support services to the Partnership for a period of one year following closing. The Transition Services Agreement with TETRA expired on January 31, 2022.

Through Spartan’s wholly owned subsidiary and our general partner, CSI Compressco GP LLC, Spartan manages and controls us. We rely on our general partner’s board of directors and executive officers to manage our operations and make decisions on our behalf. Our general partner is an indirect, wholly owned subsidiary of Spartan. Unlike shareholders in a publicly traded corporation, our unitholders are not entitled to elect our general partner or its directors. Following the GP Sale, all of our general partner’s directors are elected by Spartan. Our general partner does not receive any management fee in connection with its management of our business. However, our general partner is reimbursed for certain expenses, including compensation expenses, incurred on our behalf. In addition, our general partner receives distributions based on its limited and general partner interests.

Products and Services

We are a provider of contract services including natural gas compression services and treating services. Natural gas compression is a mechanical process in which the pressure of a given volume of natural gas is increased to a higher pressure. It is essential to the production and movement of natural gas. Compression is typically required numerous times in the natural gas production and sales cycle, including (i) at the wellheads, (ii) throughout gathering and distribution systems, (iii) into and out of processing and storage facilities, and (iv) in natural gas pipelines. Compression is also utilized for gas lift, an artificial lift technique for producing oil that has insufficient reservoir pressure. Natural gas treating encompasses several processes used to remove contaminants and improve the marketability of gas. We also provide aftermarket compression services and compressor package parts and components manufactured by third-party suppliers.

Contract Services

We use our fleet of compressor packages to provide a variety of compression services to our customers to meet their specific requirements. Our fleet includes approximately 4,600 compressor packages that provide approximately 1.2 million in aggregate horsepower, employing a wide spectrum of low-, medium-, and high-horsepower engines. The horsepower of our natural gas compressor package fleet as of December 31, 2022 is summarized in the following table:

Range of Horsepower Per Package	Number of Packages	Aggregate Horsepower	% of Aggregate Horsepower
Low-horsepower (0-100)	2,693	127,289	11 %
Medium-horsepower (101-1,000)	1,426	407,428	34 %
High-horsepower (1,001 and over)	459	652,640	55 %
Total	4,578	1,187,357	100 %

Low-Horsepower (0-100 Horsepower) Compression Services. Our natural gas-powered, low-horsepower compressor packages include our GasJack® compressor packages that are relatively compact and easy to transport to our customer's well site. We utilize our electric powered, low-horsepower VJack™ compressor packages to provide production enhancement services on wells where electric power is available. Our low-horsepower packages allow us to perform wellhead compression, fluids separation, and optional gas metering services all from one skid, thereby providing services that otherwise would generally require the use of multiple, more costly pieces of equipment. We utilize our low-horsepower compressor packages to provide production enhancement for dry gas wells and liquid-loaded gas wells and backside auto injection systems ("BAIS"). BAIS monitors tubing pressure to redirect gas flow into the casing annulus as needed to help gas wells unload liquids that hinder production. We also utilize our low-horsepower compressor packages to collect hydrocarbon vapors that are a by-product of oil production and storage ("vapor recovery") and to reduce casing pressure of pumping oil wells to enhance oil production ("casing gas systems").

*Medium-horsepower (101-1,000 Horsepower) Compression Services. O*ur medium-horsepower compressor packages are primarily utilized to move natural gas from the wellhead through the field gathering system by boosting the pressure of the natural gas flowing through the system. Additionally, these compressor packages are used to reinject natural gas into producing vertical and horizontal oil wells that have insufficient reservoir pressure, to help lift liquids to the surface ("gas lift operations"). Typically, these applications require medium-horsepower compressor packages located at or near the wellhead. These compressor packages are also used to increase the efficiency of low-capacity natural gas fields by providing a central compression point from which the natural gas can be further processed and transported. These compressor packages feature primarily two- and three-stage compressors powered by natural gas engines ranging from 101 to 1,000 horsepower and equipped with interstage cooling.

High-Horsepower (Over 1,000 Horsepower) Compression Services. Our high-horsepower compressor packages are primarily utilized in midstream applications including natural gas gathering, gas lift, and centralized compression facilities. They boost the pressure of natural gas flowing from individual wells or a group of wells into a gathering pipeline that leads to various types of processing facilities. A significant number of these compressor packages in midstream applications also serve the dual purpose of gas lift operations by injecting a percentage of the compressed natural gas into producing oil wells. Our high-horsepower compressor packages are also used in connection with the transmission of natural gas from gathering systems to storage facilities or end users. These compressor packages feature primarily two- and three-stage compressors powered by natural gas engines.

Gas Treating. We provide a variety of natural gas treating services for natural gas producers and midstream companies, such as providing equipment for lease or sale, equipment installation services and the operation of equipment which Spartan Treating refers to as contract services. Spartan Treating's two primary gas treating services provided for customers are the removal of contaminants from the customer's gas stream and natural gas cooling to reduce the gas temperature. Spartan Treating maintains a fleet of amine plants ranging in size used to treat varying customer gas flow volumes by removing hydrogen sulfide and carbon dioxide to meet required pipeline specifications. Additionally, Spartan Treating's equipment fleet includes natural gas cooling units used to reduce the temperature of natural gas so that it can be further treated, processed or compressed.

Other Related Services. In Mexico, we provide well monitoring and sand separation services in connection with our compression services. Well monitoring services include a variety of services that monitor and optimize production from oil and gas wells. We utilize automated sand separators, which are high-pressure vessels with automated valve operation functions, at the well to remove solids that would otherwise cause abrasive wear damage to compression and other equipment that is installed downstream and inhibit production from the well.

Contract Services Contract Terms. Our contract services are primarily performed under service contracts using our low-, medium-, and high-horsepower compressor packages and our treating assets. A significant portion of these compression services are provided under services contracts that our outside legal counsel has concluded generate qualifying income. Under these services contracts, we are responsible for providing our services in accordance with the particular specifications of a job. As owner and operator, we are responsible for operating and maintaining the equipment we utilize to provide our services. Our low horsepower compression service contracts typically have an initial term of one month and, unless terminated by us or our customers with 30-days' notice, continue on a month-to-month basis thereafter. Our medium- and high- horsepower compression service and treating contracts typically have an initial term of twelve months, but range from six months to thirty-six months. After the initial terms on our medium- and high-horsepower compression service and treating contracts, customers typically continue on a month-to-month basis or renew for additional extensions. We charge our customers a fixed monthly fee for the services provided under the services contracts. Aside from factors beyond our control, if the level of services we provide falls below certain contractually specified percentages, our customers are generally entitled to request limited credits against our service fees. To date, these credits have been insignificant as a percentage of revenue.

We generally own the equipment we use to provide services to our customers, and we bear the risk of loss to this equipment to the extent not caused by (i) a breach of certain obligations of the customer, primarily involving the service site and the fuel gas being supplied to us, or (ii) an uncontrolled well condition. Utilizing our proprietary, telemetry-based reporting system, we remotely monitor, in real time, whether our services are being continuously provided at our U.S. customer well sites.

As owner of the equipment, we are obligated to pay ad valorem taxes levied on the equipment and related insurance expenses, and we typically do not seek reimbursement for such taxes and expenses from our service agreement customers.

Aftermarket Services

Through our aftermarket operations, we provide a wide range of services to support the needs of customers who own compression equipment. The services provided are primarily operation, maintenance, overhaul and reconfiguration services, which may be provided under turnkey contracts. We also sell engine parts, compressor package parts and other parts manufactured by third parties that are utilized in natural gas compressor packages. We have factory- and internally-trained technicians in most of the major oil and natural gas producing basins in the United States to perform these services.

Market Overview and Competition

During the first half of 2021, our financial results were affected by the economic impact of the COVID-19 pandemic. Reduced spending by oil and gas operators led to a decline in our compression fleet utilization which impacted revenues and pricing. Oil and natural gas commodity prices gained strength throughout 2021 and increased significantly during 2022. This increase in commodity prices, coupled with the waning impact of the COVID-19 pandemic on the economy, resulted in an increase in the demand for our contract services, aftermarket services and equipment rentals. In addition, as a result of the increased customer demand, we were able to implement price increases on many of our compression contracts in the second half of 2021 and throughout 2022. Along with price increases we were able to increase our fleet utilization. Revenue from contract services increased each quarter in 2021 and this trend continued during 2022. We secured orders from key customers for high-horsepower and electric compressors that started generating revenues in the fourth quarter of 2021 and continued to be deployed throughout 2022. Our customers remain focused on capital discipline; however, the levels of quote activity and awards remain strong. The strengthening market environment has increased competition for field and corporate employees. Supply chain issues, increased commodity prices, and inflationary pressures have increased costs and impacted availability of our parts and supplies. External factors including Russia's invasion of Ukraine, and Federal Reserve interest rate increases, could adversely affect our results of operations, impair our ability to raise capital, or otherwise adversely impact our ability to realize certain business strategies. We continue to monitor these risks and take the necessary actions to mitigate them. We have and will continue to evaluate the sale of non-core assets, including our low-horsepower compression fleet.

Customers

We provide services to a broad base of natural gas and oil exploration and production, midstream, pipeline transmission, and storage companies operating throughout many of the onshore producing regions of the United States. We also have operations in Canada, Mexico, Argentina, Egypt and Chile. While most of our services in the U.S. are performed throughout Texas (with a concentration in the Permian Basin), the Haynesville shale, the San Juan Basin, the Rocky Mountain region, and the Mid-Continent region, we also have a presence in the Marcellus / Utica and other producing regions. We continue to evaluate opportunities to further expand our operations into other regions in the U.S. and elsewhere in the world.

Following the expiration of the primary term, the parties may elect to renew or extend the term, or our service contracts will continue month to month until terminated upon thirty days' notice. Our low-horsepower compression fleet is generally deployed on short-term contracts while our medium-horsepower is generally deployed on 12 month terms or greater and high-horsepower fleet is generally deployed with an initial term of 24 months or greater. Although we enter into short-term contracts on our lower horsepower units, the average duration a typical unit stays deployed with the same customer is greater than 30 months. Our significant customers for the year ended December 31, 2022 include various major integrated oil companies, public and private independent exploration and production companies and midstream companies, one of which individually accounted for more than 10% of our consolidated revenues for the year ended December 31, 2022. The loss of any of our major customers could have a material adverse effect on our business, results of operations, financial condition, and our ability to make cash distributions to our unitholders.

Competition

The natural gas compression services business is highly competitive. We experience competition from companies that may be able to more quickly adapt to changes within our industry and changes in economic conditions as a whole, more readily take advantage of available opportunities and technologies, and adopt more aggressive pricing policies. Primary competition for our low-horsepower compression services business comes from smaller local and regional companies that utilize packages consisting of a screw or reciprocating compressor with a separate engine driver. These local and regional competitors tend to compete on the basis of price and availability, as opposed to our focus of adding value to the customer. Competition for our medium- and high-horsepower compression services business comes primarily from large companies that may have greater financial resources than we do. Such competitors include Archrock Compression Services, Kodiak Gas Services, USA Compression Partners and Natural Gas Compression Systems, Inc. Competitors for natural gas treating contract services include USA Compression Partners and Kinder Morgan.

Many of our competitors compete on the basis of price. We believe our pricing has proven to be competitive because of the significant increase in value that results from use of our services, our customer service, trained field personnel, and the quality of the compressor packages we use to provide our services.

Other Business Matters

Marketing

We use various marketing strategies to promote our services and compressor package products. Our account managers work to build close working relationships with our existing and potential future customers, educating them about our services and products by scheduling personal visits, hosting and attending workshops, tradeshows and conferences, and participating in industry organizations. We sponsor and make presentations at industry events that are targeted to production managers, compression specialists and other decision makers. Our marketing representatives also use these marketing opportunities to promote our value-added service initiatives, such as the use of our proprietary telemetry-based system, our wellsite optimization program and our fleet reliability center.

Human Capital Management

We collaborate as a team to execute for each other, our customers, and our unitholders. On December 31, 2022, we employed approximately 792 people worldwide. Our U.S. employees and our employees in Canada and Egypt are not subject to collective bargaining agreements. Our employees in Argentina and Mexico are subject to collective bargaining agreements. We believe that the various employers of these employees have good relations with these employees and we have not experienced work stoppages in the past.

Diversity and Inclusion

The diversity of our global workforce stimulates creativity and innovation as we use our collective talents to develop unique solutions to address the world's energy challenges. We seek to attract, retain, develop, and reward a high-performing and diverse workforce.

Career Development

Our executive team evaluates executive development and succession planning to prepare us for future success. The succession planning process covers all senior management positions and certain other key positions. This review of executive talent determines readiness to take on additional leadership roles and identifies developmental opportunities needed to prepare our executives for greater responsibilities. Our short and long-term business strategy is considered when evaluating candidates and their skills.

Compensation and Benefits

Our compensation programs are designed to incentivize performance, maximize returns, and build unitholder value. We work with consultants to benchmark our compensation and benefits programs to help us offer competitive compensation packages to attract and retain high-performing talent. We also offer competitive benefits to attract and retain exceptional talent.

Safety

Recognizing that safety, service quality, and environmental protection are conditions of employment, all employees and contractors are responsible for their safety, the safety of those around them, the quality of their work, and protection of the environment. As part of our safety-focused culture, it is customary that each meeting starts with an employee-led safety moment.

To ensure our work remains safe and of the highest quality, we have a comprehensive HSEQ Management System and program designed to improve the capacity of the organization by controlling worksite risks, developing proper work practices and procedures, and empowering employees with stop-work authority if they observe unsafe conditions, omissions, errors, or actions that could result in safety or environmental incidents, or product and service quality issues. If an incident takes place, we investigate all serious occurrences to root causes and implement corrective actions to ensure we expand our capacity to operate safely.

Driving is one of the highest exposure activities that we undertake in our day-to-day operations. We maintain a fleet of DOT and non-DOT vehicles and provide positive, real-time behavior feedback to our drivers via real-time monitors. Coupled with vehicle selection guidelines, and driver training, we have a comprehensive approach to reducing our driving exposure and incidents.

Proprietary Technology and Trademarks

It is our practice to enter into confidentiality agreements with employees, consultants, and third parties to whom we disclose our confidential and proprietary information. There can be no assurance, however, that these measures will prevent the unauthorized disclosure or use of our trade secrets and expertise or that others may not independently develop similar trade secrets or expertise. Our management believes, however, that it would require a substantial period of time and substantial resources to independently develop similar know-how or technology.

We sell various services and products under a variety of trademarks and service marks, some of which are registered in the United States.

Health, Safety, and Environmental Affairs Regulations

Our service and sales operations are subject to stringent and complex U.S. and foreign health, safety, and environmental laws and regulations, and, although we are committed to conducting all of our operations under the highest standards of safety and respect for the environment, risks of substantial costs and liabilities pursuant to laws and regulations are inherent in certain of our operations. Because of these risks, there can be no assurance that significant costs and liabilities will not be incurred now or in the future. Changes in health, safety, and environmental laws and regulations could subject us to more rigorous standards and could affect demand for our customer's product which in turn would impact demand for our products. We cannot predict the extent to which our operations may be affected by any changes to existing laws, regulations, and enforcement policies, new interpretations of existing laws, regulations, and policies, or any new laws, regulations, or policies promulgated in the future.

We are subject to numerous federal, state, and local laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of human health and the environment. The primary environmental laws that impact our operations in the U.S. include:

- the Clean Air Act ("CAA") and comparable state laws and regulations thereunder, which regulate air emissions;
- the Federal Water Pollution Control Act of 1972 (the "Clean Water Act") and comparable state laws, and regulations thereunder, which regulate the discharge of pollutants into regulated waters, including industrial wastewater discharges and storm water runoff;
- the Resource Conservation and Recovery Act ("RCRA") and comparable state laws and regulations thereunder, which regulate the management and disposal of solid and hazardous waste; and
- the federal Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA" or "Superfund") and comparable state laws, and regulations thereunder, which impose liability for the cleanup of releases of hazardous substances in the environment.

Our operations in the U.S. are also subject to regulation under the Occupational Safety and Health Act ("OSHA") and comparable state laws, and regulations thereunder, which regulate the protection of the health and safety of workers.

The CAA and implementing regulations, and comparable state laws and regulations, regulate emissions of air pollutants from various industrial sources and impose various monitoring and reporting requirements, including requirements related to emissions from certain stationary engines, including our compressor packages. These laws and regulations impose limits on the levels of various substances that may be emitted into the atmosphere from our compressor packages and require us to meet stringent air emission standards and install new emission control equipment on all of our engines built after July 1, 2008. In addition, regulations under the National Emission Standards for Hazardous Air Pollutants ("NESHAP") provisions of the CAA require control of hazardous air pollutants from new and existing stationary reciprocal internal combustion engines. Our equipment is also subject to prescribed maintenance practices and catalyst installation may also be required. Furthermore, in June 2016, the Environmental Protection Agency ("EPA") finalized rules that establish new air emission controls under the EPA's New Source Performance Standards ("NSPS") and NESHAP for natural gas and natural gas liquids production, processing and transportation activities. These rules establish specific requirements associated with volatile organic compounds and methane emissions from compressor packages and controllers at natural gas gathering and boosting stations. While the EPA under the Trump Administration finalized rules to rescind or modify certain of these requirements in September 2020, including removing sources in the transmission and storage segment from the source category and rescinding the methane-specific requirements applicable to sources in the production and processing segments of the oil and gas industry, various states and industry and environmental groups are separately challenging the EPA's June 2016 standards and its September 2020 final rule. However, the U.S. Congress passed, and President Biden signed into law, a revocation of the 2020 rulemaking effectively reinstating the 2016 standards. Additionally, in November 2021, the EPA issued a proposed rule that, if finalized, would establish OOOOb new source and OOOOc first-time existing source standards of performance for GHG and volatile organic compound ("VOC") emissions for crude oil and natural gas well sites, natural gas gathering and boosting compressor stations, natural gas processing plants, and transmission and storage facilities. Owners or operators of affected emission units or processes would have to comply with specific standards of performance that may include leak detection using optical gas imaging and subsequent repair requirements, reduction of emissions by 95% through capture and control systems, zero-emission requirements, operations and maintenance requirements, and so-called "green well" completion requirements. The EPA issued a supplemental proposal enhancing this proposed rulemaking in 2022 and anticipates issuing a final rule in 2023. While we are not currently aware of any material impacts to our operations associated with the current regulatory requirements, additional or more stringent regulations could impose new air permitting or pollution control requirements on our equipment that could require us to incur material costs. Additionally, in 2022 the Inflation Reduction Act ("IRA 2022") was signed into law, which imposes the first ever federal methane fee on excess methane emissions from sources required to report their GHG emissions to the EPA.

The EPA has determined that greenhouse gases ("GHGs") present an endangerment to public health and the environment because, according to the EPA, they contribute to global warming and climate change. As a result, the EPA has begun to regulate certain sources of GHGs, including air emissions associated with oil and gas production particularly as they relate to the hydraulic fracturing of natural gas wells. In addition, the EPA has issued regulations requiring the reporting of GHG emissions from certain sources including onshore and offshore oil and natural gas production facilities and onshore oil and gas processing, transmission, storage, and distribution facilities. Reporting of GHG emissions from such facilities is required on an annual basis. The EPA's rules relating to emissions of GHGs from large stationary sources of emissions have been the subject of a number of legal challenges. While these rules were the subject of EPA's recent deregulatory agenda under the Trump Administration, the EPA under the Biden Administration is expected to reconsider any relaxation of such rules, and potentially impose more stringent GHG emissions requirements from large stationary sources, as President Biden has issued executive orders that commit to substantial action on climate change and the reduction of GHG emissions, calling for, among other things, the increased use of zero-emissions vehicles by the federal government, the elimination of subsidies provided to the fossil fuel industry, and an increased emphasis on climate-related risk across government agencies and economic sectors. Further, Congress has considered, and almost one-half of the states have adopted, legislation that seeks to control or reduce emissions of GHGs from a wide range of sources.

The Clean Water Act and implementing regulations, and comparable state laws and regulations, prohibit the discharge of pollutants into regulated waters without a permit and establish limits on the levels of pollutants contained in these discharges. In addition, the Clean Water Act and other comparable laws and regulations regulate storm water discharges associated with industrial activities depending on a facility's primary standard industrial classification.

RCRA and implementing regulations, and comparable state laws and regulations, address the management and disposal of solid and hazardous waste. These laws and regulations govern the generation, storage, treatment, transfer, and disposal of wastes including, but not limited to, used oil, antifreeze, filters, sludges, paint, solvents and sandblast materials. The EPA and various state agencies have limited the approved methods of disposal for these types of wastes.

CERCLA and comparable state laws and regulations impose strict, joint, and several liabilities without regard to fault or the legality of the original conduct on certain classes of persons that contributed to the release of a hazardous substance into the environment. These persons include the owner or operator of a disposal site where a hazardous substance release occurred and any company that transported, disposed of, or arranged for the transport or disposal of such hazardous substances released at a site. Under CERCLA, such persons may be liable for the costs of remediating the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies.

Although we believe that we have properly disposed of all historical waste streams and that we have no outstanding liability regarding any past waste handling or spill activities, there is always the possibility that future spills and releases of petroleum hydrocarbons, wastes, or other regulated substances into the environment could cause us to become subject to remediation costs and liabilities under CERCLA, RCRA, or other environmental laws. The costs and liabilities associated with the future imposition of remedial obligations could have the potential for a material adverse effect on our operations or financial position.

We are also subject to the requirements of OSHA and comparable state statutes. These laws and regulations strictly govern the protection of the health and safety of employees. The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of CERCLA, and similar state statutes require that we maintain and/or disclose information about hazardous materials used or produced in our operations.

While we do not believe that compliance with existing requirements under applicable U.S. environmental laws and regulations will have a material adverse effect on our business and results of operations, we cannot guarantee that we will not incur substantial costs now or in the future with respect to compliance with or liability under such laws and regulations.

Our operations outside the U.S. are subject to foreign governmental laws and regulations relating to health, safety, and the environment and other regulated activities. While we do not believe that compliance with existing foreign environmental laws and regulations will have a material adverse effect on our business and results of operations, we cannot guarantee that we will not incur substantial costs now or in the future with respect to compliance with or liability under such foreign laws and regulations.

Related Party Agreements

In connection with the Contribution Agreement, the Partnership entered into a Management Services Agreement, dated November 10, 2021, by and among the Partnership, our general partner, Spartan, Spartan Energy Partners GP LLC, the general partner of Spartan (“Spartan GP”), and Spartan Operating (the “Management Services Agreement”). Under the terms of the Management Services Agreement, our general partner, Spartan Operating and Spartan GP will provide certain services reasonably necessary for the operation of the businesses of the Partnership and its subsidiaries, Spartan, Spartan GP and Spartan Treating, including certain corporate and general and administrative services. Pursuant to the Management Services Agreement, our general partner and Spartan GP will allocate any costs and expenses incurred on a reasonable basis, and the parties will reimburse such other parties for costs and expenses allocated to them.

Prior to the acquisition of our general partner by Spartan on January 29, 2021, TETRA provided all services reasonably necessary to manage our operations and conduct our business other than in Mexico and Argentina, and certain of TETRA’s Latin American subsidiaries provided personnel and services necessary for the conduct of certain of our Latin American business pursuant to the Omnibus Agreement. The Omnibus Agreement terminated upon the closing of the GP Sale. In connection with the acquisition of our general partner by Spartan, the Partnership entered into a Transition Services Agreement with TETRA through which TETRA provided certain corporate and general and administrative services requested by our general partner including certain legal, accounting and financial reporting, treasury, insurance administration, claims processing and risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit and tax services for up to one year. The Transition Services Agreement with TETRA expired on January 31, 2022.

For a more comprehensive discussion on agreements we have entered into with related parties, please see “Item 13 - Certain Relationships and Related Transactions, and Director Independence.”

Item 1A. Risk Factors.

Certain Business Risks

Although it is not possible to identify all of the risks we encounter, we have identified the following significant risk factors that could affect our actual results and cause actual results to differ materially from any such results that might be projected, forecasted, or estimated by us in this Annual Report.

We depend on demand for and production of oil and natural gas, and a reduction in this demand or production could adversely affect the demand or the prices we charge for our services, which could cause our revenue and cash available for distribution to our unitholders to decrease.

Our operations are significantly dependent upon the demand for, and production of, oil and natural gas in the various U.S. and international markets in which we operate. Oil and natural gas production rates are volatile and may be affected by, among other factors, prices for such commodities, market uncertainty, weather and availability of alternative energy sources.

Oil prices steadily rose during the first half of 2022 because of lower inventory related to Russia’s full-scale invasion of Ukraine in late February and higher demand resulting from rising economic activity after pandemic-related restrictions eased. From early June through the remainder of 2022, oil prices decreased as concerns about a possible economic recession and severe COVID-19 containment measures in China reduced global demand. West Texas Intermediate oil prices reached a high of $123.64 per barrel in March 2022 and a low of $71.05 per barrel in December 2022. The West Texas Intermediate price averaged $94.84 per barrel during 2022. Over this same period, U.S. natural gas prices have been volatile, with the Henry Hub price ranging from a high of $9.85 per million British thermal units ("MMBtu") in August 2022 due to a record-high summer power burn, to a low of $3.46 per MMBtu in November 2022 as a result of above-normal temperatures. The natural gas price began to increase again in December because of dropping winter temperatures that increased demand for natural gas for heating. The Henry Hub price averaged $6.45 per MMBtu during 2022, the highest annual average since 2008. As of March 6, 2023, the price of West Texas Intermediate oil was $80.39 per barrel and the Henry Hub price for natural gas was $2.46 per MMBtu. The prolonged volatility of oil and natural gas prices and persisting supply and demand imbalances have impacted the levels of exploration, development, and production activity. If oil and natural gas prices decline significantly, and the supply and demand imbalance persists, there would be a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. Should current market conditions worsen for an extended period of time, we may be required to record additional asset impairments. Such potential impairment charges could have a material adverse impact on our operating results.

Factors affecting the prices of oil and natural gas include: the levels of supply and demand for oil and natural gas, worldwide; governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves; weather conditions, natural disasters, and health or similar issues, such as pandemics or epidemics; worldwide political, military, and economic conditions; the ability or willingness of the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC countries, such as Russia, to set and maintain oil production levels; the levels of oil production in the U.S. and by other non-OPEC countries; oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas; the cost of producing and delivering oil and natural gas; and acceleration of the development of, and demand for, alternative energy sources.

The COVID-19 pandemic has had, or may in the future have, certain negative impacts on our business, and such impacts have had, or may in the future have, an adverse effect on our business, our financial condition, results of operations, or liquidity.

During the first half of 2021, the COVID-19 pandemic and the resulting economic impact had a significant negative impact on the oil and gas industry. The deterioration in demand for oil caused by the pandemic, coupled with oil oversupply had an adverse impact on the demand for our services. Although global demand for oil and natural gas began to rebound in 2021, a worsening of the pandemic, and the resulting actions that may be taken in the future by governments, various regulatory agencies, our customers and our suppliers may in the future have certain negative impacts on our financial condition, results of operations, and liquidity. In addition, the impact of COVID-19 in China continues to impact the global demand for oil and gas.

Any of the negative impacts of the COVID-19 pandemic, including those described above, alone or in combination with others, may have a significant adverse effect on our financial condition, results of operations, or liquidity. Any of these negative impacts, alone or in combination with others, could exacerbate many of the risks discussed elsewhere in these “Risk Factors.”

Continuing or worsening inflationary issues and associated changes in monetary policy have resulted in and may result in additional increases in the cost of our goods, services and labor, which in turn may cause our capital expenditures and operating costs to rise.

The U.S. inflation rate increased in 2021, 2022 and into 2023. These inflationary pressures have resulted in and may result in additional increases to the costs of our goods, services and labor, which in turn [has caused and] may cause our capital expenditures and operating costs to rise. Sustained levels of high inflation have likewise caused the U.S. Federal Reserve and other central banks to increase interest rates multiple times in 2022. The U.S. Federal Reserve has raised and may continue to raise benchmark interest rates in 2023 in an effort to curb inflationary pressure on the costs of goods and services across the U.S., which could have the effects of raising the cost of capital and depressing economic growth, either of which—or the combination thereof—could negatively impact the financial and operating results of our business. To the extent elevated inflation remains, we may experience additional cost increases for our operations, including services, labor costs and equipment if our operating activity increases.

Higher oil and natural gas prices may cause the costs of materials and services to continue to rise. We cannot predict any future trends in the rate of inflation and a significant increase in inflation, to the extent we are unable to recover higher costs through higher prices and revenues, would negatively impact our business, financial condition and results of operations.

We may be unable to repurchase our 7.50% First Lien Notes due 2025 and 10.000%/10.750% Second Lien Notes due 2026 in the event of a change of control as required by their respective indentures.

Holders of our 7.50% First Lien Notes due 2025 (the “First Lien Notes”) and 10.000%/10.750% Second Lien Notes due 2026 (the “Second Lien Notes”) have the right to require us to repurchase their notes at a price equal to 101% of the principal amount, in each case, upon the occurrence of any specified change of control event.

Any change of control also would constitute a default under our Credit Agreement. Therefore, upon the occurrence of a change of control, the lenders under our Credit Agreement would have the right to accelerate the payment obligations with respect to our Credit Agreement, and if so accelerated, we would be required to pay all of our outstanding obligations under our Credit Agreement. We may not be able to repay or repurchase our First Lien Notes and Second Lien Notes at that time because we may not have available funds to repay the debt or pay the repurchase price as applicable. Any requirement to repay or to offer to purchase any outstanding First Lien Notes and Second Lien Notes may result in us having to refinance our outstanding indebtedness, which we may not be able to do. In addition, even if we were able to refinance our outstanding indebtedness, such financing may be on terms unfavorable to us. A change of control under the indentures governing our First Lien Notes and Second Lien Notes could have a material adverse effect on our business, results of operations, and financial condition.

Our current capital structure, along with current debt and equity market conditions, may continue to limit our ability to obtain financing to pursue business growth opportunities.

Conditions in the markets for debt and equity securities in the energy sector have increased the difficulty of obtaining debt and equity financing to grow our business. We expect that the stock market volatility, which started in March 2020 and continued throughout 2021 and into 2022, may make it more difficult to obtain debt and equity financing in the near future. As of December 31, 2022, the market price for our common units was $1.33 per common unit, down from the 2022 high of $1.57 per common unit. The closing price of our common units was $1.45 as of March 9, 2023. The issuance of new common units or debt convertible into common units in the future, could be significantly dilutive to current common unitholders. In addition, as of December 31, 2022, we had approximately $634.9 million aggregate principal amount of debt outstanding, including borrowings under our credit agreements, the First Lien Notes and the Second Lien Notes. Obtaining equity or debt financing in the current market environment is particularly difficult for us, given our current levels of long-term debt.

During the year ended December 31, 2022, our aggregate capital expenditures totaled $52.1 million, which were primarily growth capital expenditures to increase our compression services equipment fleet. The majority of these capital expenditures were funded from our operating cash. As of December 31, 2022, our total cash balance was $8.5 million. We expect capital expenditures in 2023 to range from $43.0 million to $48.0 million. These capital expenditures include approximately $17.0 million to $19.0 million of maintenance capital expenditures, approximately $23.0 million to $25.0 million of capital expenditures primarily associated with the expansion of our contract services fleet, and $3.0 million to $4.0 million of capital expenditures related to investments in technology and facilities. We will continue to monitor such estimates going forward. We expect that the combination of $8.5 million of cash on hand at the beginning of 2023 and operating cash flows expected to be generated during the year will be sufficient to fund these capital expenditures without having to incur additional long-term debt and without having to access the equity markets. While we do not expect to have to incur additional long-term debt, we may elect to enter into capital lease transactions and/or raise additional equity. However, our ability to grow our business through capital expenditures or acquisitions beyond these sources of financing may be significantly limited or curtailed. Without the ability to increase our compression equipment fleet or otherwise grow our operations, our ability to continue to retain customers whose compression services needs are expanding and to increase distributions to our common unitholders in the future may be limited.

