2011 Annual Report

COMPANY PROFILE

Exterran Partners, L.P. (Nasdaq: EXLP), a master limited partnership, provides natural gas contract operations services to customers throughout the United States. Exterran Holdings, Inc. (NYSE: EXH) owns an equity interest in Exterran Partners. For more information, visit www.exterran.com.

Since our initial public offering in 2006, Exterran Holdings has sold to us a portion of its United States contract operations business relating to natural gas compression, and intends to offer to us the remaining portion of that business for purchase over time.

FINANCIAL HIGHLIGHTS

	Years Ended December 31,		
(Dollars in thousands, except per unit amounts)	2011	2010	2009
Revenue	$ 308,274	$ 237,636	$ 181,729
Gross margin [1]	145,349	113,394	98,249
EBITDA, as further adjusted [1]	139,290	104,807	83,840
Net income (loss)	6,053	(23,333)	14,784
Net income (loss) per diluted limited partner unit	0.09	(0.90)	0.68
Distributable cash flow [1]	90,284	66,831	49,809
Distributions per limited partner unit	1.94	1.87	1.85
Total assets	991,005	813,345	717,226
Total debt	545,500	449,000	432,500
Total partners' capital	423,766	350,737	258,308
Total available horsepower (at period end)	1,872,923	1,571,686	1,304,211
Total operating horsepower (at period end)	1,727,885	1,383,811	1,049,904
Average operating horsepower	1,548,743	1,178,580	877,729
Horsepower utilization:			
Spot (at period end)	92%	88%	81%
Average	89%	81%	82%

(1) Please see the discussion of non-GAAP financial measures and a reconciliation of gross margin, EBITDA, as further adjusted, and distributable cash flow to net income (loss) beginning on page 41 of our 2011 Form 10-K.

During 2011, Exterran Partners overtook Exterran Holdings, Inc. (NYSE: EXH) as the largest natural gas contract compression service provider in North America. Our business has expanded significantly since our initial public offering in 2006, and we are optimistic about long-term growth opportunities driven by increased U.S. natural gas production, primarily from liquids-rich and shale areas.

In 2011, our financial and operating performance was highlighted by:

- Revenue totaled $308 million, a 30 percent increase from 2010.
- EBITDA, as further adjusted, totaled $139 million, representing an increase of 33 percent from 2010.
- Distributable cash flow increased 35 percent from 2010, to $90 million.
- For the fourth quarter of 2011, our cash distribution was increased for the sixth consecutive quarter.
- For 2011, our cash distribution per limited partner unit was $1.94, as compared to $1.87 for the prior year.
- We had organic growth of 25,000 operating horsepower in the fourth quarter.

We continue to benefit from our affiliation with Exterran Holdings, which owns an equity interest in us, including the general partner interest. We completed acquisitions from Exterran Holdings of compression and processing assets valued at $223 million in June 2011 and $183 million in March 2012. We have financed our growth transactions with a combination of equity offerings and debt financings and have maintained a strong and stable capital structure along the way. With the benefit of new publicly traded common units stemming from our equity offerings, the average daily trading volume of our common units increased from 71,000 units in 2010 to 150,000 units in 2011, reflecting an enhanced market liquidity for our common units.

We believe we are well positioned for future growth. In March 2012, we amended our senior secured credit facility to increase its size by an additional $200 million to $900 million. This additional debt capacity will enable us to finance the organic growth of our compression services business and position us for future acquisitions. While our current fleet comprises approximately 58 percent of the combined Exterran Holdings and Exterran Partners U.S. fleet of compression units, we believe that Exterran Holdings will continue to provide us with opportunities to acquire the remaining portion of its U.S. contract operations business and utilize us as its primary growth vehicle in the United States.

Today, our contract operations fleet consists of approximately 2.1 million horsepower, up from 0.3 million at the time of our initial public offering in 2006, and we also own and operate two natural gas processing plants in the northeastern United States. Together with Exterran Holdings, the horsepower of our combined U.S. compressor fleet is greater than three times the size of our next largest contract compression competitor, affording us opportunities to capitalize on our scale to the advantage of our customers and unitholders. Going forward, our results also are expected to benefit from performance improvement initiatives at Exterran Holdings.

With industry success in developing new reserves, we are optimistic about the future of natural gas as a readily available and affordable energy source in the United States. In the near term, recent lower natural gas prices will pose a challenge to activity levels in primarily dry gas producing areas. In the intermediate and long term, we expect the demand for compression to increase over time because compression is an essential part of the natural gas production and transportation value chain and the production of natural gas has continued to grow. We believe our market leadership should enable our business to benefit from these positive trends.

We remain committed to our growth strategies both as a result of these organic opportunities and potential future acquisitions. We appreciate your investment in and continued support of Exterran Partners.

Respectfully,

Brad Childers
Chairman, President and Chief Executive Officer
Exterran GP LLC
Managing General Partner of
Exterran Partners, L.P.

May 3, 2012

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, 2011

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file no.: 001-33078

Exterran Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**22-3935108**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
16666 Northchase Drive, Houston, Texas	**77060**
(Address of principal executive offices)	*(Zip code)*

(281) 836-7000
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Units representing limited partner interests	NASDAQ Global Market

Securities Registered Pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

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

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

The aggregate market value of common units held by non-affiliates of the registrant (treating directors and executive officers of the registrant's general partner and holders of 5% or more of the common units outstanding, for this purpose, as if they were affiliates of the registrant) as of June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter was $489,028,965. This calculation does not reflect a determination that such persons are affiliates for any other purpose.

As of February 16, 2012, there were 37,280,294 common units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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PART I

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements." All statements other than statements of historical fact contained in this report are forward-looking statements, including, without limitation, statements regarding our business growth strategy and projected costs; future financial position; the sufficiency of available cash flows to fund continuing operations; the sufficiency of available cash flows to make cash distributions; the expected amount of our capital expenditures; future revenue, gross margin and other financial or operational measures related to our business; the future value of our equipment; plans and objectives of our management for our future operations; and any potential contribution of additional assets from Exterran Holdings, Inc. (individually, and together with its wholly-owned subsidiaries, "Exterran Holdings") to us. You can identify many of these statements by looking for words such as "believe," "expect," "intend," "project," "anticipate," "estimate," "will continue" or similar words or the negative thereof.

Known material factors that could cause our actual results to differ from those in these forward-looking statements are described below, in Part I, Item 1A ("Risk Factors") and Part II, Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") of this report. Important factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include, among other things:

- conditions in the oil and gas industry, including a sustained decrease in the level of supply or demand for oil or natural gas or a sustained decrease in the price of oil or natural gas, which could cause a decline in the demand for our natural gas compression services;
- reduced profit margins or the loss of market share resulting from competition or the introduction of competing technologies by other companies;
- our dependence on Exterran Holdings to provide services and compression equipment, including its ability to hire, train and retain key employees and to timely and cost effectively obtain compression equipment and components necessary to conduct our business;
- our dependence on and the availability of cost caps from Exterran Holdings to generate sufficient cash to enable us to make cash distributions at our current distribution rate;
- changes in economic or political conditions, including terrorism and legislative changes;
- the inherent risks associated with our operations, such as equipment defects, impairments, malfunctions and natural disasters;
- loss of our status as a partnership for federal income tax purposes;
- the risk that counterparties will not perform their obligations under our financial instruments;
- the financial condition of our customers;
- our ability to implement certain business and financial objectives, such as:
  - growing our asset base and utilization, particularly for our fleet of compressors;
  - integrating acquired businesses;
  - generating sufficient cash;
  - accessing the capital markets at an acceptable cost; and
  - purchasing additional contract operation contracts and equipment from Exterran Holdings;
- liability related to the provision of our services;
- changes in governmental safety, health, environmental or other regulations, which could require us to make significant expenditures; and

- our level of indebtedness and ability to fund our business.

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

ITEM 1. *Business*

General

We are a publicly held Delaware limited partnership formed in 2006 to acquire certain contract operations customer service agreements and a compressor fleet used to provide compression services under those agreements. We completed our initial public offering in October 2006. Exterran Holdings is a global market leader in the full-service natural gas compression business and a premier provider of operations, maintenance, service and equipment for oil and natural gas production, processing and transportation applications, both in the United States of America ("U.S.") and internationally. As of December 31, 2011, public unitholders held a 65% ownership interest in us and Exterran Holdings owned our remaining equity interests, including our general partner interest and all of our incentive distribution rights. Exterran General Partner, L.P., our general partner, is an indirect, wholly-owned subsidiary of Exterran Holdings and has sole responsibility for conducting our business and for managing our operations, which are conducted through our wholly-owned limited liability company, EXLP Operating LLC. Because our general partner is a limited partnership, its general partner, Exterran GP LLC, conducts our business and operations, and the board of directors and officers of Exterran GP LLC, which we sometimes refer to as our board of directors and our officers, respectively, make decisions on our behalf. All of those directors are elected by Exterran Holdings.

Our contract operations services include designing, sourcing, owning, installing, operating, servicing, repairing and maintaining equipment to provide natural gas compression to our customers. Natural gas compression is a mechanical process whereby the pressure of a volume of natural gas is increased to a desired higher pressure for transportation from one point to another and is essential to the production and transportation of natural gas. We also monitor our customers' compression services requirements over time and, as necessary, modify the level of services and related equipment we employ to address changing operating conditions. Additionally, we own and operate a natural gas processing plant with a capacity of 8 million cubic feet per day used to provide processing services pursuant to a long-term services agreement.

We are a party to an omnibus agreement with Exterran Holdings, our general partner, and others (as amended and restated, the "Omnibus Agreement"), the terms of which include, among other things:

- certain agreements not to compete between Exterran Holdings and its affiliates, on the one hand, and us and our affiliates, on the other hand;
- Exterran Holdings' obligation to provide all operational staff, corporate staff and support services reasonably necessary to operate our business and our obligation to reimburse Exterran Holdings for the provision of such services, subject to certain limitations and the cost caps discussed below;
- the terms under which we, Exterran Holdings and our respective affiliates may transfer, exchange or lease compression equipment among one another; and
- the terms under which we may purchase newly-fabricated contract operations equipment from Exterran Holdings' affiliates.

Our general partner does not receive any management fee or other compensation in connection with the management of our business, but it is entitled to reimbursement of all direct and indirect expenses incurred on

our behalf subject to caps included in the Omnibus Agreement. Exterran Holdings and our general partner are also entitled to distributions on their limited partner interest and general partner interest, respectively and, if specified requirements are met, our general partner is entitled to distributions on its incentive distribution rights. During the period from January 1, 2011 through December 31, 2011, our general partner received $2.6 million in distributions on its incentive distribution rights. For further discussion of our cash distribution policy, see "Cash Distribution Policy" included in Part II, Item 5 ("Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities") of this report.

During each of the years ended December 31, 2009 and 2010, we acquired from Exterran Holdings contract operations service agreements and a fleet of compressor units used to provide compression services under those agreements (the 2009 and 2010 acquisitions are referred to as the "November 2009 Contract Operations Acquisition" and the "August 2010 Contract Operations Acquisition," respectively).

In June 2011, we acquired from Exterran Holdings contract operations customer service agreements with 34 customers and a fleet of 407 compressor units used to provide compression services under those agreements, comprising approximately 289,000 horsepower, or 8% (by then available horsepower) of the combined U.S. contract operations business of Exterran Holdings and us (the "June 2011 Contract Operations Acquisition"). In addition, the acquired assets included 207 compressor units, comprising approximately 98,000 horsepower previously leased from Exterran Holdings to us, and a natural gas processing plant with a capacity of 8 million cubic feet per day used to provide processing services pursuant to a long-term services agreement. At the date of acquisition, the acquired fleet assets had a net book value of $191.4 million, net of accumulated depreciation of $85.5 million. Total consideration for the transaction was approximately $223.0 million, excluding transaction costs. In connection with this acquisition, we assumed $159.4 million of Exterran Holdings' debt, paid $62.2 million in cash and issued approximately 51,000 general partner units to our general partner.

In connection with the closing of the June 2011 Contract Operations Acquisition, we amended the Omnibus Agreement to, among other things, extend the duration of the cap on our reimbursement of selling, general and administrative ("SG&A") expenses and cost of sales for an additional year such that the caps will now terminate on December 31, 2012. The amount of the SG&A cap increased from $7.6 million per quarter to $9.0 million per quarter (after taking into account any such costs that we incur and pay directly) on our reimbursement of SG&A expenses Exterran Holdings incurs on our behalf, and the amount of the cost of sales cap remained unchanged at $21.75 per operating horsepower per quarter (after taking into account any such costs that we incur and pay directly) on our reimbursement of cost of sales Exterran Holdings incurs on our behalf. For further discussion of the Omnibus Agreement, please see Note 3 to the Consolidated Financial Statements included in Part II, Item 8 ("Financial Statements") of this report.

Exterran Holdings intends for us to be the primary long-term growth vehicle for its U.S. contract operations business and intends to offer us the opportunity to purchase the remainder of its U.S. contract operations business over time, but is not obligated to do so. Likewise, we are not required to purchase any additional portions of such business. The consummation of any future purchase of additional portions of Exterran Holdings' U.S. contract operations business and the timing of any such purchase will depend upon, among other things, our reaching an agreement with Exterran Holdings regarding the terms of such purchase, which will require the approval of the conflicts committee of Exterran GP LLC's board of directors, market and economic conditions and our access to additional debt and equity capital. Future contributions of assets to us upon consummation of transactions with Exterran Holdings may increase or decrease our operating performance, financial position and liquidity.