Our long-term debt levels result in a significant amount of our operating cash flows being used to fund debt service requirements.

The aggregate carrying value of our First Lien Notes and Second Lien Notes as of December 31, 2022 are $400.3 million and $172.5 million, respectively. In addition, we have an aggregate carrying value of $54.9 million and $6.3 million outstanding on our Spartan Credit Agreement and our CSI Credit Agreement, respectively, as of December 31, 2022. The interest expense related to our long-term indebtedness reduces our cash available to fund capital expenditures or for distribution. Our ability to service our indebtedness in the future will depend upon, among other things, our future financial and operating performance, which will be impacted by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we may be forced to consider taking actions such as reducing or delaying our business activities, acquisitions, investments and/or capital expenditures, delaying any desired increase of distributions, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital or bankruptcy protection. We may not be able to take any of these courses of action.

We may not have sufficient cash from operations following the establishment of cash reserves and payment of debt service and other contractual obligations, fees and expenses, including cost reimbursements to our general partner, to enable us to increase cash distributions to our common unitholders.

Beginning with the first quarter of 2019, our common unit distributions decreased from $0.75 per unit per year (or $0.1875 per quarter) to $0.04 per unit per year (or $0.01 per quarter). Our Second Lien Notes indenture further restricts our ability to make distributions in respect of our common units in any amount exceeding $0.04 per common unit per year, unless such increased distribution is funded by proceeds from an equity offering. Under the terms of our partnership agreement, the amount of cash otherwise available for distribution is reduced by our operating expenses and the amount of cash reserves that our general partner establishes to provide for future operations, future capital expenditures, future debt service requirements, and future cash distributions to our common unitholders. In order to make cash distributions at this current distribution rate of $0.01 per common unit per quarter, or $0.04 per common unit per year, we will require available cash of approximately $1.4 million per quarter, or $5.7 million per year, based on the number of common units outstanding as of March 9, 2023. We may not have sufficient available cash each quarter to enable us to increase cash distributions or make any distribution at all. To the extent we issue additional partnership units in connection with our growth, the payment of distributions on those additional partnership units may further increase the risk that we will be unable to increase our per-unit distribution. There are no limitations in our partnership agreement or our Loan and Security Agreement (the "Credit Agreement") on our ability to issue additional common units. The amount of cash we can distribute to our common unitholders principally depends upon the amount of cash we generate from our operations, which fluctuates from quarter to quarter based on, among other things, the market conditions described in these “Risk Factors.”

Many of our operating expenses have been volatile and may continue to be volatile or increase in the future. To the extent our efforts to contain these costs are not successful, our generation of operating cash flows to fund or increase our quarterly distributions will be negatively impacted.

Our long-term debt agreements contain covenants and other provisions that restrict our ability to take certain actions and may limit our ability to grow our business in the future.

Our Credit Agreement includes a maximum credit commitment of $35.0 million, which is available for loans, letters of credit (with a sublimit of $25.0 million), and swingline loans (with a sublimit of $3.5 million), subject to a borrowing base determined by reference to the value of certain of our accounts receivable and inventory. We are required to maintain a $3.5 million reserve with respect to the borrowing base, which results in reduced liquidity. The maximum credit commitment may be increased by $25.0 million, subject to the terms and conditions of the Credit Agreement. The Credit Agreement contains certain affirmative and negative covenants, including covenants that restrict our ability to take certain actions including, among other things and subject to certain significant exceptions, incurring debt, granting liens, making investments, entering into or amending existing transactions with affiliates, paying dividends, and selling assets.

In addition, the indentures governing our First Lien Notes and Second Lien Notes contain customary covenants restricting our ability and the ability of our restricted subsidiaries to: (i) pay distributions on, purchase, or redeem our common units, make certain investments and other restricted payments, or purchase or redeem any subordinated debt; (ii) incur or guarantee additional indebtedness or issue certain kinds of preferred equity securities; (iii) create or incur certain liens securing indebtedness; (iv) sell assets, including dispositions of the collateral securing our First Lien Notes and Second Lien Notes; (v) consolidate, merge, or transfer all or substantially all of our assets; (vi) enter into transactions with affiliates; and (vii) enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us. Our Second Lien Notes indenture further restricts our ability to make distributions in respect of our common units in any amount exceeding $0.04 per common unit per year, unless such increased distribution is funded by proceeds from an equity offering. These covenants are subject to a number of important limitations and exceptions, including certain provisions permitting us, subject to the satisfaction of certain conditions, to transfer assets to certain of our unrestricted subsidiaries. The indentures also contain customary events of default and acceleration provisions relating to events of default, which provide that upon an event of default under the indentures, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding First Lien Notes and Second Lien Notes may declare all of the First Lien Notes and Second Lien Notes to be due and payable immediately.

The loss of any of our most significant customers would result in a decline in our revenue and cash available to pay distributions to our common unitholders.

Our five most significant customers collectively accounted for approximately 28% of our 2022 revenues. Our services and products are provided to these customers pursuant to short-term contract compression services agreements, many of which are cancellable with 30 days’ notice. The loss of all or even a portion of the services we provide to these customers, as a result of competition or otherwise, could have a material adverse effect on our business, results of operations, financial condition, and our ability to make cash distributions to our unitholders.

The credit and risk profile of Spartan could adversely affect our business and our ability to make distributions to our common unitholders.

The credit and business risk profile of Spartan could adversely affect our ability to incur indebtedness in the future or obtain a credit rating, as credit rating agencies may consider the leverage and credit profile of Spartan and its affiliates in assigning a rating because of Spartan’s control of us, their performance of certain administrative functions for us, and our contractual relationships with them. Furthermore, the trading price of our common units may be adversely affected by financial or operational difficulties or excessive debt levels at Spartan. If the pledge of Spartan ownership of our general partner becomes effective in the future, control over our general partner could be transferred to Spartan’s lenders in the event of a default by Spartan.

Our ability to manage and grow our business effectively and provide quality services to our customers may be adversely affected if our general partner loses its management or is unable to retain trained personnel.

We rely primarily on the executive officers and other senior management of our general partner and Spartan to manage our operations and make decisions on our behalf. Our ability to provide quality compression services depends to a significant extent upon our general partner’s and Spartan’s ability to hire, train, and retain an adequate number of trained personnel. The departure of any of our general partner’s executive officers or other senior management could have a significant negative effect on our business, operating results, financial condition, and our ability to compete effectively in the marketplace. In connection with Spartan’s acquisition of our general partner, most of our general partner’s executive officers and other senior management resigned their positions, and Spartan appointed new officers in their place. Such significant turnover in management of our general partner could have negative impact on our business. We operate in an industry characterized by highly competitive labor markets, and, similar to many of our competitors, we have experienced high employee turnover in certain regions. It is possible that our labor expenses could increase if there is a shortage in the supply of skilled regional service supervisors and other service professionals. Our general partner may be unable to maintain an adequate skilled labor force necessary for us to operate efficiently and to support our growth strategy. Failure to do so could impair our ability to operate efficiently and to retain current customers and attract prospective customers, which could cause our business to suffer materially. Additionally, increases in labor expenses may have an adverse impact on our operating results and may reduce the amount of cash available for distribution to our common unitholders.

Further changes in the economic environment, including any future supply disruptions, could result in further significant impairments of certain of our long-lived assets.

Beginning in 2020 and continuing into 2021, decreased commodity prices had a negative impact on oil and gas drilling and capital expenditure activity, which affected the demand for a portion of our products and services. In the latter half of 2021 and through 2022, the prices of and demand for oil and natural gas began to recover to prior levels. If prices or demand levels begin to decline again, demand for our products and services may significantly decrease, which could impact the expected utilization rates of our compressor package fleet.

Although equipment used in providing services to our customers is normally readily available, market conditions could trigger constraints in the supply chain of certain equipment, and replacement parts for such equipment, used in providing services to our customers. If we experience future supply chain disruptions, it could also impact the expected utilization rate of our compressor package fleet.

Under U.S. GAAP, we review the carrying value of our long-lived assets when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable, based on their expected future cash flows. The impact of reduced expected future cash flow could require the write-down of all or a portion of the carrying value for these assets, which would result in impairments, resulting in decreased earnings.

We do not insure against all potential losses and could be seriously harmed by unexpected liabilities.

Our assets and operations are subject to inherent risks such as vehicle accidents, equipment defects, malfunctions and failures, as well as other incidents that result in releases or uncontrolled flows of gas or well fluids, fires, or explosions. These risks could expose us to substantial liability for personal injury, death, property damage, pollution, and other environmental damages. On occasion, we have experienced fires that have damaged or destroyed certain units in our compression services fleet, and additional accidents or fires could occur in the future. We do not insure all of our assets and the insurance we do obtain may be inadequate to cover our liabilities.

Further, insurance covering the risks we face or in the amounts we desire may not be available in the future, or, if available, the premiums may not be commercially feasible. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur liability at a time when we did not maintain liability insurance, our business, results of operations, and financial condition could be adversely affected. In addition, our business interruption insurance does not cover all potential losses. Please read "Health, Safety, and Environmental Affairs Regulations" for a description of how we are subject to federal, state, and local laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of human health and environment.

Our sales to and operations in non-U.S. markets exposes us to additional risks and uncertainties, including with respect to U.S. trade and economic sanctions, export control laws, and the Foreign Corrupt Practices Act ("FCPA"), and similar anti-bribery laws. If we are not in compliance with applicable legal requirements, we may be subject to civil or criminal penalties and other remedial measures that could have a material impact on our business.

We have operations in Mexico, Canada, Argentina, Chile and Egypt as well as a number of other non-U.S. markets. A portion of our expected future growth could include expansion in these and other non-U.S. markets. Non-U.S. operations carry special risks. Our operations in the countries in which we currently operate and those countries in which we may operate in the future, could be adversely affected by:

- government controls and actions, such as expropriation of assets and changes in legal and regulatory environments;
- import and export license requirements;
- political, social, or economic instability;
- trade restrictions;
- changes in tariffs and taxes;
- currency exposure;
- restrictions on repatriating foreign profits back to the United States; and
- the impact of anti-corruption laws.

Sanctions imposed by the U.S. Office of Foreign Assets Control ("OFAC") prohibit our operations in or sales to customers in certain non-U.S. markets. We are also subject to the FCPA, which prohibits U.S. companies and their intermediaries from bribing overseas officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and other similar laws governing our foreign operations. The FCPA's non-U.S. counterparts, including the UK Bribery Act, contain similar prohibitions, although varying in both scope and jurisdiction. We operate in parts of the world that have experienced governmental corruption in the past.

We have policies and procedures to maintain our compliance with the FCPA, OFAC sanctions, export controls, and similar laws and regulations. The implementation of such policies and procedures may be time consuming and expensive and could result in the discovery of issues or violations with respect to the foregoing by us or our employees, independent contractors, subcontractors, or agents of which we were previously unaware. If we violate any of these regulations, significant administrative, civil, and criminal penalties could be assessed on us. In addition, foreign governments and agencies often establish permit and regulatory standards different from those in the U.S. If we cannot obtain foreign regulatory approvals or cannot obtain them in a timely manner, our growth and profitability from international operations could be adversely affected.

Security disruptions in regions of Mexico served by us could adversely affect our Mexican operations, and, as a result, the levels of revenue and operating cash flow from our Mexican operations could be reduced.

In recent years, incidents of security disruptions throughout many regions of Mexico have increased. Drug-related gang activity has grown in Mexico. Certain incidents of violence have occurred in regions in which we operate and have resulted in the interruption of our operations, and these interruptions could increase in the future. To the extent that such security disruptions increase, the levels of revenue and operating cash flow from our Mexican operations could be reduced.

Our operations in Argentina, Chile and Egypt expose us to the changing economic, legal, and political environment in those countries, including changing regulations governing the repatriation of cash generated from our operations in Argentina.

The current economic, legal, and political environment in Argentina and the recent devaluations of the Argentinian peso have created increased instability for foreign investment in Argentina. The Argentinian government is currently attempting to address the current high rate of inflation and the continuing currency devaluation pressure. Fiscal and monetary expansion in Argentina has led to devaluations of the Argentinian peso. Additional devaluation may be necessary to help boost the current Argentina economy, and they may be accompanied by fiscal and monetary tightening, including additional restrictions on the transfer of U.S. dollars out of Argentina. On June 30, 2018, we determined the economy in Argentina to be highly inflationary. As a result of this determination and in accordance with U.S. generally accepted accounting principles ("GAAP"), on July 1, 2018, the functional currency of our operations in Argentina was changed from the Argentine peso to the U.S. dollar. The remeasurement did not have a material impact on our consolidated financial position or results of operations.

As a result of our operations in Argentina, consolidated revenues and operating cash flow generated in Argentina have experienced growth over the past five years. The process of repatriating this cash to the U.S. is subject to increasingly complex regulations. There can be no assurances that our growing Argentinian operations will not expose us to the loss of liquidity, foreign exchange losses, and other potential financial impacts.

The Chilean government is currently attempting to address the current high rate of inflation and the continuing currency devaluation pressure. The government has raised borrowing costs, higher commodity prices are keeping consumer prices under pressure and the central bank has begun to withdraw monetary stimulus by raising the benchmark interest rate.

Operations in Egypt can be a challenge due to the country’s complex regulatory and operating environment. In addition, tight government control of political discourse, increasing poverty and rising costs of living, could increase the risk of social unrest and political instability. The military’s role in the economy has continued to expand in recent years, which has dampened private sector business confidence.

The employees conducting our operations in Mexico and Argentina are party to collective labor agreements, and a prolonged work stoppage of our operations in Mexico or Argentina could adversely impact our revenues, cash flows and net income.

The personnel conducting our operations in Mexico are currently subject to collective labor agreements. These collective labor agreements consist of “evergreen” contracts that have no expiration date and whose terms remain in full force and effect from year-to-year, unless the parties agree to negotiate new terms. The employees subject to these “evergreen” agreements may, however, request a renegotiation of their employee compensation terms on an annual basis or a renegotiation of the entire agreement on a biannual basis, although we are not required to honor any such request. The personnel conducting operations in Argentina are also subject to collective labor agreements. We have not experienced work stoppages in Mexico or Argentina in the past but cannot guarantee that we will not experience work stoppages in the future. A prolonged work stoppage could adversely impact our revenues, cash flows, and net income. Mexico’s Federal Labor Law was reformed effective August 1, 2021, in relation to labor subcontracting which resulted in an increase in Statutory Profit Sharing (PTU).

A terrorist attack, armed conflict or political or civil unrest could harm our business.

Terrorist activities, anti-terrorist efforts, war and other armed conflicts and political or civil unrest could adversely affect the U.S. and global economies and could prevent us from meeting financial and other obligations. We could experience loss of business, delays or defaults in payments from payors or disruptions of fuel supplies and markets if pipelines, production facilities, processing plants, refineries or transportation facilities are direct targets or indirect casualties of an act of terror or war. Such activities could reduce the overall demand for oil and natural gas, which, in turn, could also reduce the demand for our services. War and other armed conflicts, including conflict related to Russia’s invasion of Ukraine, and any resulting economic downturn could adversely affect our results of operations, impair our ability to raise capital or otherwise adversely impact our ability to realize certain business strategies. In addition, sanctions imposed on foreign countries by the U.S. or other foreign governments could adversely affect our results of operations, impair our ability to raise capital or otherwise adversely impact our ability to realize certain business strategies.

Our exposure to currency exchange rate fluctuations may result in fluctuations in our cash flows and could have an adverse effect on our results of operations.

Because we have operations in Mexico, Canada, Argentina, Chile and Egypt, and in certain other non-U.S. jurisdictions, a portion of our business is conducted in foreign currencies. As a result, we are exposed to currency exchange rate fluctuations that could have an adverse effect on our results of operations. If a foreign currency weakened significantly, we would be required to convert more of that foreign currency to U.S. dollars to satisfy our obligations, which would cause us to have less cash available for distribution. A significant strengthening of the U.S. dollar could result in an increase in our financing expenses and could materially affect our financial results under U.S. GAAP. Because we report our operating results in U.S. dollars, changes in the value of the U.S. dollar also result in fluctuations in our reported revenues and earnings. Most of our billings under the contracts with PEMEX and other clients in Mexico are in U.S. dollars; however, a large portion of our expenses and costs under those contracts are incurred in Mexican pesos. In addition, future contract awards with PEMEX may require us to bill a larger portion of our revenues in Mexican pesos, which would expose us to additional foreign currency exchange rate risks.

As a result of the above, we are exposed to fluctuations in the values of the Mexican peso, Argentinian peso, Chilean peso, and the Egyptian pound against the U.S. dollar. A material increase in the values of these foreign currencies relative to the U.S. dollar would adversely affect our cash flows and net income. On June 30, 2018, we determined the economy in Argentina to be highly inflationary. As a result of this determination and in accordance with U.S. GAAP, on July 1, 2018, the functional currency of our operations in Argentina was changed from the Argentine peso to the U.S. dollar. In addition, for our operations in Canada, where the Canadian dollar is the functional currency under U.S. GAAP, all U.S. dollar-denominated monetary assets and liabilities, such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable, long-term debt and capital lease obligations, are revalued and reported based on the prevailing exchange rate at the end of the reporting period. This revaluation may cause us to report significant foreign currency exchange gains and losses in certain periods.

Environmental and Technology Risks

We are subject to environmental regulations, and changes in these regulations could increase our costs or liabilities.

We are subject to federal, state, local, and foreign laws and regulatory standards, including laws and regulations regarding the discharge of materials into the environment, emission controls, and other environmental protection and occupational health and safety concerns. Environmental laws and regulations may, in certain circumstances, impose strict and joint and several liability for environmental contamination, rendering us liable for remediation costs, natural resource damages, and other damages resulting from our ownership of property or conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury, property damage, and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could adversely affect our financial condition or results of operations. Moreover, failure to comply with these environmental laws and regulations may result in the imposition of administrative, civil and criminal penalties, and the issuance of injunctions delaying or prohibiting operations.

We routinely deal with natural gas, oil, and other petroleum products. Hydrocarbons or other hazardous wastes may have been released during our operations or by third parties on wellhead sites where we provide services or store our equipment or on or under other locations where wastes have been taken for disposal. These properties may be subject to investigatory, remediation, and monitoring requirements under foreign, federal, state, and local environmental laws and regulations.

The modification or interpretation of existing environmental laws or regulations, the more vigorous enforcement of existing environmental laws or regulations, or the adoption of new environmental laws or regulations may also adversely affect oil and natural gas exploration and production, which in turn could have an adverse effect on us.

<u>Climate change legislation or regulations restricting emissions of GHGs could result in increased operating costs and reduced demand for the oil and natural gas our customers produce, while the physical effects of climate change could disrupt production and cause us to incur costs in preparing for or responding to those effects.</u>

The EPA has adopted regulations to restrict emissions of GHGs under existing provisions of the CAA. Such EPA rules regulate GHG emissions under the CAA and require a reduction in emissions of GHGs from motor vehicles and from certain large stationary sources. For example, the EPA published final rules in June 2016 that require the reduction of volatile organic compounds and methane emissions from certain hydraulically fractured natural gas wells and further require that most wells use so-called “green” completions at certain hydraulically fractured natural gas wells. These regulations also established new requirements regarding emissions from production-related wet seal and reciprocating compressors, and from pneumatic controllers and storage vessels. Certain of our compressor packages are subject to these requirements and additional control equipment and maintenance operations are required. While the EPA under the Trump Administration finalized rules to rescind or modify certain of these requirements in September 2020, including rescission of the methane-specific requirements applicable to sources in the production and processing segments of the oil and gas industry, various states and industry and environmental groups are separately challenging the EPA’s 2016 standards and its September 2020 final rule. However, the U.S. Congress passed, and President Biden signed into law, a revocation of the 2020 rulemaking effectively reinstating the 2016 standards. Additionally, in November 2021, the EPA issued a proposed rule that, if finalized, would establish OOOOb new source and OOOOc first-time existing source standards of performance for GHG and volatile organic compound (“VOC”) emissions for the crude oil and natural gas well sites, natural gas gathering and boosting compressor stations, natural gas processing plants, and transmission and storage facilities. Owners or operators of affected emission units or processes would have to comply with specific standards of performance that may include leak detection using optical gas imaging and subsequent repair requirements, reduction of emissions by 95% through capture and control systems, zero-emission requirements, operations and maintenance requirements, and so-called “green well” completion requirements. The EPA issued a supplemental proposal enhancing this proposed rulemaking in 2022, which, among other items, sets forth specific revisions strengthening the first nationwide emissions guidelines for states to limit methane emissions from existing oil and natural gas facilities. The proposal also revises requirements for fugitive emissions monitoring and repair as well as equipment leaks and the frequency of monitoring surveys, establishes a “super-emitter” response program to timely mitigate emissions events, and provides additional options for the use of advanced monitoring to encourage the deployment of innovative technologies to detect and reduce methane emissions. The proposal is currently subject to public comment and is expected to be finalized in 2023; however, it is likely that these requirements will be subject to legal challenges. While we do not believe that compliance with current regulatory requirements will have a material adverse effect on our business, additional or more stringent regulations could impose new air permitting or pollution control requirements on our equipment that could require us to incur material costs. In addition, the EPA requires the annual reporting of GHG emissions from specified large GHG emission sources in the U.S., including petroleum refineries, as well as from certain oil and gas production facilities.

In addition, in December 2015, over 190 countries, including the U.S., reached an agreement to reduce global GHG emissions (the “Paris Agreement”). The Paris Agreement entered into force in November 2016 after more than 170 nations, including the U.S., ratified or otherwise indicated their intent to be bound by the Paris Agreement. Although the U.S. withdrew from the Paris Agreement in November 2020, President Biden recommitted the United States in February 2021, and, in April 2021, announced a new, more rigorous nationally determined emissions reduction level of 50-52% reduction from 2005 levels in economy-wide net GHG emissions by 2030. The international community gathered in Glasgow in November 2021 at the 26th Conference to the Parties (“COP26”) during which multiple announcements were made, including a call for parties to eliminate fossil fuel subsidies, amongst other measures. Relatedly, the United States and European Union jointly announced at COP26 the launch of the Global Methane Pledge, an initiative committing to a collective goal of reducing global methane emissions by at least 30% from 2020 levels by 2030, including “all feasible reductions” in the energy sector. These goals were reaffirmed at COP27 in November 2022, and countries were called upon to accelerate efforts to phase out inefficient fuel subsidies, though no firm commitments or timelines were made. The full impact of these actions is uncertain at this time, and it is unclear what additional initiatives may be adopted or implemented that may have adverse effects on us and our customers’ operations.

There are also increasing financial risks for fossil fuel producers as stockholders currently invested in fossil-fuel energy companies may elect in the future to shift some or all of their investments into non-fossil fuel related sectors. Institutional lenders who provide financing to fossil fuel energy companies also have become more attentive to sustainable lending practices and some of them may elect not to provide funding for fossil fuel energy companies. For example, at COP26, the Glasgow Financial Alliance for Net Zero (“GFANZ”) announced that commitments from over 450 firms across 45 countries had resulted in over $130 trillion in capital committed to net zero goals. The various sub-alliances of GFANZ generally require participants to set short-term, sector-specific targets to transition their financing, investing, and/or underwriting activities to net zero emissions by 2050. There is also a risk that financial institutions will be required to adopt policies that have the effect of reducing the funding provided to the fossil fuel sector. In late 2020, the Federal Reserve announced that it had joined Network for Greening the Financial System (“NGFS”), a consortium of financial regulators focused on addressing climate-related risks in the financial sector. Subsequently, in November 2021, the Federal Reserve issued a statement in support of the efforts of the NGFS to identify key issues and potential solutions for the climate-related challenges most relevant to central banks and supervisory authorities. The Federal Reserve has since announced that six of the largest banks in the United States will take part in a pilot climate scenario analysis, which is expected to conclude at the end of 2023. Although we cannot predict the effect of these actions, such limitation of investments in and financing for fossil fuel energy companies could adversely impact our customers and, therefore, our operations. Additionally, the SEC published a proposed rule that would require climate disclosures from registrants, include data on Scope 1 and Scope 2 GHG emissions and, in some cases, Scope 3. Although the final form and substance of these requirements is not yet known, this may result in additional costs to comply with any such disclosure requirements. Additionally, we cannot predict how financial institutions and investors might consider information disclosed under any final rule, and it is possible that as a result we could face increases with respect to the costs of, or restrictions imposed on, our access to capital.

President Biden has also issued executive orders that commit to substantial action on climate change, calling for, among other things, the increased use of zero-emissions vehicles by the federal government, the elimination of subsidies provided to the fossil fuel industry, and an increased emphasis on climate-related risk across government agencies and economic sectors. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from, our facilities and operations could require us to incur costs. Further, Congress has considered and almost one-half of the states have adopted legislation that seeks to control or reduce emissions of GHGs from a wide range of sources, and has passed laws such as the IRA 2022 that advance numerous climate-related activities. Any such legislation could adversely affect demand for the oil and natural gas our customers produce and, in turn, demand for our products and services. Litigation risks are also increasing as a number of parties have sought to bring suit against certain oil and natural gas companies in state or federal court, alleging among other things, that such companies created public nuisances by producing fuels that contributed to climate change or alleging that the companies have been aware of the adverse effects of climate change for some time, but defrauded their investors or customers by failing to adequately disclose those impacts.

Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as the increased frequency or intensity of extreme weather events or changes in meteorological and hydrological patterns, that could adversely impact our operations. Such physical risks may result in damage to our customers’ facilities and otherwise adversely impact their operations, such as if they become subject to water use curtailments in response to drought, or demand for their products, such as to the extent warmer winters reduce the demand for energy for heating purposes. If any such effects were to occur, they could have an adverse effect on our operations and cause us to incur costs in preparing for or responding to those effects.

Regulatory initiatives related to hydraulic fracturing in the countries where we and our customers operate could result in operating restrictions or delays in the completion of oil and gas wells that may reduce demand for our services.

Although we do not directly engage in hydraulic fracturing, our operations support many of our exploration and production customers in such activities. The practice continues to be controversial in certain parts of the country, resulting in increased scrutiny and regulation of the hydraulic fracturing process, including by federal and state agencies and local municipalities.

Hydraulic fracturing typically is regulated by state oil and gas commissions or similar state agencies, but several federal agencies have asserted regulatory authority over certain aspects of the process. For example, the EPA asserted regulatory authority pursuant to the federal Safe Drinking Water Act, Underground Injection Control program over hydraulic fracturing activities involving the use of diesel and issued guidance covering such activities; published final rules under the CAA in 2012 and published additional final regulations in June 2016 governing methane and volatile organic compound performance standards, including standards for the capture of air emissions released by the oil and natural gas hydraulic fracturing industry; published in June 2016 an effluent limitations guidelines final rule prohibiting the discharge of waste water from shale natural-gas extraction operations to a treatment plant; and in 2014 published an Advance Notice of Proposed Rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. Also, the U.S. Bureau of Land Management ("BLM") published a final rule in 2016 that established new or more stringent standards for performing hydraulic fracturing on federal and Indian lands. BLM under the Trump Administration issued a final rule in late 2018 rescinding the 2016 action; however, a California federal court vacated the 2018 final rule in July 2020, and a Wyoming federal court subsequently vacated the 2016 final rule in October 2020. Accordingly, the 2016 final rule is no longer in effect, but the Wyoming decision is expected to be appealed. Moreover, the Biden Administration is expected to pursue regulatory initiatives that regulate hydraulic fracturing activities on federal lands as well as other actions to more stringently regulate certain aspects of oil and gas development such as air emissions and water discharges. In 2021, the Biden Administration took multiple actions to pause new oil and gas leases and drilling permits on non-Indian federal lands and waters for a period of 60 days. In addition, President Biden issued an executive order on January 27, 2021, that suspends new leasing activities for oil and gas exploration and production on non-Indian federal lands and offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices that take into consideration potential climate and other impacts associated with oil and gas activities on such lands and waters. The suspension of these federal leasing activities prompted legal action by several states against the Biden Administration resulting in the issuance of a nationwide permanent injunction by a federal district judge in Louisiana effectively halting implementation of the leasing suspension. Relatedly, the Department of the Interior released its report on federal gas leasing and permitting practices in November 2021, referencing a number of recommendations and an overarching intent to modernize the federal oil and gas leasing program, including by adjusting royalty and bonding rates, prioritizing leasing in areas with known resource potential, and avoiding leasing that conflicts with recreation, wildlife habitat, conservation, and historical and cultural resources. Additionally, the Bureau of Land Management proposed a rule in November 2022 that would limit flaring from well sites on federal lands, as well as allow the delay or denial of permits if the Bureau finds that an operator’s methane waste minimization plan is insufficient. Implementation of many of the recommendations in the report will require Congressional action and provisions of the reforms have been subject to litigation. We cannot predict the extent to which the recommendations may be implemented now or in the future, but restrictions on federal oil and gas activities have the potential to result in increased costs on our customers, decreased demand for our services on federal lands, and an adverse impact on our business.

The U.S. Congress (“Congress”) has from time to time considered legislation to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic fracturing process. At the state level, some states, including Texas, Oklahoma and New Mexico have adopted, and other states are considering adopting legal requirements that could impose new or more stringent permitting, public disclosure, or well construction requirements on hydraulic fracturing activities. States could elect to prohibit high volume hydraulic fracturing altogether, following the approach taken by the State of New York in 2015. Local governments also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state, or local legal restrictions relating to the hydraulic fracturing process are adopted, our customers could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development or production activities, and perhaps even be precluded from drilling wells.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs for our customers in the production of oil and gas, including from the developing shale plays, or could make it more difficult to perform hydraulic fracturing. The adoption of any federal, state or local laws or the implementation of additional regulations regarding hydraulic fracturing could potentially cause a decrease in the completion of new oil and gas wells and an associated decrease in demand for our services and increased compliance costs and time, which could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Increased attention to Environmental, Social, and Governance (“ESG”) matters and conservation measures may adversely impact our business.

Increasing attention to, and societal expectations on companies to address, climate change and other environmental and social impacts, investor and societal expectations regarding voluntary ESG disclosures, and consumer demand for alternative forms of energy may result in increased costs, reduced demand for fossil fuels and, consequently, demand for our services, reduced profits, increased risk of investigation and litigation, and negative impacts on the value of our services and access to capital. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for oil and natural gas products and additional governmental investigations and private litigation against our customers or us. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation or contribution to the asserted damage, or to other mitigating factors. While we may in the future participate in various voluntary frameworks and certification programs to improve the ESG profile of our operations and services, we cannot guarantee that such participation or certification will have the intended results on our ESG profile.

Moreover, while we may create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures will be based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring, and reporting on many ESG matters. Additionally, while we may also announce various voluntary ESG targets in the future, such targets are aspirational. We may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including, but not limited to as a result of unforeseen costs or technical difficulties associated with achieving such results. To the extent that we do meet such targets, it may be achieved through various contractual arrangements, including the purchase of various credits or offsets that may be deemed to mitigate our ESG impact instead of actual changes in our ESG performance. Also, despite these aspirational goals, we may receive pressure from investors, lenders, or other groups to adopt more aggressive climate or other ESG-related goals, but we cannot guarantee that we will be able to implement such goals because of potential costs or technical or operational obstacles.

In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with energy-related assets could lead to increased negative investor sentiment toward us and our industry and to the diversion of investment to other industries, which could have a negative impact on our access to and costs of capital. Additionally, to the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively to recruit or retain employees, which may adversely affect our operations. Such ESG matters may also impact our customers, which may adversely impact our business, financial condition, or results of operations.

The Inflation Reduction Act of 2021 could accelerate the transition to a low carbon economy and could impose new costs on our customers' operations.