Natural Gas Compression Industry Overview

Natural gas compression is a mechanical process whereby the pressure of a volume of natural gas is increased to a desired higher pressure for transportation from one point to another, and is essential to the production and transportation of natural gas. Compression is typically required several times during the natural gas production

and transportation cycle, including: (i) at the wellhead; (ii) throughout gathering and distribution systems; (iii) into and out of processing and storage facilities; and (iv) along intrastate and interstate pipelines.

- *Wellhead and Gathering Systems* — Natural gas compression that is used to transport natural gas from the wellhead through the gathering system is considered "field compression." Compression at the wellhead is utilized because, at some point during the life of natural gas wells, reservoir pressures typically fall below the line pressure of the natural gas gathering or pipeline system used to transport the natural gas to market. At that point, natural gas no longer naturally flows into the pipeline. Compression equipment is applied in both field and gathering systems to boost the pressure levels of the natural gas flowing from the well allowing it to be transported to market. Changes in pressure levels in natural gas fields require periodic changes to the size and/or type of on-site compression equipment. Additionally, compression is used to reinject natural gas into producing oil wells to maintain reservoir pressure and help lift liquids to the surface, which is known as secondary oil recovery or natural gas lift operations. Typically, these applications require low- to mid-range horsepower compression equipment located at or near the wellhead. Compression equipment is also used to increase the efficiency of a low-capacity natural gas field by providing a central compression point from which the natural gas can be produced and injected into a pipeline for transmission to facilities for further processing.
- *Pipeline Transportation Systems* — Natural gas compression that is used during the transportation of natural gas from the gathering systems to storage or the end user is referred to as "pipeline compression." Natural gas transported through a pipeline loses pressure over the length of the pipeline. Compression is staged along the pipeline to increase capacity and boost pressure to overcome the friction and hydrostatic losses inherent in normal operations. These pipeline applications generally require larger horsepower compression equipment (1,500 horsepower and higher).
- *Storage Facilities* — Natural gas compression is used in natural gas storage projects for injection and withdrawals during the normal operational cycles of these facilities.
- *Processing Applications* — Compressors may also be used in combination with natural gas production and processing equipment and to process natural gas into other marketable energy sources. In addition, compression services are used for compression applications in refineries and petrochemical plants.

Many natural gas producers, transporters and processors outsource their compression services due to the benefits and flexibility of contract compression. Changing well and pipeline pressures and conditions over the life of a well often require producers to reconfigure or replace their compressor units to optimize the well production or gathering system efficiency.

We believe outsourcing compression operations to compression service providers such as us offers customers:

- the ability to efficiently meet their changing compression needs over time while limiting the underutilization of their existing compression equipment;
- access to the compression service provider's specialized personnel and technical skills, including engineers and field service and maintenance employees, which we believe generally leads to improved production rates and/or increased throughput;
- the ability to increase their profitability by transporting or producing a higher volume of natural gas through decreased compression downtime and reduced operating, maintenance and equipment costs by allowing the compression service provider to efficiently manage their compression needs; and
- the flexibility to deploy their capital on projects more directly related to their primary business by reducing their compression equipment and maintenance capital requirements.

We believe the U.S. natural gas compression services industry continues to have growth potential over time due to the following factors, among others:

- increased natural gas production from unconventional sources; and
- aging producing natural gas fields will require more compression to continue producing the same volume of natural gas.

Contract Operations Services Overview

We provide comprehensive contract operations services, which include our provision at the customer's location of the personnel, equipment, tools, materials and supplies necessary to provide the amount of natural gas compression for which the customer has contracted. Based on the operating specifications at the customer's location and the customer's unique compression needs, these services include designing, sourcing, owning, installing, operating, servicing, repairing and maintaining equipment to provide compression and other services to our customers. When providing contract operations services, we work closely with a customer's field service personnel so that the compression services can be adjusted to efficiently match changing characteristics of the producing formation and the natural gas produced. We routinely repackage or reconfigure a portion of our existing fleet to adapt to our customers' compression services needs. We utilize both slow and high speed reciprocating compressors driven either by internal natural gas fired combustion engines. We also utilize rotary screw compressors for specialized applications. Additionally, we own and operate a natural gas processing plant with a capacity of 8 million cubic feet per day used to provide processing services pursuant to a long-term services agreement.

Our equipment is maintained in accordance with established maintenance schedules. These maintenance procedures are updated as technology changes and as Exterran Holdings develops new techniques and procedures. In addition, because Exterran Holdings' field technicians provide maintenance on substantially all of our contract operations equipment, they are familiar with the condition of our equipment and can readily identify potential problems. In our and Exterran Holdings' experience, these maintenance procedures maximize equipment life and unit availability, minimize avoidable downtime and lower the overall maintenance expenditures over the equipment life. Generally, each of our compressor units undergoes a major overhaul once every three to seven years, depending on the type, size and utilization of the unit. If a unit requires maintenance or reconfiguration, we expect Exterran Holdings' maintenance personnel will service it as quickly as possible to meet the needs of our customer.

We and our customers typically contract for our contract operations services on a site-by-site basis for a specific monthly rate that is generally adjusted only if we fail to operate in accordance with the contract requirements. At the end of an initial minimum term, which is typically between six and twelve months, contract operations services generally continue until terminated by either party with 30 days' advance notice. Our customers generally are required to pay our monthly fee even during periods of limited or disrupted natural gas flows, which enhances the stability and predictability of our cash flows. Additionally, because we typically do not take title to the natural gas we compress, and because the natural gas we use as fuel for our compressors is supplied by our customers, we have limited direct exposure to commodity prices. See "General Terms of our Contract Operations Customer Service Agreements," below, for a more detailed description.

We intend to continue to work with Exterran Holdings to manage our respective U.S. fleets as one pool of compression equipment from which we can each readily fulfill our respective customers' service needs. When one of Exterran Holdings' salespersons is advised of a new contract operations services opportunity allocable to us, he or she will obtain relevant information concerning the project, including natural gas flow, pressure and natural gas composition, and then he or she will review both our fleet and the fleet of Exterran Holdings for an available and appropriate compressor unit. In the event that a customer presents us with an opportunity to provide contract operations services for a project with appropriate lead time, we may choose to purchase newly-fabricated equipment from Exterran Holdings or others to fulfill our customer's needs. Please read Part III,

Item 13 ("Certain Relationships and Related Transactions and Director Independence") of this report for additional information regarding our ability to share or exchange compression equipment with, or purchase equipment from, Exterran Holdings.

As of December 31, 2011, our fleet consisted of 4,434 compressors, as reflected in the following table:

Horsepower Range	Number of Units	Total Horsepower (in thousands)	% of Horsepower
0-200	2,197	243	13%
201-500	1,087	319	17%
501-800	298	183	10%
801-1,100	208	199	11%
1,101-1,500	539	727	38%
1,501 and over	105	202	11%
Total[(1)]	4,434	1,873	100%

(1) Includes 399 compressor units with an aggregate horsepower of 221,000 leased from Exterran Holdings and excludes 44 compressor units with an aggregate horsepower of 18,000 leased to Exterran Holdings (see Note 3 to the Financial Statements).

Over the last several years, Exterran Holdings has undertaken efforts to standardize its compressor fleet around major components and key suppliers. Because our fleet consists of a portion of Exterran Holdings' former fleet, we, too, benefit from these efforts. Standardization of our fleet:

- enables us to minimize our fleet operating costs and maintenance capital requirements;
- facilitates low-cost compressor resizing; and
- allows us to develop improved technical proficiency in our maintenance and overhaul operations, which enables us to achieve high run-time rates while maintaining low operating costs.

As mentioned above, pursuant to the Omnibus Agreement, Exterran Holdings provides us with all operational staff, corporate staff and support services necessary to run our business.

Business Strategy

The key elements of our business strategy are described below:

- ***Leverage our relationship with Exterran Holdings.*** Our relationship with Exterran Holdings provides us numerous revenue and cost advantages, including the ability to access new and idle compression equipment, deploy that equipment in most of the major natural gas producing regions in the U.S. and provide maintenance and operational support on a more cost effective basis than we could without that relationship.
- ***Build our business organically by capitalizing on the long-term fundamentals for the U.S. natural gas compression industry.*** We believe our ability to efficiently meet our customers' evolving compression needs, our long-standing customer relationships and our large compressor fleet will enable us to capitalize on what we believe are long-term fundamentals for the U.S. natural gas compression industry. These fundamentals include increased unconventional natural gas production, decreasing natural reservoir pressures, significant natural gas resources in the U.S. and the continued need for compression services.
- ***Grow our business.*** We plan to grow over time through accretive acquisitions of assets from Exterran Holdings, third-party compression providers and natural gas transporters or producers. Since our initial public offering, we have completed six acquisitions from Exterran Holdings of compressor units

comprising approximately 1.8 million horsepower, as well as gas processing assets. Exterran Holdings intends to offer to us the remaining portion of its U.S. contract operations services business for purchase over time. The consummation of any future purchase of additional portions of that business and the timing of any such purchase will depend upon, among other things, our reaching an agreement with Exterran Holdings regarding the terms of such purchase and the approval of the conflicts committee of Exterran GP LLC's board of directors. The timing of such transactions would also depend on, among other things, market and economic conditions and our access to additional debt and equity capital. Additionally, we anticipate investing more capital for new fleet units in 2012 than we did in 2011.

Competitive Strengths

We believe that we are well positioned to execute our primary business strategy successfully because we have the following key competitive strengths:

- ***Our relationship with Exterran Holdings.*** Our relationship with Exterran Holdings and our access to its personnel, fabrication operations, logistical capabilities, geographic scope and operational efficiencies allow us to provide a full complement of contract operations services. We and Exterran Holdings intend to continue to manage our respective U.S. compression fleets as one pool of compression equipment from which we can more easily fulfill our respective customers' needs. This relationship also provides us an advantage in pursuing compression opportunities throughout the U.S. As of December 31, 2011, Exterran Holdings owned approximately 1.7 million horsepower of compression equipment, excluding the compression equipment owned by us, in its U.S. contract operations business. We believe we will benefit from Exterran Holdings' intention to offer us the opportunity to purchase that business over time. Exterran Holdings also intends, but is not obligated, to offer us the opportunity to purchase newly fabricated compression equipment.
- ***Focus on providing superior customer service.*** We believe that our regionally-based network, local presence, experience and in-depth knowledge of customers' operating needs and growth plans enable us to be responsive to the needs of our customers and meet our customers' evolving demands on a timelier basis. In addition, we focus on achieving a high level of mechanical reliability for the services we provide in order to maximize the customers' production levels. Our sales efforts concentrate on demonstrating our commitment to enhancing the customer's cash flow through superior customer service.
- ***Stable fee-based cash flows.*** We charge a fixed monthly fee for our contract operations services that our customers are generally required to pay, regardless of the volume of natural gas we compress in that month. We believe this fee structure reduces volatility and enhances our ability to generate relatively stable, predictable cash flows.
- ***Large fleet in many major producing regions.*** Our large fleet and numerous operating locations throughout the U.S. combined with our ability, as a result of our relationship with Exterran Holdings, to efficiently move equipment among producing regions, means that we are not dependent on production activity in any particular region.

Oil and Natural Gas Industry Cyclicality and Volatility

Changes in oil and natural gas exploration and production spending will normally result in changes in demand for our products and services; however, we believe our contract operations business will typically be less impacted by commodity prices than certain other energy service products and services because:

- compression is necessary for natural gas to be delivered from the wellhead to end users;
- the need for compression services and equipment has grown over time due to the increased production of natural gas, the natural pressure decline of natural gas producing basins and the increased percentage of natural gas production from unconventional sources; and

- our contract operations business is tied primarily to natural gas production and consumption, which are generally less cyclical in nature than exploration activities.

Our large fleet and numerous operating locations throughout the U.S. combined with our ability, as a result of our relationship with Exterran Holdings, to access new and idle compression equipment and efficiently move equipment among producing regions, means that we are not dependent on production activity in any particular region. Furthermore, while compressors often must be specifically engineered or reconfigured to allow us to tailor our contract compression services to meet the unique demands of our customers, the fundamental technology of such equipment has not been subject to significant change.

Generally, our overall business activity and revenue increase as the demand for natural gas increases. Demand for our compression services is linked more directly to natural gas consumption and production than to exploration activities, which helps limit our direct exposure to commodity price risk. Because we typically do not take title to the natural gas we compress, and because the natural gas we use as fuel for our compressors is provided to us by our customers, our direct exposure to commodity price risk is further reduced.

Seasonal Fluctuations

Our results of operations have not historically reflected any material seasonal tendencies and we currently do not believe that seasonal fluctuations will have a material impact on us in the foreseeable future.

Customers

Our current customer base consists of companies that are engaged in various aspects of the oil and natural gas industry, including natural gas producers, processors, gatherers, transporters and storage providers. We have entered into strategic alliances with some of our customers. These alliances are essentially preferred vendor arrangements and give us preferential consideration for the compression needs of these customers. In exchange, we provide these customers with enhanced product availability, product support and favorable pricing. None of our customers accounted for 10% or more of our consolidated revenues during the year ended December 31, 2011.

Sales and Marketing

Our marketing and client service functions are performed on a coordinated basis by Exterran Holdings' sales and field service personnel. Salespeople and field service personnel regularly visit our customers to ensure customer satisfaction, to determine customer needs as to services currently being provided and to ascertain potential future compression services requirements. This ongoing communication allows us to quickly identify and respond to customer requests.

General Terms of our Contract Operations Customer Service Agreements

The following discussion describes select material terms common to our standard contract operations service agreements. We enter into separate service agreements with a given customer with respect to each distinct site at which we will provide contract operations services, which site-specific contract typically incorporates by reference the terms and conditions of a master agreement with that customer.

Term and Termination. Our customers typically contract for our contract operations services on a site-by-site basis. At the end of an initial minimum term, which is typically between six and twelve months, contract operations services generally continue until terminated by either party with 30 days' advance notice.

Fees and Expenses. Our customers pay a fixed monthly fee for our contract operations services, the level of which generally is based on expected natural gas volumes and pressures associated with a specific application.

Our customers generally are required to pay our monthly fee even during periods of limited or disrupted natural gas flows. We are typically responsible for the costs and expenses associated with our compression equipment used to provide the contract operations services, other than fuel gas, which is provided by our customers.

Service Standards and Specifications. We are responsible for providing contract operations services in accordance with the particular specifications of a job, as set forth in the applicable contract. These are typically turn-key service contracts under which we supply all service and support and use our own compression equipment to provide the contract operations services as necessary for a particular application. In certain circumstances, if the availability of our services does not meet certain percentages specified in our contracts, our customers are generally entitled, upon request, to specified credits against our service fees.

Title; Risk of Loss. We own and retain title to or have an exclusive possessory interest in all compression equipment used to provide the contract operations services and we generally bear risk of loss for such equipment to the extent not caused by gas conditions, our customers' acts or omissions or the failure or collapse of the customer's over-water job site upon which we provide the contract operations services.

Insurance. Typically, both we and our customers are required to carry general liability, worker's compensation, employers' liability, automobile and excess liability insurance. Exterran Holdings insures our property and operations and is substantially self-insured for worker's compensation, employer's liability, property, auto liability, general liability and employee group health claims in view of the relatively high per-incident deductibles Exterran Holdings absorbs under its insurance arrangements for these risks.

Suppliers

Currently, our sole supplier of newly fabricated equipment is Exterran Holdings. Under the Omnibus Agreement, we may purchase newly fabricated compression equipment from Exterran Holdings or its affiliates at Exterran Holdings' cost to fabricate such equipment plus a fixed margin of 10%, which may be modified with the approval of Exterran Holdings and the conflicts committee of our board of directors. We may also transfer, exchange or lease compression equipment with Exterran Holdings. Alternatively, we can purchase newly fabricated or already existing compression equipment from third parties.

We rely on Exterran Holdings, who in turn relies on a limited number of suppliers, for some of the components used in our products. We and Exterran Holdings believe alternative sources of these components are generally available but at prices that may not be as economically advantageous to us as those offered by our existing suppliers. We believe Exterran Holdings' relations with its suppliers are satisfactory.

Competition

The natural gas compression services business is highly competitive. Overall, we experience considerable 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 adopt more aggressive pricing policies. We believe that we compete effectively on the basis of price, equipment availability, customer service, flexibility in meeting customer needs, quality and reliability of our compressors and related services.

Compression services providers can achieve operating and cost advantages through increased size and geographic scope. As the number of compression applications and size of the compression fleet increases, the number of required sales, administrative and maintenance personnel does not increase proportionately, resulting in operational efficiencies and potential cost advantages. Additionally, broad geographic scope allows compression service providers to more efficiently provide services to all customers, particularly those with compression applications in remote locations. We believe that our relationship with Exterran Holdings allows us to access a large, diverse fleet of compression equipment and a broad geographic base of operations and related

operational personnel that gives us more flexibility in meeting our customers' needs than many of our competitors. We also believe that our relationship with Exterran Holdings provides us with resources that allow us to efficiently manage our customers' compression services needs.

Non-competition Arrangement with Exterran Holdings

Under the Omnibus Agreement, subject to the provisions described below, Exterran Holdings has agreed not to offer or provide compression services in the U.S. to our contract operations services customers that are not also contract operations services customers of Exterran Holdings. Compression services are defined to include the provision of natural gas contract compression services, but exclude fabrication of compression equipment, sales of compression equipment or material, parts or equipment that are components of compression equipment, leasing of compression equipment without also providing related compression equipment service, gas processing operations services and operating, maintenance, service, repairs or overhauls of compression equipment owned by third parties. In addition, under the Omnibus Agreement, we have agreed not to offer or provide compression services to Exterran Holdings' U.S. contract operations services customers that are not also contract operations services customers of ours.

At the time of execution of the Omnibus Agreement with Exterran Holdings, some of our customers were also contract operations services customers of Exterran Holdings, which we refer to as overlapping customers. We and Exterran Holdings have agreed, subject to the exceptions described below, not to provide contract operations services to an overlapping customer at any site at which the other was providing such services to an overlapping customer on the date of the Omnibus Agreement, each being referred to as a Partnership site (as defined in the Omnibus Agreement) or an Exterran site (as defined in the Omnibus Agreement). After the date of the Omnibus Agreement, if an overlapping customer requests contract operations services at a Partnership site or an Exterran site, whether in addition to or in replacement of the equipment existing at such site on the date of the Omnibus Agreement, we will be entitled to provide contract operations services if such overlapping customer is a Partnership overlapping customer (as defined in the Omnibus Agreement), and Exterran Holdings will be entitled to provide such contract operations services at other locations if such overlapping customer is an Exterran overlapping customer (as defined in the Omnibus Agreement). Additionally, any additional contract operations services provided to a Partnership overlapping customer will be provided by us and any additional services provided to an Exterran overlapping customer will be provided by Exterran Holdings.

Exterran Holdings also has agreed that new customers for contract compression services (neither our customers nor customers of Exterran Holdings for U.S. contract compression services) are for our account unless the new customer is unwilling to contract with us or unwilling to do so under our form of compression services agreement. If a new customer is unwilling to enter into such an arrangement with us, then Exterran Holdings may provide compression services to the new customer. In the event that either we or Exterran Holdings enter into a contract to provide compression services to a new customer, either we or Exterran Holdings, as applicable, will receive the protection of the applicable non-competition arrangements described above in the same manner as if such new customer had been a compression services customer of either us or Exterran Holdings on the date of the Omnibus Agreement.

The non-competition arrangements described above do not apply to:

- our provision of contract compression services to a particular Exterran Holdings customer or customers, with the approval of Exterran Holdings;
- Exterran Holdings' provision of contract compression services to a particular customer or customers of ours, with the approval of the conflicts committee of our board of directors;
- our purchase and ownership of not more than five percent of any class of securities of any entity which provides contract compression services to the contract compression services customers of Exterran Holdings;

- Exterran Holdings' purchase and ownership of not more than five percent of any class of securities of any entity which provides contract compression services to our contract compression services customers;
- Exterran Holdings' ownership of us;
- our acquisition, ownership and operation of any business that provides contract compression services to Exterran Holdings' contract compression services customers if Exterran Holdings has been offered the opportunity to purchase the business for its fair market value from us and Exterran Holdings declines to do so. However, if neither the Omnibus Agreement nor the non-competition arrangements described above have already terminated, we will agree not to provide contract compression services to Exterran Holdings' customers that are also customers of the acquired business at the sites at which Exterran Holdings is providing contract operations services to them at the time of the acquisition;
- Exterran Holdings' acquisition, ownership and operation of any business that provides contract compression services to our contract operations services customers if we have been offered the opportunity to purchase the business for its fair market value from Exterran Holdings and we decline to do so with the concurrence of the conflicts committee of our board of directors. However, if neither the Omnibus Agreement nor the non-competition arrangements described above have already terminated, Exterran Holdings will agree not to provide contract operations services to our customers that are also customers of the acquired business at the sites at which we are providing contract operations services to them at the time of the acquisition; or
- a situation in which one of our customers (or its applicable business) and a customer of Exterran Holdings (or its applicable business) merge or are otherwise combined, in which case, each of we and Exterran Holdings may continue to provide contract operations services to the applicable combined entity or business without being in violation of the non-competition provisions, but Exterran Holdings and the conflicts committee of our board of directors must negotiate in good faith to implement procedures or such other arrangements, as necessary, to protect the value to each of Exterran Holdings and us of the business of providing contract operations services to each such customer or its applicable business, as applicable.

Unless the Omnibus Agreement is terminated earlier due to a change of control of our general partner or the removal or withdrawal of our general partner, or from a change of control of Exterran Holdings, the non-competition provisions of the Omnibus Agreement will terminate on December 31, 2013 or on the date on which a change of control of Exterran Holdings occurs, whichever event occurs first. If a change of control of Exterran Holdings occurs, and neither the Omnibus Agreement nor the non-competition arrangements have already terminated, Exterran Holdings will agree for the remaining term of the non-competition arrangements not to provide contract operations services to our customers at the sites at which we are providing contract operations services to them at the time of the change of control.

Environmental and Other Regulations

Government Regulation

Our operations are subject to stringent and complex U.S. federal, state, and local laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of the environment and to occupational safety and health. Compliance with these environmental laws and regulations may expose us to significant costs and liabilities and cause us to incur significant capital expenditures in our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of investigatory and remedial obligations, and the issuance of injunctions delaying or prohibiting operations. We believe that our operations are in substantial compliance with applicable environmental and safety and health laws and regulations and that continued compliance with currently applicable requirements would not have a material adverse effect on us. However, the clear trend in environmental regulation is to place more restrictions on activities that may affect the environment, and thus, any

changes in these laws and regulations that result in more stringent and costly waste handling, storage, transport, disposal, emission or remediation requirements could have a material adverse effect on our results of operations and financial position.

The primary U.S. federal environmental laws to which our operations are subject include the Clean Air Act ("CAA") and regulations thereunder, which regulate air emissions; the Clean Water Act ("CWA") and regulations thereunder, which regulate the discharge of pollutants in industrial wastewater and storm water runoff; the Resource Conservation and Recovery Act ("RCRA") and regulations thereunder, which regulate the management and disposal of solid and hazardous waste; and the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and regulations thereunder, known more commonly as "Superfund," which imposes liability for the remediation of releases of hazardous substances in the environment. We are also subject to regulation under the Occupational Safety and Health Act ("OSHA") and regulations thereunder, which regulate the protection of the safety and health of workers. Analogous state and local laws and regulations may also apply.

Air Emissions

The CAA and analogous state laws and their implementing regulations regulate emissions of air pollutants from various sources, including natural gas compressors, and also impose various monitoring and reporting requirements. Such laws and regulations may require a facility to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions, obtain and strictly comply with air permits containing various emissions and operational limitations, or utilize specific emission control technologies to limit emissions. Our standard contract operations contract typically provides that the customer will assume permitting responsibilities and certain environmental risks related to site operations.

On August 20, 2010, the Environmental Protection Agency ("EPA") published new regulations under the CAA to control emissions of hazardous air pollutants from existing stationary reciprocal internal combustion engines. The rule will require us to undertake certain expenditures and activities, likely including purchasing and installing emissions control equipment, such as oxidation catalysts or non-selective catalytic reduction equipment, on a portion of our engines located at major sources of hazardous air pollutants and all our engines over a certain size regardless of location, following prescribed maintenance practices for engines (which are consistent with our existing practices), and implementing additional emissions testing and monitoring. On October 19, 2010, we submitted a legal challenge to the U.S. Court of Appeals for the D.C. Circuit and a Petition for Administrative Reconsideration to the EPA for some monitoring aspects of the rule. The legal challenge has been held in abeyance since December 3, 2010, pending the EPA's consideration of the Petition for Administrative Reconsideration. On January 5, 2011, the EPA approved the request for reconsideration of the monitoring issues and that reconsideration process is ongoing. At this point, we cannot predict when, how or if an EPA or a court ruling would modify the final rule, and as a result we cannot currently accurately predict the cost to comply with the rule's requirements. Compliance with the final rule is required by October 2013.

In addition, the Texas Commission on Environmental Quality ("TCEQ") has finalized revisions to certain air permit programs that significantly increase the air permitting requirements for new and certain existing oil and gas production and gathering sites for 23 counties in the Barnett Shale production area. The final rule establishes new emissions standards for engines, which could impact the operation of specific categories of engines by requiring the use of alternative engines, compressor packages or the installation of aftermarket emissions control equipment. The rule became effective for the Barnett Shale production area in April 2011, and the lower emissions standards will become applicable between 2015 and 2030 depending on the type of engine and the permitting requirements. Our cost to comply with the revised air permit programs is not expected to be material at this time. Although the TCEQ had previously stated it would consider expanding application of the new air permit program statewide, the Texas Legislature adopted legislation prohibiting such an expansion in the near term, including by preventing the TCEQ from expending funds to extend the rule's geographic scope prior to

August 31, 2013 and prior to conducting and providing to the Texas Legislature an economic impact study regarding any such expansion. At this point, we cannot predict whether or when such a geographic expansion of those rules might occur or the cost to comply with any such requirements.

On August 23, 2011, the EPA published proposed regulations focused on reducing the emissions of certain chemicals by the oil and natural gas industry, including volatile organic compounds, sulfur dioxide and certain air toxics. Because, based on our review of the proposed regulations, it appeared our business could be affected by certain portions of those proposed regulations, we submitted comments to the EPA prior to the end of the comment period on November 30, 2011. At this point, however, we cannot predict how or if the EPA will address those comments, what applicable requirements may eventually be adopted with respect to these proposed regulations or the cost to comply with such requirements.