In August 2022, President Biden signed the Inflation Reduction Act of 2021 (the "IRA 2022") into law. The IRA 2022 contains hundreds of billions in incentives for the development of renewable energy, clean hydrogen, clean fuels, electric vehicles and supporting infrastructure and carbon capture and sequestration, among other provisions. In addition, the IRA 2022 imposes the first ever federal fee on the emission of greenhouses gases through a methane emissions charge. The IRA 2022 amends the federal CAA to impose a fee on the emission of methane from sources required to report their GHG emissions to the EPA, including those sources in the onshore petroleum and natural gas production and gathering and boosting source categories. The methane emissions charge would start in calendar year 2024 at $900.00 per ton of methane, increase to $1,200.00 in 2025, and be set at $1,500.00 for 2026 and each year after. Calculation of the fee is based on certain thresholds established in the IRA 2022. The methane charge imposed on our oil and gas customers could further accelerate the transition of the economy away from the use of fossil fuels towards lower- or zero-carbon emissions alternatives. This could decrease demand for oil and gas and consequently adversely affect the business of our customers, thereby reducing demand for our services.

Our operations and reputation may be impaired if certain information technology systems fail to perform adequately or if we are the subject of a data breach or cyberattack.

Our information technology systems (including the information technology systems of TETRA, provided through January 31, 2022 under the Transition Services Agreement), are critically important to operating our business efficiently. We rely on these information technology systems to manage business data, communications, supply chain, customer invoicing, employee information, and other business processes. We outsource certain business process functions to third-party providers and we rely on these third-parties to maintain and store confidential information on their systems. The failure of these information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer.

Although we allocate significant resources to protect these information technology systems, we have experienced within the past year varying degrees of cyber-incidents in the normal conduct of our business, including viruses, worms, other destructive software, process breakdowns, phishing and other malicious activities. On January 6, 2020, the Department of Homeland Security issued a public warning that indicated companies in the energy industry might be specific targets of cybersecurity threats. Such breaches have in the past and could again in the future result in unauthorized access to information including customer, supplier, employee, or other company confidential data. We are investing in security technology and designing business processes to attempt to mitigate the risk of such breaches. While we believe these measures are generally effective, there can be no assurance that security breaches will not occur. Moreover, the development and maintenance of these measures requires continuous monitoring as technologies change and efforts to overcome security measures evolve. We have experienced and expect to continue to experience, cybersecurity threats and incidents, none of which has been material to us to date. However, a successful breach or attack could have a material negative impact on our operations or business reputation and subject us to consequences such as litigation and direct costs associated with incident response.

Risks Inherent in an Investment in Us

The market price of our common units has been and may continue to be volatile.

The market price of our common units has fluctuated in the past and is subject to significant fluctuations in response to many factors, some of which are beyond our control, including the following:

- our operational performance;
- supply, demand, and prices of oil and natural gas;
- the activity levels of our customers;
- deviations in our earnings from publicly disclosed forward-looking guidance or analysts' projections;
- recommendations by research analysts that cover us and other companies in our industry;
- risks related to acquisitions and our growth strategy;
- uncertainty about current global economic conditions; and
- other general economic conditions.

During 2022, the market price for our common units ranged from a high of $1.57 per common unit to a low of $1.12 per common unit. In recent years, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price for many companies in industries similar to ours. Some of these fluctuations have been unrelated to operating performance and are attributable, in part, to outside factors such as the COVID-19 pandemic and its impact on the world economy. The volatility of our common units may make it difficult for investors to resell our common units at attractive prices.

If we cannot meet the continued listing requirements of the NASDAQ Exchange (the "NASDAQ"), the NASDAQ may delist our common units.

The Partnership has been notified by the NASDAQ in the past from time to time that the closing price of the Partnership's common units over the prior 30 consecutive trading day period was below $1.00 per unit, which is the minimum closing price per unit required to maintain listing on the NASDAQ under Rule 5450 ("Rule 5450"). While the Partnership is currently in compliance with Rule 5450, there can be no assurance that the Partnership will maintain compliance with such rule or the NASDAQ's other listing rules in the future. On March 9, 2023, the trading price of our common units closed at $1.45 per unit.

Upon receipt of notice of noncompliance from NASDAQ, the Partnership has a period of six months to regain compliance with Rule 5450, during which time our common units continue to be listed and traded on the NASDAQ, subject to our compliance with other continued listing standards. If we fail to regain compliance with Rule 5450 by the end of the cure period, the common units will be subject to the NASDAQ's suspension and delisting procedures. If necessary, to regain compliance with NASDAQ listing standards, we may, subject to approval of the board of directors of our general partner, implement a reverse split of our common units. A delisting of our common units from the NASDAQ could negatively impact us by, among other things, reducing the liquidity and market price of our common units, reducing the number of investors willing to hold or acquire our common units, limiting our ability to issue securities or obtain financing in the future, and limiting our ability to use a registration statement to offer and sell freely tradable securities, thereby restricting our ability to access the public capital markets.

Our partnership agreement requires us to distribute all of the available cash that we generate each quarter after paying expenses and establishing prudent operating reserves, which could limit our ability to grow.

Our partnership agreement requires us to distribute all of the available cash we generate each quarter. Under the terms of our partnership agreement, the amount of cash otherwise available for distribution will be reduced by our operating expenses and the amount of cash reserves that our general partner establishes to provide for future operations, future capital expenditures, future debt service requirements and future cash distributions to our common unitholders. As a result, our general partner relies primarily upon external financing sources, including existing debt arrangements and the issuance of additional debt and equity securities, as well as cash flows from operations to a certain extent, to fund our expansion capital expenditures. To the extent that we are unable to finance growth externally, this requirement significantly impairs our ability to grow. In addition, also as a result of this requirement, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. To the extent that we issue additional units in connection with any expansion of capital expenditures, the payment of distributions on those additional units may decrease the amount we distribute on each outstanding unit. Our Second Lien Notes indenture further restricts our ability to make distributions in respect of our common units in any amount exceeding $0.04 per common unit per year, unless such increased distribution is funded by proceeds from an equity offering. See also *"—We may not have sufficient cash from operations following the establishment of cash reserves and payment of debt service and other contractual obligations, fees and expenses, including cost reimbursements to our general partner, to enable us to increase cash distributions to our common unitholders."*

Spartan controls our general partner, which has sole responsibility for conducting our business and managing our operations, and thereby controls us. Spartan has conflicts of interest, which may permit it to favor its own interests to our unitholders' detriment.

Spartan controls our general partner, and through the general partner controls us. Some of our general partner's directors are directors or officers of Spartan or its affiliates that own our general partner. Therefore, conflicts of interest may arise between Spartan and its affiliates, including our general partner, on the one hand, and us and our common unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of Spartan and its affiliates over the interests of our common unitholders. These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires Spartan to pursue a business strategy that favors us. The directors and officers of Spartan and its affiliates have a fiduciary duty to make these decisions in the best interests of Spartan, which may be contrary to our interests;
- our general partner controls the interpretation and enforcement of contractual obligations between us and our affiliates, on the one hand, and Spartan, on the other hand, including provisions governing administrative services, acquisitions, and non-competition provisions;
- our general partner is allowed to take into account the interests of parties other than us, including Spartan and its affiliates, in resolving conflicts of interest;
- our general partner has limited its liability and reduced its fiduciary duties to our common unitholders and us, and has also restricted the remedies available to our common unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty;
- our general partner will determine the amount and timing of asset purchases and sales, capital expenditures, borrowings, repayment of indebtedness, and issuances of additional partnership interests, each of which can affect the amount of cash that is available for distribution to our common unitholders;
- our general partner determines the amount and timing of any capital expenditures which can affect the amount of cash that is distributed to our common unitholders;
- our general partner may cause us to borrow funds in order to permit the payment of cash distributions;
- our general partner determines which costs incurred by it and its affiliates are reimbursable by us and Spartan will determine the allocation of shared overhead expenses;
- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;
- our general partner intends to limit its liability regarding our contractual and other obligations and, in some circumstances, is entitled to be indemnified by us;
- our general partner decides whether to retain separate counsel, accountants, or others to perform services for us; and
- our general partner determines the amount and timing of distributions to our unitholders.

Our partnership agreement limits our general partner's fiduciary duties to our common unitholders and restricts the remedies available to our common unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that reduce the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty laws. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to consider any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, the exercise of its rights to transfer or vote the partnership units it owns, the exercise of its registration rights and its determination whether or not to consent to any merger or consolidation of the partnership or amendment to the partnership agreement;
- provides that our general partner will not have any liability to us or our common unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decision was in the best interests of our partnership;
- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner acting in good faith and not involving a vote of our common unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or must be "fair and reasonable" to us, as determined by our general partner in good faith and that, in determining whether a transaction or resolution is "fair and reasonable," our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us;
- provides that our general partner and its executive officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and
- provides that in resolving conflicts of interest, it will be presumed that in making its decision our general partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or us, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

Our common unitholders have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, our unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders will have no right to elect our general partner or its board of directors. The board of directors of our general partner will be chosen indirectly by Spartan through its subsidiary that is the sole shareholder of our general partner. Furthermore, if our unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. The vote of the holders of at least 66.7% of all outstanding common units is required to remove our general partner. As of March 9, 2023, our general partner and its affiliates own 44.9% of our aggregate outstanding common units. Due to these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

We can issue an unlimited number of partnership units in the future, including units that are senior in right of distributions, liquidation and voting to the common units, without the approval of our common unitholders and without the approval of the conflicts committee of our general partner, which would dilute our common unitholders' existing ownership interests.

Our partnership agreement does not limit the number of additional partnership units that we may issue at any time without the approval of our common unitholders. In addition, we may issue an unlimited number of partnership units that are senior to the common units in right of distribution, liquidation, or voting.

The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our previously existing common unitholders' proportionate ownership interests in us will decrease;
- the amount of cash available for distribution on each common unit may decrease;

- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding common unitholders may be diminished; and
- the market price of the common units may decline.

Control of our general partner has been and may be transferred to a third party without common unitholder consent.

On January 29, 2021, control of our general partner was transferred from TETRA to Spartan. Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of our unitholders. Furthermore, our partnership agreement does not restrict the ability of Spartan or its subsidiaries from transferring all or a portion of its indirect ownership interest in our general partner to a third party. The new owners of our general partner would then be in a position to replace the board of directors and executive officers of our general partner with its own choices and thereby influence the decisions taken by the board of directors and executive officers.

Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units, other than our general partner and its affiliates, including Spartan. Accordingly, such unitholders' voting rights may be limited.

Unitholders' voting rights are further restricted by the partnership agreement provision providing that any partnership units held by a person that owns 20% or more of any class of partnership units then outstanding, other than our general partner, its affiliates, including Spartan, its transferees and persons who acquired such partnership units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of our common unitholders to call meetings or to acquire information about our operations, as well as other provisions.

Our general partner has a limited call right that may require our unitholders to sell common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 90% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than the then-current market price. As a result, our unitholders may be required to sell common units at an undesirable time or price and may not receive any return on their investment. Our unitholders may also incur a tax liability upon a sale of common units. As of March 9, 2023, our general partner and its affiliates own an aggregate of 44.9% of our common units.

Our common unitholders' liability may not be limited if a court finds that common unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to our general partner. Our partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. Our common unitholders could be liable for any and all of our obligations as if they were a general partner if:

- a court or government agency determined that we were conducting business in a state but had not complied with that particular state's partnership statute; or
- our common unitholders' right to act with other unitholders to remove or replace our general partner, to approve some amendments to our partnership agreement, or to take other actions under our partnership agreement constitutes "control" of our business.

Our common unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, our common unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to our common unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the substituted limited partner at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners because of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions requiring us to make cash distributions contained therein, may be amended.

While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions requiring us to make cash distributions contained therein, may be amended. Our partnership agreement can be amended with the consent of our general partner and the approval of a majority of the outstanding common units (including common units held by affiliates of Spartan). As of March 9, 2023, our general partner and its affiliates own an aggregate of 44.9% of our common units.

We are exempt from certain corporate governance requirements that provide additional protection to stockholders of other public companies.

Companies listed on the NASDAQ are required to meet the high standards of corporate governance, as set forth in the NASDAQ Listing Rules. These requirements generally do not apply to limited partnerships or to a “controlled company,” within the meaning of the NASDAQ rules. We are a limited partnership and a “controlled company,” within the meaning of the NASDAQ rules, and, as a result, we rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other public companies.

Tax Risks to Common Unitholders

Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes. If the IRS were to treat us as a corporation for U.S. federal income tax purposes, then our cash available for distribution to our unitholders would be substantially reduced.

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for U.S. federal income tax purposes. Despite the fact that we are a limited partnership under Delaware law, we will be treated as a corporation for U.S. federal income tax purposes unless we satisfy a "qualifying income" requirement. Based upon our current operations and current Treasury Regulations, we believe that we satisfy the qualifying income requirement. However, no ruling has been or will be requested regarding our treatment as a partnership for U.S. federal income tax purposes. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on all of our taxable income at the corporate tax rate and would likely pay additional state and local income tax at varying rates. Distributions to our unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, our cash available for distribution to our unitholders would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

We have subsidiaries that are treated as corporations for U.S. federal income tax purposes and are subject to corporate-level income taxes.

We conduct a portion of our operations through subsidiaries that are organized as corporations for U.S. federal income tax purposes. We may elect to conduct additional operations through these corporate subsidiaries in the future. These corporate subsidiaries are subject to U.S. corporate-level tax, which reduces the cash available for distribution to us and, in turn, to our unitholders. If the IRS were to successfully assert that these corporations have more tax liability than we anticipate or legislation were enacted that increases the corporate tax rate, our cash available for distribution to our unitholders would be further reduced. Distributions from any such corporate subsidiary will generally be treated as dividend income to the extent of the current and accumulated earnings and profits of such corporate subsidiary. An individual unitholder's share of dividend income from any corporate subsidiary would constitute portfolio income that could not be offset by the unitholder's share of our other losses or deductions.

The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial, or administrative changes and differing interpretations, possibly on a retroactive basis.

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial changes or differing interpretations at any time. From time to time, members of the U.S. Congress have proposed and considered substantive changes to the existing U.S. federal income tax laws that would affect publicly traded partnerships, including proposals that would eliminate our ability to qualify for partnership tax treatment. Recent proposals have provided for the expansion of the qualifying income exception for publicly traded partnerships in certain circumstances, and other proposals have provided for the total elimination of the qualifying income exception upon which we rely for our partnership tax treatment.

In addition, the Treasury Department has issued, and in the future may issue, regulations interpreting those laws that affect publicly traded partnerships. There can be no assurance that there will not be further changes to U.S. federal income tax laws or the Treasury Department’s interpretation of the qualifying income rules in a manner that could impact our ability to qualify as a partnership in the future.

Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for U.S. federal income tax purposes. We are unable to predict whether any of these changes or other proposals will ultimately be enacted. Any similar or future legislative changes could negatively impact the value of an investment in our common units. You are urged to consult with your own tax advisor with respect to the status of regulatory or administrative developments and proposals and their potential effect on your investment in our common units.

If we were subjected to a material amount of additional entity-level taxation by individual states, it would reduce our cash available for distribution to our unitholders.

Changes in current state law may subject us to additional entity-level taxation by individual states. Because of state budget deficits and other reasons, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise, and other forms of taxation. For example, we are subject to an entity-level Texas franchise tax. Imposition of any such taxes may substantially reduce the cash available for distribution to our unitholders.

Although we are not subject to U.S. federal income tax other than with respect to our operating U.S. subsidiaries that are treated as corporations for U.S. federal income tax purposes, certain of our foreign operations are subject to certain non-U.S. taxes. If a taxing authority were to successfully assert that we have more tax liability than we anticipate or legislation were enacted that increased the taxes to which we are subject, our cash available for distribution to our unitholders could be further reduced.

Approximately 12.2% of our consolidated revenues for the year ended December 31, 2022, were generated in non-U.S. jurisdictions, primarily Mexico, Canada, Argentina, Chile and Egypt. Our non-U.S. operations and subsidiaries are generally subject to income, withholding, and other taxes in the non-U.S. jurisdictions in which they are organized or from which they receive income, reducing the amount of cash available for distribution. In computing our tax obligation in these non-U.S. jurisdictions, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing tax authorities, such as whether withholding taxes will be reduced by the application of certain tax treaties. Upon review of these positions the applicable authorities may not agree with our positions. A successful challenge by a tax authority could result in additional taxes being imposed on us, reducing the cash available for distribution to our unitholders. In addition, changes in our operations or ownership could result in higher than anticipated taxes being imposed in jurisdictions in which we are organized or from which we receive income and further reduce the cash available for distribution. Although these taxes may be properly characterized as foreign income taxes, our unitholders may not be able to credit them against the liability for U.S. federal income taxes on the unitholders’ share of our earnings. In addition, our operations in countries in which we operate now or in the future may involve risks associated with the legal structure used and the taxation on assets transferred into a particular country. Tax laws of non-U.S. jurisdictions are subject to potential legislative, judicial, or administrative changes and differing interpretations, possibly on a retroactive basis. Any such changes may result in additional taxes above the amounts we currently anticipate and further reduce our cash available for distribution to our unitholders.

If the IRS contests the U.S. federal income tax positions we take, the market for our common units may be adversely impacted, and the cost of any IRS contest will reduce our cash available for distribution to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for U.S. federal income tax purposes. The IRS may adopt positions that differ from the positions we take, and the IRS's positions may ultimately be sustained. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner, because the costs will reduce our cash available for distribution.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from us, in which case our cash available for distribution to our unitholders may be substantially reduced.

Legislation applicable to partnership tax years beginning after December 31, 2017 alters the procedures for auditing large partnerships and for assessing and collecting taxes due (including penalties and interest) as a result of a partnership-level U.S. federal income tax audit. Under this legislation, unless we are eligible to (and do) elect to issue revised information statements to our unitholders and former unitholders with respect to an audited and adjusted partnership tax return, the IRS (and some states) may assess and collect taxes (including any applicable penalties and interest) directly from us in the year in which the audit is completed. If we are required to pay taxes, penalties and interest as a result of audit adjustments, cash available for distribution to our unitholders may be substantially reduced. In addition, because payment would be due for the taxable year in which the audit is completed, unitholders during that taxable year would bear the expense of the adjustment even if they were not unitholders during the audited tax year. These rules are not applicable for tax years beginning on or prior to December 31, 2017.

Our unitholders are required to pay taxes on their share of our income, even if they do not receive any cash distributions from us.

Our unitholders are required to pay any U.S. federal income taxes, and, in some cases, state and local income taxes on their share of our taxable income, even if they do not receive cash distributions from us. Unitholders with a greater than 10% interest in us may also be required to include their pro rata share of any global intangible low-taxed income attributable to our foreign corporate subsidiaries in the year in which such income is earned, even if the unitholder receives no cash distributions from us. Unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

In response to current market conditions, we may engage in transactions to delever the Partnership and manage our liquidity that may result in income and gain to our unitholders without a corresponding cash distribution. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, you may be allocated taxable income and gain resulting from the sale without receiving a cash distribution. Further, taking advantage of opportunities to reduce our existing debt, such as debt exchanges, debt repurchases, or modifications of our existing debt, could result in “cancellation of indebtedness income” (also referred to as “COD income”) being allocated to our unitholders as taxable income. Unitholders may be allocated COD income, and income tax liabilities arising therefrom may exceed cash distributions. The ultimate effect of any such allocations will depend on the unitholder’s individual tax position with respect to its units. Unitholders are encouraged to consult their tax advisors with respect to the consequences to them of COD income.

Tax gain or loss on the disposition of our common units could be more or less than expected.

If our unitholders sell common units, they will recognize a gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and their tax basis in those common units. Because distributions in excess of their allocable share of our net taxable income decrease the tax basis in their common units, the amount, if any, of such prior excess distributions with respect to the units our unitholders sell will, in effect, become taxable income to our unitholders if they sell such units at a price greater than their tax basis in those units, even if the price they receive is less than their original cost. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if our unitholders sell their units, they may incur a tax liability in excess of the amount of cash the unitholders receive from the sale.

A substantial portion of the amount realized from a unitholder's sale of our units, whether or not representing gain, may be taxed as ordinary income to such unitholder due to potential recapture items, including depreciation recapture. Thus, a unitholder may recognize both ordinary income and capital loss from the sale of units if the amount realized on a sale of such units is less than such unitholder's adjusted basis in the units. Net capital loss may only offset capital gains and, in the case of individuals, up to $3,000 of ordinary income per year. In the taxable period in which a unitholder sells its units, such unitholder may recognize ordinary income from our allocations of income and gain to such unitholder prior to the sale and from recapture items that generally cannot be offset by any capital loss recognized upon the sale of units.

Unitholders may be subject to limitation on their ability to deduct interest expense incurred by us.

In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during our taxable year. However, under the Tax Cuts and Jobs Act, for taxable years beginning after December 31, 2017, our deduction for "business interest" is limited to the sum of our business interest income and 30% of our "adjusted taxable income." For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest expense or business interest income, and in the case of taxable years beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion to the extent such depreciation, amortization, or depletion is not capitalized into cost of goods sold with respect to inventory.

If our "business interest" is subject to limitation under these rules, our unitholders will be limited in their ability to deduct their share of any interest expense that has been allocated to them. As a result, unitholders may be subject to limitation on their ability to deduct interest expense incurred by us.

Tax-exempt entities face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Investment in our common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs), raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from U.S. federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Tax-exempt entities should consult a tax advisor before investing in our common units.

Non-U.S. Unitholders will be subject to U.S. taxes and withholding with respect to their income and gain from owning our units.

Non-U.S. unitholders are generally taxed and subject to income tax filing requirements by the U.S. on income effectively connected with a U.S. trade or business ("effectively connected income"). Income allocated to our unitholders and any gain from the sale of our units will generally be considered to be "effectively connected" with a U.S. trade or business. As a result, distributions to a Non-U.S. unitholder will be subject to withholding at the highest applicable effective tax rate and a Non-U.S. unitholder who sells or otherwise disposes of a unit will also be subject to U.S. federal income tax on the gain realized from the sale or disposition of that unit.

Moreover, the transferee of an interest in a partnership that is engaged in a U.S. trade or business is generally required to withhold 10% of the "amount realized" by the transferor unless the transferor certifies that it is not a foreign person. While the determination of a partner's "amount realized" generally includes any decrease of a partner's share of the partnership's liabilities, the Treasury regulations provide that the "amount realized" on a transfer of an interest in a publicly traded partnership, such as our units, will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and thus will be determined without regard to any decrease in that partner's share of a publicly traded partnership's liabilities. The Treasury regulations and other guidance from the IRS provide that withholding on a transfer of an interest in a publicly traded partnership will not be imposed on a transfer that occurs prior to January 1, 2023. Thereafter, the obligation to withhold on a transfer of interests in a publicly traded partnership that is effected through a broker is imposed on the transferor's broker. Current and prospective Non-U.S. unitholders should consult their tax advisors regarding the impact of these rules on an investment in our common units.

We will treat each purchaser of our common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Due to a number of factors, including our inability to match transferors and transferees of common units, we have adopted depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders' tax returns.

We prorate our items of income, gain, loss, and deduction for U.S. federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge aspects of our proration method and could change the allocation of items of income, gain, loss, and deduction among our unitholders.

We prorate our items of income, gain, loss, and deduction for U.S. federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month (the "Allocation Date"), instead of on the basis of the date a particular unit is transferred. Similarly, we generally allocate (i) certain deductions for depreciation of capital additions, (ii) gain or loss realized on a sale or other disposition of our assets, and (iii) in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction based upon ownership on the Allocation Date. Although final Treasury Regulations allow publicly traded partnerships to use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders, these regulations do not specifically authorize all aspects of the proration method we have adopted. If the IRS were to successfully challenge our proration method, we may be required to change our allocation of items of income, gain, loss, and deduction among our unitholders.

Taxable income from our non-U.S. businesses is not eligible for the 20% deduction for qualified publicly traded partnership income.

For taxable years beginning after December 31, 2017 and ending on or before December 31, 2025, a unitholder is generally allowed a deduction equal to 20% of our "qualified publicly traded partnership income" that is allocated to such unitholder. For purposes of the deduction, the term qualified publicly traded partnership income includes the net amount of such unitholder's allocable share of our income that is effectively connected to our U.S. trade or business activities. Because our non-U.S. business operations earn income that is not effectively connected with a U.S. trade or business, unitholders may not apply the 20% deduction for qualified publicly traded partnership income to that portion of our income.

A unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of those units. If so, the unitholder would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition.

Because there are no specific rules governing the U.S. federal income tax consequence of loaning a partnership interest, a unitholder whose units are loaned to a "short seller" to cover a short sale of units may be considered as having disposed of the loaned units. In that case, the unitholder may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller, and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss, or deduction with respect to those units may not be reportable by the unitholder, and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

We have adopted certain valuation methodologies in determining a unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, and such a challenge could adversely affect the value of our common units.

In determining the items of income, gain, loss and deduction allocable to our unitholders, we must routinely determine the fair market value of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we make many fair market value estimates ourselves using a methodology based on the market value of our common units as a means to determine the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction for U.S. federal income tax purposes.

A successful IRS challenge to these methods or allocations could adversely affect the timing or amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

Unitholders will likely be subject to non-U.S., state and local taxes, and return filing requirements in jurisdictions where they do not live as a result of investing in our common units.

In addition to U.S. federal income taxes, unitholders will likely be subject to other taxes, including non-U.S., state and local taxes, unincorporated business taxes and estate, inheritance, or intangible taxes that are imposed by the various jurisdictions in which we do business or control property now or in the future, even if they do not live in any of those jurisdictions. Unitholders will likely be required to file non-U.S., state, and local income tax returns and pay non-U.S., state and local income taxes in some or all of these various jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. In the United States, we own assets and conduct business in many states, most of which currently impose a personal income tax on individuals and an income tax on corporations and other entities. As we make acquisitions or expand our business, we may own or control assets or conduct business in additional jurisdictions that impose a personal income tax. It is our unitholders' responsibility to file all U.S. federal, non-U.S., state and local tax returns and pay any taxes due in these jurisdictions. Unitholders should consult with their own tax advisors regarding the filing of such tax returns, the payment of such taxes, and the deductibility of any taxes paid.

Unitholders may be subject to tax in one or more non-U.S. jurisdictions, including Canada, Mexico, Argentina, Egypt and Chile as a result of owning our common units if, under the laws of any such jurisdiction, we are considered to be carrying on business there. If unitholders are subject to tax in any such jurisdiction, they may be required to file a tax return with, and pay taxes to, that jurisdiction based on their allocable share of our income. We may be required to reduce distributions to unitholders on account of any withholding obligations imposed upon us by that jurisdiction in respect of such allocation to the unitholders. In addition, the U.S. may not allow a tax credit for any foreign income taxes that unitholders directly or indirectly incur.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2022, we owned four service facilities in North Dakota and Texas. We lease 22 additional service facilities in Alabama, Arkansas, California, Colorado, New Mexico, Oklahoma, Texas and West Virginia. We also lease service facilities and administrative offices in Argentina, Canada, Egypt and Mexico. We also lease a number of storage facilities located across the geographic markets we serve. As of January 2022, we are leasing our own office space in The Woodlands, Texas for our headquarters. We moved out of the TETRA's headquarters in The Woodlands, Texas as of January 2022. Our primary assets include our fleet of compression and other equipment. See "Item 1 Business - Products and Services - Contract Services," for a discussion and description of our compression fleet. All obligations under our First Lien Notes and our Second Lien Notes are secured by security interests in substantially all of our compression assets but excluding other real property assets. In January 2022, we sold our facilities in Oklahoma City, and we currently do not own real property in Oklahoma.

Item 3. Legal Proceedings.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. While the outcome of lawsuits against us cannot be predicted with certainty, management does not consider it reasonably possible that a loss resulting from such lawsuits in excess of any amounts accrued has been incurred that is expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Repurchases of Equity Securities.

Market Information

Our common units are traded on NASDAQ under the symbol "CCLP." As of March 9, 2023, there were 55 holders of record of the common units. The actual number of common unitholders is greater than this number of record holders and includes common unitholders who are beneficial owners but whose shares are held in street name by banks, brokers and other nominees.

Distribution Policy

Our partnership agreement requires us to distribute, no later than 45 days after the end of each quarter, all of our available cash, as defined below, at the end of each quarter. There is no guarantee that we will pay any specific distribution in any quarter.

Definition of Available Cash. We define Available Cash in the partnership agreement, and it means, for any quarter, all cash on hand at the end of that quarter:

- less the amount of cash reserves established by our general partner to:
    - provide for the proper conduct of our business after the end of the quarter;
    - comply with applicable law, any of our future debt instruments or other agreements; or
    - provide funds for future distributions;
- plus, if our general partner so determines, all or any portion of any additional cash and cash equivalents on hand on the date of determination of Available Cash for the quarter resulting from working capital borrowings made after the end of the quarter.

Working capital borrowings are borrowings that are made under a credit agreement, commercial paper facility, or similar financing arrangement, and in all cases are used solely for working capital purposes or to pay distributions to partners and with the intent of the borrower to repay such borrowings within twelve months from sources other than additional working capital borrowings.

Common Units. We pay quarterly distributions to the holders of common units to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of debt service and other contractual obligations, fees and expenses. Beginning with the distribution for the fourth quarter of 2018, we have paid a distribution of $0.01 per common unit, or $0.04 on an annualized basis. There is no guarantee that we will continue to pay the reduced current quarterly distribution on the common units or be able to increase it in the future. Our Second Lien Notes indenture further restricts our ability to make distributions in respect of our common units in any amount exceeding $0.04 per common unit per year, unless such increased distribution is funded by proceeds from an equity offering. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement. Distributions attributable to the year ended 2022 totaled $0.04 per common unit. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources - Cash Flows - Financing Activities" for a discussion of restrictions on our ability to make distributions.

General Partner Interest. Initially, our general partner was entitled to approximately 2.0% of all distributions that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its initial 2.0% general partner interest. Our general partner's initial 2.0% interest in our distributions has been decreased to approximately 0.5% and may be reduced further if we issue additional limited partner units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its current general partner interest.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Units that May Yet be Purchased Under the Publicly Announced Plans or Programs
October 1 – October 31, 2022	—	$ —	N/A	N/A
November 1 – November 30, 2022	—	—	N/A	N/A
December 1 – December 31, 2022	—	—	N/A	N/A
Total	—		N/A	N/A

Securities Authorized for Issuance under Equity Compensation Plans.

See “Item 12. Security Ownership of Certain Beneficial Owners and Management” for information regarding our equity compensation plans as of December 31, 2022.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is intended to analyze major elements of our consolidated financial statements and provide insight into important areas of management's focus. This section should be read in conjunction with the Consolidated Financial Statements and accompanying Notes included elsewhere in this Annual Report. Statements in the following discussion may include forward-looking statements. These forward-looking statements involve risks and uncertainties. See "Item 1A. Risk Factors," for additional discussion of these factors and risks.

On January 29, 2021, Spartan acquired from TETRA the Partnership's general partner, IDRs and 10.95 million common units in the Partnership in the GP Sale. In connection with the GP Sale, on January 29, 2021, TETRA entered into the Transition Services Agreement with the Partnership, pursuant to which TETRA provided certain accounting, information technology and back-office support services to the Partnership for a period of up to one year following closing. The Transition Services Agreement with TETRA expired on January 31, 2022.

On November 10, 2021, the Partnership entered into the Contribution Agreement with CSI Compressco GP, Spartan and Compressco Sub. Pursuant to the terms of the Contribution Agreement, Spartan contributed Spartan Treating to the Partnership. As the Partnership and Spartan Treating were under common control at the time of the Spartan Acquisition, the results of operations have been combined for the Partnership and Spartan Treating from the date common control began, January 29, 2021. See Note 4 - "Common Control Acquisition" in the Notes to Consolidated Financial Statements in this Annual Report for further information.

Business Overview

We are a provider of contract services related to the exploration and production of oil and natural gas, including natural gas compression services and treating services. Natural gas compression equipment is used for natural gas and oil production, gathering, artificial lift, production enhancement, transmission, processing, and storage. We also provide a variety of natural gas treating services. Our compression business includes a fleet of approximately 4,600 compressor packages providing approximately 1.2 million in aggregate horsepower, utilizing a full spectrum of low-, medium-, and high-horsepower engines. Our treating fleet includes amine units, gas coolers, and related equipment. Our aftermarket business provides compressor package overhaul, repair, engineering and design, reconfiguration and maintenance services, as well as the sale of compressor package parts and components manufactured by third-party suppliers. Our customers operate throughout many of the onshore producing regions of the United States, as well as in a number of international locations, including Mexico, Canada, Argentina, Egypt and Chile.