These new regulations and proposals, when finalized, and any other new regulations requiring the installation of more sophisticated pollution control equipment or the adoption of other environmental protection measures, could have a material adverse impact on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Climate Change

The U.S. Congress has considered legislation to restrict or regulate emissions of greenhouse gases, such as carbon dioxide and methane, that are understood to contribute to global warming. One bill, passed by the House of Representatives, if enacted by the full Congress, would have required greenhouse gas emissions reductions by covered sources of as much as 17% from 2005 levels by 2020 and by as much as 83% by 2050. It presently appears unlikely that comprehensive climate legislation will be passed by either house of Congress in the near future, although energy legislation and other initiatives continue to be proposed that may be relevant to greenhouse gas emissions issues. In addition, almost half of the states, either individually or through multi-state regional initiatives, have begun to address greenhouse gas emissions, primarily through the planned development of emission inventories or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date been focused on large sources of greenhouse gas emissions, such as electric power plants, it is possible that smaller sources such as our gas-fired compressors could become subject to greenhouse gas-related regulation. Depending on the particular program, we could be required to control emissions or to purchase and surrender allowances for greenhouse gas emissions resulting from our operations.

Independent of Congress, the EPA is beginning to adopt regulations controlling greenhouse gas emissions under its existing CAA authority. The EPA has adopted rules requiring many facilities, including petroleum and natural gas systems, to inventory and report their greenhouse gas emissions. In addition, the EPA in June 2010 published a final rule providing for the tailored applicability of air permitting requirements for greenhouse gas emissions. The EPA reported that the rulemaking was necessary because without it certain permitting requirements would apply as of January 2011 at an emissions level that would have greatly increased the number of required permits and, among other things, imposed undue costs on small sources and overwhelmed the resources of permitting authorities. In the rule, the EPA established two initial steps of phase-in to minimize those burdens, excluding certain smaller sources from greenhouse gas permitting until at least April 30, 2016. On January 2, 2011, the first step of the phase-in applied only to new projects at major sources (as defined under those CAA permitting programs) that, among other things, increase net greenhouse gas emissions by 75,000 tons per year. In July 2011, the second step of the phase-in began requiring permitting for otherwise minor sources of air emissions that have the potential to emit at least 100,000 tons per year of greenhouse gases. No later than July 2012, the EPA must complete another rulemaking to determine whether it will expand this permitting program to additional, smaller sources via a third step of phase-in. If the EPA decides to proceed with a “Phase III” expansion of this program, it could first take effect prior to July 1, 2013 and it could require permitting of sources emitting as little as 50,000 tons per year. These rules triggered reporting obligations for two sites we operated in 2011, and we anticipate the same obligation in 2012. These rules will also affect some of our and our customers’ largest new or modified facilities going forward.

Although it is not currently possible to predict how any proposed or future greenhouse gas legislation or regulation by Congress, the states or multi-state regions will impact our business, any legislation or regulation of greenhouse gas emissions that may be imposed in areas in which we conduct business could result in increased compliance costs or additional operating restrictions or reduced demand for our services, and could have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Water Discharges

The CWA and analogous state laws and their implementing regulations impose restrictions and strict controls with respect to the discharge of pollutants into state waters or waters of the U.S. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. In addition, the CWA regulates storm water discharges associated with industrial activities depending on a facility's primary standard industrial classification. Many of Exterran Holdings' facilities on which we may store inactive compression units have applied for and obtained industrial wastewater discharge permits as well as sought coverage under local wastewater ordinances. In addition, many of those facilities have filed notices of intent for coverage under statewide storm water general permits and developed and implemented storm water pollution prevention plans, as required. U.S. federal laws also require development and implementation of spill prevention, controls, and countermeasure plans, including appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum

possibility that our future use of such properties, or of other properties where we provide contract operations services, may result in spills or releases of petroleum hydrocarbons, wastes, or other regulated substances into the environment that may cause us to become subject to remediation costs and liabilities under CERCLA, RCRA or other environmental laws. We cannot provide any assurance that the costs and liabilities associated with the future imposition of such remedial obligations upon us would not have a material adverse effect on our results of operations or financial condition.

Occupational Safety and Health

We are subject to the requirements of OSHA and comparable state statutes. These laws and the implementing regulations strictly govern the protection of the safety and health 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 organize and/or disclose information about hazardous materials used or produced in our operations. We believe we are in substantial compliance with these requirements and with other OSHA and comparable requirements.

Indemnification for Environmental Liabilities

Under the Omnibus Agreement, Exterran Holdings has agreed to indemnify us, for a three-year period following each applicable asset acquisition from Exterran Holdings, against certain potential environmental claims, losses and expenses associated with the ownership and operation of the acquired assets that occur before the acquisition date. Exterran Holdings' maximum liability for environmental indemnification obligations under the Omnibus Agreement cannot exceed $5 million, and Exterran Holdings will not have any obligation under the environmental or any other indemnification until our aggregate losses exceed $250,000. Exterran Holdings will have no indemnification obligations with respect to environmental claims made as a result of additions to or modifications of environmental laws promulgated after such acquisition date. We have agreed to indemnify Exterran Holdings against environmental liabilities occurring on or after the applicable acquisition date related to our assets to the extent Exterran Holdings is not required to indemnify us.

Employees and Labor Relations

We do not have any employees. Pursuant to the terms of the Omnibus Agreement, we reimburse Exterran Holdings for the allocated costs of its personnel who provide direct or indirect support for our operations. Exterran Holdings considers its employee relations to be satisfactory.

Available Information

Our website address is *www.exterran.com*. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our website, without charge, as soon as reasonably practicable after they are filed electronically with the SEC. Information contained on our website is not incorporated by reference in this report or any of our other securities filings. Paper copies of our filings are also available, without charge, from Exterran Partners, L.P., 16666 Northchase Drive, Houston, Texas 77060, Attention: Investor Relations. Alternatively, the public may read and copy any materials we file with the Securities and Exchange Commission ("SEC") at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers who file electronically with the SEC. The SEC's website address is *www.sec.gov*.

Additionally, we make available free of charge on our website:

- the Code of Business Conduct and Ethics of Exterran GP LLC; and
- the charters of the audit, conflicts and compensation committees of Exterran GP LLC.

ITEM 1A. *Risk Factors*

As described in Part I ("Disclosure Regarding Forward-Looking Statements"), this report contains forward-looking statements regarding us, our business and our industry. The risk factors described below, among others, could cause our actual results to differ materially from the expectations reflected in the forward-looking statements. If any of the following risks were to occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, we might not be able to pay our current quarterly distribution on our common units or grow such distributions and the trading price of our common units could decline.

Risks Related to Our Business

We currently are dependent on our costs caps to generate sufficient cash from operating surplus each quarter to enable us to make cash distributions at our current distribution rate. These caps expire on December 31, 2012, and we cannot assure you that Exterran Holdings will agree to extend them or that we will otherwise be able to make distributions at our current rate if they are not extended.

Under the Omnibus Agreement, Exterran Holdings has agreed that, for a period of time, our obligation to reimburse Exterran Holdings for (i) any cost of sales that it incurs in the operation of our business will be capped (after taking into account any such costs we incur and pay directly); and (ii) any SG&A costs allocated to us will be capped (after taking into account any such costs we incur and pay directly). At December 31, 2011, cost of sales was capped at $21.75 per operating horsepower per quarter and SG&A costs were capped at $9.0 million per quarter.

During 2011 and 2010, our cost of sales exceeded the cap by $26.5 million and $21.4 million, respectively, and our SG&A expense exceeded the cap by $5.9 million and $3.3 million, respectively. Accordingly, our cash generated from operating surplus and our EBITDA, as further adjusted (please see Part II, Item 6 "Selected Financial Data — Non-GAAP Financial Measures" for a discussion of EBITDA, as further adjusted), would have been approximately $32.4 million lower during 2011 and approximately $24.7 million lower during 2010 without the cost caps. As a result, without the benefit of the cost caps, we would not have generated sufficient available cash from operating surplus during 2011 to pay distributions at the level paid during that year without incurring borrowings.

These cost caps expire on December 31, 2012 and Exterran Holdings is under no obligation to extend them. We cannot assure you that Exterran Holdings will agree to extend the cost caps or, if extended, the amount of the caps. The expiration of these caps, without an extension to them under the Omnibus Agreement, would likely reduce the amount of cash flow available to unitholders and, accordingly, may impair our ability to maintain or increase our distributions.

A sustained reduction in the demand for natural gas in the U.S. or in the price of natural gas in the U.S. could adversely affect our business and decrease our revenue and cash available for distribution.

Natural gas contract operations in the U.S. are significantly dependent upon the demand for and production of natural gas in the U.S. Demand may be affected by, among other factors, natural gas prices, weather, demand for energy and availability and price of alternative energy sources. A reduction in U.S. demand or production could force us to reduce our pricing substantially. Recently, natural gas prices in the U.S. have fallen to the lowest levels seen in nearly a decade. As a result of this substantial reduction in commodity prices, certain companies have announced a reduction in their natural gas drilling and production activities, particularly in dry gas areas. If the current price levels for natural gas continue, the level of production activity and the demand for our contract operations services could decrease, which could have a material adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Additionally, compression services for our customers' production from unconventional natural gas sources constitute an increasing percentage of our business. Some of these unconventional sources are less economic to

produce in lower natural gas price environments. Further, some of these unconventional sources may not require as much compression or require compression as early in the production life-cycle of an unconventional field or well as has been experienced historically in conventional and other unconventional natural gas sources. These factors could in turn negatively impact the demand for our services.

In addition, we review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is assessed for impairment at least annually. A decline in demand for oil or natural gas or prices for those commodities, or instability in the U.S. energy markets could cause a reduction in demand for our services and result in a reduction of our estimates of future cash flows and growth rates in our business. These events could cause us to record additional impairments of long-lived assets. For example, during the years ended December 31, 2011 and 2010, we recorded long-lived asset impairments of $1.1 million and $25.0 million, respectively. In the fourth quarter of 2010, we recorded a $24.6 million impairment for idle units we retired from our fleet and expect to sell. Selling these compressor units is expected to take several years and, if we are not able to sell these units for the amount we estimated in our impairment analysis, we could be required to record an additional impairment. The impairment of our goodwill, intangible assets or other long-lived assets could have a material adverse effect on our results of operations.

Due to our significant relationship with Exterran Holdings, adverse developments concerning Exterran Holdings could adversely affect us, even if we have not suffered any similar developments.

Through its subsidiaries, Exterran Holdings owns all of our general partner interests and a significant amount of our limited partner interests. Our access to Exterran Holdings' personnel, fabrication operations, logistical capabilities, geographic scope and operational efficiencies allow us to provide a full complement of contract operations services. Exterran Holdings also provides us with the cost caps described in the Risk Factor above, as well as other benefits under the Omnibus Agreement between us and Exterran Holdings (please see Note 3 to the Consolidated Financial Statements included in Part II, Item 8 ("Financial Statements") of this report for further discussion of the Omnibus Agreement). If Exterran Holdings were to experience a material adverse effect on its assets, liabilities, financial condition, business or operations, it may impact Exterran Holdings' ability to continue to provide these benefits to us, and as a result we may experience a material adverse effect upon our business, results of operations, financial condition and our ability to make cash distributions to our unitholders, even if we have not suffered any similar developments.

A substantial portion of our cash flow must be used to service our debt obligations, and future interest rate increases could reduce the amount of our cash available for distribution.

As of December 31, 2011, we had $545.5 million outstanding under our senior secured credit facility, which was comprised of $150.0 million outstanding under our term loan and $395.5 million outstanding under our revolving credit facility. The credit agreement requires that we make mandatory prepayments of the term loan with the net cash proceeds of certain asset transfers and debt issuances. Borrowings under our senior secured credit facility bear interest at floating rates. We have effectively fixed a portion of the floating rate debt through the use of interest rate swaps; however, changes in economic conditions could result in higher interest rates, thereby increasing our interest expense and reducing our funds available for capital investment, operations or distributions to our unitholders.

Covenants in our senior secured credit facility may impair our ability to operate our business.

Our senior secured credit facility contains various covenants with which we must comply, including restrictions on the use of proceeds from borrowings and limitations on our ability to incur additional indebtedness, enter into transactions with affiliates, merge or consolidate, sell assets, make certain investments and acquisitions, make loans, grant liens, repurchase equity and pay dividends and distributions. We must maintain various consolidated financial ratios, including a ratio of EBITDA (as defined in the credit agreement) to Total Interest Expense (as defined in the credit agreement) of not less than 3.0 to 1.0 (which will decrease to 2.75 to 1.0 following the occurrence of certain events specified in the credit agreement) and a ratio of Total Debt (as defined in the credit

agreement) to EBITDA of not greater than 4.75 to 1.0. The credit agreement allows for our Total Debt to EBITDA ratio to be increased from 4.75 to 1.0 to 5.25 to 1.0 during the quarter when we complete an acquisition meeting certain thresholds, and for the following two quarters after the acquisition closes. Therefore, because the June 2011 Contract Operations Acquisition closed during the second quarter of 2011, our Total Debt to EBITDA ratio was temporarily increased from 4.75 to 1.0 to 5.25 to 1.0 through December 31, 2011, reverting to 4.75 to 1.0 for the quarter ending March 31, 2012 and subsequent quarters. As of December 31, 2011, we were in compliance with all financial covenants under our credit agreement. As of December 31, 2011, we maintained a 7.3 to 1.0 EBITDA to Total Interest Expense ratio and a 3.7 to 1.0 Total Debt to EBITDA ratio.

The credit agreement also contains various covenants requiring mandatory prepayments from the net cash proceeds of certain asset transfers and debt issuances. If we experience a material adverse effect on our assets, liabilities, financial condition, business or operations that, taken as a whole, impacts our ability to perform our obligations under the credit agreement, this, among other things, could lead to a default under that agreement. The breach of any of our covenants could result in a default under our credit agreement which could cause our indebtedness under our credit agreement to become due and payable. If the repayment obligations on any of our indebtedness were to be so accelerated, we may not be able to repay the debt or refinance the debt on acceptable terms, and our financial position would be materially adversely affected.