Demand for our services is directly driven by the production of crude oil and associated natural gas from unconventional shale plays, production of natural gas from conventional plays and the transmission of natural gas to and within sales pipelines. Our fleet of compressors, ranging from 20 to 2,500 horsepower per unit, allows us to service our customers compression needs at the wellhead through high-horsepower compression needs at centralized gathering and gas lift facilities.

During 2021, our financial results were affected by the economic impact of the COVID-19 pandemic. Reduced spending by oil and gas operators led to a decline in our compression fleet utilization which impacted revenues and pricing. Oil and natural gas commodity prices gained strength throughout 2021 and increased significantly during 2022. West Texas Intermediate oil prices reached an average of $83 per barrel in the fourth quarter of 2022. This increase in commodity prices, coupled with the waning impact of the COVID-19 pandemic on the economy, resulted in an increase in the demand for our contract services, aftermarket services, and equipment rentals. Our compression fleet utilization increased to 86.8% as of December 31, 2022, compared to 80.8% as of December 31, 2021. In addition, as a result of increased customer demand, we were able to implement price increases on many of our compression contracts in the second half of 2021 and throughout 2022. Revenue from contract services increased each quarter in 2022. We secured orders from key customers for high-horsepower and electric compressors that started generating revenues in the fourth quarter of 2022 and continue to be deployed in 2023. Our customers remain focused on capital discipline; however, the levels of quote activity and awards remain strong. The strengthening market environment has increased, competition for field and corporate employees. Supply chain issues, increased commodity prices, and inflationary pressures have increased costs and impacted the availability of our parts and supplies. In December 2022, an international contract expired through its natural course, as of December 31, 2022 the contract has not renewed. Management is having ongoing conversations over a renewal or extension. External factors including Russia's invasion of Ukraine, inflationary pressures and related monetary policy, such as Federal Reserve rate increases, could adversely affect our results of operations, impair our ability to raise capital, or otherwise adversely impact our ability to realize certain business strategies. We continue to monitor these risks and take the necessary actions to mitigate them. We have and will continue to evaluate the sale of non-core assets, including our low-horsepower compression fleet. We can provide no assurance that we will consummate a future sale of our low-horsepower compression fleet.

With the rapidly changing market environment, we will continue to proactively manage our capital allocation strategies, our liquidity requirements and monitor our expenses and financial performance. In addition, continued capital discipline throughout the energy sector may limit production growth even as the economy recovers from these external factors. Despite challenging and changing market conditions, we will continue to maintain our commitment to safety and service quality for our customers.

Results of Operations

The following data should be read in conjunction with the Consolidated Financial Statements and the associated Notes contained elsewhere in this document. On November 10, 2021, Spartan contributed Spartan Treating to the Partnership. As the Partnership and Spartan Treating were under common control at the time of the Spartan Acquisition, the results of operations have been combined for the Partnership and Spartan Treating from the date common control began which was January 29, 2021. See Note 4 - “Common Control Acquisition” in the Notes to Consolidated Financial Statements in this Annual Report for further information. Previously, our equipment sales business included our new unit sales business that consisted of the fabrication and sale of new standard and custom-designed, engineered compressor packages fabricated primarily at our facility in Midland, Texas. We sold the Midland facility in July 2020. In the fourth quarter of 2020, we fully exited the new unit sales business and we have reflected these operations as discontinued operations for all periods presented. See Note 9 - “Discontinued Operations” in the Notes to Consolidated Financial Statements in this Annual Report for further information. Used equipment sales revenue continues to be included in equipment sales revenue.

2022 Compared to 2021

	Year Ended December 31,					
			Period-to-Period Change	Percentage of Total Revenues		Perio Per Cha
Consolidated Results of Operations	**2022**	**2021**	**2022 vs. 2021**	**2022**	**2021**	**2021 vs**
		(In Thousands)				
Revenues:						
Contract services	$ 263,241	$ 234,998	$ 28,243	74.5 %	77.3 %	
Aftermarket services	72,928	53,534	19,394	20.6 %	17.6 %	
Equipment rentals	14,865	12,903	1,962	4.2 %	4.2 %	
Equipment sales	2,364	2,736	(372)	0.7 %	0.9 %	(
Total revenues	353,398	304,171	49,227	100.0 %	100.0 %	
Cost of revenues:						
Cost of contract services	135,639	118,702	16,937	38.4 %	39.0 %	
Cost of aftermarket services	58,199	45,578	12,621	16.5 %	15.0 %	
Cost of equipment rentals	2,346	1,065	1,281	0.7 %	0.4 %	1
Cost of equipment sales	1,382	3,342	(1,960)	0.4 %	1.1 %	(
Total cost of revenues	197,566	168,687	28,879	55.9 %	55.5 %	
Depreciation and amortization	78,231	78,234	(3)	22.1 %	25.7 %	
Impairments and other charges	135	—	135	— %	— %	1
Insurance recoveries	—	—	—	— %	— %	1
Selling, general, and administrative expense	42,563	43,299	(736)	12.0 %	14.2 %	
Interest expense, net	50,503	54,791	(4,288)	14.3 %	18.0 %	
Other (income) expense, net	1,882	3,868	(1,986)	0.5 %	1.3 %	(
Loss before taxes and discontinued operations	(17,482)	(44,708)	27,226	(4.9)%	(14.7)%	(
Provision for income taxes	4,786	4,952	(166)	1.4 %	1.6 %	
Loss from continuing operations	(22,268)	(49,660)	$ 27,392	(6.3)%	(16.3)%	(
Income (loss) from discontinued operations, net of taxes	173	(612)	$ 785	— %	(0.2)%	(1
Net loss	$ (22,095)	$ (50,272)	$ 28,177	(6.3)%	(16.5)%	(

<u>Revenues</u>

Contract services revenues increased by $28.2 million, or 12.0%, during 2022 compared to the prior year. The increase in revenues is due to an increase in activity levels resulting from strong oil and gas commodity prices and the economic recovery as the impact of the pandemic diminishes. Compression fleet horsepower utilization and operating horsepower both increased in 2022 compared to the prior year. In addition, due to the improved market conditions, we implemented price increases resulting in an increase in revenues. Operating horsepower increased compared to the prior year period due to the deployment of new compressor units in 2022 and the redeployment of idle compressor units in late 2021 and throughout 2022.

Aftermarket services revenues increased $19.4 million, or 36.2%, during 2022 compared to the prior year due to increased demand for compression parts and services resulting from an increase in activity levels by our customers. With the improvement in market conditions and the strong oil and gas commodity prices, customers have increased production of oil and gas which, in turn, increased the demand for parts and services needed to maintain their compression fleet.

Equipment rentals revenues increased $2.0 million, or 15.2%, during 2021 due to the addition of Spartan Treating revenues in the consolidated financial statements of the Partnership effective January 29, 2021. The prior year period only includes approximately 11 months of revenues from Spartan Treating compared to 12 months in the current year period. Additionally, the number of revenue-generating gas coolers increased in 2022 due to an increase in customer demand and higher activity levels.

Equipment sales revenues decreased $0.4 million, or 13.6%, during 2022 compared to the prior year due to a decrease in used unit sales.

Cost of revenues

Cost of contract services increased $16.9 million compared to the prior year due to an increase in revenues and higher activity levels. Cost of contract services as a percentage of contract services revenues increased from 50.5% in 2021 to 51.5% in 2022. This increase was partially due to the effect of inflation resulting in increased costs in certain operating cost categories in 2022 including parts, field labor, and fluids costs.

Cost of aftermarket services increased $12.6 million in 2022 compared to 2021 consistent with the increase in revenues. The cost of aftermarket services was also impacted by inflation in 2022.

Cost of equipment rentals increased $1.3 million compared to 2021 due to the increase in corresponding revenues. Cost of equipment rentals as a percentage of equipment rental revenue increased from 8.3% in 2021 to 15.8% in 2022. This was driven by increased use of outside service providers required to meet customer demand in a high utilization environment.

Cost of equipment sales decreased $2.0 million during the current year as a result of selling aged units with decreased market value.

Depreciation and amortization

Depreciation and amortization expense consists primarily of the depreciation of compressor packages in our service fleet. In addition, it includes the depreciation of other operating equipment and facilities and the amortization of intangibles. Depreciation and amortization expense remained relatively consistent compared to the prior year.

Impairments and other charges

During the year ended December 31, 2022, a certain engine in inventory was written off due to an engine being sold at a loss, resulting in a charge of $0.1 million. There were no impairments or other charges recorded in 2022.

Selling, general, and administrative expense

Selling, general, and administrative expenses decreased $0.7 million during 2022 compared to 2021 largely due to decreased employment expenses, including wages, incentives, benefits, and other employee-related expenses of $6.2 million primarily due to the transition of headcount from TETRA shared services model to in-house functions and decreased bad debt expenses and other expenses of $0.9 million. These decreases were offset by increased general expenses such as office, tax, and insurance expenses of $5.3 million and increased professional services fees of $1.1 million.

Interest expense, net

Interest expense, net decreased to $50.5 million during 2022 compared to $54.8 million in 2021 due to the redemption of our 7.25% Senior Notes in 2021.

Other (income) expense, net

Other (income) expense, net, was $1.9 million of expense during 2022 compared to $3.9 million of expense in 2021. This decrease in expense is primarily due to increased income associated with the disposal of assets offset increased foreign currency losses, primarily from our operations in Mexico and Argentina.

Provision for income taxes

As a partnership, we are generally not subject to income taxes at the entity level, and our partners are separately taxed on their share of our taxable income. However, a portion of our business is conducted through taxable U.S. corporate subsidiaries. Accordingly, a U.S. federal and state income tax provision has been reflected in the accompanying statements of operations. Certain of our operations are located outside of the United States and the Partnership, through its foreign subsidiaries, is responsible for income taxes in these countries.

Our effective tax rate for the year ended December 31, 2022, was negative 27.4% primarily due to taxes in certain foreign jurisdictions and Texas gross margin taxes combined with losses generated in entities for which no related tax benefit has been recorded. Included in our deferred tax assets are net operating loss carryforwards and tax credits that are available to offset future income tax liabilities in the U.S. as well as in certain foreign jurisdictions.

Income (loss) from discontinued operations, net of tax

Income (loss) from discontinued operations, net of tax increased from a $0.6 million loss for the year ended December 31, 2021, to a $0.2 million income for the year ended December 31, 2022. The prior year loss includes $0.2 million of new unit sales revenues offset by $0.5 million of cost of sales, and $0.4 million of selling, general, and administrative expenses. The 2022 gain is related to the expiration of the remaining warranty reserve not utilized.

How We Evaluate Our Operations

Operating Expenses. We use operating expenses as a performance measure for our business. We track our operating expenses using month-to-month, quarter-to-quarter, year-to-date, and year-to-year comparisons and as compared to budget. This analysis is useful in identifying adverse cost trends and allows management to investigate the cause of these trends and put corrective measures in place where possible. The most significant portions of our operating expenses are for our field labor, repair and maintenance of our equipment, and fluids cost. The costs of other materials consumed while performing our services, other labor costs, vehicle leases and maintenance cost, rent on facilities, and insurance expenses comprise the significant remainder of our operating expenses. Our operating expenses generally fluctuate with our level of activity.

Our labor costs consist primarily of wages and benefits for our field personnel, as well as expenses related to their training and safety. Additional information regarding our operating expenses for the year ended December 31, 2022, is provided within the Results of Operations sections above.

Adjusted EBITDA. We view Adjusted EBITDA as one of our primary management tools, and we track it on a monthly basis, both in dollars and as a percentage of revenues (typically compared to the prior month, prior year period, and to budget). We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, and before certain charges, including impairments, bad debt expense attributable to bankruptcy of customers, equity compensation, non-cash costs of compressors sold, gain on extinguishment of debt, write-off of unamortized financing costs, and excluding severance and other non-recurring or unusual expenses or charges. Adjusted EBITDA is used as a supplemental financial measure by our management to:

- assess our ability to generate available cash sufficient to make distributions to our common unitholders and general partner;

- evaluate the financial performance of our assets without regard to financing methods, capital structure, or historical cost basis;
- measure operating performance and return on capital as compared to those of our competitors; and
- determine our ability to incur and service debt and fund capital expenditures.

The following table reconciles net income (loss) to Adjusted EBITDA for the periods indicated:

	Year Ended December 31,	
	2022	**2021**
	(In Thousands)	
Net loss	$ (22,095)	$ (50,272)
Provision for income taxes	4,786	4,952
Depreciation and amortization	78,231	78,234
Impairments and other charges	135	—
Interest expense, net	50,503	54,791
Equity compensation	1,622	1,954
Transaction costs	210	2,146
ERP Write Off	—	4,635
Reorganization costs	—	754
Severance	432	114
Non-cash cost of compressors sold	1,382	3,368
Prior year sales tax accrual adjustment	—	367
Manufacturing engine order cancellation charge	—	300
(Benefit) provision for income taxes, depreciation, amortization and impairments attributed to discontinued operations	(173)	256
Other	440	(137)
Adjusted EBITDA	$ 115,473	$ 101,462

Free Cash Flow. We define Free Cash Flow as cash from operations less capital expenditures, net of sales proceeds. Management primarily uses this metric to assess our ability to retire debt, evaluate our capacity to further invest and grow, and measure our performance as compared to our peers. The following table reconciles cash provided by operations, net, to Free Cash Flow for the periods indicated:

	Year Ended December 31,	
	2022	**2021**
	(In Thousands)	
Net cash provided by operating activities	$ 35,544	$ 27,156
Capital expenditures, net of sales proceeds	(43,939)	(42,098)
Free cash flow	$ (8,395)	$ (14,942)

Net cash provided by operating activities for the year ended December 31, 2021, includes $57.0 million of revenues in excess of cash expenses partially offset by $21.5 million in working capital changes.

Adjusted EBITDA and Free Cash Flow are financial measures that are not in accordance with U.S. GAAP and should not be considered an alternative to net income, operating income, cash from operating activities, or any other measure of financial performance presented in accordance with U.S. GAAP. These measures may not be comparable to similarly titled financial metrics of other entities, as other entities may not calculate Adjusted EBITDA or Free Cash Flow in the same manner as we do. Management compensates for the limitations of Adjusted EBITDA and Free Cash Flow as analytical tools by reviewing the comparable U.S. GAAP measures, understanding the differences between the measures, and incorporating this knowledge into management's decision-making processes. Adjusted EBITDA and Free Cash Flow should not be viewed as indicative of the actual amount of cash we have available for distributions or that we plan to distribute for a given period, nor should it be equated with “available cash” as defined in our partnership agreement.

Horsepower Utilization Rate of our Compressor Packages. We measure the horsepower utilization rate across our fleet of compressor packages as the amount of horsepower of compressor packages used to provide services as of a particular date, divided by the amount of horsepower of compressor packages in our services fleet as of such date. Management primarily uses this metric to determine our future need for additional compressor packages for our service fleet and to measure marketing effectiveness.

The following table sets forth the total horsepower in our compression fleet, our total horsepower in service and our horsepower utilization rate by each horsepower class of our compression fleet as of the dates shown.

	December 31,	
	2022	2021
Horsepower		
Total horsepower in fleet	1,187,357	1,196,842
Total horsepower in service	1,030,571	967,085
Total horsepower utilization rate	86.8 %	80.8 %

The following table sets forth our horsepower utilization rates by each horsepower class of our compression fleet as of the dates shown.

	December 31,	
	2022	2021
Horsepower utilization rate by class		
Low-horsepower (0-100)	62.4 %	57.3 %
Medium-horsepower (101-1,000)	84.4 %	80.4 %
High-horsepower (1,001 and over)	93.1 %	86.1 %
Total Horsepower utilization rate	86.8 %	80.8 %

The total horsepower utilization rate increased in 2022 compared to 2021 due to an increase in customer activity levels. This was driven by a high commodity price environment for oil and gas and the continued recovery from the impact of the COVID-19 pandemic on the global economy and energy sector. Market conditions improved in the current year resulting in an increase in total utilization of 6% compared to the utilization rate as of December 31, 2021, with meaningful gains in utilization in all horsepower categories. Operating horsepower increased by approximately 63,500 horsepower which includes the redeployment of previously idle horsepower and new high-horsepower compressors placed in service resulting from our growth capital investments.

Net Increases/Decreases in Compression Fleet Horsepower. We measure the net increase (or decrease) in our compression fleet horsepower during a given period by taking the difference between the aggregate horsepower of compressor packages added to the fleet during the period, less the aggregate horsepower of compressor packages removed from the fleet during the period.

Liquidity and Capital Resources

Our primary cash requirements are for distributions, working capital requirements, debt service, normal operating expenses, and capital expenditures. Our potential sources of funds are our existing cash balances, cash generated from our operations, asset sales, and long-term and short-term borrowings, which we believe will be sufficient to meet our working capital and growth capital requirements during 2023. We have secured orders from key customers for high-horsepower and electric compressors which will drive our investment in growth capital and consume liquidity in 2023.

During 2022, oil and gas commodity prices remained strong resulting in an increase in activity levels by our customers and higher demand for our products and services. Although uncertainty remains, the outlook for the energy sector continues to be favorable. Despite these uncertainties, we remain committed to a long-term growth strategy. Our near-term focus is to reduce our leverage, preserve and enhance liquidity, and grow our profitability through strategic operating and financial measures. We periodically evaluate engaging in strategic transactions and may consider divesting assets where our evaluation suggests such transactions are in the best interests of our business. We are subject to business and operational risks that could materially and adversely affect our cash flows and, when coupled with risks associated with current debt and equity market conditions, our ability or desire to issue securities. Please read “Item 1A. Risk Factors.”

In November of 2021, in connection with the Spartan Acquisition, we closed a private placement of common units to certain investors for gross proceeds of $52.7 million (the “Private Placement”) and issued $10 million in aggregate principal amount of our 10.000%/10.750% Senior Secured Second Lien Notes due 2026 (the “New Second Lien Notes”) pursuant to a securities purchase agreement (the “Second Lien Notes Sale”). The proceeds of the Private Placement and Second Lien Notes Sale were used for general Partnership purposes, including the redemption of all $80.7 million of our senior unsecured notes in December 2021. These and other transactions completed in the fourth quarter of 2021 improved our overall financial condition and liquidity position.

Following the redeployment of our idle assets, meeting increased demand for our contract services will require ongoing capital expenditure investment, which could be significant. We will determine appropriate funding of future capital expenditures, along with potential acquisitions, on a case-by-case basis. Funding sources may include existing cash balances, cash flow generated from our operations, borrowing against our Credit Facilities, finance leases with third parties, and issuance of equity.

The level of future growth capital expenditures depends on demand for our contract services, the level of cash available to fund these expenditures and our decisions whether to utilize available cash to fund increases in our quarterly common unit distribution, retire debt, or make capital expenditures. We expect capital expenditures in 2023 will range from $43.0 million to $48.0 million. These capital expenditures include approximately $17.0 million to $19.0 million of maintenance capital expenditures, approximately $23.0 million to $25.0 million of capital expenditures primarily associated with the expansion of our contract services fleet and $3.0 million to $4.0 million of capital expenditures related to investments in technology and facilities. We expect cash on hand and cash generated from operations will be sufficient to meet cash needs throughout 2023.

On January 20, 2023, our general partner declared a cash distribution attributable to the quarter ended December 31, 2022, of $0.01 per common unit. This distribution equates to a distribution of $0.04 per outstanding common unit on an annualized basis. This quarterly distribution was paid on February 14, 2023, to each of the holders of common units of record as of the close of business on January 31, 2023.

Cash Flows

A summary of our sources and uses of cash during the year ended December 31, 2022 and 2021 is as follows:

	Year Ended December 31,	
	2022	**2021**
	(In Thousands)	
Operating activities	$ 35,544	$ 27,156
Investing activities	(43,939)	(40,509)
Financing activities	10,270	3,377

Operating Activities

Net cash provided by operating activities increased by $8.4 million during the year ended December 31, 2022, to $35.5 million compared to $27.2 million provided by operating activities in 2021. Our cash provided from operating activities was primarily generated from the provision of contract compression and treating services.

Cash provided from our foreign operations is subject to various uncertainties, including the volatility associated with interruptions caused by customer budgetary decisions, uncertainties regarding the renewal of our existing customer contracts, and other changes in contract arrangements, the timing of collection of our receivables, and the repatriation of cash generated by our international operations.

Investing Activities

Capital expenditures during the year ended December 31, 2022, increased by $8.7 million compared to 2021 driven by an increase in investments in growth capital. Maintenance capital expenditures increased compared to the prior year. Total capital expenditures during 2022 were $53.7 million, offset by $1.4 million from compression units sold. Total capital expenditures for 2022 include $18.0 million of maintenance capital expenditures.

The level of growth capital expenditures depends on our ability to redeploy existing fleet equipment and demand for compression services. Improved market conditions have provided opportunities with our customer base to provide new compression horsepower, resulting in increased demand for growth capital. If the demand for compression services increases or decreases, the amount of planned expenditures on growth and expansion will be adjusted. We continue to review all capital expenditure plans carefully in an effort to conserve cash and fund our liquidity needs.

Financing Activities

Distributions

During the year ended December 31, 2022, we distributed $5.7 million of cash distributions to our common unitholders and general partner.

Credit Agreement

On January 29, 2021, the Partnership amended the Loan and Security Agreement dated June 29, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”). The Credit Agreement provides for maximum revolving credit commitments of $35.0 million and includes a $3.5 million reserve, which results in reduced borrowing availability.

The maturity date of the Credit Agreement is June 29, 2025. As of December 31, 2022, we had an outstanding balance of $6.7 million and had $1.4 million in letters of credit against our Credit Agreement, leaving availability under the Credit Agreement of $23.4 million, subject to compliance with the covenants, borrowing base, and other provisions of the agreements that may limit borrowings under the Credit Agreement. As of March 9, 2023, we had $5.1 million balance outstanding under our Credit Agreement and $1.4 million in letters of credit, leaving availability under the Credit Agreement of $25.0 million, subject to compliance with the covenants, borrowing base, and other provisions of the agreements that may limit borrowings under the Credit Agreement. The amounts the Partnership may borrow under the Credit Agreement are based on the amounts of the Partnership’s accounts receivable and the value of certain inventory. Decreases in the amount of the Partnership’s accounts receivable and the value of its inventory would result in reduced borrowing availability under the Credit Agreement.

Spartan Credit Agreement

On November 10, 2021, certain unrestricted subsidiaries of the Partnership, Spartan Energy Services LLC, as borrower, and Treating Holdco, as new guarantor, entered into the First Amendment to Loan, Security and Guaranty Agreement (the “Spartan Amendment”) amending the Loan, Security and Guaranty Agreement dated January 29, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Spartan Credit Agreement”) with Bank of America, N.A., in its capacity as agent, and the other lenders and loan parties party thereto. As of December 31, 2022, and subject to compliance with the covenants, borrowing base, and other provisions of the agreements that may limit borrowings under the Spartan Credit Agreement, we had availability of $14.5 million.

The maturity date of the Spartan Credit Agreement is October 17, 2025. As of December 31, 2022, we had a $55.5 million outstanding balance. As of March 9, 2023, we have $55.0 million balance outstanding under our Credit Agreement and no letters of credit, leaving availability under the Spartan Credit Agreement of $12.0 million, subject to compliance with the covenants, borrowing base, and other provisions of the agreement that may limit borrowings under the Credit Agreement. The amounts that may be borrowed under the agreement are based on the amounts of accounts receivable, the value of certain inventory, and appraised value of fixed assets, and fixed asset net book value. Decreases in the amount of accounts receivable and the value of its inventory and fixed assets would result in reduced borrowing availability under the Spartan Credit Agreement.

Notes

We may from time to time seek to retire or purchase certain amounts of our outstanding senior notes through cash purchases, in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

7.50% First Lien Notes due 2025

As of December 31, 2022, our 7.50% First Lien Notes due 2025 (the "First Lien Notes") had $400.3 million outstanding net of unamortized discounts, unamortized deferred financing costs and deferred restructuring gains. Interest on these notes is payable on April 1 and October 1 of each year. The First Lien Notes are secured by a first-priority security interest in substantially all of the Partnership's and its subsidiaries assets, subject to certain permitted encumbrances and exceptions, and are guaranteed on a senior secured basis by each of the Partnership's U.S. restricted subsidiaries (other than Finance Corp, certain immaterial subsidiaries and certain other excluded U.S. subsidiaries).

10.000%/10.750% Second Lien Notes due 2026

As of December 31, 2022, our 10.000%/10.750% Second Lien Notes due 2026 (the "Second Lien Notes") had $172.5 million outstanding, net of unamortized discounts, unamortized deferred financing costs and deferred restructuring gains. Interest on the Second Lien Notes is payable on April 1 and October 1 of each year. The Second Lien Notes are secured by a second-priority security interest in substantially all of the Partnership's and its subsidiaries assets, subject to certain permitted encumbrances and exceptions, and are guaranteed on a senior secured basis by each of the Partnership's U.S. restricted subsidiaries (other than Finance Corp, certain immaterial subsidiaries and certain other excluded U.S. subsidiaries). In connection with the payment of PIK Interest (as defined below), if any, in respect of the Second Lien Notes, the issuers will be entitled, to increase the outstanding aggregate principal amount of the Second Lien Notes or issue additional notes ("PIK notes") under the Second Lien Notes indenture on the same terms and conditions as the already outstanding Second Lien Notes. Interest will accrue at (1) the annual rate of 7.250% payable in cash, plus (2) at the election of the Issuers (made by delivering a notice to the Second Lien Trustee not less than five business days prior to the record date), the annual rate of (i) 2.750% payable in cash (together with the annual rate set forth in clause (1), the "Cash Interest Rate") or (ii) 3.500% payable by increasing the principal amount of the outstanding Second Lien Notes or by issuing additional PIK notes, in each case rounding up to the nearest $1.00 (such increased principal amount or additional PIK notes, the "PIK Interest"). We have elected to cash pay interest starting April 1, 2022, prior to this we elected to pay interest by issuing additional PIK Notes.

In addition, the indentures governing our First Lien Notes and Second Lien Notes contain customary covenants restricting our ability and the ability of our restricted subsidiaries to: (i) pay distributions on, purchase, or redeem our common units, make certain investments and other restricted payments, or purchase or redeem any subordinated debt; (ii) incur or guarantee additional indebtedness or issue certain kinds of preferred equity securities; (iii) create or incur certain liens securing indebtedness; (iv) sell assets, including dispositions of the collateral securing our First Lien Notes and Second Lien Notes; (v) consolidate, merge, or transfer all or substantially all of our assets; (vi) enter into transactions with affiliates; and (vii) enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us. Our Second Lien Notes indenture further restricts our ability to make distributions in respect of our common units in any amount exceeding $0.04 per common unit per year, unless such increased distribution is funded by proceeds from an equity offering. These covenants are subject to a number of important limitations and exceptions, including certain provisions permitting us, subject to the satisfaction of certain conditions, to transfer assets to certain of our unrestricted subsidiaries. The indentures also contain customary events of default and acceleration provisions relating to events of default, which provide that upon an event of default under the indentures, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding First Lien Notes and Second Lien Notes may declare all of the First Lien Notes and Second Lien Notes to be due and payable immediately. We are in compliance with all covenants of the First Lien Notes and Second Lien Notes indentures as of December 31, 2022.

Finance Agreements

During the year ended December 31, 2022, we entered into Master Finance Agreements with a third party in the amount of $16.6 million to finance certain compression equipment. The notes are payable in monthly installments totaling $0.5 million for 36 months. The current portion of this amount is classified in accrued liabilities and other and the long-term portion is classified in other long-term liabilities on the accompanying consolidated balance sheet.

Leases

We have operating leases for some of our office space, warehouse space, operating locations, and machinery and equipment. Our leases have remaining lease terms up to 10 years. Some of our leases have options to extend for various periods, while some have termination options with prior notice of generally 30 days or six months. See Note 6 - "Leases" in the Notes to Consolidated Financial Statements in this Annual Report for further information.

Off Balance Sheet Arrangements

As of December 31, 2022, we had no "off balance sheet arrangements" that may have a current or future material effect on our consolidated financial condition or results of operations.

Supplemental Guarantor Financial Information

The $400.0 million and $172.7 million in aggregate principal amounts outstanding of the First Lien Notes and the Second Lien Notes, respectively, as of December 31, 2022 are fully and unconditionally guaranteed, subject to certain customary release provisions, on a joint and several senior secured basis, by the following U.S. restricted subsidiaries which are each a 100% owned subsidiary (each a "Guarantor Subsidiary" and collectively the "Guarantor Subsidiaries"):

CSI Compressco Field Services International LLC
CSI Compressco Holdings LLC
CSI Compressco International LLC
CSI Compressco Leasing LLC
CSI Compressco Operating LLC
CSI Compressco Sub, Inc.
CSI Compression Holdings, LLC
Rotary Compressor Systems, Inc.

As a result of these guarantees, we are presenting the following summarized financial information of the obligor group pursuant to Rule 1-02(bb) of Regulation S-X. These schedules are presented using the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for our share in the subsidiaries' cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate primarily to the elimination of investments in subsidiaries and associated intercompany balances and transactions. The Other Subsidiaries column includes financial information for those subsidiaries that do not guarantee the First Lien Notes or the Second Lien Notes. In addition to the financial information of the Partnership, financial information of the Issuers includes CSI Compressco Finance Inc., which had no assets or operations for any of the periods presented.

Year Ended December 31, 2022 (In Thousands)	Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
Revenues	$ —	$ 387,170	$ 76,548	$ (110,320)	$ 353,398
Cost of revenues (excluding depreciation and amortization expense)	—	277,030	30,856	(110,320)	197,566
Depreciation and amortization	—	67,117	11,114	—	78,231
Selling, general, and administrative expense	1,622	36,740	4,201	—	42,563
Interest (income) expense, net	55,813	(5,310)	—	—	50,503
Other (income) expense, net	(356)	1,840	398	—	1,882
Equity in net (income) loss of subsidiaries	(34,984)	(26,363)	—	61,347	—
Income (loss) before taxes and discontinued operations	(22,095)	35,981	29,979	(61,347)	(17,482)
Provision for income taxes	—	1,170	3,616	—	4,786
Income (loss) from continuing operations	(22,095)	34,811	26,363	(61,347)	(22,268)
Income from discontinued operations, net of taxes	—	173	—	—	173
Net income (loss)	(22,095)	34,984	26,363	(61,347)	(22,095)
Other comprehensive income	(2)	(2)	(2)	4	(2)
Comprehensive income (loss)	$ (22,097)	$ 34,982	$ 26,361	$ (61,343)	$ (22,097)

December 31, 2022 (In Thousands)		Issuers	Guarantor Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets		$ —	$ 88,098	$ 40,217	$ —	$ 128,315
Total non-current assets	170,960,000	559,335	556,888	112,444	(634,579)	594,088
Total assets		$ 559,335	$ 644,986	$ 152,661	$ (634,579)	$ 722,403
LIABILITIES AND PARTNERS' CAPITAL						
Other current liabilities		$ 11,818	$ 62,419	$ 10,018	$ —	$ 84,255
Long-term debt		572,791	6,313	54,912	—	634,016
Operating lease liabilities		—	17,800	1,619	—	19,419
Intercompany payables		—	349,743	9,319	(359,062)	—
Other long-term liabilities		—	8,438	1,549	—	9,987
Total liabilities		584,609	444,713	77,417	(359,062)	747,677
Total partners' capital		(25,274)	200,273	75,244	(275,517)	(25,274)
Total liabilities and partners' capital		$ 559,335	$ 644,986	$ 152,661	$ (634,579)	$ 722,403

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements. We prepared these financial statements in conformity with U.S. GAAP. In preparing our consolidated financial statements, we make assumptions, estimates, and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. We base these estimates on historical experience, available information, and various other assumptions that we believe are reasonable under the circumstances. We periodically evaluate these estimates and judgments, which may change as new events occur, as new information is acquired, and with changes in our operating environment. Actual results are likely to differ from current estimates, and those differences may be material. The following critical accounting policy reflects the most significant judgments and estimates used in the preparation of our financial statements.

Business Combinations

When we acquire a business from an entity under common control, whereby the companies are ultimately controlled by the same party both before and after the transaction, it is treated similar to the pooling of interests method of accounting, where the assets and liabilities are recorded at the transferring entity's historical cost instead of reflecting the fair market value of assets and liabilities.

Commitments and Contingencies

From time to time, we are involved in litigation relating to claims arising out of our operations in the normal course of business. While the outcome of these lawsuits or other proceedings against us cannot be predicted with certainty, management does not consider it reasonably possible that a loss resulting from such lawsuits or proceedings in excess of any amounts accrued has been incurred that is expected to have a material adverse effect on our financial condition, results of operations or cash flows.

Recently Issued Accounting Pronouncements

For a discussion of new accounting pronouncements that may affect our consolidated financial statements, see Note 2 - "Summary of Significant Accounting Policies, *New Accounting Pronouncements*," in the Notes to Consolidated Financial Statements in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

Our financial statements and supplementary data for us and our subsidiaries required to be included in this Item 8 are set forth in Item 15 of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer of our general partner, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this Annual Report. Based on this evaluation, the Principal Executive Officer and Principal Financial Officer of our general partner concluded that our disclosure controls and procedures were effective as of December 31, 2022.

Management's Report on Internal Control over Financial Reporting

Management of our general partner is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management of our general partner, including the Principal Executive Officer and Principal Financial Officer of our general partner, an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022 was conducted based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("COSO"). Based on this assessment, management of our general partner has determined that our internal control over financial reporting was effective as of December 31, 2022.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of the fiscal year ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors of CSI Compressco GP Inc. and the Unitholders of CSI Compressco LP

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of CSI Compressco LP (a Delaware limited partnership) and subsidiaries (the "Partnership") as of December 31, 2022, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2022, and our report dated March 13, 2023 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting
A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Houston, Texas
March 13, 2023

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not Applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Corporate Governance and Director Independence

Our general partner is an indirect, wholly owned subsidiary of Spartan and has sole responsibility for conducting our business and managing our operations. The members of our board of directors (our "Board") oversee our operations. Unitholders are not entitled to elect the members of our Board or directly or indirectly participate in our management or operation. All of the members of our Board are appointed by Spartan Energy Holdco LLC, a direct, wholly owned subsidiary of Spartan. We do not hold annual unitholder meetings. References in this Part III to the "Board," "directors," "executive officers," or "officers" refer to the Board, directors, executive officers, and officers of our general partner, unless otherwise indicated.

Our Board has adopted Corporate Governance Guidelines that outline important policies and practices regarding our governance and provide a framework for the functioning of the Board and its committees. The Corporate Governance Guidelines and the charter of the Audit Committee are available in the Corporate Governance section of the Investor Relations area of our website at www.csicompressco.com. In addition, our Board and our general partner have adopted a Code of Business Conduct and a Financial Code of Ethics, copies of which are also available in the Corporate Governance section of the Investor Relations area of our website at www.csicompressco.com. We will post on our website all waivers to or amendments of our Code of Business Conduct and Financial Code of Ethics that are required to be disclosed by applicable law or the listing requirements of the NASDAQ. We will provide to our unitholders, without charge, printed copies of the foregoing materials upon written request to Investor Relations, CSI Compressco LP, 1735 Hughes Landing Boulevard, Suite 200, The Woodlands, Texas, 77380.

The NASDAQ does not require a listed limited partnership like us to have a majority of independent directors on the Board or to establish a compensation committee or a nominating committee. Our Board currently consists of eight directors, four of whom, Denise G. Essenberg, Stephen R. Gill, James R. Larson and Michael J. Tucker are independent as defined under the listing standards of the NASDAQ.

Name	Age	Position with CSI Compressco GP
Derek J. Anchondo	49	Assistant General Counsel
Jonathan W. Byers	44	Chief Financial Officer, Director
Denise G. Essenberg	64	Independent Director
Ted A. Gardner	65	Director, Chairman of the Board of Directors
Stephen R. Gill	65	Independent Director
John E. Jackson	64	Chief Executive Officer, Director
James R. Larson	73	Independent Director
Riplee L. Parkening	34	Controller
Matthew B. Pitcock	40	Vice President North America Sales, Compression Services
Robert W. Price	55	Chief Operating Officer, Director
Rodney P. Pruski	50	Vice President of Operations
Michael J. Tucker	51	Independent Director

Directors and Executive Officers

Our directors hold office until the earlier of their death, resignation, removal, or until their successors have been appointed. Our executive officers are appointed by and serve at the discretion of our Board. There are no family relationships among any of our directors or executive officers. The following table shows information regarding our current directors and executive officers. Directors are appointed for one-year terms.

Biographical summaries of the directors and executive officers, including the experiences, qualifications, attributes, and skills of each director that have been considered by the Board in determining that these individuals should serve as directors, are set forth below. See “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters - Beneficial Ownership of Certain Unitholders and Management” included under Item 12 of this Annual Report for information regarding the number of common units owned by each individual.

Derek J. Anchondo has served as Assistant General Counsel of our general partner since August 2021. Prior to his current role, he was a Partner with large domestic and international law firms from 2011 to 2021. Prior to that, Mr. Anchondo held the role of Chief Counsel and Division Counsel with Pride International from 2006 to 2011 and held the role of Counsel – U.S. Operations with Hanover Compressor Company from 2003 to 2006. He began his career as an attorney in 1999 with large domestic and international law firms. Mr. Anchondo received his B.A. from Trinity University and his J.D. from the University of Houston Law Center. He is admitted to practice in the State of Texas and the State of New York.

Jonathan W. Byers has served as the Chief Financial Officer of our general partner and as a member of its Board since January 2021 and as Head of Corporate Development and Secretary of Spartan since 2010. Prior to joining Spartan, Mr. Byers served as Vice President, Corporate Development for Price Gregory Services (“Price Gregory”), a leading energy infrastructure services provider specializing in pipeline construction. Prior to joining Price Gregory, Mr. Byers held positions at SCF Partners (an energy focused investment firm) and General Atlantic (a global, growth focused private equity firm). Prior to General Atlantic, Mr. Byers was employed with Goldman Sachs Group in the Investment Banking Division. Mr. Byers holds a B.S. in Business Administration from Georgetown University and an M.B.A. from Harvard Business School.

Denise G. Essenberg has served as an independent director of our general partner’s Board since February 2021. Ms. Essenberg is a retired Partner with PwC, retiring in June 2019 after 40 years serving numerous insurance clients across the property/casualty, life and health payor sectors of the insurance industry and advising on acquisitions, pre- and post-transaction integration issues, business divestitures and the adoption of new technologies. Ms. Essenberg served as the managing partner of the PwC Grand Rapids and Hartford offices from 2003 to 2008 and 2008 to 2011, respectively, with oversight and responsibility for client service, office operations and resource management and was the audit transformation leader of PwC’s insurance practice from 2014 to 2019. Ms. Essenberg has served on the board of directors and as a member of its audit and compliance committee and finance committee of Health Alliance Plan of Michigan since January 2021 and as a member of the board of directors and audit committee chairperson of Atain Insurance Company and Atain Specialty Insurance Company since June 2020. In December 2021, Ms. Essenberg was elected to the board of directors and was appointed audit committee chairperson of Frankenmuth Mutual Insurance Company. Ms. Essenberg received her B.A. from Michigan State University and attended the Kellogg School of Management Women’s Director Development Program at Northwestern University in 2015.

Ted A. Gardner has served as a director and as Non-Executive Chairman of our general partner’s Board since January 2021. Mr. Gardner is a co-founder and Managing Partner of Silverhawk Capital Partners. Mr. Gardner is currently a director of Incline Energy Partners, L.P., Kinder Morgan, Inc. (NYSE: KMI), Meridian Chemicals and Spartan. He was previously a director of Kinder Morgan Energy Partners, Athlon Energy, Summit Materials Inc. and Encore Acquisition Company. Ted earned a B.A. degree in Economics from Duke University and both a J.D. and an MBA from the University of Virginia.

Stephen R. Gill has served as an independent director of our general partner’s Board and as member of its Audit Committee since January 2021. Mr. Gill has served as the Chief Executive Officer of Lindsayca Solutions, an EPC firm specializing in production and processing facilities, since December 2018. From March 2017 to December 2018, Mr. Gill was retired. From January 2014 to January 2017, Mr. Gill was the Chief Executive Officer of Valerus, a global provider of compression, production, and processing equipment and turnkey facilities. Prior to Valerus, Mr. Gill served in various senior positions at Exterran and Hanover, including Vice President – International and at Ingersoll Rand & Dresser Rand. Mr. Gill holds a B.S. degree in Mechanical Engineering from Texas A&M University.

John E. Jackson has served as the Chief Executive Officer of our general partner and as a member of its Board since January 2021 and as President and Chief Executive Officer of Spartan since 2010. Prior to joining Spartan, Mr. Jackson was the Chairman and CEO of Price Gregory. Prior to serving in his roles at Price Gregory, Mr. Jackson served as President and Chief Executive Officer of Hanover Compressor. Prior to that, he held several positions at Duke Energy Field Services, including Chief Financial Officer, and Union Pacific Resources. Mr. Jackson has served on the board of directors of Basic Energy Services, Inc. (NYSE: BAS) since December 2016 and Main Street Capital Corporation (NYSE: MAIN) since May 2014. He was previously a director of CNX Midstream Partners. Mr. Jackson holds a B.B.A. in Accounting from Baylor University.

James R. Larson has served as an independent director of our general partner’s Board and as Chairman of its Audit Committee since July 2011 and as a member of its Conflicts Committee since April 2012. Since January 1, 2006, Mr. Larson has been retired. From September 2005 until January 1, 2006, Mr. Larson served as senior vice president of Anadarko Petroleum Corporation (“Anadarko”). From December 2003 to September 2005, Mr. Larson served as senior vice president, finance and chief financial officer of Anadarko. From 2002 to 2003, Mr. Larson served as senior vice president, finance of Anadarko where he oversaw treasury, investor relations, internal audits and acquisitions and divestitures. From 1995 to 2002, Mr. Larson served as vice president and controller of Anadarko where he was responsible for accounting, financial reporting, budgeting, forecasting, and tax. Prior to that, he held various tax and financial positions within Anadarko after joining the company in 1981. Mr. Larson currently serves as a director, chairman of the audit committee and a member of the governance committee of Magnolia Oil & Gas Corporation, a publicly traded company that is subject to the reporting requirements of the Exchange Act. From September 2006 until June 2018, Mr. Larson served as a director of EV Management, LLC, the general partner of EV Energy GP, which was the general partner of EV Energy Partners, L.P. a publicly traded limited partnership. Mr. Larson is a current member of the American Institute of Certified Public Accountants, Financial Executives International, the Tax Executives Institute and the National Association of Corporate Directors. He received his B.B.A. degree in business from the University of Iowa.

Riplee L. Parkening has served as the Principal Accounting Officer as of October 2022. She served as Controller of the Partnership since July 2022 and as Director of Accounting since 2018. Prior to joining the Partnership, Ms. Parkening served as Controller of Premium Inspection and Testing from 2016 to 2018 where her responsibilities included managing the accounting process, financial reporting, and working with the external auditors. Prior to joining Premium Inspection and Testing, Ms. Parkening held positions at Martin Resource Management Corporation from 2011 to 2016. Her responsibilities included managing the accounting department, internal operational reporting, and communicating with auditors. Ms. Parkening received her B.B.A. in accounting from The University of Texas at Tyler, is a certified public accountant in the State of Texas, and a certified fraud examiner.

Matthew B. Pitcock has served as Vice President North America Sales, Compression Services of our general partner since January 2020 and as Regional Sales Manager for the Permian Basin from March 2014 to January 2020. Mr. Pitcock returned to work for our general partner in 2014 after serving for two years as a Category Management Advisor (Compression) at Devon Energy. In 2006, Mr. Pitcock joined the Account Manager Training Program of Compressor Systems Inc., which was acquired by the partnership in 2014. He continued to serve in several sales leadership roles with increasing responsibilities for Compressor Systems through 2012. Mr. Pitcock received his B.B.A. in Management from Angelo State University in 2004 and his M.B.A from Oklahoma Christian University in 2012.

Robert W. Price has served as the Chief Operating Officer of our general partner and as a member of its Board since January 2021 and as Chief Operating Officer of Spartan since 2010. Prior to joining Spartan, Mr. Price held senior management positions with Exterran Corporation (NYSE: EXTN), Hanover Compressor Company and Ariel Compressor Corporation. Mr. Price has spent most of his career developing and executing gas treating and processing applications in the U.S. and Latin America. Mr. Price holds a B.S. in Mechanical Engineering from The University of Notre Dame and an M.B.A from Carnegie Mellon.

Rodney P. Pruski has served as Vice President of Operations of our general partner since January 2022, responsible for North American Compression Services, Aftermarket Operations and Supply Chain. Rodney joined Compressor Systems, Inc. in November 1998, which was acquired by the partnership in 2014. He served in numerous roles as Controller (1999-2006), Operational Support (2006-2012), Regional Manager for South Texas (2012-2020), and as Director of Operations (2020-2022). Mr. Pruski earned a B.B.A. in Accounting and Computer Information Systems from Texas State University.

Michael J. Tucker has served as an independent director of our general partner's Board since October 2022. Michael Tucker is the Founder and Managing Partner of Orvieto Partners, L.P. Mr. Tucker has 26 years of experience investing in the publicly traded debt and equity securities companies in the gaming, lodging, leisure and energy sectors and 28 years of experience in finance. Before founding Orvieto Partners, Mr. Tucker was a Partner/Portfolio Manager at PAR Capital Management, Inc, a Boston-based long/short equity fund founded in 1990, which makes concentrated investments based on narrowly focused and rigorous fundamental research with a long-term orientation. Prior to joining PAR capital, Mr. Tucker was a Partner and Portfolio Manager at Andover Capital Advisors, LLC, a long-short hedge fund that made concentrated investments in the debt and equity securities of companies with levered capital structures. Before Andover Capital, Mr. Tucker worked at Standish Mellon Assets Management (formerly Standish, Ayer, & Wood, Inc.) He serves on the Providence College Business Advisory Council and the Men's Basketball Vision Team. Mr. Tucker is a graduate of Providence College and received an MBA from the Carroll School of Management at Boston College.

Board Meetings and Committees

During 2022, the Board held four meetings. The standing committees of the Board during 2022 consisted of an Audit Committee and a Conflicts Committee. During 2022, the Audit Committee held seven meetings. The Conflicts Committee did not hold any meetings during 2022.

Audit Committee. During 2022, the Audit Committee was composed of Mr. Larson, as Chairman, Mr. Gill and Ms. Essenberg. The purposes of the Audit Committee are to (i) oversee the financial and reporting processes of the Partnership and the general partner, and the audit of the Partnership's financial statements, (ii) assist the Board in fulfilling its oversight responsibilities with regard to the integrity of the Partnership's financial statements, the Partnership's and the general partners' compliance with legal and regulatory requirements, the qualifications, independence and performance of the Partnership's independent registered public accounting firm, and the effectiveness and performance of the Partnership's and the general partner's internal audit function, and (iii) perform such other functions as the Board may assign from time to time. The Audit Committee has sole authority to retain and terminate our independent registered public accounting firm, approve all auditing services and related fees and terms, and approve any non-audit service to be performed by our independent registered public accounting firm. To promote the independence of its audit, the Audit Committee consults separately and jointly with the independent registered public accounting firm, our internal auditor, and management.

As required by NASDAQ and SEC rules regarding audit committees, the Board has reviewed the qualifications of the Audit Committee and has determined that no current committee member has a relationship with us that might interfere with the exercise of his independence from us or our affiliates. Included within such determination, the Board has determined that Messrs. Larson and Gill and Ms. Essenberg are independent as defined in Section 10A of the Exchange Act and the listing standards of the NASDAQ. In addition, the Board has determined that Mr. Larson, the Chairman of the Audit Committee, is an audit committee financial expert within the definition established by the SEC.

Conflicts Committee. Membership of the Conflicts Committee, which was formed in April 2012, was composed of Messrs. Larson and Gill and Ms. Essenberg during 2022. It is anticipated that committee membership will be established on an ad hoc basis going forward. The purposes of the Conflicts Committee are to (i) as requested by the Board, review and evaluate any potential conflicts of interest between us and the owner of our general partner or its affiliates or us and Spartan or its subsidiaries or affiliates, and (ii) carry out any other duties assigned by the Board that relate to potential conflicts of interest between us and the owner of our general partner or its affiliates or us and Spartan or its subsidiaries or affiliates. The Conflicts Committee has the sole authority to retain and terminate any consultants, attorneys, independent accountants or other service providers to assist it in the evaluation of conflicts matters, including the sole authority to approve their fees and other terms of retention.

As required by the Third Amended and Restated Agreement of Limited Partnership of the Partnership, the Board reviewed the independence of Messrs. Larson and Gill and Ms. Essenberg and determined that each of them meets the independence standards established thereunder as required for service on the Conflicts Committee. Included within such determination, the Board also determined that each of Messrs. Larson, Gill and Tucker and Ms.

Essenberg was independent as defined in Section 10A of the Exchange Act and the listing standards of the NASDAQ.

Item 11. Executive Compensation.

Compensation of Named Executive Officers

Introductory Note

Beginning in February 2021, we reimbursed our general partner under the terms of our partnership agreement for any expenses and expenditures incurred or payments made on our behalf, including operating expenses related to our operations and for the provision of various general and administrative services for our benefit.

Pursuant to the Management Services Agreement dated November 10, 2021, the general partner, Spartan Operating and Spartan GP will provide certain services reasonably necessary for the operation of the businesses of the Partnership and its subsidiaries, Spartan, Spartan GP and Spartan Treating, including certain corporate and general and administrative services. The general partner and Spartan GP will allocate any costs and expenses incurred on a reasonable basis, and the parties will reimburse such other parties for costs and expenses allocated to them.

Summary Compensation

The following table sets forth the aggregate compensation earned by (i) each individual serving as our President or Chief Executive Officer (our “Principal Executive Officer”), and (ii) each of our two other most highly compensated executive officers (each a “Named Executive Officer” or “NEO”) for the fiscal years ended December 31, 2022 and 2021.

Summary Compensation Table

Name and Principal Position	Year	Salary (1)		Bonus		Unit Awards (2)		Non-Equity Incentive Plan Compensation (3) (4)		All Other Compensation (5)		Total (6)
		($)		($)		($)		($)		($)		($)
John E. Jackson	2022	$	516,202	$	—	$	—	$	660,000	$	19,623	$ 1,195,825
Chief Executive Officer, Director	2021	$	439,167	$	—	$	900,000	$	489,167	$	10,700	$ 1,839,034
Jonathan W. Byers	2022	$	412,962	$	—	$	—	$	330,000	$	16,373	$ 759,335
Chief Financial Officer, Director	2021	$	355,833	$	—	$	900,000	$	234,167	$	10,700	$ 1,500,700
Robert W. Price	2022	$	412,962	$	—	$	—	$	330,000	$	19,623	$ 762,585
Chief Operations Officer, Director	2021	$	355,833	$	—	$	900,000	$	234,167	$	10,700	$ 1,500,700

(1) Compensation for Messrs. Jackson, Byers and Price for fiscal year ended December 31, 2021, reflects compensation from the date of the GP Sale to fiscal year end (i.e., January 29, 2021, to December 31, 2021).
(2) The amounts included in the “Unit Awards” column reflect the aggregate grant date fair value of phantom unit awards granted during the fiscal year ended December 31, 2021, as applicable, in accordance with FASB ASC Topic 718. The phantom unit awards were granted under the LTIP on February 19, 2021, relate to our common units, and were valued at $1.96 per common unit in accordance with FASB ASC Topic 718. See Note 12 to our consolidated financial statements for the year ended December 31, 2021, for a discussion of other assumptions used in determining the grant date value of these awards. We did not grant equity-based awards during the 2022 year to our NEOs.
(3) Amounts shown in the “Non-Equity Incentive Compensation Plan” column are the earned portions of awards granted under CSI Compressco’s Cash Incentive Compensation Plan (the “CICP”) for the annual performance period ending December 31, 2021, and the annual performance period ending December 31, 2022. Such awards are payable, to the extent earned, based on financial and operational performance measures. Amounts earned as of December 31, 2022, are expected to be paid by April 2023.
(4) As previously disclosed in the Information Statement on Schedule 14C filed with the Securities and Exchange Commission on February 7, 2023 (the “***Information Statement***”), we estimated that John E. Jackson, Jonathan W. Byers, and Robert W. Price would each receive 2022 awards pursuant to the CICP in the amounts of $600,000, $300,000, and $300,000 respectively. Based on the Board’s assessment of 2022 performance, the awards for each of the Principal Executive Officer and each NEO are as reflected.
(5) The amounts reflected represent (i) matching contributions under the Spartan 401(k) Retirement Plan from January 1, 2021, through December 31, 2021, and the CSI Compressco 401(k) Retirement Plan from January 1, 2022, thru December 31, 2022, and (ii) the value of distribution equivalent rights settled in connection with the vesting of phantom unit awards that relate to CSI Compressco’s common units which was $6,123.04 for Mr. Jackson, Mr. Byers, and Mr. Price in fiscal year ended December 31, 2022.
(6) As noted above, the formula that determines the compensation costs allocated to us pursuant to the Management Services Agreement does not divide the costs between specific compensation elements, therefore out of an abundance of caution we have chosen to report the total compensation provided to each of the applicable Named Executive Officers for fiscal years 2021 and 2022 within this column. However, pursuant to the Management Services Agreement, we only reimbursed Spartan for the following amounts in fiscal year 2021 for compensation paid to the NEOs: Mr. Jackson, $0.4 million; Mr. Byers, $0.4 million; and Mr. Price, $0.4 million.

Salary and Bonus Compensation

None of the NEOs are a party to an employment agreement or other individual service agreement. Base salary amounts were determined by the Board of Directors. As noted above, each NEO participated in the CICP during the 2022 year. The CICP budget pool for the 2022 awards under the CICP is based on EBITDA and pays out in accordance with the following table:

	Threshold	Target	Maximum
EBITDA	$105M	$113M	$121M
Payout %	30%	100%	150%

Individual bonus payouts may be increased or decreased by 0-200% of the CICP target based on individual performance at the discretion of the Board of Directors. The 2022 CICP target for John Jackson was 120% and 75% for Jonathan Byers and Robert Price, respectively.

Retirement, Health and Welfare Benefits

Our employees are eligible to participate in a variety of health and welfare and retirement programs sponsored by the Partnership. Our NEOs are generally eligible for the same benefit programs on the same basis as the remainder of our employees. Our health and welfare programs are intended to protect employees against catastrophic loss and to encourage a healthy lifestyle. These health and welfare programs include medical, wellness, pharmacy, dental, life insurance, short-term and long-term disability insurance, and insurance against accidental death and disability.

401(k) Plan

The NEOs became eligible to participate in the CSI Compressco 401(k) Retirement plan (the “CSI Compressco 401(k) Plan”) effective January 1, 2022. The CSI Compressco 401(k) Plan is intended to supplement a participant’s personal savings and social security. Under this plan, the NEOs may contribute on a pre-tax basis up to 70% of their compensation, subject to an annual maximum established under the Internal Revenue Code (the “Code”). The Partnership makes a matching contribution under these plans equal to 50% of the first 8% of the NEOs annual compensation that is contributed to the plan. Such matching contribution was suspended in April 2020 and reinstated in December 2021. All employees (other than nonresident aliens) who have reached the age of eighteen are eligible to participate in the CSI Compressco 401(k) Plan beginning on the first day of the month following their completion of thirty (30) days of service with us.

The Named Executive Officers were eligible to participate in Spartan’s 401(k) retirement plan (the “Spartan Plan”) through December 31, 2021. Effective January 1, 2022, the Spartan Plan was eliminated and the Named Executive Officers transitioned to the CSI Compressco 401(k) Retirement Plan. Under the Spartan Plan, the Named Executive Officers were eligible to contribute to the plan on a pretax basis subject to an annual maximum established under the Code. Spartan made a matching contribution of 100% on the first 3% of a participant’s annual compensation that was contributed to the Spartan Plan. All employees (other than nonresident aliens) who have reached the age of twenty-one (21) were eligible to participate.

Perquisites

Perquisites (“perks”) are not a material component of our compensation. In general, NEOs do not receive reimbursements for meals, airline and travel costs other than those costs allowed for all employees, or for tickets to sporting events or entertainment events, unless such tickets are used for business purposes. During 2022, no NEO received an allowance from us for any of the above or a reimbursement for any expense incurred for non-business purposes.

Outstanding Equity Awards at Fiscal Year End

The Partnership continued to maintain our LTIP following the GP Sale, and each of Messrs. Jackson, Byers and Price were eligible to receive a grant of phantom unit awards during fiscal year 2021. Each phantom unit award granted on February 19, 2021, was granted in tandem with distribution equivalent rights ("DERs") that entitle the award holder to receive an additional number of units equal in value to any distributions we pay during the period the award is outstanding times the number of units subject to the award. The awards are intended to cover equity-based incentive awards for these NEOs for a period of three years and no new equity-based awards are currently planned for Messrs. Jackson, Byers and Price until 2024.

The following table discloses the number and value of unvested phantom unit awards granted under the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan as of December 31, 2022.

Outstanding Equity Awards at Fiscal Year End Table

	Unit Awards	
Name	**Number of Units that Have Not Vested(1)**	**Market Value of Units that Have Not Vested(2)**
	(#)	**($)**
John E. Jackson	306,123	$ 407,144
Jonathan W. Byers	306,123	$ 407,144
Robert W. Price	306,123	$ 407,144

(1) One-third of the unvested phantom unit awards granted on February 19, 2021, vested on February 19, 2022, and one-third will vest on each of February 19, 2023, and February 19, 2024.
(2) All outstanding unit awards relate to our common units. Market value is determined by multiplying the number of units that have not vested by $1.33, the closing price of our common units on December 30, 2022.

Potential Payments upon a Change of Control or Termination

We do not have a severance plan for, or any agreement with, any Named Executive Officer that would require us to make any termination payments.

Under the LTIP, our general partner's Board of Directors, in its sole discretion, may accelerate the vesting of restricted units, phantom units, and performance phantom units held by our Named Executive Officers upon termination of their employment. Solely for purposes of these disclosures, we have assumed that all outstanding unit awards would be accelerated if the Named Executive Officer's employment was terminated without cause in connection with a change of control, or upon the death, disability, or retirement of such officer, although such an acceleration is not a guaranteed benefit. The amounts that each NEO that was providing services to us as of December 31, 2022, could receive in connection with the potential acceleration of their outstanding equity awards would have been $407,144.

Director Compensation

Each director who is not an employee of our general partner or any of its subsidiaries, receives non-cash compensation of $60,000 per year for attending regularly scheduled board meetings. The non-cash compensation is paid for the upcoming service year in the form of phantom unit awards that have an intended grant date value of $60,000, prorated for any newly elected director to such director's date of election and that vest over the service year as set forth below. All such awards of phantom units are granted under our LTIP. Each phantom unit award granted to the directors on February 7, 2022, was granted in tandem with distribution equivalent rights ("DERs") that entitle the award holder to receive an additional number of units equal in value to any distributions we pay during the period the award is outstanding times the number of units subject to the award. Directors are reimbursed for out-of-pocket expenses incurred in connection with their service as directors. In addition, each non-employee director is paid an annual cash retainer of $60,000 per year, paid in quarterly cash installments. Directors who are appointed as chairmen of the Audit Committee receive an additional cash retainer of $10,000 per year paid in quarterly installments.

Directors who are also our officers or employees, or officers or employees of our general partner or any of its subsidiaries, did not receive any compensation for duties performed as our directors. Consequently, none of Mr.

Jackson (our current Chief Executive Officer), Mr. Byers (our current Chief Financial Officer) or Mr. Price (our current Chief Operating Officer) was compensated for their respective service to us as a director during 2022.

The following table discloses the cash, equity awards, and other compensation earned, paid, or awarded, as the case may be, to each of our non-employee directors during the fiscal year ended December 31, 2022.

Director Compensation Table

Name		Fees Earned or Paid in Cash[(1)]		Unit Awards[(2)]		All Other Compensation[(3)]		Total
Denise Essenberg	$	60,000	$	60,000	$	1,225	$	121,225
Ted Gardner	$	60,000	$	60,000	$	1,225	$	121,225
Stephen Gill	$	60,000	$	60,000	$	1,225	$	121,225
James R. Larson[(4)]	$	70,000	$	60,000	$	1,225	$	131,225
Michael Tucker	$	15,000	$	—	$	—	$	15,000

(1) The amounts in this column reflect the annual cash retainer payments earned for service as a non-employee director during 2022.
(2) The amounts included in the “Stock Awards” column reflect the aggregate grant date fair value of awards granted on February 7, 2022 (which will vest on February 7, 2023), in accordance with FASB ASC Topic 718. Phantom unit awards granted under the LTIP on February 7, 2022, relate to our common units and were valued at $1.39 per common unit in accordance with FASB ASC Topic 718. As of December 31, 2022, each of Messrs. Essenberg, Gardner, Gill, and Larson held 43,165 outstanding phantom units.
(3) The amounts reflected represent the value of distribution equivalent rights settled in connection with the vesting of unit awards that relate to CSI Compressco’s common units.
(4) In 2022 Mr. Larson received an additional $10,000 cash retainer for his service as the Board of Directors Audit Committee Chairman.

Indemnification Agreements

We have entered into indemnification agreements with each of our current directors and officers, which will provide that we will indemnify them to the fullest extent permitted by our Third Amended and Restated Agreement of Limited Partnership, Bylaws, and applicable law. The indemnification agreement also provides that our directors and officers will be entitled to the advancement of fees as permitted by applicable law and sets out the procedures required for determining entitlement to and obtaining indemnification and expense advancement. In addition, our charter documents provide that each of our directors and officers and any person serving at our request as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise shall be indemnified to the fullest extent permitted by law in connection with any threatened, pending, or completed action, suit, or proceeding (including civil, criminal, administrative, or investigative proceedings) arising out of or in connection with his or her services to us or to another corporation, partnership, joint venture, trust, or other enterprise, at our request. We purchase and maintain insurance on behalf of any person who is a director or officer of the aforementioned corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as an officer or director, subject to the terms and conditions of that insurance.

Management and Compensation Committee Interlocks and Insider Participation

As previously discussed, our Board is not required to maintain, and does not maintain, a compensation committee. Please read “Item 13. Certain Relationships and Related Party Transactions, and Director Independence” below, for information about relationships among us, our former general partner, and TETRA.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Beneficial Ownership of Certain Unitholders and Management

The following table sets forth the beneficial ownership of our units held by each person who beneficially owned 5% or more of our outstanding common units as of December 31, 2022, and (i) our directors; (ii) our Named Executive Officers (“NEOs”); and (iii) our directors and executive officers as a group during 2022.

The amounts and percentages of units beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

Except as indicated by footnote, the persons named in the following table have sole voting and investment power with respect to all units shown as beneficially owned by them, subject to community property laws where applicable.