As we continue to acquire additional compression equipment from Exterran Holdings we expect that our maintenance capital expenditures will increase, which could reduce the amount of cash available for distribution.

Exterran Holdings manages its and our respective U.S. fleets as one pool of compression equipment from which we can each readily fulfill our respective customers' service needs. When we or Exterran Holdings are advised of a contract operations services opportunity, Exterran Holdings reviews both our and its fleet for an available and appropriate compressor unit. Given that the majority of the idle compression equipment has been and is currently held by Exterran Holdings, much of the idle compression equipment required for these contract operations services opportunities has been held by Exterran Holdings. Under the Omnibus Agreement, the owner of the equipment being transferred is required to pay the costs associated with making the idle equipment suitable for the proposed customer and then has generally leased the equipment to the recipient of the equipment or exchanged the equipment for other equipment of the recipient. Since Exterran Holdings has owned the majority of such equipment, Exterran Holdings has generally had to bear a larger portion of the maintenance capital expenditures associated with making transferred equipment ready for service. For equipment that is then leased, the maintenance capital cost is a component of the lease rate that is paid under the lease. As we acquire more compression equipment, we expect that more of our equipment will be available to satisfy our or Exterran Holdings' customer requirements. As a result, we expect that our maintenance capital expenditures will increase (and that lease expense will be reduced) which could reduce our cash available for distribution.

Our inability to fund purchases of additional compression equipment could adversely impact our results of operations and cash available for distribution.

We may not be able to maintain or grow our asset and customer base unless we have access to sufficient capital to purchase additional compression equipment. Cash flow from our operations and availability under our credit facility may not provide us with sufficient cash to fund our capital expenditure requirements, including any funding requirements related to acquisitions. Additionally, pursuant to our partnership agreement, we intend to distribute all of our "available cash," as defined in the partnership agreement, to our unitholders on a quarterly basis. Therefore, a significant portion of our cash flow from operations will be used to fund such distributions. As a result, we intend to fund our growth capital expenditures and acquisitions, including future acquisitions of compression contracts and equipment from Exterran Holdings, with external sources of capital including additional borrowings under our credit facility and/or public or private offerings of equity or debt. Our ability to grow our asset and customer base could be impacted by any limits on our ability to access equity and debt capital.

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to make cash distributions to holders of our common units at our current distribution rate.

We may not have sufficient available cash from operating surplus each quarter to enable us to make cash distributions at our current distribution rate. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things, the risks described in this section.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, including:

- the level of capital expenditures we make;
- the cost of acquisitions;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;
- our ability to refinance our debt in the future or borrow funds and access capital markets;
- restrictions contained in our debt agreements; and
- the amount of cash reserves established by our general partner.

Failure to generate sufficient cash flow, together with the absence of alternative sources of capital, could adversely impact our results of operations and cash available for distribution to our unitholders.

The erosion of the financial condition of our customers could adversely affect our business.

Many of our customers finance their exploration and development activities through cash flow from operations, the incurrence of debt or the issuance of equity. During times when the oil or natural gas markets weaken, our customers are more likely to experience a downturn in their financial condition. A reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing could result in a reduction in our customers' spending for our services. For example, our customers could seek to preserve capital by canceling month-to-month contracts or determining not to enter into any new natural gas compression service contracts, thereby reducing demand for our services. Reduced demand for our services could adversely affect our business, financial condition, results of operations and cash flows. In addition, in the event of the financial failure of a customer, we could experience a loss on all or a portion of our outstanding accounts receivable associated with that customer.

Our agreement not to compete with Exterran Holdings could limit our ability to grow.

We have entered into an Omnibus Agreement with Exterran Holdings, and several of its subsidiaries. The Omnibus Agreement includes certain agreements not to compete between us and our affiliates, on the one hand, and Exterran Holdings and its affiliates, on the other hand. This agreement not to compete with Exterran Holdings could limit our ability to grow. For further discussion of the Omnibus Agreement, please see Note 3 to the Consolidated Financial Statements included in Part II, Item 8 ("Financial Statements") of this report.

We face significant competitive pressures that may cause us to lose market share and harm our financial performance.

Our industry is highly competitive and there are low barriers to entry. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain current revenue and cash flows could be adversely affected by the activities of our competitors. If our competitors substantially increase the resources they devote to the development and marketing of competitive services or substantially decrease the price at which they offer

their services, we may not be able to compete effectively. Some of these competitors may expand or fabricate new compression units that would create additional competition for the services we provide to our customers. Any of these competitive pressures could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Threats of cyber attacks or terrorism could affect our business.

We may be threatened by problems such as cyber attacks, computer viruses or terrorism that may disrupt our operations and harm our operating results. Our industry requires the continued operation of sophisticated information technology systems and network infrastructure. Despite our implementation of security measures, our technology systems are vulnerable to disability or failures due to hacking, viruses, acts of war or terrorism and other causes. If our information technology systems were to fail and we were unable to recover in a timely way, we might be unable to fulfill critical business functions, which could have a material adverse effect on our business, operating results, financial condition and ability to make cash distributions to our unitholders.

In addition, our assets may be targets of terrorist activities that could disrupt our ability to service our customers. We may be required by our regulators or by the future terrorist threat environment to make investments in security that we cannot currently predict. The implementation of security guidelines and measures and maintenance of insurance, to the extent available, addressing such activities could increase costs. These types of events could materially adversely affect our business and operating results. In addition, these types of events could require significant management attention and resources, and could adversely affect our reputation among customers and the public.

We may not be able to grow our cash flows if we do not expand our business, which could limit our ability to maintain or increase distributions to our unitholders.

Our goal to continue to grow the per unit distribution on our units is dependent in part upon our ability to expand our business. Our future growth will depend upon a number of factors, some of which we cannot control. These factors include our ability to:

- acquire additional U.S. contract operations services business from Exterran Holdings;
- consummate accretive acquisitions;
- enter into contracts for new services with our existing customers or new customers; and
- obtain required financing for our existing and new operations.

A deficiency in any of these factors could adversely affect our ability to achieve growth in the level of our cash flows or realize benefits from acquisitions.

If we do not make acquisitions on economically acceptable terms, our future growth and our ability to maintain or increase distributions to our unitholders will be limited.

Our ability to grow depends, in part, on our ability to make accretive acquisitions. If we are unable to make these accretive acquisitions either because we are: (i) unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them, (ii) unable to obtain financing for these acquisitions on economically acceptable terms, or (iii) outbid by competitors, then our future growth and ability to maintain or increase distributions would be limited. Furthermore, even if we make acquisitions that we believe will be accretive, these acquisitions may nevertheless result in a decrease in the cash generated from operations per unit.

Any acquisition involves potential risks, including, among other things:

- an inability to integrate successfully the businesses we acquire;
- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;

- mistaken assumptions about the cash generated or anticipated to be generated by the business acquired or the overall costs of equity or debt;
- the diversion of management's and employees' attention from other business concerns;
- unforeseen operating difficulties; and
- customer or key employee losses at the acquired businesses.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of our future funds and other resources. In addition, competition from other buyers could reduce our acquisition opportunities or cause us to pay a higher price than we might otherwise pay.

Exterran Holdings continues to own and operate a substantial U.S. contract compression business, competition from which could adversely impact our results of operations and cash available for distribution.

Exterran Holdings and its affiliates other than us are prohibited from competing directly or indirectly with us with respect to certain of our existing customers and certain locations where we currently conduct business, and with respect to any new contract compression customer that approaches either Exterran Holdings or ourselves, until the earliest to occur of December 31, 2013, a change of control of Exterran Holdings or our general partner, or the removal or withdrawal of our general partner. Otherwise, Exterran Holdings is not prohibited from owning assets or engaging in businesses that compete directly or indirectly with us. Exterran Holdings continues to own and operate a U.S. contract operations business, including natural gas compression, and continues to engage in international contract operations, fabrication and aftermarket service activities. Exterran Holdings is a large, established participant in the contract operations business, and has significantly greater resources, including idle compression equipment, operating personnel, fabrication operations, vendor relationships and experience, than we have, which factors may make it more difficult for us to compete with it with respect to commercial activities as well as for acquisition candidates. Exterran Holdings and its affiliates may acquire, fabricate or dispose of additional natural gas compression or other assets in the future without any obligation to offer us the opportunity to purchase any of those assets. As a result, competition from Exterran Holdings could adversely impact our results of operations and cash available for distribution.

We may be unable to grow through acquisitions of the remainder of Exterran Holdings' U.S. contract operations business, which could limit our ability to maintain or increase distributions to our unitholders.

Exterran Holdings is under no obligation to offer us the opportunity to purchase the remainder of its U.S. contract operations business, and its board of directors owes fiduciary duties to the stockholders of Exterran Holdings, and not our unitholders, in making any decision to offer us this opportunity. Likewise, we are not required to purchase any additional portions of such business.

The consummation of any such purchases will depend upon, among other things, Exterran Holdings' ability to continue to convert its existing compression agreements to a form of service agreement, our reaching an agreement with Exterran Holdings regarding the terms of such purchases (which will require the approval of the conflicts committee of our board of directors) and our ability to finance such purchases on acceptable terms. Additionally, Exterran Holdings may be limited in its ability to consummate sales of additional portions of such business to us by the terms of its existing or future credit facilities or indentures. Additionally, our credit facility includes covenants that may limit our ability to finance acquisitions. If a sale of any additional portion of Exterran Holdings' U.S. contract operations business would be restricted or prohibited by such covenants, we or Exterran Holdings may be required to seek waivers of such provisions or refinance those debt instruments in order to consummate a sale, neither of which may be accomplished timely, if at all. If we are unable to grow through additional acquisitions of the remainder of Exterran Holdings' U.S. contract operations business, our ability to maintain or increase distributions to our unitholders may be limited.

Many of our compression services contracts with customers have short initial terms, and we cannot be sure that such contracts will be renewed after the end of the initial contractual term, which could adversely impact our results of operations and cash available for distribution.

The length of our compression services contracts with customers varies based on operating conditions and customer needs. Our initial contract terms are not long enough to enable us to fully recoup the cost of acquiring the equipment we use to provide compression services. We cannot be sure that a substantial number of these customers will continue to renew their contracts, that we will be able to enter into new compression services contracts with new customers or that any renewals will be at comparable service rates. The inability to renew a substantial portion of our compression services contracts, or the inability to renew a substantial portion of our compression services contracts at comparable service rates, would adversely impact our results of operations and cash available for distribution and could require us to record additional asset impairments. This could have a material adverse effect upon our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Our ability to manage and grow our business effectively may be adversely affected if Exterran Holdings loses management or operational personnel.

Most of our officers are also officers or employees of Exterran Holdings. Additionally, we do not have any of our own employees, but rather rely on Exterran Holdings' employees to operate our business. We believe that Exterran Holdings' ability to hire, train and retain qualified personnel will continue to be challenging and important as we grow. When general industry conditions are good, the supply of experienced operational, fabrication and field personnel, in particular, decreases as other energy and manufacturing companies' needs for the same personnel increase. Our ability to grow and to continue our current level of service to our customers will be adversely impacted if Exterran Holdings is unable to successfully hire, train and retain these important personnel.

If we are unable to purchase compression equipment from Exterran Holdings or others, we may not be able to retain existing customers or compete for new customers, which could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Exterran Holdings is under no obligation to offer or sell to us newly fabricated or idle compression equipment and may choose not to do so timely or at all. We may not be able to purchase newly fabricated or idle compression equipment from third-party producers or marketers of such equipment or from our competitors. If we are unable to purchase compression equipment on a timely basis to meet the demands of our customers, our existing customers may terminate their contractual relationships with us, or we may not be able to compete for business from new customers, either of which could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Our reliance on Exterran Holdings as an operator of our assets and our limited ability to control certain costs could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

Pursuant to the Omnibus Agreement between us and Exterran Holdings, Exterran Holdings provides us with all administrative and operational services, including without limitation all operations, marketing, maintenance and repair, periodic overhauls of compression equipment, inventory management, legal, accounting, treasury, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes and engineering services necessary to run our business. Our operational success and ability to execute our growth strategy depends significantly upon Exterran Holdings' satisfactory operation of our assets and performance of these services. Our reliance on Exterran Holdings as an operator of our assets and our resulting limited ability to control certain costs could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders.

We indirectly depend on particular suppliers and are vulnerable to product shortages and price increases, which could have a negative impact on our results of operations.

Some of the components used in our compressors are obtained by Exterran Holdings from a single source or a limited group of suppliers. Exterran Holdings' reliance on these suppliers involves several risks, including price increases, inferior component quality and a potential inability to obtain an adequate supply of required components in a timely manner. Exterran Holdings does not have long-term contracts with these sources, and its partial or complete loss of certain of these sources could have a negative impact on our results of operations and could damage our customer relationships. Further, since any increase in component prices for compression equipment fabricated by Exterran Holdings for us will be passed on to us, a significant increase in the price of one or more of these components could have a negative impact on our results of operations.

Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional delays to our exploration and production customers in drilling and completing natural gas wells, which could adversely affect demand for our contract operations services.