Name and Business Address of Beneficial Owner	Common Units Beneficially Owned		Percentage of Class(1)
Spartan Energy Partners LP 1735 Hughes Landing, Boulevard, Suite 200 The Woodlands, Texas 77380	63,824,877	(2)	45.2 %
Invesco Ltd. 1555 Peachtree Street, NE, Suite 1800 Atlanta, GA 30309	10,731,105	(3)	7.6 %
Merced Capital, L.P. 601 Carlson Parkway, Suite 200 Minnetonka, MN 55305	7,736,528	(4)	5.5 %
Hill City Capital Master Fund LP 89 Nexus Way Camara Bay, Grand Cayman KY1-9009	7,459,259	(5)	5.3 %
John E. Jackson	871,211		*
Jonathan W. Byers	769,607		*
Denise Essenberg	74,640		*
Ted Gardner	1,250,751		*
James R. Larson	204,387		*
Stephen R. Gill	244,640		*
Robert W. Price	592,944		*
Michael J. Tucker	4,299,150	(6)	3.0 %
Director and executive officers as a group (13 persons)	8,744,443		6.2 %

* Less than 1%.
(1) Reflects common units beneficially owned as a percentage of common units outstanding.
(2) The common units beneficially owned by Spartan Energy Partners LP are directly held of record by our general partner, CSI Compressco GP LLC, and CSI Compressco Investment LLC, each a wholly owned subsidiary of Spartan Energy Holdco LLC. Each of our general partner and CSI Compressco Investment, L.L.C. has sole voting and investment power over the common units held by them. As a result, Spartan Energy Holdco LLC has indirect, sole voting and investment power over the common units held by our general partner and CSI Compressco Investment LLC.
(3) Based on Schedule 13G filed on February 10, 2023. Invesco Ltd., in its capacity as a parent holding company to its investment advisers, may be deemed to beneficially own 10,731,105 common units which are held of record by clients of Invesco Ltd. Invesco Advisers, Inc. is a subsidiary or Invesco Ltd. and it advises the Invesco SteelPath MLP Select 40 Fund which owns the securities reported above. However, no one individual has greater than 5% economic ownership. The shareholders of the Fund have the right to receive or the power to direct the receipt of dividends and proceeds from the sale of securities listed above.
(4) Based on Schedules 13G/A filed January 23, 2023, the common units beneficially owned by Merced Capital, L.P. are held for the account of Merced Partners Limited Partnership, Merced Partners V, L.P. and Athilon Capital Corp. LLC. Merced Capital, L.P. is the general partner of Merced Partners Limited Partnership, Merced Partners V, L.P. and Athilon Capital Corp. LLC. Merced Capital, L.P. is managed by Series E of Merced Capital Partners, LLC, a series of a Delaware limited liability company. David A. Ericson, Vincent C. Vertin and Stuart B. Brown have voting control over the interests in Series E of Merced Capital Partners, LLC and may be deemed to have voting and investment control over the subject common units.
(5) Based on Schedule 13G/A filed on February 2023. The common units beneficially owned by Hill City Capital Master Fund LP are directly held of record by Hill City Capital Master Fund LP. Hill City Capital Master Fund LP is managed by Hill City Capital LP. Herbert Frazier is the Managing Member of Hill City Capital LP and may be considered to have voting and investment control over the subject common units.
(6) The common units beneficially owned by Michael J. Tucker are directly held by Orvieto Fund LP, a Delaware limited partnership. Orvieto Fund LP is managed by Orvieto Partners, LP, a Delaware limited partnership. As Managing Partner of Orvieto Partners, L.P., Mr. Tucker has voting and investment control of Orvieto Partners, LP, and may be deemed to have voting and investment control over the common units.

Equity Compensation Plan Information

The following table provides information as of December 31, 2022, regarding compensation plans (including individual compensation arrangements) under which our common units are authorized for issuance.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants or Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants or Rights		Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Shown in the First Column)
Equity compensation plans approved by security holders(1)	1,880,842	$ —	(2)	575,140
Equity compensation plans not approved by security holders	—	$ —		—
Total	1,880,842	$ —		575,140

(1) Consisted of the Second Amended and Restated 2011 Long Term Incentive Plan as of December 31, 2022.
(2) Represents phantom unit awards and performance phantom unit awards outstanding under the Second Amended and Restated 2011 Long Term Incentive Plan as of December 31, 2022. These phantom unit awards and performance phantom unit awards do not have an exercise price.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Certain Transactions

Review, Approval or Ratification of Transactions with Related Persons

The related person transactions in which we engaged in 2022 were typically of a recurring, ordinary course nature, were previously made known to the Board of our general partner, and generally were of the sort contemplated by the Omnibus Agreement and our Partnership Agreement. We do not have formal, specified policies for the review, approval or ratification of transactions required to be reported under paragraph (a) of Regulation S-K Item 404. However, because related person transactions may result in potential conflicts of interest among management and board-level decision makers, our Partnership Agreement does set forth procedures that the general partner may utilize in connection with resolutions of potential conflicts of interest, including the referral of such matters to an independent conflicts committee for its review and approval or disapproval of such matters.

Transactions with our General Partner and its Affiliates

As of March 9, 2023, Spartan and certain of its subsidiaries, including our general partner, owned 63,824,877 common units, which constitutes a 45.1% limited partner interest in us, and an approximate 0.5% general partner interest in us. Spartan is, therefore, a “related person” to us as such term is defined by the SEC. In connection with the GP Sale, on January 29, 2021, TETRA entered into the Transition Services Agreement with the Partnership, pursuant to which TETRA provided certain accounting, information technology and back-office support services to the Partnership for a period of one year following closing. The Transition Services Agreement with TETRA expired on January 31, 2022.

Distributions and Payments to the General Partner and its Affiliates

We will generally make cash distributions 99.5% to unitholders on a pro rata basis, including our general partner, as the holders of 63,824,877 common units and approximately 0.5% to our general partner.

For the year ended December 31, 2022, we paid aggregate cash distributions of approximately $5.6 million on our common units, and approximately $27,000 on our general partner interest. On February 14, 2023, we paid quarterly distributions with respect to the period from October 1, 2022 through December 31, 2022, including approximately $0.8 million aggregate cash distribution on our common units and $6,746 on our general partner interest, including approximately $0.6 million of such cash distribution paid to Spartan and its affiliates.

Management Services Agreement

In connection with the Contribution Agreement, the Partnership entered into the Management Services Agreement with the general partner, Contributor, Spartan Energy Partners GP LLC, Spartan GP, and Spartan Operating. Under the terms of the Management Services Agreement, the general partner, Spartan Operating and Spartan GP will provide certain services reasonably necessary for the operation of the businesses of the Partnership and its subsidiaries, Spartan, Spartan GP and Spartan Treating, including certain corporate and general and administrative services. Pursuant to the Management Services Agreement, the general partner and Spartan GP will allocate any costs and expenses incurred on a reasonable basis, and the parties will reimburse such other parties for costs and expenses allocated to them.

Director Independence

Please see "Item 10. Directors, Executive Officers, and Corporate Governance" of this Annual Report for a discussion of director independence matters, which discussion is incorporated by reference into this Item 13.

Item 14. Principal Accounting Fees and Services.

Fees Paid to Principal Accounting Firm

The following table sets forth the aggregate fees for professional services rendered to us by Grant Thornton and its member firms and respective affiliates during the fiscal years ended December 31, 2022 and 2021, respectively (in thousands):

	2022	2021
Audit fees	$ 1,058	$ 715
Audit related fees	—	—
Tax fees	—	—
All other fees	—	—
Total fees	$ 1,058	$ 715

Audit Committee Pre-Approval of Audit and Non-Audit Services

The Audit Committee of our general partner has adopted a pre-approval policy with respect to services which may be performed by our independent registered public accounting firm (the "Audit Firm"). This policy provides that all audit and non-audit services to be performed by the Audit Firm must be specifically pre-approved on a case-by-case basis by the Audit Committee. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the entire Audit Committee at or before its next scheduled meeting. As of the date hereof, the Audit Committee has delegated this authority to the Chairman of the Audit Committee. Neither the Audit Committee, nor the person to whom pre-approval authority is delegated, may delegate their responsibilities to pre-approve services performed by the Audit Firm to our management.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) List of documents filed as part of this Report

1. Financial Statements of the Partnership

2. Financial statement schedules have been omitted as they are not required, are not applicable, or the required information is included in the financial statements or notes thereto.
3. List of Exhibits

2.1	Contribution Agreement, dated November 10, 2021, by and among CSI Compressco LP, CSI Compressco GP LLC, Spartan Energy Partners LP, and CSI Compressco Sub Inc. (incorporated by reference to Exhibit 2.1 to the Partnership's Current Report on Form 8-K filed on November 16, 2021 (SEC File No. 001-35195)).
3.1	Certificate of Limited Partnership of Compressco Partners, L.P., dated October 31, 2008 (incorporated by reference to Exhibit 3.1 to the Partnership's Registration Statement on Form S-1 filed on November 10, 2008 (SEC File No. 333-155260)).
3.3	Certificate of Correction of the Certificate of Limited Partnership of Compressco Partners, L.P. (incorporated by reference to Exhibit 3.5 to Amendment No.1 to the Partnership's Registration Statement on Form S-1/A filed on December 19, 2008 (SEC File No. 333-155260)).
3.4	Amendment to the Certificate of Limited Partnership of Compressco Partners, L.P., dated November 19, 2014 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on December 1, 2014 (SEC File No. 001-35195)).
3.7	Third Amended and Restated Agreement of Limited Partnership of CSI Compressco LP, dated as of January 6, 2022 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on January11, 2022 (SEC File No. 001-35195)).
3.8	Certificate of Conversion of CSI Compressco GP LLC, dated January 27, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on January 29, 2021 (SEC File No. 001-35195)).
3.9	Certificate of Formation of CSI Compressco GP LLC, dated January 27, 2021 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on January 29, 2021 (SEC File No. 001-35195)).
3.10	Limited Liability Company Agreement of CSI Compressco GP LLC, dated as of January 27, 2021 (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed on January 29, 2021 (SEC File No. 001-35195)).
4.1	Specimen Unit Certificate representing Common Units (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Partnership's Registration Statement on Form S-1/A filed on April 12, 2011 (SEC File No. 333-155260)).
4.2	Indenture, dated as of March 22, 2018, by and among CSI Compressco LP, CSI Compressco Finance Inc., the Guarantors party thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Partnership's Form 8-K filed on March 27, 2018 (SEC File No. 001-35195)).
4.3	Form of 7.500% Senior Secured First Lien Note due 2025 (incorporated by reference to Exhibit 4.1 to the Partnership's Form 8-K filed on March 27, 2018 (SEC File No. 001-35195)).
4.4	First Supplemental Indenture, dated as of June 12, 2020, by and among CSI Compressco LP, CSI Compressco Finance, Inc., the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Partnership's Form 8-K filed on June 12, 2020 (SEC File No. 001-35195)).
4.5	First Lien Supplemental Indenture, dated as of June 12, 2020, by and among CSI Compressco LP, CSI Compressco Finance, Inc., the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Partnership's Form 8-K filed on June 12, 2020 (SEC File No. 001-35195)).
4.6	10.000%/10.750% Senior Secured Second Lien Notes due 2026 Indenture, dated as of June 12, 2020, by and among CSI Compressco LP, CSI Compressco Finance, Inc., the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Partnership's Form 8-K filed on June 12, 2020 (SEC File No. 001-35195).

4.7	Form of 10.000%/10.750% Senior Secured Second Lien Note due 2026 (incorporated by reference to Exhibit 4.3 to the Partnership's Form 8-K filed on June 12, 2020 (SEC File No. 001-35195)).
4.8	Second Lien Supplemental Indenture, dated as of November 16, 2021, by and among CSI Compressco LP, CSI Compressco Finance, Inc., the Guarantors named therein, U.S. Bank National Association, as trustee, and U.S. Bank National Association, as collateral trustee (incorporated by reference to Exhibit 4.2 to the Partnership's Current Report on Form 8-K filed November 16, 2021 (SEC File No. 001-35195)).
4.9	Registration Rights Agreement, dated November 10, 2021, by and among CSI Compressco LP and each of the holders party thereto (incorporated by reference to Exhibit 4.1 to the Partnership's Current Report on Form 8-K filed November 16, 2021 (SEC File No. 001-35195)).
4.10	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1	Contribution, Conveyance and Assumption Agreement, dated June 20, 2011, by and among Compressco, Inc., Compressco Field Services, Inc., Compressco Canada, Inc., Compressco de Mexico, S. de R.L. de C.V., Compressco Partners GP Inc., Compressco Partners, L.P., Compressco Partners Operating, LLC, Compressco Netherlands B.V., Compressco Holdings, LLC, Compressco Netherlands Coöperatief U.A., Compressco Partners Sub, Inc., TETRA International Incorporated, Production Enhancement Mexico, S. de R.L. de C.V. and TETRA Technologies, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 24, 2011 (SEC File No. 001-35195)).
10.2	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.5 to Amendment No. 4 to the Partnership's Registration Statement on Form S-1/A filed on May 27, 2011 (SEC File No. 333-155260)).
10.3***	Form of Cash Retention Award Agreement under the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q filed on November 2, 2020 (SEC File No. 001-35195)).
10.4	First Amendment to Omnibus Agreement, dated June 20, 2014, by and among TETRA Technologies, Inc., Compressco Partners, L.P., and Compressco Partners GP Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 26, 2014 (SEC File No. 001-35195)).
10.5***	CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Partnership's Form 8-K filed on December 4, 2018 (SEC File No. 001-35195)).
10.6***	Form of Director Restricted Unit Agreement under the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q filed on May 9, 2019 (SEC File No. 001-35195)).
10.7***	Form of Performance Phantom Unit Agreement under the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Partnership's Quarterly Report on Form 10-Q filed on May 9, 2019 (SEC File No. 001-35195)).
10.8***	Form of Phantom Unit Agreement under the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Partnership's Quarterly Report on Form 10-Q filed on May 9, 2019 (SEC File No. 001-35195)).
10.9***	Form of Performance Phantom Unit Agreement under the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Partnership's Quarterly Report on Form 10-Q filed on May 7, 2020 (SEC File No. 001-35195)).
10.10***	Form of Non-Employee Director Phantom Unit Agreement under the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Partnership's Quarterly Report on Form 10-Q filed on May 9, 2019 (SEC File No. 001-35195)).
10.11	Loan and Security Agreement, dated as of June 29, 2018, by and among CSI Compressco LP, CSI Compressco Sub Inc., CSI Compressco Operating LLC, as borrowers, certain subsidiaries the borrowers named as guarantors therein, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent, collateral agent, letter of credit issuer and swing line issuer (incorporated by reference to Exhibit 10.1 to the Partnership's Form 8-K filed on July 3, 2018 (SEC File No. 001-35195)).
10.12	First Amendment to Loan and Security Agreement, dated June 26, 2019, by and among CSI Compressco LP, CSI Compressco Sub Inc., and CSI Compressco Operating LLC, as borrowers, and Bank of America, N.A., as administrative agent, collateral agent, letter of credit issuer and swing line issuer (incorporated by reference to Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q filed on August 8, 2019 (SEC File No. 001-35195)).
10.13	Second Amendment to Loan and Security Agreement, dated June 11, 2020, by and among CSI Compressco LP, CSI Compressco Sub, Inc. and Bank of America, N.A., in its capacity administrative agent, issuing bank and swing line issuer, and the other lenders and loan parties party thereto (incorporated by reference to Exhibit 10.1 to the Partnership's Form 8-K filed on June 12, 2020 (SEC File No. 001-35195)).
10.14	Third Amendment to Loan and Security Agreement, dated January 29, 2021, by and among CSI Compressco LP, CSI Compressco Sub, Inc. and Bank of America, N.A., in its capacity administrative agent, issuing bank and swing line issuer, and the other lenders and loan parties party thereto (incorporated by reference to Exhibit 10.1 to the Partnership's Form 8-K filed on January 29, 2021 (SEC File No. 001-35195)).
10.15	Fourth Amendment to Loan and Security Agreement, dated November 10, 2021, by and among CSI Compressco LP, certain of its subsidiaries, Bank of America, N.A., as administrative agent, issuing bank and swing line lender, and the lenders party thereto (incorporated by reference to Exhibit 10.3 to the Partnership's Form 8-K filed on November 16, 2021 (SEC File No. 001-35195)).

10.16	Loan, Security and Guaranty Agreement, dated January 29, 2021, by and among Spartan Energy Partners LP, Spartan Energy Services LLC, Spartan Terminals Operating, Inc., Spartan Operating Company LLC, Treating Holdco LLC, Bank of America, N.A., as agent for the lenders, and the lenders party thereto.
10.17	First Amendment to Loan, Security and Guaranty Agreement, dated November 10, 2021, by and among Spartan Energy Services LLC, Treating Holdco LLC, Spartan Energy Partners LP, Spartan Terminals Operating, Inc., Spartan Operating Company LLC, Bank of America, N.A., as agent for the lenders, and the lenders party thereto (incorporated by reference to Exhibit 10.4 to the Partnership's Form 8-K filed on November 16, 2021 (SEC File No. 001-35195)).
10.18	Collateral Trust Agreement, dated as of March 22, 2018, by and among CSI Compressco LP, CSI Compressco Finance Inc., the other Grantors from time to time party thereto, U.S. Bank National Association, as Trustee, the other Priority Lien Representatives from time to time party thereto, and U.S. Bank National Association, as Collateral Trustee (incorporated by reference to Exhibit 10.1 to the Partnership's Form 8-K filed on March 27, 2018 (SEC File No. 001-35195)).
10.19	Collateral Trust Agreement, dated June 12, 2020, by and among CSI Compressco LP, CSI Compressco Finance Inc., the other Grantors from time to time party thereto, U.S. Bank National Association, as Trustee, the other Junior Lien Representatives from time to time party thereto, and U.S. Bank National Association, as Collateral Trustee (incorporated by reference to Exhibit 10.2 to the Partnership's Form 8-K filed on June 12, 2020 (SEC File No. 001-35195)).
10.20	Transition Services Agreement, dated January 29, 2021, by and among TETRA Technologies, Inc. and CSI Compressco LP (incorporated by reference to Exhibit 10.1 to the Partnership's Form 8-K filed on January 29, 2021 (SEC File No. 001-35195)).
10.21	Management Services Agreement, dated November 10, 2021, by and among CSI Compressco LP, CSI Compressco GP LLC, Spartan Energy Partners LP, Spartan Energy Partners GP LLC and Spartan Operating Company LLC (incorporated by reference to Exhibit 10.1 to the Partnership's Form 8-K filed on November 16, 2021 (SEC File No. 001-35195)).
21+	Subsidiaries of the Partnership
22+	List of Subsidiary Guarantors
23.1+	Consent of Grant Thornton LLP
31.1+	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Furnished Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Furnished Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS++	XBRL Instance Document
101.SCH++	XBRL Taxonomy Extension Schema Document
101.CAL++	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF++	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB++	XBRL Taxonomy Extension Label Linkbase Document
101.PRE++	XBRL Taxonomy Extension Presentation Linkbase Document
104++	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

+ Filed with this report.

** Furnished with this report.

*** Management contract or compensatory plan or arrangement.

++ Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2022 and 2021; (ii) Consolidated Balance Sheets as of December 31, 2022 and 2021; (iii) Consolidated Statements of Partners' Capital/Net Parent Equity for the years ended December 31, 2022 and 2021; (iv) Consolidated Statements of Comprehensive Income for the years ended December 31, 2022 and 2021; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021; and (vi) Notes to Consolidated Financial Statements for the year ended December 31, 2022.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, CSI Compressco LP has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CSI COMPRESSCO LP

By: CSI Compressco GP LLC,
its general partner

Date: March 13, 2023

By: /s/John E. Jackson
John E. Jackson, Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities with CSI Compressco GP LLC, its general partner, and on the dates indicated:

Signature	Title	Date
/s/Ted A. Gardner Ted A. Gardner	Chairman of the Board of Directors	March 13, 2023
/s/John E. Jackson John E. Jackson	Chief Executive Officer and Director (Principal Executive Officer)	March 13, 2023
/s/Jonathan W. Byers Jonathan W. Byers	Chief Financial Officer and Director (Principal Financial Officer)	March 13, 2023
/s/Riplee L. Parkening Riplee L. Parkening	Controller (Principal Accounting Officer)	March 13, 2023
/s/Denise G. Essenberg Denise G. Essenberg	Director	March 13, 2023
/s/Stephen R. Gill Stephen R. Gill	Director	March 13, 2023
/s/James R. Larson James R. Larson	Director	March 13, 2023
/s/Robert W. Price Robert W. Price	Director	March 13, 2023
/s/Michael J. Tucker Michael J. Tucker	Director	March 13, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors of CSI Compressco GP Inc. and the Unitholders of CSI Compressco LP

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of CSI Compressco LP (a Delaware limited partnership) and subsidiaries (the “Partnership”) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), partners’ capital, and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion
These financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Partnership’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Partnership’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters
Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgements. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

We have served as the Partnership’s auditor since 2020.

Houston, Texas
March 13, 2023

CSI Compressco LP
Consolidated Balance Sheets
(In Thousands, Except Unit Amounts)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,475	$ 6,598
Trade accounts receivable, net of allowance for doubtful accounts of $736 in 2022 and $1,223 in 2021	65,085	53,520
Trade receivable - affiliate	948	—
Inventories	45,902	33,271
Prepaid expenses and other current assets	7,905	7,390
Total current assets	128,315	100,779
Property, plant, and equipment:		
Land and building	7,227	13,409
Compressors and equipment	1,103,657	1,072,927
Vehicles	8,640	8,469
Construction in progress	37,183	31,968
Total property, plant, and equipment	1,156,707	1,126,773
Less accumulated depreciation	(611,734)	(556,311)
Net property, plant, and equipment	544,973	570,462
Other assets:		
Deferred tax assets	3	5
Intangible assets, net of accumulated amortization of $36,627 in 2022 and $33,672 in 2021	19,140	22,095
Operating lease right-of-use assets	27,205	25,898
Other assets	2,767	3,122
Total other assets	49,115	51,120
Total assets	$ 722,403	$ 722,361
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 34,589	$ 28,958
Unearned income	2,590	2,187
Accrued liabilities and other	47,076	39,888
Current liabilities associated with discontinued operations	—	262
Total current liabilities	84,255	71,295
Other liabilities:		
Long-term debt, net	634,016	631,141
Deferred tax liabilities	1,245	819
Operating lease liabilities	19,419	17,648
Other long-term liabilities	8,742	299
Total other liabilities	663,422	649,907
Commitments and contingencies		
Partners' capital:		
General partner interest	(1,618)	(1,486)
Common units (141,237,462 units issued and outstanding at December 31, 2022 and 140,386,811 units issued and outstanding at December 31, 2021)	(9,250)	17,049
Accumulated other comprehensive loss	(14,406)	(14,404)
Total partners' capital (deficit)	(25,274)	1,159
Total liabilities and partners' capital	$ 722,403	$ 722,361

See Notes to Consolidated Financial Statements

CSI Compressco LP
Consolidated Statements of Operations
(In Thousands, Except Unit and Per Unit Amounts)

	Year Ended December 31,	
	2022	2021
Revenues:		
Contract services	$ 263,241	$ 234,998
Aftermarket services	72,928	53,534
Equipment rentals	14,865	12,903
Equipment sales	2,364	2,736
Total revenues	353,398	304,171
Cost of revenues (excluding depreciation and amortization expense):		
Cost of contract services	135,639	118,702
Cost of aftermarket services	58,199	45,578
Cost of equipment rentals	2,346	1,065
Cost of equipment sales	1,382	3,342
Total cost of revenues	197,566	168,687
Depreciation and amortization	78,231	78,234
Impairments and other charges	135	—
Selling, general, and administrative expense	42,563	43,299
Interest expense, net of capitalized interest of $318 in 2022 and $366 in 2021	50,503	54,791
Other (income) expense, net	1,882	3,868
Loss before taxes and discontinued operations	(17,482)	(44,708)
Provision for income taxes	4,786	4,952
Loss from continuing operations	(22,268)	(49,660)
Income (loss) from discontinued operations, net of taxes	173	(612)
Net loss	$ (22,095)	$ (50,272)
General partner interest in net loss	$ (104)	$ (573)
Common units interest in net loss	$ (21,991)	$ (49,699)
Basic and diluted net loss per common unit:		
Loss from continuing operations per common unit	$ (0.16)	$ (0.80)
Income (loss) from discontinued operations per common unit	—	(0.01)
Net loss per common unit	$ (0.16)	$ (0.81)
Weighted average common units outstanding:		
Basic and diluted	141,109,230	61,054,134

See Notes to Consolidated Financial Statements

CSI Compressco LP
Consolidated Statements of Comprehensive Income (Loss)
(In Thousands)

	Year Ended December 31,	
	2022	2021
Net loss	$ (22,095)	$ (50,272)
Foreign currency translation adjustment	(2)	(11)
Comprehensive loss	$ (22,097)	$ (50,283)

See Notes to Consolidated Financial Statements

CSI Compressco LP
Consolidated Statement of Partners' Capital
(In Thousands)

	Partners' Capital				
	General Partner	Limited Partners – Common Unitholders			
	Amount	Units	Amount	Accumulated Other Comprehensive Income (Loss)	Total Partners' Capital (Deficit)
Balance as of December 31, 2020	$ (885)	47,352	$ (10,055)	$ (14,393)	$ (25,333)
Net loss for 2021	(573)	—	(49,699)	—	(50,272)
Distributions ($0.04 per unit)	(28)	—	(1,917)	—	(1,945)
Equity compensation, net	—	—	1,954	—	1,954
Vesting of Phantom Units	—	626	—	—	—
Consideration for the drop down of entities	—	48,400	19,111	—	19,111
Proceeds from issuance of common units, net of issuance costs	—	44,008	57,796	—	57,796
Other	—	—	(141)	—	(141)
Translation adjustment, net of taxes of $0	—	—	—	(11)	(11)
Balance as of December 31, 2021	$ (1,486)	140,386	$ 17,049	$ (14,404)	$ 1,159
Net loss for 2022	(104)	—	(21,991)	—	(22,095)
Distributions ($0.04 per unit)	(28)	—	(5,641)	—	(5,669)
Equity compensation, net	—	—	1,333	—	1,333
Vesting of Phantom Units	—	851	—	—	—
Translation adjustment, net of taxes of $0	—	—	—	(2)	(2)
Balance as of December 31, 2022	$ (1,618)	141,237	$ (9,250)	$ (14,406)	$ (25,274)

See Notes to Consolidated Financial Statements

CSI Compressco LP
Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31, 2022	2021
Operating activities:		
Net loss	$ (22,095)	$ (50,272)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	78,231	78,234
Impairments and other charges	135	—
Provision (benefit) for deferred income taxes	376	(583)
Gain on extinguishment of debt	—	(835)
Paid-in-kind interest	—	5,549
Equity-based compensation expense, net	1,333	1,954
Provision (recovery) for doubtful accounts	(407)	412
Amortization of deferred financing costs	318	1,380
Other non-cash charges and credits	95	200
Gain (loss) on sale of property, plant, and equipment	(961)	3,967
Changes in operating assets and liabilities:		
Accounts receivable	(12,292)	(6,379)
Inventories	(17,563)	(7,799)
Prepaid expenses and other current assets	3,781	(1,650)
Accounts payable and accrued expenses	4,277	3,834
Other	316	(856)
Net cash provided by operating activities	35,544	27,156
Investing activities:		
Purchases of property, plant, and equipment, net	(52,073)	(43,398)
Proceeds from sale of property, plant, and equipment	8,134	1,300
Acquisition of business	—	1,169
Acquisition of affiliate from TETRA, net of cash acquired	—	420
Net cash used in investing activities	(43,939)	(40,509)
Financing activities:		
Proceeds from long-term debt	115,513	51,515
Payments of long-term debt	(113,360)	(95,125)
Spartan Treating distribution before acquisition	—	(8,229)
Proceeds from issuance of partnership common units	—	57,796
Distributions	(5,669)	(1,945)
Debt issuance costs and other financing activities	(343)	(635)
Equipment financing lease, net	14,129	—
Net cash provided by (used in) financing activities	10,270	3,377
Effect of exchange rate changes on cash	2	(3)
Increase (decrease) in cash and cash equivalents and restricted cash	1,877	(9,979)
Cash and cash equivalents at beginning of period	6,598	16,577
Cash and cash equivalents at end of period	$ 8,475	$ 6,598
Supplemental cash flow information:		
Interest paid	$ 47,272	$ 49,211
Income taxes paid	$ 6,559	$ 4,323
Decrease (increase) in accrued capital expenditures	$ (4,225)	$ 756
Non-cash items:		
Spartan Acquisition	$ —	$ 27,164

See Notes to Consolidated Financial Statements

CSI COMPRESSCO LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 — ORGANIZATION AND OPERATIONS

CSI Compressco LP, a Delaware limited partnership, is a provider of contract services related to the exploration and production of oil and natural gas, including natural gas compression services and treating services. Natural gas compression is used for oil production, gathering, artificial lift, transmission, processing, and storage. Treating services include the removal of contaminants from a natural gas stream and cooling to reduce the temperature of produced gas and liquids. We also sell used standard compressor packages and provide aftermarket services and compressor package parts and components manufactured by third-party suppliers. We provide contract and treating services and compressor parts and component sales to a broad base of natural gas and oil exploration and production, midstream, and transmission companies operating throughout many of the onshore producing regions of the United States as well as in a number of international locations, including the countries of Mexico, Canada, Argentina, Egypt and Chile. Previously, our equipment sales (new unit sales) business included the fabrication and sale of new standard and custom-designed, engineered compressor packages fabricated primarily at our facility in Midland, Texas. In the fourth quarter of 2020, we fully exited the new unit sales business and we have reflected these operations as discontinued operations for all periods presented. See Note 9 - "Discontinued Operations." Used equipment sales revenue continues to be included in equipment sales revenue. Unless the context requires otherwise, when we refer to "the Partnership," "we," "us," and "our," we are describing CSI Compressco LP and its wholly owned subsidiaries.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our consolidated financial statements include the accounts of our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

On November 10, 2021, the Partnership entered into a Contribution Agreement by and among the Partnership, CSI Compressco GP LLC, a Delaware limited liability company (our "general partner"), Spartan Energy Partners, LP, a Delaware limited partnership ("Spartan") and CSI Compressco Sub Inc., a Delaware corporation ("Compressco Sub"). Pursuant to the terms of the Contribution Agreement, Spartan contributed to the Partnership 100% of the limited liability company interest in Treating Holdco, LLC, a Delaware limited liability company ("Treating Holdco"), 100% of the common stock in Spartan Terminals Operating, Inc., a Delaware corporation ("Spartan Terminals"), and 99% of the limited liability company interests in Spartan Operating Company LLC, a Delaware limited liability company ("Spartan Operating" and together with Treating Holdco and Spartan Terminals, "Spartan Treating") (such interests in Spartan Treating, the "Contributed Interests") in exchange for 48.4 million common units in the partnership. We refer to the acquisition of the contributed interests as the "Spartan Acquisition." The Spartan Acquisition was accounted for as a change in reporting entity between entities under common control in accordance with ASC 250-10-45-21. A change in reporting entity requires retrospective application for all periods as if the Spartan Acquisition had been in effect since inception of common control. As a result, the consolidated financial statements and notes thereto for the Partnership in this combined report have been prepared as if the change in reporting entity occurred on January 29, 2021. See Note 4 - "Common Control Acquisition," for a description of the transaction.

Segments

Our general partner has concluded that we operate in one reportable segment.

Business Combinations

When we acquire a business from an entity under common control, whereby the companies are ultimately controlled by the same party or parties both before and after the transaction, it is treated similar to the pooling of interests method of accounting. The assets and liabilities are recorded at the transferring entity's historical cost instead of reflecting the fair value of assets and liabilities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and impairments during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Cash Equivalents

We consider all highly liquid cash investments with maturities of three months or less when purchased to be cash equivalents. We have concentrated credit risk for cash by maintaining deposits in a major bank, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation ("FDIC"). We monitor the financial health of the bank and have not experienced any losses in such accounts and believe we are not exposed to any significant credit risk. At times such cash balances may be in excess of the Federal Deposit Insurance Corporation coverage limit. Management believes the financial institutions are financially sound and risk of loss is minimal. We have not experienced any such losses.

Financial Instruments

Financial instruments that subject us to concentrations of credit risk consist principally of trade accounts receivable, which are primarily due from companies of varying size engaged in oil and gas activities in the United States, Canada, Mexico, Argentina, Chile and Egypt. Our policy is to review the financial condition of customers before extending credit and periodically updating customer credit information. Payment terms are on a short-term basis. The risk of loss from the inability to collect trade receivables is heightened during prolonged periods of low oil and natural gas commodity prices.