Hydraulic fracturing is an important and common practice that exploration and production operators use to stimulate production of hydrocarbons, particularly natural gas, from dense subsurface rock formations. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions but the U.S. Environmental Protection Agency, or EPA, recently asserted federal regulatory authority under the Federal Safe Drinking Water Act over hydraulic fracturing involving the use of diesel. In addition, legislation has been introduced before Congress to provide for federal regulation of hydraulic fracturing under the Safe Drinking Water Act and to require disclosure of the chemicals used in the hydraulic fracturing process. At the state level, some states have adopted and other states are considering adopting legal requirements that could impose more stringent permitting, disclosure, and well construction requirements on hydraulic fracturing activities. In the event that new or more stringent federal, state, or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where our natural gas exploration and production customers operate, those customers could incur potentially significant added costs to comply with such requirements and experience delays or curtailment in the pursuit of production or development activities, which could reduce demand for our contract operations services, and as a result could have a material adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to our unitholders. In addition, certain governmental reviews are either underway or being proposed that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices, and a committee of the United States House of Representatives has conducted an investigation of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with initial results expected to be available by late 2012 and final results by 2014. More recently, the EPA announced plans to develop effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities by 2014. Other governmental agencies, including the U.S. Department of Energy and the U.S. Department of the Interior, are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the federal Safe Drinking Water Act or other regulatory mechanisms, which events could delay or curtail production of natural gas by exploration and production operators, some of which are our customers, and thus reduce demand for our contract operations services, which could have a material adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

New regulations, proposed regulations and proposed modifications to existing regulations under the Clean Air Act ("CAA"), if implemented, could result in increased compliance costs.

On August 20, 2010, the EPA published new regulations under the CAA to control emissions of hazardous air pollutants from existing stationary reciprocal internal combustion engines. The rule will require us to undertake certain expenditures and activities, likely including purchasing and installing emissions control equipment, such

as oxidation catalysts or non-selective catalytic reduction equipment, on a portion of our engines located at major sources of hazardous air pollutants and all our engines over a certain size regardless of location, following prescribed maintenance practices for engines (which are consistent with our existing practices), and implementing additional emissions testing and monitoring. On October 19, 2010, we submitted a legal challenge to the U.S. Court of Appeals for the D.C. Circuit and a Petition for Administrative Reconsideration to the EPA for some monitoring aspects of the rule. The legal challenge has been held in abeyance since December 3, 2010, pending the EPA's consideration of the Petition for Administrative Reconsideration. On January 5, 2011, the EPA approved the request for reconsideration of the monitoring issues and that reconsideration process is ongoing. At this point, we cannot predict when, how or if an EPA or a court ruling would modify the final rule, and as a result we cannot currently accurately predict the cost to comply with the rule's requirements. Compliance with the final rule is required by October 2013.

In addition, the TCEQ has finalized revisions to certain air permit programs that significantly increase the air permitting requirements for new and certain existing oil and gas production and gathering sites for 23 counties in the Barnett Shale production area. The final rule establishes new emissions standards for engines, which could impact the operation of specific categories of engines by requiring the use of alternative engines, compressor packages or the installation of aftermarket emissions control equipment. The rule became effective for the Barnett Shale production area in April 2011, and the lower emissions standards will become applicable between 2015 and 2030 depending on the type of engine and the permitting requirements. Our cost to comply with the revised air permit programs is not expected to be material at this time. Although the TCEQ had previously stated it would consider expanding application of the new air permit program statewide, the Texas Legislature adopted legislation prohibiting such an expansion in the near term, including by preventing the TCEQ from expending funds to extend the rule's geographic scope prior to August 31, 2013 and prior to conducting and providing to the Texas Legislature an economic impact study regarding any such expansion. At this point, we cannot predict whether or when such a geographic expansion of those rules might occur or the cost to comply with any such requirements.

On August 23, 2011, the EPA published proposed regulations focused on reducing the emissions of certain chemicals by the oil and natural gas industry, including volatile organic compounds, sulfur dioxide and certain air toxics. Because, based on our review of the proposed regulations, it appeared our business could be affected by certain portions of those proposed regulations, we submitted comments to the EPA prior to the end of the comment period on November 30, 2011. At this point, however, we cannot predict how or if the EPA will address those comments, what applicable requirements may eventually be adopted with respect to these proposed regulations or the cost to comply with such requirements.

These new regulations and proposals, when finalized, and any other new regulations requiring the installation of more sophisticated pollution control equipment or the adoption of other environmental protection measures, could have a material adverse impact on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

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

We are subject to stringent and complex federal, state and local laws and regulations, including laws and regulations regarding the discharge of materials into the environment, emission controls and other environmental protection and occupational safety and health concerns. Environmental laws and regulations may, in certain circumstances, impose strict liability for environmental contamination, which may render us liable for remediation costs, natural resource damages and other damages as a result of our 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 land owners 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 negatively impact 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 may need to apply for or amend facility permits or licenses from time to time with respect to storm water or wastewater discharges, waste handling, or air emissions relating to manufacturing activities or equipment operations, which subjects us to new or revised permitting conditions that may be onerous or costly to comply with. In addition, certain of our customer service arrangements may require us to operate, on behalf of a specific customer, petroleum storage units such as underground tanks or pipelines and other regulated units, all of which may impose additional compliance and permitting obligations.

We conduct operations at numerous facilities in a wide variety of locations across the continental U.S. The operations at many of these facilities require U.S. federal, state or local environmental permits or other authorizations. Additionally, natural gas compressors at many of our customers' facilities require individual air permits or general authorizations to operate under various air regulatory programs established by rule or regulation. These permits and authorizations frequently contain numerous compliance requirements, including monitoring and reporting obligations and operational restrictions, such as emission limits. Given the large number of facilities in which we operate, and the numerous environmental permits and other authorizations that are applicable to our operations, we may occasionally identify or be notified of technical violations of certain requirements existing in various permits or other authorizations. Occasionally, we have been assessed penalties for our non-compliance, and we could be subject to such penalties in the future.

We routinely deal with natural gas, oil and other petroleum products. Hydrocarbons or other hazardous substances or wastes may have been disposed or released on, under or from properties used by us to provide contract operations services or inactive compression storage or on or under other locations where such substances or wastes have been taken for disposal. These properties may be subject to investigatory, remediation and monitoring requirements under 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 negatively impact oil and natural gas exploration and production, gathering and pipeline companies, including our customers, which in turn could have a negative impact on us.

Climate change legislation and regulatory initiatives could result in increased compliance costs.

The U.S. Congress has considered legislation to restrict or regulate emissions of greenhouse gases, such as carbon dioxide and methane, that are understood to contribute to global warming. One bill, passed by the House of Representatives, if enacted by the full Congress, would have required greenhouse gas emissions reductions by covered sources of as much as 17% from 2005 levels by 2020 and by as much as 83% by 2050. It presently appears unlikely that comprehensive climate legislation will be passed by either house of Congress in the near future, although energy legislation and other initiatives continue to be proposed that may be relevant to greenhouse gas emissions issues. In addition, almost half of the states, either individually or through multi-state regional initiatives, have begun to address greenhouse gas emissions, primarily through the planned development of emission inventories or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date been focused on large sources of greenhouse gas emissions, such as electric power plants, it is possible that smaller sources such as our gas-fired compressors could become subject to greenhouse gas-related regulation. Depending on the particular program, we could be required to control emissions or to purchase and surrender allowances for greenhouse gas emissions resulting from our operations.

Independent of Congress, the EPA is beginning to adopt regulations controlling greenhouse gas emissions under its existing CAA authority. The EPA has adopted rules requiring many facilities, including petroleum and natural gas systems, to inventory and report their greenhouse gas emissions. In addition, the EPA in June 2010 published a final rule providing for the tailored applicability of air permitting requirements for greenhouse gas emissions.

The EPA reported that the rulemaking was necessary because without it certain permitting requirements would apply as of January 2011 at an emissions level that would have greatly increased the number of required permits and, among other things, imposed undue costs on small sources and overwhelmed the resources of permitting authorities. In the rule, the EPA established two initial steps of phase-in to minimize those burdens, excluding certain smaller sources from greenhouse gas permitting until at least April 30, 2016. On January 2, 2011, the first step of the phase-in applied only to new projects at major sources (as defined under those CAA permitting programs) that, among other things, increase net greenhouse gas emissions by 75,000 tons per year. In July 2011, the second step of the phase-in began requiring permitting for otherwise minor sources of air emissions that have the potential to emit at least 100,000 tons per year of greenhouse gases. No later than July 2012, the EPA must complete another rulemaking to determine whether it will expand this permitting program to additional, smaller sources via a third step of phase-in. If the EPA decides to proceed with a "Phase III" expansion of this program, it could first take effect prior to July 1, 2013 and it could require permitting of sources emitting as little as 50,000 tons per year. These rules triggered reporting obligations for two sites we operated in 2011, and we anticipate the same obligation in 2012. These rules will also affect some of our and our customers' largest new or modified facilities going forward.

Although it is not currently possible to predict how any proposed or future greenhouse gas legislation or regulation by Congress, the states or multi-state regions will impact our business, any legislation or regulation of greenhouse gas emissions that may be imposed in areas in which we conduct business could result in increased compliance costs or additional operating restrictions or reduced demand for our services, and could have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

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

Our operations are subject to inherent risks such as equipment defects, malfunction and failures and natural disasters that can result in uncontrollable flows of natural gas or well fluids, fires and explosions. These risks could expose us to substantial liability for personal injury, death, property damage, pollution and other environmental damages. Exterran Holdings insures our property and operations against many of these risks; however, the insurance it carries may not be adequate to cover our claims or losses. Exterran Holdings currently has minimal insurance on our offshore assets. In addition, Exterran Holdings is substantially self-insured for worker's compensation, employer's liability, property, auto liability, general liability and employee group health claims in view of the relatively high per-incident deductibles it absorbs under its insurance arrangements for these risks. 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 justifiable. 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 are not able to obtain liability insurance, our business, results of operations and financial condition could be negatively impacted.

Risks Inherent in an Investment in Our Common Units

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

Exterran Holdings owns and controls our general partner. Most of our executive officers are officers of Exterran Holdings. Therefore, conflicts of interest may arise between Exterran Holdings and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires Exterran Holdings to pursue a business strategy that favors us. Exterran Holdings' directors and officers have a fiduciary duty to make these decisions in the best interests of the owners of Exterran Holdings, 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 Exterran Holdings, on the other hand, including provisions governing administrative services, acquisitions and transfers of compression equipment and non-competition provisions;
- our general partner controls whether we agree to acquire additional contract operations customers or assets from Exterran Holdings that are offered to us by Exterran Holdings and the terms of such acquisitions;
- our general partner is allowed to take into account the interests of parties other than us, such as Exterran Holdings and its affiliates, in resolving conflicts of interest;
- other than as provided in our Omnibus Agreement with Exterran Holdings, Exterran Holdings and its affiliates are not limited in their ability to compete with us. Exterran Holdings will continue to engage in U.S. and international contract operations services as well as third-party sales coupled with aftermarket service contracts and may, in certain circumstances, compete with us with respect to any future acquisition opportunities;
- Exterran Holdings' U.S. and international contract compression services businesses and its third-party equipment customers may compete with us for newly fabricated and idle compression equipment and Exterran Holdings is under no obligation to offer equipment to us for purchase or use;
- all of the officers and employees of Exterran Holdings who provide services to us also will devote significant time to the business of Exterran Holdings, and will be compensated by Exterran Holdings for the services rendered to it;
- our general partner has limited its liability and reduced its fiduciary duties, and has also restricted the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty;
- our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities and reserves, each of which can affect the amount of cash that is distributed to unitholders;
- our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is a maintenance capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders;
- our general partner determines which costs incurred by it and its affiliates are reimbursable by us and Exterran Holdings determines 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 may exercise its limited right to call and purchase common units if it and its affiliates own more than 80% of the common units; and
- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

Cost reimbursements due to our general partner and its affiliates for services provided, which are determined by our general partner, are substantial and reduce our cash available for distribution to our unitholders.

Pursuant to the Omnibus Agreement we entered into with Exterran Holdings, our general partner, and others, Exterran Holdings receives reimbursement for the payment of operating expenses related to our operations and for the provision of various general and administrative services for our benefit. Payments for these services are

substantial and reduce the amount of cash available for distribution to unitholders. In addition, under Delaware partnership law, our general partner has unlimited liability for our obligations, such as our debts and environmental liabilities, except for our contractual obligations that are expressly made without recourse to our general partner. To the extent our general partner incurs obligations on our behalf, we are obligated to reimburse or indemnify it. If we are unable or unwilling to reimburse or indemnify our general partner, our general partner may take actions to cause us to make payments of these obligations and liabilities. Any such payments could reduce the amount of cash otherwise available for distribution to our unitholders.

Our partnership agreement limits our general partner's fiduciary duties to holders of our common units and restricts the remedies available to holders of our common units 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 give any consideration to 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 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 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 our board of directors acting in good faith and not involving a vote of 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 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 the 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 the 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.

Holders of our common units have limited voting rights and are not entitled to elect our general partner or its general partner's directors, which could reduce the price at which the common units will trade.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders do not elect our general partner or its general partner's board of directors, and have no right to elect our general partner or its general partner's board of directors on an annual or other continuing basis. Our board of directors is chosen by its sole member, a subsidiary of Exterran Holdings. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they have little ability to remove our general partner. As a result of these limitations, the price at which the common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

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

Our general partner, which is indirectly wholly owned by Exterran Holdings, 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 the unitholders. Furthermore, our partnership agreement does not restrict the ability of Exterran Holdings, the owner of our general partner, from transferring all or a portion of its 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 officers of our general partner's general partner with its own choices and thereby influence the decisions taken by the board of directors and officers.

We may issue additional units without unitholder approval, which would dilute our unitholders' existing ownership interests.

Our partnership agreement does not limit the number of additional limited partner interests that we may issue at any time without the approval of our unitholders. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

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 Exterran Holdings.

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

Affiliates of our general partner may sell common units in the public or private markets, which sales could have an adverse impact on the trading price of the common units.