We have currency exchange rate risk exposure related to transactions denominated in a foreign currency as well as to investments in certain of our international operations. Our risk management activities include the use of foreign currency forward purchase and sale derivative contracts as part of a program designed to mitigate the currency exchange rate risk exposure on selected international operations.

We have $62.2 million balance outstanding under our variable rate revolving credit facilities as of December 31, 2022 and face market risk exposure related to changes in applicable interest rates.

Significant Customers

During the years ended December 31, 2022 and 2021, one individual customer accounted for 10% or more of our revenues. As of December 31, 2022 and 2021, one individual customer represented 10% or more of our consolidated trade accounts receivable net of allowance for doubtful accounts.

Foreign Currencies

We have designated the Canadian dollar as the functional currency for our operations in Canada. We are exposed to fluctuations between the U.S. dollar and certain foreign currencies, including the Canadian dollar, the Mexican peso, the Argentine peso, the Egyptian pound, and the Chilean peso as a result of our international operations. Foreign currency exchange (gains) losses are included in other (income) expense, net, and totaled $1.9 million and $0.2 million during the years ended December 31, 2022 and 2021, respectively.

Leases

Lessee

As a lessee, unless the lease meets the criteria of short-term and is excluded per our policy election described below, we initially recognize a lease liability and related right-of-use asset on the commencement date. The right-of-use asset represents our right to use an underlying asset and the lease liability represents our obligation to make lease payments to the lessor over the lease term.

All of our long-term leases are operating leases and are included in operating lease right-of-use assets, accrued liabilities and other, and operating lease liabilities in our consolidated balance sheet as of December 31, 2022 and 2021. We determine whether a contract is or contains a lease at inception of the contract. Where we are a lessee in a contract that includes an option to extend or terminate the lease, we include the extension period or exclude the period covered by the termination option in our lease term in determining the right-of-use asset and lease liability, if it is reasonably certain that we would exercise the option.

As an accounting policy election, we do not include short-term leases on our balance sheet. Short-term leases include leases with a term of 12 months or less, inclusive of renewal options we are reasonably certain to exercise. The lease payments for short-term leases are included as operating lease costs on a straight-line basis over the lease term in cost of revenues or selling, general, and administrative expense based on the use of the underlying asset. We recognize lease costs for variable lease payments not included in the determination of a lease liability in the period in which an obligation is incurred.

As allowed by U.S. GAAP, we do not separate non-lease components from the associated lease component for our contract services contracts and instead account for those components as a single component based on the accounting treatment of the predominant component. In our evaluation of whether Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 842 "Leases" or ASC 606 "Revenue from Contracts with Customers" is applicable to the combined component based on the predominant component, we determined the services non-lease component is predominant, resulting in the ongoing recognition of our compression services contracts following ASC 606.

Our operating leases are recognized at the present value of lease payments over the lease term. When the implicit discount rate is not readily determinable, we use our incremental borrowing rate to calculate the discount rate used to determine the present value of lease payments. Consistent with other long-lived assets or asset groups that are held and used, we test for impairment of our right-of-use assets when impairment indicators are present.

Lessor

Our agreements for rental equipment contain an operating lease component under ASC 842 because we, as the lessor, retain substantial exposure to changes in the underlying asset's value, unlike a sale or secured lending arrangement. Therefore, we do not unrecognize the underlying asset, and recognize income associated with providing the lessee the right to control the use of the asset ratably over the lease term.

As a lessor, we recognize operating lease revenue on our statements of operations as equipment rentals. This revenue is recognized on a straight-line basis over the term of the lease based on the monthly rate in the agreement. The leased asset remains on the balance sheets consistent with other property, plant and equipment. Cash receipts associated with all leases are classified as cash flows from operating activities in the statements of cash flows.

The leased equipment primarily consists of the Spartan Treating amine plants, cooling units and production equipment. All of this equipment is modular and skid mounted. It can be moved between locations. Lease terms for this equipment vary in length but the amine plants range from one to six years while the cooling units range from one month to two years.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined on a specific identification basis when we believe that the collection of specific amounts owed to us is not probable. Changes in the allowance are as follows:

	Year Ended December 31,	
	2022	**2021**
	(In Thousands)	
At beginning of period	$ 1,223	$ 1,333
Activity in the period:		
Provision (recovery) for doubtful accounts	(407)	412
Account charge-offs, net	(80)	(522)
At end of period	$ 736	$ 1,223

Inventories

Inventories consist primarily of compressor package parts and supplies and work in process and are stated at the lower of cost or net realizable value. For parts and supplies, cost is determined using the weighted average cost method. The cost of work in progress is determined using the specific identification method.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Expenditures that increase the useful lives of assets are capitalized. The cost of repairs and maintenance is charged to cost of revenues as incurred. Compressors include compressor packages currently placed in service and available for service. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Buildings	15 – 30 years
Compressors, Amine plants, and Production equipment	12 – 25 years
Other equipment	2 – 8 years
Vehicles	3 – 5 years
Information systems	7 years

Depreciation expense for the years ended December 31, 2022 and 2021 was $75.1 million and $74.9 million, respectively.

Leasehold improvements are depreciated over the shorter of the remaining term of the associated building lease or their useful lives.

Construction in progress as of December 31, 2022 and 2021 is primarily associated with the expansion of our contract services fleet and capital expenditures that sustain the capacity of our existing fleet.

Intangible Assets

Trademarks/trade names, customer relationships, and other intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 2 to 15 years. Amortization expense related to intangible assets was $2.9 million and $2.9 million for the years ended December 31, 2022 and 2021, respectively, and is included in depreciation and amortization. The estimated future annual amortization expense of trademarks/trade names, customer relationships, and other intangible assets is $2.9 million each year for 2023 to 2027.

Our intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. In such an event, we will determine the fair value of the asset using an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, we will recognize a loss for the difference between the carrying value and the estimated fair value of the intangible asset.

Impairments and Other Charges

Impairments of long-lived assets, including identified intangible assets, are determined periodically when indicators of impairment are present. If such indicators are present, the determination of the amount of impairment is based on our judgments as to the future undiscounted operating cash flows to be generated from the relevant assets throughout their remaining estimated useful lives. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. Fair value of intangible assets is generally determined using the discounted present value of future cash flows using discount rates commensurate with the risks inherent with the specific assets. Assets held for disposal are recorded at the lower of carrying value or estimated fair value less estimated selling costs.

During 2022 a certain engine in inventory was written off due to an engine being sold at a loss, resulting in a charge of $0.1 million.

During 2021, we did not record any impairments of long-lived assets.

Accrued Liabilities

Accrued liabilities are detailed as follows:

	December 31,	
	2022	2021
	(In Thousands)	
Accrued interest	$ 12,093	$ 12,132
Operating lease liabilities, current portion	7,620	7,716
Compensation and employee benefits	7,867	6,529
Accrued taxes	6,069	7,808
Accrued capital expenditures	6,360	2,135
Equipment finance agreements, current portion	5,394	—
Other accrued liabilities	1,673	3,568
Total accrued liabilities and other	$ 47,076	$ 39,888

Revenue Recognition

Performance Obligations. Revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied. Revenue is generally recognized when we transfer control of our products or services to our customers. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or providing services to our customers. We receive cash equal to the invoice price for most product sales and services and payment terms typically range from 30 to 60 days from the date we invoice our customer. With the exception of the initial terms of our compression services contracts of our medium- and high-horsepower compressor packages, our customer contracts are generally for terms of one year or less. Since the period between when we deliver products or services and when the customer pays for products or services is not to exceed one year, we have elected not to calculate or disclose a financing component for our customer contracts.

Depending on the terms of the arrangement, we may also defer the recognition of revenue for a portion of the consideration received because we have to satisfy a future performance obligation.

For revenue associated with mobilization of service equipment as part of a service contract arrangement, such revenue, if significant, is deferred and amortized over the estimated service period.

Contract services. For compression services revenues recognized over time, our customer contracts typically provide agreed upon monthly service rates and we recognize service revenue based upon the number of days that services have been performed. The majority of our compression services are provided pursuant to contract terms ranging from one month to twenty-four months. Monthly agreements are generally cancellable with 30 days written notice by the customer.

Sales taxes, value added taxes, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. We recognize the cost for freight and shipping costs when control over our products (i.e., delivery) has transferred to the customer as part of cost of product sales.

Use of Estimates. Our revenues do not include material amounts of variable consideration, as our revenues typically do not require significant estimates or judgments. The transaction prices on a majority of our arrangements are fixed and product returns are immaterial. Additionally, our arrangements typically do not include multiple performance obligations that require estimates of the stand-alone purchase price for each performance obligation. Revenue on certain aftermarket service arrangements that include time as a component of the transaction price is not recognized until the performance obligation is complete.

Contract Assets and Liabilities. We consider contract assets to be trade accounts receivable when we have an unconditional right to consideration and only the passage of time is required before payment is due. In certain instances, particularly those requiring customer specific documentation prior to invoicing, our invoicing of the customer is delayed until certain documentation requirements are met. In those cases, we recognize a contract asset rather than a billed trade accounts receivable until we are able to invoice the customer. Contract assets, along with billed trade accounts receivable, are included in trade accounts receivable in our consolidated balance sheets.

We classify contract liabilities as unearned income in our consolidated balance sheets.

Equity-Based Compensation

We have an equity incentive compensation plan which provides for the granting of phantom units and performance phantom units to the executive officers, key employees, non-executive officers, and directors of our general partner. Total equity-based compensation expense for the years ended December 31, 2022 and 2021, was $1.6 million and $2.0 million, respectively. For further discussion of equity-based compensation, see Note 11 - “Equity-Based Compensation.”

Income Taxes

Our operations are not subject to U.S. federal income tax other than the operations that are conducted through taxable subsidiaries. We incur state and local income taxes in certain areas of the U.S. in which we conduct business. We incur income taxes and are subject to withholding requirements related to certain of our operations in Latin America, Canada, and other foreign countries in which we operate. Furthermore, we also incur Texas Margin Tax, which, in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, is classified as an income tax for reporting purposes. A portion of the carrying value of certain deferred tax assets is subject to a valuation allowance. See Note 13 - “Income Taxes” for further discussion.

Accumulated Other Comprehensive Income (Loss)

Certain of our international operations maintain their accounting records in the local currencies that are their functional currencies. For these operations, the functional currency financial statements are converted to U.S. dollar equivalents, with the effect of the foreign currency translation adjustment reflected as a component of accumulated other comprehensive income (loss). Accumulated other comprehensive income (loss) is included in partners’ capital in the accompanying audited consolidated balance sheets and consists of the cumulative currency translation adjustments associated with such international operations. Activity within our accumulated other comprehensive income (loss) is not subject to reclassifications to net income.

Allocation of Net Income (Loss)

Our net income (loss) is allocated to partners’ capital accounts in accordance with the provisions of the Partnership Agreement.

Earnings (Loss) Per Common Unit

Our computations of earnings per common unit are based on the weighted average number of common units outstanding during the applicable period. Basic earnings per common unit are determined by dividing net income (loss) allocated to the common units after deducting the amount allocated to our general partner by the weighted average number of outstanding common units during the period.

When computing earnings per common unit under the two-class method in periods when distributions are greater than earnings, the amount of the distribution is deducted from net income (loss) and the excess of distributions over earnings is allocated between the general partner and common units based on how our Partnership Agreement allocates net losses.

Diluted earnings per common unit are computed using the treasury stock method, which considers the potential future issuance of limited partner common units. Unvested phantom units are not included in basic earnings per common unit, as they are not considered to be participating securities, but are included in the calculation of diluted earnings per common unit. For the years ended December 31, 2022 and 2021, all unvested phantom units were excluded from the calculation of diluted common units because the impact was anti-dilutive.

Fair Value Measurements

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. We utilize fair value measurements on a recurring basis in the accounting for our foreign currency forward purchase and sale derivative contracts. For these fair value measurements, we utilize the quoted value (a Level 2 fair value measurement). Refer to Note 12 - “Fair Value Measurements” for further discussion.

Fair value measurements are also utilized on a nonrecurring basis, such as in the allocation of purchase consideration for acquisition transactions to the assets and liabilities acquired, including intangible assets (a Level 3 fair value measurement) and for the impairment of long-lived assets (a Level 3 fair value measurement).

Distributions

On January 20, 2022, April 19, 2022, July 19, 2022 and October 19, 2022, our general partner declared a cash distribution attributable to the respective quarter end of $0.01 per common unit. These distributions each equate to a distribution of $0.04 per outstanding common unit on an annualized basis. These distributions were paid on February 14, 2022, May 13, 2022, August 12, 2022 and November 14, 2022, respectively, to the holders of common units of record as of the close of business on January 31, 2022, April 30, 2022, July 29, 2022 and October 31, 2022, respectively. See Note 17 – Subsequent Events for information regarding the distribution with respect to the quarter ended December 31, 2022.

New Accounting Pronouncements

Standards adopted

We did not adopt any new standards in 2022.

Standards not yet adopted

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the timelier recognition of losses on financial instruments not accounted for at fair value through net income. The provisions require credit impairments to be measured over the contractual life of an asset and developed with consideration for past events, current conditions, and forecasts of future economic information. Credit impairments will be accounted for as an allowance for credit losses deducted from the amortized cost basis at each reporting date. Updates at each reporting date after initial adoption will be recorded through selling, general, and administrative expense. ASU 2016-13 is effective for us the first quarter of the 2023 fiscal year. We continue to assess the potential effects of these changes to our consolidated financial statements.

NOTE 3 — REVENUE FROM CONTRACTS WITH CUSTOMERS

As of December 31, 2022, we had $145.4 million of remaining contractual performance obligations for contract services. As a practical expedient, this amount does not include revenue for contract services contracts whose original expected duration is less than twelve months and does not consider the effects of the time value of money. Expected revenue to be recognized in the future as of December 31, 2022 for completion of performance obligations of contract services are as follows:

	2023	2024	2025	2026	2027	Total
			(In Thousands)			
Contract services contracts remaining performance obligations	$ 76,042	$ 54,280	$ 13,993	$ 860	$ 219	$ 145,394

Our contract asset balances included in trade accounts receivable in our consolidated balance sheets, primarily associated with revenue accruals prior to invoicing, were $4.2 million and $4.1 million as of December 31, 2022 and December 31, 2021, respectively.

Collections associated with progressive billings to customers for sales and services transactions are included in unearned income in the consolidated balance sheets. The following table reflects the changes in unearned income in our consolidated balance sheets for the periods indicated:

	December 31, 2022	December 31, 2021
	(In Thousands)	
Unearned income, beginning of period	$ 2,187	$ 269
Additional unearned income	10,725	5,044
Revenue recognized	(10,322)	(3,126)
Unearned income, end of period	$ 2,590	$ 2,187

During the years ended December 31, 2022 and 2021, contract costs were immaterial.

Disaggregated revenue from contracts with customers by geography is as follows:

	Year Ended December 31,	
	2022	2021
	(In Thousands)	
Contract services		
U.S.	$ 227,542	$ 200,136
International	35,699	34,862
	263,241	234,998
Aftermarket services		
U.S.	71,445	51,680
International	1,483	1,854
	72,928	53,534
Equipment Rentals		
U.S.	9,380	7,663
International	5,485	5,240
	14,865	12,903
Equipment sales		
U.S.	1,945	2,272
International	419	464
	2,364	2,736
Total Revenue		
U.S.	310,312	261,751
International	43,086	42,420
	$ 353,398	$ 304,171

NOTE 4 — COMMON CONTROL ACQUISITION

On November 10, 2021, the Partnership entered into the Contribution Agreement with the general partner, Spartan, and Compressco Sub. Pursuant to the terms of the Contribution Agreement, Spartan contributed Spartan Treating to the Partnership in exchange for the issuance of 48.4 million common units in the Partnership to Spartan. As the Partnership and Spartan Treating were under common control at the time of the Spartan Acquisition, the acquisition was deemed to be a transaction under common control under ASC 805, "Business Combinations." Therefore, we accounted for this transaction at the carrying amount of the net assets acquired and the results of operations have been combined for the Partnership and Spartan Treating from the date of common control, which was January 29, 2021.

Assets acquired and liabilities assumed are reported at their historical carrying amounts. The balance sheet of Spartan Treating on November 10, 2021, the date of acquisition, consisted of (in thousands):

Current assets	$	6,616
Property, plant, and equipment		112,972
Less accumulated depreciation		(53,039)
Net property, plant, and equipment		59,933
Other assets		1,245
Total assets		67,794
Current liabilities		7,597
Long-term debt, net		32,590
Other liabilities		239
Total liabilities		40,426
Net assets	$	27,368

The Partnership's consolidated financial statements as of December 31, 2021 include the assets and liabilities of Spartan Treating, including intercompany eliminations. As the results of operations for Spartan Treating were consolidated as of January 29, 2021, the date common control began, the Partnership's balances for Partners' capital as of January 29, 2021 were adjusted to include Spartan Treating's equity balances as of that date. On November 10, 2021, Partners capital associated with Spartan Treating was $27.4 million. In consolidation, Partners capital associated with Spartan Treating is eliminated.

The consideration for the Spartan Treating acquisition was the issuance to Spartan of 48.4 million common units. The value of the common units was approximately $65.3 million. As the acquisition is accounted for as a transaction under common control and the transfer of assets and liabilities occurs at historical cost, the value of the common units has no impact on Partners' capital. The difference between the consideration and the net assets acquired of $37.9 million is recognized as a deemed distribution as the book value of net assets as of November 10, 2021 was less than the consideration. As the Spartan Treating acquisition was accounted for retrospectively to the date of common control, the Partnership's Consolidated Statement of Operations includes Spartan Treating's net income of $8.2 million corresponding to the period from January 29, 2021 to November 10, 2021.

The following tables include unaudited pro-forma financial information and the effect of the Spartan Acquisition after elimination of intercompany transactions.

	Year Ended December 31, 2021					
		CSI Compressco LP		Spartan Treating		Total
	(In Thousands, Unaudited)					
Revenue	$	281,146	$	25,181	$	306,327
Income (loss) from continuing operations	$	(60,537)	$	11,666	$	(48,871)
Net income (loss)	$	(61,149)	$	11,666	$	(49,483)

NOTE 5 — INVENTORIES

Components of inventories, net of reserve as of December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022		December 31, 2021	
	(In Thousands)			
Parts and supplies	$	44,042	$	31,441
Work in progress		1,860		1,830
Total inventories	$	45,902	$	33,271

Inventories consist primarily of compressor package parts and supplies. Work in progress inventories consisted primarily of work in progress for our aftermarket business that has not been invoiced.

NOTE 6 — LEASES

Lessee Accounting

We have operating leases for some of our office space, warehouse space, operating locations, and machinery and equipment. Our leases have remaining lease terms up to 10 years. Some of our leases have options to extend for various periods, while some have termination options with prior notice of generally 30 days or six months. Our leases generally require us to pay all maintenance and insurance costs.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lease costs are included in either cost of revenues or selling, general, and administrative expense depending on the use of the underlying asset. Total lease expense (inclusive of lease expense for leases not included on our consolidated balance sheet based on our accounting policy election to exclude leases with a term of 12 months or less), was $14.0 million for the year ended December 31, 2022, of which $2.8 million related to short-term leases. Total lease expense was $13.7 million for the year ended December 31, 2021, of which $3.1 million related to short-term leases. Variable rent expense was not material.

Operating lease supplemental cash flow information:

	Year Ended December 31,			
	2022		2021	
	(In Thousands)			
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows - operating leases	$	10,930	$	10,675
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$	8,777	$	1,382

Supplemental balance sheet information:

	December 31, 2022		December 31, 2021	
	(In Thousands)			
Operating leases:				
Operating right-of-use asset	$	27,205	$	25,898
Accrued liabilities and other	$	7,620	$	7,716
Operating lease liabilities		19,419		17,648
Total operating lease liabilities	$	27,039	$	25,364

Additional operating lease information:

	December 31, 2022	December 31, 2021
Weighted average remaining lease term:		
Operating leases	4.39 years	4.10 years
Weighted average discount rate:		
Operating leases	10.05 %	10.09 %

Future minimum lease payments by year and in the aggregate, under non-cancelable operating leases with terms in excess of one year consist of the following at December 31, 2022:

	Operating Leases
	(In Thousands)
2023	$ 10,244
2024	6,788
2025	5,792
2026	5,149
2027	2,346
Thereafter	2,772
Total lease payments	33,091
Less imputed interest	(6,052)
Total lease liabilities	$ 27,039

Lessor Accounting

Our leased equipment primarily consists of amine plants, cooling units and other production equipment. Certain of our agreements with our customers for rental equipment contain an operating lease component under ASC 842 because (i) there are identified assets, (ii) the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and (iii) the customer directs the use of the identified assets throughout the period of use. We have elected to apply the practical expedient provided to lessors to combine the lease and non-lease component of a contract where the revenue recognition pattern is the same and where the lease component, when accounted for separately, would be considered an operating lease. The practical expedient also allows a lessor to account for the combined lease and non-lease components under ASC 606, Revenue from Contracts with Customers, when the non-lease component is the predominant element of the combined component.

Our lease agreements generally have contract terms based on monthly rates. Lease revenue is recognized straight-line based on these monthly rates. We do not provide an option for the lessee to purchase the rented assets at the end of the lease and the lessees do not provide residual value guarantees on the rented assets.

We recognized operating lease revenue, which is included in “Equipment rentals” on the consolidated statements of operations as follows:

	December 31, 2022	December 31, 2021
	(In Thousands)	
Equipment rentals	$ 14,865	$ 12,903

The following table presents the maturity of lease payments for operating lease agreements in effect as of December 31, 2022. This presentation includes minimum fixed lease payments and does not include an estimate of variable lease consideration. These agreements have remaining lease terms ranging from 1 month to 6 years. The following table presents the undiscounted cash flows expected to be received related to these agreements:

	2023	2024	2025	2026	2027	Thereafter
			(In Thousands)			
Future minimum lease revenue	$ 8,196	$ 1,744	$ 1,599	$ 1,576	$ 1,576	$ 1,845

NOTE 7 — LONG-TERM DEBT AND OTHER BORROWINGS

Long-term debt consists of the following:

	Scheduled Maturity	December 31, 2022	December 31, 2021
		(In Thousands)	
Credit Agreement [1]	June 29, 2025	$ 6,312	$ 330
Spartan Credit Agreement [2]	October 17, 2025	54,912	58,045
7.5% First Lien Notes due 2025 [3]	April 1, 2025	400,293	399,767
10.000%/10.750% Second Lien Notes due 2026 [4]	April 1, 2026	172,499	172,999
Total long-term debt		634,016	631,141
Other borrowings [5]	Various	14,129	—
Total long-term debt and other borrowings		$ 648,145	$ 631,141

(1) Net of unamortized deferred financing costs of $0.4 million as of December 31, 2022 and of $0.5 million as of December 31, 2021.

(2) Net of unamortized deferred financing costs of $0.6 million as of December 31, 2022 and $1.0 million as of December 31, 2021.

(3) Net of unamortized deferred financing costs of $2.3 million and $3.9 million as of December 31, 2022 and 2021, respectively, unamortized discount of $0.1 million and $0.2 million as of December 31, 2022 and 2021, respectively, and deferred restructuring gain of $2.7 million and $3.9 million as of December 31, 2022 and 2021, respectively.

(4) Net of unamortized deferred financing costs of $1.9 million and $2.0 million, unamortized discount of $0.7 million and $0.9 million, and deferred restructuring gain of $2.4 million and $3.1 million as of December 31, 2022 and 2021, respectively.

(5) Includes $5.4 million of current liability classified as Accrued liabilities and other and $8.7 million classified as Other long-term liabilities on the accompanying consolidated balance sheet.

Scheduled maturities for the next five years and thereafter are as follows:

	December 31, 2022
	(In Thousands)
2023	$ 5,415
2024	61,325
2025	409,718
2026	172,717
2027	—
Thereafter	—
Total maturities	$ 649,175

Our Credit Agreement and indentures contain certain affirmative and negative covenants, including covenants that restrict the ability to pay dividends or other restricted payments. We are in compliance with all covenants of our credit agreement and indentures as of December 31, 2022.

Refer to Note 8 - “Related Party Transactions,” for a discussion of our amounts payable to affiliates.

Credit Agreement

On June 11, 2020, the Partnership amended the Loan and Security Agreement dated June 29, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”). The Credit Agreement provides for maximum revolving credit commitments of $35.0 million and includes a $5.0 million reserve, which results in reduced borrowing availability. The Credit Agreement includes a $25.0 million sublimit for letters of credit.

On January 29, 2021, the Partnership further amended the Credit Agreement to temporarily increase the size of the reserve to $10.0 million and also required that Spartan backstop all of the Partnership’s outstanding letters of credit. These temporary restrictions expired on April 30, 2021. On April 30, 2021, the required reserve on our Credit Agreement was reduced to $5.0 million and Spartan’s backstop for the Partnership’s outstanding letters of credits was released.

On November 10, 2021, the Partnership and CSI Compressco Sub Inc., as borrowers, entered into the Fourth Amendment to Loan and Security Agreement (the “Amendment”) amending the Loan and Security

Agreement dated June 29, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") with Bank of America, N.A., in its capacity as administrative agent, issuing bank and swing line issuer ("Administrative Agent"), and the other lenders and loan parties party thereto. The Amendment provided for changes and modifications to the Credit Agreement as set forth therein, which include, among other things, changes to certain terms of the Credit Agreement to permit: (i) the consummation of the Spartan Acquisition pursuant to the Contribution Agreement, and after giving effect to such Spartan Acquisition, for Spartan Terminals and Spartan Operating to become Immaterial Subsidiaries (as defined in the Credit Agreement) and Treating Holdco and its subsidiaries to become Unrestricted Subsidiaries (as defined in the Credit Agreement), in each case under the Credit Agreement and related loan documents; (ii) the sale by CSI Compressco Leasing LLC, a Delaware limited liability company and a subsidiary of the Partnership, and subsequent leaseback by CSI Compressco Operating LLC, a Delaware limited liability company and subsidiary of the Partnership, of certain compressor units with Treating Holdco and/or its subsidiaries occurring on or about the date of the Amendment (the "Spartan Sale/Leaseback"); and (iii) the consummation of the Redemption (as defined below) within 45 days following the date of the Amendment utilizing proceeds from the Spartan Sale/Leaseback, the Private Placement (as defined in Note 11 - "Equity Compensation") and the issuance of the New Second Lien Notes (as defined below). Refer to Note 8 - "Related Party Transactions," for a discussion of the Spartan Acquisition and the Spartan Sale/Leaseback.

On June 30, 2022, the Partnership, CSI Compressco Sub Inc. and CSI Compressco Operating LLC (collectively with the Partnership and CSI Compressco Sub Inc., the "Borrowers"), and certain subsidiaries of the Partnership named therein as guarantors (the "Guarantors"), entered into that certain Fifth Amendment to Loan and Security Agreement (the "Fifth Amendment") with the Lenders (as defined below) party thereto, and Bank of America, N.A., in its capacity as administrative agent (in such capacity, "Administrative Agent"), collateral agent, letter of credit issuer and swing line lender.

The Fifth Amendment amends and modifies that certain Loan and Security Agreement among the Borrowers, the Guarantors, the financial institutions from time to time party thereto as lenders (the "Lenders") and the Administrative Agent dated as of June 29, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). The Fifth Amendment provided for changes and modifications to the Credit Agreement as set forth therein, which include, among other things, the reduction of the reserve to $3.5 million and the extension of the Termination Date (as defined in the Credit Agreement) from June 29, 2023 to June 29, 2025.

As of December 31, 2022, and subject to compliance with the covenants, borrowing base, and other provisions of the agreements that may limit borrowings under the Credit Agreement, we had availability of $23.4 million.

The maturity date of the Credit Agreement is June 29, 2023. As of December 31, 2022, we had $6.7 million outstanding balance and had $1.4 million in letters of credit against our Credit Agreement.

Spartan Credit Agreement

On November 10, 2021, certain unrestricted subsidiaries of the Partnership, Spartan Energy Services LLC, as borrower, and Treating Holdco, as new guarantor, entered into the First Amendment to Loan, Security and Guaranty Agreement (the "Spartan Amendment") amending the Loan, Security and Guaranty Agreement dated January 29, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Spartan Credit Agreement") with Bank of America, N.A., in its capacity as agent, and the other lenders and loan parties party thereto. The Spartan Amendment provided for changes and modifications to the Spartan Credit Agreement as set forth therein, which include, among other things, changes to certain terms of the Spartan Credit Agreement as follows: (i) increase in Commitments (as defined in the Spartan Credit Agreement) from $55,000,000 to $70,000,000; (ii) permit the consummation of the Spartan Acquisition pursuant to the Contribution Agreement, and after giving effect to such Spartan Acquisition, the release of each of Spartan, Spartan Terminals and Spartan Operating as Obligors (as defined in the Spartan Credit Agreement) and the joinder of Spartan Treating as a Guarantor (as defined in the Spartan Credit Agreement), in each case under the Spartan Credit Agreement and related loan documents; (iii) revise Change of Control (as defined in the Spartan Credit Agreement) to allow for Control (as defined in the Spartan Credit Agreement) by the Partnership and the general partner; and (iv) permit the Spartan Sale/Leaseback. Refer to Note 8 - "Related Party Transactions," for a discussion of the Spartan Acquisition and the Spartan Sale/Leaseback.

On October 19, 2022, Spartan Energy Services LLC entered into the Second Amendment to Loan, Security and Guaranty Agreement (the “Second Amendment”). The Second Amendment provided for changes and modification to the Loan Agreement as set forth therein, which include, among other things, the extension of the Termination Date from January 29, 2024 to October 17, 2025.

As of December 31, 2022, and subject to compliance with the covenants, borrowing base, and other provisions of the agreements that may limit borrowings under the Spartan Credit Agreement, we had availability of $14.5 million.

As of December 31, 2022, we had $55.5 million outstanding and no letters of credit against the Spartan Credit Agreement.

7.50% First Lien Notes due 2025

As of December 31, 2022, our First Lien Notes had $400.3 million outstanding net of unamortized discounts, unamortized deferred financing costs and deferred restructuring gains. Interest on these notes is payable on April 1 and October 1 of each year. The First Lien Notes are secured by a first-priority security interest in substantially all of the Partnership’s and its subsidiaries assets, subject to certain permitted encumbrances and exceptions, and are guaranteed on a senior secured basis by each of the Partnership’s U.S. restricted subsidiaries (other than Finance Corp, certain immaterial subsidiaries and certain other excluded U.S. subsidiaries).

10.000%/10.750% Second Lien Notes due 2026

On June 12, 2018, the Issuers issued $155,529,000 in aggregate principal amount of 10.000%/10.750% Senior Secured Second Lien Notes due 2026 (the “Existing Second Lien Notes” and, together with the New Second Lien Notes, the “Second Lien Notes”) pursuant to the Second Lien Base Indenture. On November 10, 2021, the Partnership and the Partnership’s wholly owned subsidiary, CSI Compressco Finance Inc. (“Finance Corp” and, together with the Partnership, the “Issuers”) entered into a Securities Purchase Agreement, pursuant to which the Issuers, on November 16, 2021, issued $10 million in aggregate principal amount of the Issuers’ 10.000%/10.750% Senior Secured Second Lien Notes due 2026 (the “New Second Lien Notes”) to the purchasers party thereto. In connection therewith, the Issuers entered into a First Supplemental Indenture (the “Second Lien Supplemental Indenture”), by and among the Issuers, the subsidiary guarantors named therein, U.S. Bank National Association, as trustee, and U.S. Bank National Association, as collateral trustee, to the Indenture, dated June 12, 2020, by and among the Issuers, the subsidiary guarantors named therein, U.S. Bank National Association, as trustee, and U.S. Bank National Association, as collateral trustee (the “Second Lien Base Indenture” and, together with the Second Lien Supplemental Indenture, the “Second Lien Indenture”). The New Second Lien Notes were issued as “additional notes” under the Second Lien Indenture and are treated as a single class with the Existing Second Lien Notes.