At December 31, 2011, Exterran Holdings and its affiliates held 12,495,391 common units. The sale of these common units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

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

If at any time our general partner and its affiliates own more than 80% 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 their then-current market price. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units. At December 31, 2011, our general partner and its affiliates owned 34% of our aggregate outstanding common units.

Unitholder liability may not be limited if a court finds that 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 the 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. 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
- € a unitholder•s right to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitutes •controlŽ of our business.

Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, 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 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 on account 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.

The market price of our common units may be influenced by many factors.

Our common units are traded publica-2.65..1(isibutions)-262.15

We have adopted certain valuation methodologies that could result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may successfully challenge this treatment, which could adversely affect the value of the common units.

When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the 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.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have constructively terminated as a partner for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same unit will count only once. Our termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns for one calendar year. However, pursuant to an IRS relief procedure, the IRS may allow, among other things, a constructively terminated partnership to provide a single Schedule K-1 for the calendar year in which a termination occurs. Our termination could also result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a calendar year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred.

As a result of investing in our common units, you may become subject to international, state and local taxes and return filing requirements in jurisdictions where we operate or own or acquire property.

In addition to federal income taxes, you will likely be subject to other taxes, including international, 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 own or acquire property now or in the future, even if you do not live in any of those jurisdictions. You will likely be required to file international, state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We conduct business and/or own assets in the states of Alabama, Arkansas, California, Colorado, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Montana, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wyoming. Each of these states, other than Texas, South Dakota and Wyoming, currently imposes a personal income tax on individuals. A majority of these states impose an income tax on corporations and other entities that may be unitholders. As we make acquisitions or expand our business, we may conduct business or own assets in additional states that impose a personal income tax or that impose entity level taxes to which certain unitholders could be subject. It is your responsibility to file all U.S. federal, international, state and local tax returns applicable to you in your particular circumstances.

ITEM 1B. ***Unresolved Staff Comments***

None.

ITEM 2. ***Properties***

Our corporate office is located at 16666 Northchase Drive, Houston, Texas 77060. We do not own or lease any facilities or properties. Pursuant to our Omnibus Agreement, we reimburse Exterran Holdings for the cost of our pro rata portion of the properties we utilize in connection with its U.S. contract operations business and our business.

ITEM 3. ***Legal Proceedings***

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

ITEM 4. ***Mine Safety Disclosures***

Not applicable.

PART II

ITEM 5. ***Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common units trade on the NASDAQ Global Market under the symbol "EXLP". On February 16, 2012, the closing price of a common unit was $23.50. At the close of business on February 9, 2012, based upon information received from our transfer agent and brokers and nominees, we had 14 registered common unitholders and approximately 13,100 street name holders.

	Price Range		Cash Distribution per Common Unit(1)
	High	Low	
Year Ended December 31, 2010:			
First Quarter	$24.45	$20.02	$0.4625
Second Quarter	$26.62	$18.66	$0.4625
Third Quarter	$26.50	$20.75	$0.4675
Fourth Quarter	$26.99	$21.70	$0.4725
Year Ended December 31, 2011:			
First Quarter	$31.35	$25.76	$0.4775
Second Quarter	$28.92	$23.67	$0.4825
Third Quarter	$26.12	$17.50	$0.4875
Fourth Quarter	$24.72	$19.50	$0.4925

(1) Cash distributions declared for each quarter are paid in the following calendar quarter.

For disclosures regarding securities authorized for issuance under equity compensation plans, see Part III, Item 12 ("Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters") of this report.

Cash Distribution Policy

Within 45 days after the end of each quarter, we will distribute all of our available cash (as defined in our partnership agreement) to unitholders of record on the applicable record date. However, there is no guarantee that we will pay any specific distribution level on the units in any quarter. 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. We will be prohibited from making any distributions to unitholders if doing so would cause an event of default, or an event of default exists, under our credit facility.

We make distributions of available cash (as defined in our partnership agreement) from operating surplus in the following manner:

- *first*, 98% to the common unitholders, pro rata, and 2% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;
- *second*, 98% to common unitholders, pro rata, and 2% to our general partner, until each unit has received a distribution of $0.4025;
- *third*, 85% to all common unitholders, pro rata, and 15% to our general partner, until each unit has received a distribution of $0.4375;
- *fourth*, 75% to all common unitholders, pro rata, and 25% to our general partner, until each unit has received a total of $0.525; and
- *thereafter*, 50% to all common unitholders, pro rata, and 50% to our general partner.

ITEM 6. ***Selected Financial Data***

SELECTED HISTORICAL FINANCIAL DATA
EXTERRAN PARTNERS, L.P.

In the table below we have presented certain selected financial data for Exterran Partners, L.P. for each of the five years in the period ended December 31, 2011, which has been derived from our audited consolidated financial statements. The following information should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements contained in this report.

	Years Ended December 31,				
	2011(1)	2010(1)	2009(1)	2008(1)	2007(1)
Statement of Operations Data:					
Revenue	$ 308,274	$237,636	$181,729	$163,712	$107,675
Gross margin(2)	145,349	113,394	98,249	90,149	61,609
Depreciation and amortization	67,930	52,518	36,452	27,053	16,570
Long-lived asset impairment(3)	1,060	24,976	3,151	—	—
Selling, general and administrative expense — affiliates	39,380	34,830	24,226	16,085	13,730
Interest expense	30,400	24,037	20,303	18,039	11,658
Other (income) expense, net	(392)	(314)	(1,208)	(1,430)	(22)
Income tax expense	918	680	541	555	272
Net income (loss)	6,053	(23,333)	14,784	29,847	19,401
Weighted average common units outstanding:					
Basic	31,390	21,360	13,461	11,369	8,279
Diluted	31,403	21,360	13,477	11,414	8,377
Weighted average subordinated units outstanding:					
Basic	3,747	5,731	6,325	6,325	6,325
Diluted	3,747	5,731	6,325	6,325	6,325
Earnings (loss) per common unit:					
Basic	$ 0.09	$ (0.90)	$ 0.68	$ 1.62	$ 1.30
Diluted	$ 0.09	$ (0.90)	$ 0.68	$ 1.61	$ 1.29
Earnings (loss) per subordinated unit:					
Basic	$ 0.09	$ (0.90)	$ 0.68	$ 1.62	$ 1.30
Diluted	$ 0.09	$ (0.90)	$ 0.68	$ 1.61	$ 1.29
Other Financial Data:					
EBITDA, as further adjusted(2)	$ 139,290	$104,807	$ 83,840	$ 86,004	$ 59,138
Distributable cash flow(2)	$ 90,284	$ 66,831	$ 49,809	$ 56,996	$ 40,529
Capital expenditures:					
Expansion(4)	$ 21,389	$ 12,215	$ 5,308	$ 13,983	$ 25,283
Maintenance(5)	28,861	15,898	12,585	9,451	7,079
Cash flows provided by (used in):					
Operating activities	$ 80,090	$ 43,682	$ 55,936	$ 43,268	$ 34,520
Investing activities	(106,463)	(29,042)	(7,422)	(21,320)	(32,362)
Financing activities	26,328	(14,793)	(51,555)	(21,539)	(1,753)
Cash distribution paid per limited partner unit	$ 1.92	$ 1.86	$ 1.85	$ 1.74	$ 1.38

	December 31,				
	2011(1)	2010(1)	2009(1)	2008(1)	2007(1)
Balance Sheet Data:					
Cash and cash equivalents	$ 5	$ 50	$ 203	$ 3,244	$ 2,835
Working capital(6)	21,121	14,751	4,094	22,284	108
Total assets	991,005	813,345	717,226	599,944	386,088
Long-term debt	545,500	449,000	432,500	398,750	217,000
Partners' capital	423,766	350,737	258,308	175,468	145,159

(1) In July 2007 we acquired from Universal, and in July 2008, November 2009, August 2010 and June 2011 we acquired from Exterran Holdings, contract operations customer service agreements and a fleet of compressor units used to provide compression services under those agreements. In June 2011, we also acquired from Exterran Holdings a natural gas processing plant. An acquisition of a business from an entity under common control is generally accounted for under GAAP by the acquirer with retroactive application as if the acquisition date was the beginning of the earliest period included in the financial statements. Retroactive effect of these acquisitions was impracticable because such retroactive application would have required significant assumptions in a prior period that cannot be substantiated. Accordingly, our financial statements include the assets acquired, liabilities assumed, revenues and direct operating expenses associated with the acquisitions beginning on the date of each such acquisition.

(2) Gross margin, EBITDA, as further adjusted, and distributable cash flow, non-GAAP financial measures, are defined, reconciled to net income (loss) and discussed further in "Non-GAAP Financial Measures" below.

(3) During 2011, 2010 and 2009, we reviewed our idle compression fleet for units that were not of the type, configuration, make or model that are cost effective to maintain and operate. We performed a cash flow analysis of the expected proceeds from the salvage value of these units to determine the fair value of the assets. The net book value of these assets exceeded the fair value by $1.1 million, $0.4 million and $3.2 million, respectively, for the years ended December 31, 2011, 2010 and 2009, and was recorded as a long-lived asset impairment. Additionally, during December 2010, we completed an evaluation of our longer-term strategies and, as a result, determined to retire and sell approximately 370 idle compressor units, or approximately 117,000 horsepower, that were previously used to provide services in our business. As a result of our decision to sell these compressor units, we performed an impairment review and based on that review, recorded a $24.6 million asset impairment to reduce the book value of each unit to its estimated fair value. The fair value of each unit was estimated based on the expected net sale proceeds as compared to other fleet units we had recently sold, as well as our review of other units that were recently for sale by third parties.

(4) Expansion capital expenditures are capital expenditures made to expand or to replace partially or fully depreciated assets or to expand the operating capacity or revenue of existing or new assets, whether through construction, acquisition or modification.

(5) Maintenance capital expenditures are capital expenditures made to maintain the existing operating capacity of our assets and related cash flows further extending the useful lives of the assets.

(6) Working capital is defined as current assets minus current liabilities.

NON-GAAP FINANCIAL MEASURES

We define gross margin as total revenue less cost of sales (excluding depreciation and amortization expense). Gross margin is included as a supplemental disclosure because it is a primary measure used by our management as it represents the results of revenue and cost of sales (excluding depreciation and amortization expense), which are key components of our operations. We believe gross margin is important because it focuses on the current performance of our operations and excludes the impact of the prior historical costs of the assets acquired or constructed that are utilized in those operations, the indirect costs associated with our SG&A activities, the impact of our financing methods and income tax expense. Depreciation and amortization expense may not accurately reflect the costs required to maintain and replenish the operational usage of our assets and therefore may not portray the costs from current operating activity. As an indicator of our operating performance, gross margin should not be considered an alternative to, or more meaningful than, net income (loss) as determined in accordance with GAAP. Our gross margin may not be comparable to a similarly titled measure of another company because other entities may not calculate gross margin in the same manner.

Gross margin has certain material limitations associated with its use as compared to net income (loss). These limitations are primarily due to the exclusion of interest expense, depreciation and amortization expense and SG&A expense. Each of these excluded expenses is material to our consolidated results of operations. Because we intend to finance a portion of our operations through borrowings, interest expense is a necessary element of our costs and our ability to generate revenue. Additionally, because we use capital assets, depreciation expense is a necessary element of our costs and our ability to generate revenue, and SG&A expenses are necessary costs to support our operations and required corporate activities. To compensate for these limitations, management uses this non-GAAP measure as a supplemental measure to other GAAP results to provide a more complete understanding of our performance.

The following table reconciles our net income (loss) to our gross margin (in thousands):

	Years Ended December 31,				
	2011	2010	2009	2008	2007
Net income (loss)	$ 6,053	$ (23,333)	$14,784	$29,847	$19,401
Depreciation and amortization	67,930	52,518	36,452	27,053	16,570
Long-lived asset impairment	1,060	24,976	3,151	—	—
Selling, general and administrative — affiliates	39,380	34,830	24,226	16,085	13,730
Interest expense	30,400	24,037	20,303	18,039	11,658
Other (income) expense, net	(392)	(314)	(1,208)	(1,430)	(22)
Income tax expense	918	680	541	555	272
Gross margin	$145,349	$113,394	$98,249	$90,149	$61,609

We define EBITDA, as further adjusted, as net income (loss) plus income taxes, interest expense (including debt extinguishment costs and gain or loss on termination of interest rate swaps), depreciation and amortization expense, impairment charges, non-cash SG&A costs and any amounts by which cost of sales, other charges, and SG&A costs are reduced as a result of caps on these costs contained in the Omnibus Agreement, which amounts are treated as capital contributions from Exterran Holdings for accounting purposes. We believe EBITDA, as further adjusted, is an important measure of operating performance because it allows management, investors and others to evaluate and compare our core operating results from period to period by removing the impact of our capital structure (interest expense from our outstanding debt), asset base (depreciation and amortization expense, impairment charges), tax consequences, caps on operating and SG&A costs, non-cash SG&A costs and reimbursements. Management uses EBITDA, as further adjusted, as a supplemental measure to review current period operating performance, comparability measures and performance measures for period to period comparisons. Our EBITDA, as further adjusted, may not be comparable to a similarly titled measure of another company because other entities may not calculate EBITDA in the same manner.

EBITDA, as further adjusted, is not a measure of financial performance under GAAP, and should not be considered in isolation or as an alternative to net income (loss), cash flows from operating activities and other measures determined in accordance with GAAP. Items excluded from EBITDA, as further adjusted, are significant and necessary components to the operations of our business, and, therefore, EBITDA, as further adjusted, should only be used as a supplemental measure of our operating performance.