As of December 31, 2022, our Second Lien Notes had $172.5 million outstanding, net of unamortized discounts, unamortized deferred financing costs and deferred restructuring gains. Interest on the Second Lien Notes is payable on April 1 and October 1 of each year. The Second Lien Notes are secured by a second-priority security interest in substantially all of the Partnership’s and its subsidiaries assets, subject to certain permitted encumbrances and exceptions, and are guaranteed on a senior secured basis by each of the Partnership’s U.S. restricted subsidiaries (other than Finance Corp and certain other excluded U.S. subsidiaries). In connection with the payment of PIK Interest (as defined below), if any, in respect of the Second Lien Notes, the issuers will be entitled, to increase the outstanding aggregate principal amount of the Second Lien Notes or issue additional notes (“PIK notes”) under the Second Lien Notes indenture on the same terms and conditions as the already outstanding Second Lien Notes. Interest will accrue at (1) the annual rate of 7.250% payable in cash, plus (2) at the election of the Issuers (made by delivering a notice to the Second Lien Trustee not less than five business days prior to the record date), the annual rate of (i) 2.750% payable in cash (together with the annual rate set forth in clause (1), the “Cash Interest Rate”) or (ii) 3.500% payable by increasing the principal amount of the outstanding Second Lien Notes or by issuing additional PIK notes, in each case rounding up to the nearest $1.00 (such increased principal amount or additional PIK notes, the “PIK Interest”).

During the fourth quarter of 2021, the second quarter of 2021 and the second quarter of 2020, the Partnership elected to increase the principal amount outstanding through the issuance of PIK notes. As of December 31, 2022, our principal amount outstanding included $7.2 million of PIK notes.

Finance Agreements

During the first quarter of 2022, CSI Compressco Leasing LLC and CSI Compressco Operating LLC (individually and collectively as Debtor), with CSI Compressco LP (as Guarantor), entered into a Master Equipment Finance Agreement with a third party in the amount of $7.8 million to finance certain compression equipment. The note is payable in monthly installments of $0.2 million for 36 months. The current portion of this amount is classified in accrued liabilities and other and the long-term portion is classified in other long-term liabilities on the accompanying consolidated balance sheet.

During the third quarter of 2022, CSI Compressco Leasing LLC and CSI Compressco Operating LLC (individually and collectively as Debtor), with CSI Compressco LP (as Guarantor), entered into a Master Equipment Finance Agreements with a third party totaling $6.3 million to finance certain compression equipment. The notes are payable in monthly installments totaling $0.2 million for 36 months. The current portion of these amounts are classified in accrued liabilities and other and the long-term portion is classified in other long-term liabilities on the accompanying consolidated balance sheet.

During the fourth quarter of 2022, CSI Compressco Leasing LLC and CSI Compressco Operating LLC (individually and collectively as Debtor), with CSI Compressco LP (as Guarantor), entered into a Master Equipment Finance Agreements with a third party totaling $2.5 million to finance certain compression equipment. The notes are payable in monthly installments totaling $0.1 million for 36 months. The current portion of these amounts are classified in accrued liabilities and other and the long-term portion is classified in other long-term liabilities on the accompanying consolidated balance sheet.

NOTE 8 — RELATED PARTY TRANSACTIONS

GP Sale

On January 29, 2021, Spartan acquired from TETRA Technologies, Inc. (“TETRA”) the Partnership’s general partner, its IDRs and 10.95 million common units in the Partnership (the “GP Sale”). The Partnership did not issue any common units or incur any debt as a result of the transaction. TETRA retained 5.2 million common units of the Partnership.

Acquisition of Spartan entities

On November 10, 2021, the Partnership entered into the Contribution Agreement by and among the Partnership, the general partner, Spartan, and Compressco Sub. Pursuant to the terms of the Contribution Agreement, Spartan contributed to the Partnership 100% of the limited liability company interest in Treating Holdco, 100% of the common stock in Spartan Terminals, and 99% of the limited liability company interests in Spartan Operating and the general partner agreed to cancel its IDRs in the Partnership in exchange for 48.4 million common units representing the limited partner interests in the Partnership. We refer to the acquisition of the Contributed Interests as the Spartan Acquisition. The general partner agreed to cancel its IDRs in the Partnership within 60 days of the Spartan Acquisition, and amended and restated its limited partnership agreement on January 6, 2022 to effect such cancellation.

Omnibus Agreement

On June 20, 2014, the Partnership, CSI Compressco GP and TETRA entered into a First Amendment to Omnibus Agreement (the “First Amendment”). The First Amendment amended the Omnibus Agreement previously entered into on June 20, 2011 (as amended, the “Omnibus Agreement”) to extend the term thereof. The Omnibus Agreement terminated upon the closing of the GP Sale (as defined below).

Under the terms of the Omnibus Agreement, our general partner provided all personnel and services reasonably necessary to manage our operations and conduct our business (other than in Mexico, Canada, and Argentina), and certain of TETRA’s Latin American-based subsidiaries provide personnel and services necessary for the conduct of certain of our Latin American-based businesses. In addition, under the Omnibus Agreement, TETRA provided certain corporate and general and administrative services as requested by our general partner, including, without limitation, legal, accounting and financial reporting, treasury, insurance administration, claims processing and risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, and tax services. Pursuant to the Omnibus Agreement, we reimbursed our general partner and TETRA for services they provided to us. For the years ended December 31, 2021, we were charged by TETRA $0.8 million for expenses incurred on our behalf as described below.

Upon the closing of the GP Sale, the Omnibus Agreement terminated in accordance with its terms. Beginning in February 2021, we reimburse our general partner under the terms of our partnership agreement for any expenses and expenditures incurred or payments made on our behalf, including operating expenses related to our operations and for the provision of various general and administrative services for our benefit. From February 2021 through November 10, 2021 we were charged $2.3 million.

Transition Services Agreement

TETRA provided back-office support to the Partnership under a Transition Services Agreement for a period of time until the Partnership completed a full separation from TETRA's back-office support functions. The Transition Services Agreement with TETRA expired on January 31, 2022. For the year ended December 31, 2022 and December 31, 2021, we were charged $0.2 million and $6.1 million, respectively, for support functions.

Management Services Agreement

In connection with the Contribution Agreement, the Partnership entered into a Management Services Agreement, dated November 10, 2021, by and among the Partnership, the general partner, Spartan, Spartan Energy Partners GP LLC, the general partner of Spartan ("Spartan GP"), and Spartan Operating (the "Management Services Agreement"). Under the terms of the Management Services Agreement, the general partner, Spartan Operating and Spartan GP will provide certain services reasonably necessary for the operation of the businesses of the Partnership and its subsidiaries, Spartan, Spartan GP and Spartan Treating, including certain corporate and general and administrative services. Pursuant to the Management Services Agreement, the general partner and Spartan GP will allocate any costs and expenses incurred on a reasonable basis, and the parties will reimburse such other parties for costs and expenses allocated to them. From November 10, 2021 through December 31, 2021, we were charged $0.5 million.

Spartan and General Partner Ownership

As of December 31, 2022, Spartan's ownership interest in us was approximately 45.5%, with the common units held by the public representing an approximate 55% interest in us. As of December 31, 2022, Spartan's ownership was through various wholly owned subsidiaries and consisted of approximately 45.0% of the limited partner interests plus the approximate 0.5% general partner interest. As a result of its ownership of common units and its general partner interest in us, Spartan received distributions of $2.6 million during the year ended December 31, 2022. Prior to the GP sale, as a result of its ownership of common units and its general partner interest in us, TETRA received distributions of $0.1 million during the year ended December 31, 2021.

Indemnification Agreement

We have entered into indemnification agreements with each of our current directors and officers with regard to their services as a director or officer, in order to enhance the indemnification rights provided under Delaware law and our Partnership Agreement. The individual indemnification agreements provide each such director or officer with the right to receive his or her costs of defense if he or she is made a party or witness to any proceeding other than a proceeding brought by or in the right of us, provided that such director or officer has not acted in bad faith or engaged in fraud with respect to the action that gave rise to his or her participation in the proceeding.

Other Sources of Financing

In February 2019, we entered into a transaction with TETRA whereby TETRA agreed to fund the construction of and purchase from us up to $15.0 million of new compression services equipment and to subsequently lease the equipment back to us in exchange for a monthly rental fee. In December 2020, TETRA sold these compressors and assigned the corresponding leases to Spartan Energy Partners LP ("Spartan"). In January 2021, TETRA sold the general partner, IDRs and a majority of its common units in the Partnership to Spartan who assumed the financing obligation. On November 10, 2021, the Partnership completed the Spartan Acquisition. See '*Acquisition of Spartan entities'* for further description above. This resulted in the reassessment of the lease as an operating lease, thus the Partnership derecognized the assets and the related liabilities as of November 10, 2021. Additionally, all revenue and expenses were eliminated in consolidation.

Common Unit Purchase Agreement

On November 10, 2021, the Partnership closed a private placement of 39,050,210 common units to certain investors for gross proceeds of $52.7 million, pursuant to a Common Unit Purchase Agreement (the “Unit Purchase Agreement”) (the “Private Placement”). Of the amount raised, $7.0 million was contributed by management and other related parties. The Partnership also issued and sold approximately 3.0 million common units at $1.35 per unit to Spartan, raising an additional $4.0 million.

Purchase of Compressor units from the Partnership by SES (“Spartan Sale-Leaseback”)

On November 10, 2021, the Partnership sold 25 compressor units to Spartan Energy Service LLC (“SES”) and concurrently signed a lease agreement with SES for those units. This generated approximately $24 million in cash proceeds. As SES is an unrestricted subsidiary of the Partnership, the Spartan Sale-Leaseback has been eliminated in the consolidated income statements.

Mexico Payroll Affiliate

In January 2021, the Partnership entered into an agreement to purchase a TETRA-owned entity, which administers payroll in Mexico, for consideration of approximately $0.4 million. The difference between the fair value of the affiliate and TETRA’s historic carrying value of the affiliates’ net assets was recorded as a capital distribution. The associated liability was paid in April 2021.

NOTE 9 — DISCONTINUED OPERATIONS

We completed the sale of our Midland manufacturing facility on July 2, 2020. The Midland facility was used to design, fabricate and assemble new standard and customized compressor packages for our new unit sales business. In connection with the Midland manufacturing facility sale, we entered into an agreement with the buyer to continue to operate a portion of the facility, which allowed us to close out the remaining backlog for the new unit sales business and to continue to operate our aftermarket services business at that location for an interim period. Following completion of the last unit in October 2020, we ceased fabricating new compressor packages for sales to third parties or for our own service fleet. The operations associated with the new unit sales business were previously reported in equipment sales revenues and are now reflected as discontinued operations in our financial statements for all periods presented. Used equipment sales revenue continues to be included in equipment sales revenue. A summary of financial information related to our discontinued operations for the new unit sales business is as follows:

Reconciliation of the Line Items Constituting Pretax Income (Loss) from Discontinued Operations to the After-Tax Income (Loss) from Discontinued Operations
(in thousands)

	Year Ended December 31,	
	2022	2021
Revenue	$ —	$ 204
Cost of revenues	—	461
Depreciation, amortization, and accretion	—	—
Impairments of long-lived assets	—	—
General and administrative expense	—	355
Other (income) expense, net	(173)	—
Total pretax income (loss) from discontinued operations	173	(612)
Income tax provision	—	—
Total income (loss) from discontinued operations	$ 173	$ (612)

Reconciliation of Major Classes of Assets and Liabilities of the Discontinued Operations to Amounts Presented Separately in the Statement of Financial Position
(in thousands)

	December 31, 2022	December 31, 2021
Carrying amounts of major classes of assets included as part of discontinued operations		
Trade receivables	$ —	$ —
Inventories	—	—
Other Current Assets	—	—
Current assets of discontinued operations	$ —	$ —
Property, plant, and equipment	—	—
Other assets	—	—
Long-term assets of discontinued operations	—	—
Total assets of discontinued operations	$ —	$ —
Carrying amounts of major classes of liabilities included as part of discontinued operations		
Trade payables	$ —	$ —
Accrued liabilities	—	262
Current liabilities of discontinued operations	$ —	$ 262
Long-term liabilities of discontinued operations	—	—
Total liabilities of discontinued operations	$ —	$ 262

NOTE 10 — COMMITMENTS AND CONTINGENCIES

From time to time, we are involved in litigation relating to claims arising out of our operations in the normal course of business. While the outcome of any lawsuits or other proceedings against us cannot be predicted with certainty, management does not consider it reasonably possible that a loss resulting from such lawsuits or proceedings in excess of any amounts accrued has been incurred that is expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

NOTE 11 — EQUITY-BASED COMPENSATION

2011 Long Term Incentive Plan

We have granted phantom unit and performance phantom unit awards to certain employees, officers, and directors of our general partner pursuant to the CSI Compressco LP Second Amended and Restated 2011 Long Term Incentive Plan. Awards of phantom units generally vest over a three-year period. Awards of performance phantom units cliff vest at the end of a performance period and are settled based on achievement of related performance measures over the performance period. Each of the phantom unit and performance phantom unit awards includes distribution equivalent rights that enable the recipient to receive additional units equal in value to the accumulated cash distributions made on the units subject to the award from the date of grant. Accumulated distributions associated with each underlying unit are payable upon settlement of the related phantom unit award (and are forfeited if the related award is forfeited). Phantom units are notional units that entitle the grantee to receive a common unit upon the vesting of the award.

During the year ended December 31, 2022, we granted to certain officers and employees an aggregate of 676,335 phantom unit and performance phantom unit awards, having an average market value (equal to the closing price of the common units on the dates of grant) of $1.39 per unit, or an aggregate market value of $0.9 million. During the year ended December 31, 2021, we granted to certain officers and employees 1,786,978 phantom unit and performance phantom unit awards, having an average market value (equal to the closing price of the common units on the dates of grant) of $1.95 per unit, or an aggregate market value of $3.5 million. The fair value of awards vesting during 2022 and 2021 was approximately $2.0 million and $1.9 million, respectively. The fair value of awards is amortized straight-line over the vesting period. Adjustments to the amortized expense related to performance phantom units may be recognized prior to vesting depending on the expected achievement of the performance target.

The following is a summary of unit activity for the year ended December 31, 2022:

	Units	Weighted Average Grant Date Fair Value Per Unit
	(In Thousands)	
Nonvested units outstanding at December 31, 2021	2,282	$ 2.01
Units granted [(1)]	676	1.39
Cancelled/forfeited	(172)	1.88
Exercised/released	(973)	2.03
Nonvested units outstanding at December 31, 2022 [(2)]	1,813	$ 1.78

(1) This number excludes 77,522 performance-based phantom units, which represents the maximum number of common units that would be issued if the maximum level of performance under the awards is achieved.

(2) This number excludes an additional 0 performance-based phantom units, which, when combined with the 77,522 granted, (net of 2022 forfeitures), represents the maximum number of common units that would be issued if the maximum level of performance under the awards is achieved. The number of units actually issued under the awards may range from zero to 155,044.

Total estimated unrecognized equity-based compensation expense from unvested units as of December 31, 2022, was approximately $1.8 million and is expected to be recognized over a weighted average period of approximately 1.35 years. The amount recognized in 2022 and 2021 was approximately $1.6 million and $2.0 million, respectively, and is included in selling, general, and administrative expense in our consolidated statements of operations.

Common Unit Purchase Agreement

On November 10, 2021, the Partnership closed the Private Placement of 39,050,210 common units to certain investors for gross proceeds of $52.7 million, pursuant to the Unit Purchase Agreement. The proceeds of the Private Placement were used for general partnership purposes, including the repayment or redemption of indebtedness. Of the amount raised, $7.0 million was contributed by management and other related parties. The Partnership also issued and sold approximately 3.0 million common units at $1.35 per unit to Spartan, raising an additional $4.0 million. All funds were collected as of November 10, 2021.

NOTE 12 — FAIR VALUE MEASUREMENTS

Fair value is defined by ASC Topic 820 as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that may differ from the transaction price or market price of the asset or liability.

Under U.S. GAAP, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs, where possible. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs may be needed to measure fair value in situations where there is little or no market activity for the asset or liability at the measurement date and are developed based on the best information available in the circumstances, which could include the reporting entity's own judgments about the assumptions market participants would utilize in pricing the asset or liability.

Financial Instruments

Derivative Contracts

We have currency exchange rate risk exposure related to transactions denominated in a foreign currency as well as to investments in certain of our international operations. We enter into 30-day foreign currency forward derivative contracts as part of a program designed to mitigate the currency exchange rate risk exposure on selected transactions of certain foreign subsidiaries. As of December 31, 2022 and 2021, we had the following foreign currency derivative contracts outstanding relating to a portion of our foreign operations:

	December 31, 2022		
	US Dollar Notional Amount (In Thousands)	**Traded Exchange Rate**	**Settlement Date**
Forward sale Mexican peso	$ 2,071	$ 19.31	1/3/2023

	December 31, 2021		
	US Dollar Notional Amount (In Thousands)	**Traded Exchange Rate**	**Settlement Date**
Forward sale Mexican peso	$ 5,572	$ 21.45	1/3/2022

Under a program designed to mitigate the currency exchange rate risk exposure on selected transactions of certain foreign subsidiaries, we may enter into similar derivative contracts from time to time. Although contracts pursuant to this program will serve as economic hedges of the cash flow of our currency exchange risk exposure, they will not be formally designated as hedge contracts or qualify for hedge accounting treatment. Accordingly, any change in the fair value of these derivative instruments during a period will be included in the determination of earnings for that period.

The fair values of our foreign currency derivative contracts are based on quoted market values (a Level 2 fair value measurement). None of our foreign currency derivative instruments contains credit risk related contingent features that would require us to post assets or collateral for contracts that are classified as liabilities. During the years ended December 31, 2022 and 2021, we recognized approximately $1.6 million and $0.3 million of net losses, respectively, associated with our foreign currency derivatives programs. These amounts are included in other (income) expense, net, in the accompanying consolidated statement of operations.

Fair Value of Debt

The fair value of our debt has been estimated in accordance with the accounting standard regarding fair value. The fair value of our fixed rate long-term debt is estimated based on recent trades for these notes. The carrying and fair value of our debt, excluding unamortized debt issuance costs, are as follows (in thousands):

	December 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
7.50% First Lien Notes	$ 400,000	$ 373,000	$ 400,000	$ 405,
10.000%/10.750% Second Lien Notes	172,717	136,446	172,717	168,
	$ 572,717	$ 509,446	$ 572,717	$ 573,

Other

The fair values of cash, accounts receivable, accounts payable, accrued liabilities, and variable-rate long-term debt pursuant to our revolving credit facility approximate their carrying amounts due to the short-term nature of these items.

NOTE 13 — INCOME TAXES

As a partnership, we are generally not subject to income taxes at the entity level because our income is included in the tax returns of our partners. Our operations are treated as a partnership for federal tax purposes with each partner being separately taxed on its share of our taxable income. However, a portion of our business is conducted through taxable U.S. corporate subsidiaries. Accordingly, a U.S. federal and state income tax provision has been reflected in the accompanying statements of operations. State tax expense relating to the Texas franchise tax liability is included in the provision for income taxes. Certain of our operations are located outside of the U.S., and the Partnership, through its foreign subsidiaries, is responsible for income taxes in these countries.

The Inflation Reduction Act of 2022 (the “IRA 2022”), which included significant changes to U.S. tax law including, but not limited to, a 15% corporate book minimum tax on corporations with average adjusted financial statement income exceeding $1.0 billion over a three-year period. We are not subject to the corporate book minimum tax due to the applicable threshold. Further regulations and interpretive guidance implementing the legislation contained in IRA 2022 is forthcoming, but subject to uncertainty at this time. The provisions of the Act are generally applicable beginning January 1, 2023 and therefore any tax impacts are immaterial in 2022.

The income tax provision (benefit) attributable to our operations for the years ended December 31, 2022 and 2021, consists of the following:

	Year Ended December 31,	
	2022	2021
	(In Thousands)	
Current		
Federal	$ —	$ —
State	827	530
Foreign	3,583	5,005
	4,410	5,535
Deferred		
Federal	(5)	4
State	2	4
Foreign	379	(591)
	376	(583)
Total tax provision	$ 4,786	$ 4,952

A reconciliation of the provision for income taxes computed by applying the federal statutory rate to income (loss) before income taxes and the reported income taxes is as follows:

	Year Ended December 31,	
	2022	2021
	(In Thousands)	
Income (loss) tax provision computed at statutory federal income tax rates	$ (3,671)	$ (9,389)
Partnership (earnings) losses	3,671	9,389
Corporate subsidiary earnings (loss) subject to federal tax	(1,141)	(485)
Valuation allowances	896	1,865
Income tax expense attributable to foreign earnings	3,277	3,362
State income taxes (net of federal benefit)	1,681	57
Other	73	153
Total tax provision	$ 4,786	$ 4,952

Income (loss) before income tax provision includes the following components:

	Year Ended December 31,	
	2022	2021
	(In Thousands)	
United States	$ (26,788)	$ (57,987)
International	9,306	13,279
Total	$ (17,482)	$ (44,708)

We file U.S. federal, state, and foreign income tax returns on behalf of all of our consolidated subsidiaries. With few exceptions, we are not subject to U.S. federal, state, local, or non-U.S. income tax examinations by tax authorities for years prior to 2015. We file tax returns in the U.S. and in various state, local and non-U.S. jurisdictions. The following table summarizes the earliest tax years that remain subject to examination by taxing authorities in any major jurisdiction in which we operate:

Jurisdiction	Earliest Open Tax Period
United States – Federal	2016
United States – State and Local	2016
Non-U.S. jurisdictions	2015

We use the liability method for reporting income taxes, under which current and deferred tax assets and liabilities are recorded in accordance with enacted tax laws and rates. Under this method, at the end of each period, the amounts of deferred tax assets and liabilities are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. We establish a valuation allowance to reduce the deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. While we consider taxable income in prior carryback years, future reversals of existing taxable temporary differences, future taxable income, and tax planning strategies in assessing the need for the valuation allowance, there can be no guarantee that we will be able to realize all of our deferred tax assets. Significant components of our deferred tax assets and liabilities are as follows:

Deferred Tax Assets	December 31, 2022	December 31, 2021
	(In Thousands)	
Other - Reserves	$ 54	$ —
Amortization for book in excess of tax expense	15,802	36,385
Accruals	1,197	5,065
Net operating losses	29,867	25,228
Accruals - Right of use liability	3,264	—
Other - Plant, property, and equipment	1,251	—
Other	3,515	4,504
Total deferred tax assets	54,950	71,182
Valuation allowance	(30,273)	(27,784)
Net deferred tax assets	$ 24,677	$ 43,398

Deferred Tax Liabilities	December 31, 2022	December 31, 2021
	(In Thousands)	
Accruals	$ 1,476	$ 1,251
Depreciation for tax in excess of book expense	20,604	38,015
Right-of-use Asset	3,213	4,493
Other - Intangibles	87	—
Other - Reserves	217	—
Other	329	453
Total deferred tax liability	25,926	44,212
Net deferred tax liability	$ 1,249	$ 814

At December 31, 2022, we have federal, state, and foreign net operating loss carryforwards/carrybacks equal to approximately $25.0 million, $2.5 million, and $2.4 million, respectively. In those foreign jurisdictions and states in which net operating losses are subject to an expiration period, our loss carryforwards, if not utilized, will expire from 2022 to 2040. Utilization of the net operating loss and credit carryforwards may be subject to a significant annual limitation due to ownership changes that have occurred previously or could occur in the future provided by Section 382 of the Internal Revenue Code of 1986, as amended.

The valuation allowance increased $2.5 million during the year ended December 31, 2022 primarily due to the increase in deferred tax assets as a result of losses generated by our U.S. corporate subsidiaries. The valuation allowance decreased $14.0 million during the year ended December 31, 2021 primarily due to the acquisition of Spartan Treating and the associated deferred tax attributes. We believe that it is more likely than not we will not realize all the tax benefits of the deferred tax assets within the allowable carryforward period. Therefore, an appropriate valuation allowance has been provided.

ASC 740, “Income Taxes” provides guidance on measurement and recognition in accounting for income tax uncertainties and provides related guidance on derecognition, classification, disclosure, interest, and penalties. As of December 31, 2022 and 2021, the Partnership had no material unrecognized tax benefits (as defined in ASC 740-10). We do not expect to incur interest charges or penalties related to our tax positions, but if such charges or penalties are incurred, our policy is to account for interest charges as interest expense and penalties as tax expense in the consolidated statements of operations.

NOTE 14 — EARNINGS PER COMMON UNIT

The computations of earnings per common unit are based on the weighted average number of common units outstanding during the applicable full-year period. Basic earnings per common unit is determined by dividing net income (loss) allocated to the common units after deducting the amount allocated to our general partner by the weighted average number of outstanding common units during the period.

When computing earnings per common unit under the two-class method in periods when distributions are greater than earnings, the amount of the distributions is deducted from net income (loss) and the excess of distributions over earnings is allocated between the general partner and common units based on how our partnership agreement allocates net losses.

When earnings are greater than distributions, we determine cash distributions based on available cash. The amount of net income is allocated between the general partner and common units based on how our partnership agreement allocates net earnings.

The following is the number of the weighted average basic and diluted common units outstanding:

	Year Ended December 31,	
	2022	2021
Weighted average basic and diluted common units outstanding	141,109,230	61,054,134

Diluted earnings per unit are computed using the treasury stock method which considers the potential future issuance of limited partner common units. Unvested phantom units are not included in basic earnings per common unit, as they are not considered to be participating securities, but are included in the calculation of diluted earnings per common unit. As of December 31, 2022 and 2021 there were no units excluded from the dilution calculation.

NOTE 15 — SEGMENTS

ASC 280, “Segment Reporting”, defines the characteristics of an operating segment as (i) being engaged in business activity from which it may earn revenues and incur expenses, (ii) being reviewed by the company’s chief operating decision maker (“CODM”) to make decisions about resources to be allocated and to assess its performance, and (iii) having discrete financial information. Due to the contribution of entities by our general partner, we have identified our operating segments as legacy Partnership (excluding Spartan Treating) and Spartan Treating. See Note 4 - “Common Control Acquisition,” for a description of the contribution of Spartan Treating to the Partnership. In 2021, these two operating segments had discrete financial information and were managed separately. The Partnership (excluding Spartan Treating) and Spartan Treating operating segments are both individually material, however, because they have similar economic characteristics and are similar in the nature of products and services, the type or class of customers, methods used to distribute their products or provides services, and production process and regulatory environment, management has determined that they should be aggregated. Based on this, our general partner has concluded that we operate in one reportable segment.

NOTE 16 — GEOGRAPHIC INFORMATION

Our headquarters are in the United States of America and we also have operations in Latin America, Canada, and to a lesser extent, in other countries located in Europe, North Africa, and the Asia-Pacific region. We attribute revenue to the countries based on the location of customers. Long-lived assets consist primarily of compressor packages and are attributed to the countries based on the physical location of the compressor packages at a given year-end. Information by geographic area is as follows:

	Year Ended December 31,	
	2022	2021
	(In Thousands)	
Revenues from external customers:		
U.S.	$ 310,312	$ 261,751
Latin America	32,040	33,089
Canada	4,755	4,027
Egypt	4,045	3,430
Other	2,246	1,874
Total	$ 353,398	$ 304,171
Identifiable assets:		
U.S.	$ 654,515	$ 651,452
Latin America	57,683	59,396
Egypt	6,341	7,432
Canada	3,864	4,081
Total identifiable assets	$ 722,403	$ 722,361

NOTE 17 — SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through the filing of this Annual Report on Form 10-K and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements except for the transactions described below.

On January 20, 2023, the board of directors of our general partner declared a cash distribution attributable to the quarter ended December 31, 2022, of $0.01 per common unit. This distribution equates to a distribution of $0.04 per outstanding common unit on an annualized basis. This distribution was paid on February 14, 2023, to the holders of common units of record as of the close of business January 31, 2023.

EXHIBIT 21

CSI Compressco LP
List of Subsidiaries or Other Related Entities
December 31, 2022

Name	Jurisdiction
CSI Compressco LP	Delaware
CSI Compressco Sub Inc.	Delaware
CSI Compressco Finance Inc.	Delaware
CSI Compression Holdings, LLC	Delaware
Rotary Compressor Systems, Inc.	Delaware
Compressor Systems de Mexico, S. de RL de CV	Mexico
CSI Compressco Operating LLC	Delaware
CSI Compressco Holdings LLC	Delaware
CSI Compressco Field Services International LLC	Delaware
Compressco de Argentina SRL	Argentina
CSI Compressco International LLC	Delaware
CSI Compressco Leasing LLC	Delaware
Compressco Netherlands Cooperatief U.A.	Netherlands
Compressco Netherlands B.V.	Netherlands
Compressco Canada, Inc.	Canada
CSI Compressco Mexico Investment I LLC	Delaware
CSI Compressco Mexico Investment II LLC	Delaware
Providence Natural Gas, LLC	Oklahoma
Production Enhancement Mexico, S. de RL de C.V.	Mexico
Treating Holdco LLC	Delaware
Spartan Energy Services LLC	Delaware
Spartan International LLC	Delaware
Gas Services Manpower, LLC	Egyptian
Spartan Terminals Operating, Inc.	Delaware
Spartan Operating Company LLC	Delaware

Subsidiary Guarantors and Co-Issuer

Each of the following direct or indirect, wholly-owned subsidiaries of CSI Compressco LP, a Delaware limited partnership (the “Partnership”) is either (i) a co-issuer of or (ii) guarantees, jointly and severally, on a senior unsecured basis, the registered debt securities of the Partnership listed below:

Co-Issuer

1. CSI Compressco Finance Inc., a Delaware corporation

Subsidiary Guarantors

1. CSI Compressco Field Services International LLC
2. CSI Compressco Holdings LLC
3. CSI Compressco International LLC
4. CSI Compressco Leasing LLC
5. CSI Compressco Operating LLC
6. CSI Compressco Sub Inc.
7. CSI Compression Holdings LLC
8. Rotary Compressor Systems, Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 13, 2023, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of CSI Compressco, LP, on Form 10-K for the year ended December 31, 2022. We consent to the incorporation by reference of said reports in the Registration Statements of CSI Compressco LP on Forms S-3 (File No. 333-228400 effective November 30, 2018, File No. 333- 256737, and File 333-261870) and on Forms S-8 (File No. 333-175007, File No. 333-228675, and File No. 333-262527).

/s/ GRANT THORNTON LLP

Houston, Texas
March 13, 2023

EXHIBIT 31.1

Certification Pursuant to
Rule 13a-14(a) or 15d-14(a) of the Exchange Act
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, John E. Jackson, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2022, of CSI Compressco LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   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: March 13, 2023

/s/John E. Jackson
John E. Jackson
Chief Executive Officer of CSI Compressco GP LLC,
General Partner of CSI Compressco LP
(Principal Executive Officer)

EXHIBIT 31.2

Certification Pursuant to
Rule 13a-14(a) or 15d-14(a) of the Exchange Act
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Jonathan W. Byers, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2022, of CSI Compressco LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   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: March 13, 2023

/s/Jonathan W. Byers
Jonathan W. Byers
Chief Financial Officer of CSI Compressco GP LLC,
General Partner of CSI Compressco LP
(Principal Financial Officer)

EXHIBIT 32.1

Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of CSI Compressco LP (the “Partnership”) on Form 10-K for the year ending December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John E. Jackson, Chief Executive Officer of CSI Compressco GP LLC, the General Partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: March 13, 2023

/s/John E. Jackson
John E. Jackson
Chief Executive Officer of CSI Compressco GP LLC,
General Partner of CSI Compressco LP
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification Pursuant to
18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of CSI Compressco LP (the “Partnership”) on Form 10-K for the year ending December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jonathan W. Byers, Chief Financial Officer of CSI Compressco GP LLC, the General Partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: March 13, 2023

/s/Jonathan W. Byers
Jonathan W. Byers
Chief Financial Officer of CSI Compressco GP LLC,
General Partner of CSI Compressco LP
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Partnership and will be retained by the Partnership and furnished to the Securities and Exchange Commission or its staff upon request.