The following table reconciles our net income (loss) to EBITDA, as further adjusted (in thousands):

	Years Ended December 31,				
	2011	2010	2009	2008	2007
Net income (loss)	$ 6,053	$ (23,333)	$14,784	$29,847	$19,401
Income tax expense	918	680	541	555	272
Depreciation and amortization	67,930	52,518	36,452	27,053	16,570
Long-lived asset impairment	1,060	24,976	3,151	—	—
Cap on operating and selling, general and administrative costs provided by Exterran Holdings	32,397	24,720	7,798	12,600	8,901
Non-cash selling, general and administrative costs — affiliates	532	1,209	811	(2,090)	3,184
Cash selling, general and administrative reimbursement(1)	—	—	—	—	(848)
Interest expense	30,400	24,037	20,303	18,039	11,658
EBITDA, as further adjusted	$139,290	$104,807	$83,840	$86,004	$59,138

(1) Consists of a cash reimbursement from Exterran Holdings of non-cash merger related expenses incurred by us.

We define distributable cash flow as net income (loss) plus depreciation and amortization expense, impairment charges, non-cash SG&A costs, interest expense and any amounts by which cost of sales and SG&A costs are reduced as a result of caps on these costs contained in the Omnibus Agreement, which amounts are treated as capital contributions from Exterran Holdings for accounting purposes, less cash interest expense (excluding amortization of deferred financing fees and costs incurred to early terminate interest rate swaps) and maintenance capital expenditures, and excluding gains or losses on asset sales and other charges. We believe distributable cash flow is an important measure of operating performance because it allows management, investors and others to compare basic cash flows we generate (prior to the establishment of any retained cash reserves by our general partner) to the cash distributions we expect to pay our unitholders. Using distributable cash flow, management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions. Our distributable cash flow may not be comparable to a similarly titled measure of another company because other entities may not calculate distributable cash flow in the same manner.

Distributable cash flow is not a measure of financial performance under GAAP, and should not be considered in isolation or as an alternative to net income (loss), cash flows from operating activities and other measures determined in accordance with GAAP. Items excluded from distributable cash flow are significant and necessary components to the operations of our business, and, therefore, distributable cash flow should only be used as a supplemental measure of our operating performance.

The following table reconciles our net income (loss) to distributable cash flow (in thousands):

	Years Ended December 31,				
	2011	2010	2009	2008	2007
Net income (loss)	$ 6,053	$(23,333)	$ 14,784	$ 29,847	$ 19,401
Depreciation and amortization	67,930	52,518	36,452	27,053	16,570
Long-lived asset impairment	1,060	24,976	3,151	—	—
Cap on operating and selling, general and administrative costs provided by Exterran Holdings	32,397	24,720	7,798	12,600	8,901
Non-cash selling, general and administrative costs — affiliates	532	1,209	811	(2,090)	3,184
Interest expense	30,400	24,037	20,303	18,039	11,658
Expensed acquisition costs	514	356	803	—	—
Cash selling, general and administrative reimbursement(1)	—	—	—	—	(848)
Less: Gain on sale of compression equipment	(919)	(667)	(2,011)	(1,435)	—
Less: Cash interest expense	(18,822)	(21,087)	(19,697)	(17,567)	(11,258)
Less: Maintenance capital expenditures	(28,861)	(15,898)	(12,585)	(9,451)	(7,079)
Distributable cash flow	$ 90,284	$ 66,831	$ 49,809	$ 56,996	$ 40,529

(1) Consists of a cash reimbursement from Exterran Holdings of non-cash merger related expenses incurred by us.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, the notes thereto, and the other financial information appearing elsewhere in this report. The following discussion includes forward-looking statements that involve certain risks and uncertainties. See Part I ("Disclosure Regarding Forward-Looking Statements") and Part I, Item 1A ("Risk Factors") in this report.

Overview

We are a Delaware limited partnership formed in June 2006 to provide natural gas contract operations services to customers throughout the U.S. We completed an initial public offering in October 2006. Our contract operations services include designing, sourcing, owning, installing, operating, servicing, repairing and maintaining equipment to provide natural gas compression services to our customers. While we were formed in June 2006, we did not commence operations until October 20, 2006.

We and our customers typically contract for our contract operations services on a site-by-site basis for a specific monthly service rate that is reduced if we fail to operate in accordance with the contract terms. At the end of an initial minimum term, which is typically between six and twelve months, contract operations services generally continue until terminated by either party with 30 days' advance notice. Our customers generally are required to pay our monthly service fee even during periods of limited or disrupted natural gas flows, which enhances the stability and predictability of our cash flows. See "General Terms of Our Contract Operations Customer Service Agreements," in Part I, Item 1 ("Business") of this report, for a more detailed description.

Generally, our overall business activity and revenue increase as the demand for natural gas increases. Demand for our compression services is linked more directly to natural gas consumption and production than to exploration activities, which helps limit our direct exposure to commodity price risk. Because we typically do not take title to the natural gas we compress, and because the natural gas we use as fuel for our compressors is provided to us by our customers, our direct exposure to commodity price risk is further reduced.

Industry Conditions and Trends

Our business environment and corresponding operating results are affected by the level of energy industry spending for the exploration, development and production of natural gas reserves in the U.S. Spending by natural gas exploration and production companies is dependent upon these companies' forecasts regarding the expected future supply, demand and pricing of, oil and natural gas products as well as their estimates of risk-adjusted costs to find, develop and produce reserves. Although we believe our business is typically less impacted by commodity prices than certain other oil and natural gas service providers, changes in natural gas exploration and production spending will normally result in changes in demand for our services.

Natural gas consumption in the U.S. for the twelve months ended November 30, 2011 increased by approximately 4% over the twelve months ended November 30, 2010. The Energy Information Administration ("EIA") estimates that natural gas consumption in the U.S. will increase by 2.0% in 2012 and will increase by an average of 0.5% per year thereafter until 2035. In 2010, the U.S. accounted for an estimated annual production of approximately 23 trillion cubic feet of natural gas. The EIA expects total U.S. marketed natural gas production to increase by 2.2% in 2012. The EIA estimates that the natural gas production level in the U.S. will be approximately 26 trillion cubic feet in calendar year 2035. Natural gas marketed production in the U.S. for the twelve months ended November 30, 2011 increased by approximately 8% compared to the twelve months ended November 30, 2010.

Our Performance Trends and Outlook

Our results of operations depend upon the level of activity in the U.S. energy market. Oil and natural gas prices and the level of drilling and exploration activity can be volatile. For example, oil and natural gas exploration and development activity and the number of well completions typically decline when there is a significant reduction in oil and natural gas prices or significant instability in energy markets.

Our revenue, earnings, financial position and capital spending are affected by, among other things, (i) market conditions that impact demand and pricing for natural gas compression, (ii) our customers' decisions to utilize our services rather than utilize products or services from our competitors, (iii) our customers' decisions regarding whether to own and operate the equipment themselves, and (iv) the timing and consummation of acquisitions of additional contract operations customer service agreements and equipment from Exterran Holdings. In particular, many of our contracts with customers have short initial terms; we cannot be certain that these contracts will be renewed after the end of the initial contractual term, and any such nonrenewal, or renewal at a reduced rate, could adversely impact our results of operations and cash available for distribution. As we believe there will be increased activity in certain U.S. natural gas plays, we anticipate investing in more new fleet units, and therefore investing more capital, in 2012 than we did in 2011.

During 2011, we saw an increase in drilling activity, particularly in shale plays and areas focused on the production of oil and natural gas liquids. Our total operating horsepower increased by approximately 4%, excluding the impact of the June 2011 Contract Operations Acquisition, during the year ended December 31, 2011. The new development activity has increased the amount of compression horsepower in the industry and in our business; however, these increases have been significantly offset by horsepower declines in more mature and predominantly conventional and dry gas markets. We also believe that the low natural gas price environment and the recent investment of capital in new equipment by our competitors and other third parties could create uncertainly in our business outlook. A 1% decrease in average utilization of our contract operations fleet would result in a decrease in our revenue and gross margin (defined as revenue less cost of sales, excluding depreciation and amortization expense) for the year ended December 31, 2011 of approximately $3.1 million and $1.5 million, respectively. Gross margin is a non-GAAP financial measure. For a reconciliation of gross margin to net income (loss), its most directly comparable financial measure, calculated and presented in accordance with GAAP, please read "Selected Financial Data — Non-GAAP Financial Measures."

In November 2011, Exterran Holdings announced a cost reduction program, initially related to workforce reductions across all of its business segments. These actions were the result of a review of its cost structure aimed at identifying ways to reduce on-going operating costs and SG&A. A significant portion of the workforce reductions under the program was completed in the fourth quarter of 2011, with the remainder expected to be completed by Exterran Holdings in 2012. We expect that as Exterran Holdings realizes the benefits of these initiatives, we will primarily benefit from a reduction of the costs allocated to us for SG&A services. The amount of the savings will be based on our average available horsepower at the time of the allocation. However, due to the cost of sales and SG&A cost caps (see Note 3 to the Financial Statements) the impact on distributable cash flow will be significantly less than the annual savings during the period in which the cost caps are in effect.

Exterran Holdings intends for us to be the primary long-term growth vehicle for its U.S. contract operations business and intends to offer us the opportunity to purchase the remainder of its U.S. contract operations business over time, but is not obligated to do so. Likewise, we are not required to purchase any additional portions of such business. The consummation of any future purchase of additional portions of Exterran Holdings' U.S. contract operations business and the timing of any such purchase will depend upon, among other things, our reaching an agreement with Exterran Holdings regarding the terms of such purchase, which will require the approval of the conflicts committee of our board of directors. The timing of such transactions would also depend on, among other things, market and economic conditions and our access to additional debt and equity capital. Future contributions of assets to us upon consummation of transactions with Exterran Holdings may increase or decrease our operating performance, financial position and liquidity. Unless otherwise indicated, this discussion

of performance trends and outlook excludes any future potential transfers of additional contract operations customer service agreements and equipment from Exterran Holdings to us.

Certain Key Challenges and Uncertainties

Market conditions in the natural gas industry and competition in the natural gas compression industry represent key challenges and uncertainties. In addition to those, we believe the following represent some of the key challenges and uncertainties we will face in the near future.

Dependence on Cost Caps with Exterran Holdings. Under the Omnibus Agreement, Exterran Holdings has agreed that, for a period of time, our obligation to reimburse Exterran Holdings for (i) any cost of sales that it incurs in the operation of our business will be capped (after taking into account any such costs we incur and pay directly); and (ii) any SG&A costs allocated to us will be capped (after taking into account any such costs we incur and pay directly). At December 31, 2011, cost of sales was capped at $21.75 per operating horsepower per quarter and SG&A costs were capped at $9.0 million per quarter. During 2011 and 2010, our cost of sales exceeded this cap by $26.5 million and $21.4 million, respectively, and our SG&A expense exceeded the cap by $5.9 million and $3.3 million, respectively. Accordingly, our cash generated from operating surplus and our EBITDA, as further adjusted (please see Selected Financial Data — Non-GAAP Financial Measures for a discussion of EBITDA, as further adjusted), would have been approximately $32.4 million lower during 2011 and approximately $24.7 million lower during 2010 without the cost caps. As a result, without the benefit of the cost caps, we would not have generated sufficient available cash from operating surplus during each of 2011 and 2010 to pay distributions at the levels paid during those years without having to incur borrowings. These cost caps expire on December 31, 2012 and Exterran Holdings is under no obligation to extend them. The expiration of these caps, without an extension to them under the Omnibus Agreement, would likely reduce the amount of cash flow available to unitholders and, accordingly, may impair our ability to maintain or increase our distributions.

U.S. Compression Fleet Utilization and Natural Gas Pricing. During 2011, we saw an increase in drilling activity, particularly in shale plays and areas focused on the production of oil and natural gas liquids. Our total operating horsepower increased by approximately 4%, excluding the impact of the June 2011 Contract Operations Acquisition, during the year ended December 31, 2011. The new development activity has increased the amount of compression horsepower in the industry and in our business; however, these increases have been significantly offset by horsepower declines in more mature and predominantly conventional and dry gas markets. Production of natural gas has recently exceeded consumption, leading to high natural gas storage levels and a low natural gas price environment in the U.S. Recently natural gas prices in the U.S. have fallen to the lowest levels seen in nearly a decade. As a result of this substantial reduction in commodity prices, certain companies have announced a reduction in their natural drilling and production activities, particularly in dry gas areas. If the current price levels for natural gas continue, the level of production activity and the demand for our contract operations services could be adversely affected. In addition, the recent investment of capital in new equipment by our competitors and other third parties could create uncertainty in our business outlook.

Additional Purchases of Exterran Holdings' Contract Operations Business By Us. We plan to grow over time through accretive acquisitions of assets from Exterran Holdings, third-party compression providers and natural gas transporters or producers. The consummation of any future purchase of additional portions of that business and the timing of any such purchase will depend upon, among other things, our reaching an agreement with Exterran Holdings regarding the terms of such purchase, which will require the approval of the conflicts committee of our board of directors. The timing of such transactions would also depend on, among other things, market and economic conditions and our access to additional debt and equity capital. Future contributions of assets to us upon consummation of transactions with Exterran Holdings may increase or decrease our operating performance, financial position and liquidity.

Labor. We have no employees. Exterran Holdings provides all operational staff, corporate staff and support services necessary to run our business, and therefore we depend on Exterran Holdings' ability to hire, train and retain qualified personnel. Although Exterran Holdings has been able to satisfy personnel needs in these positions thus far, retaining these employees has been a challenge. Our ability to grow and to continue to make quarterly distributions will depend in part on Exterran Holdings' success in hiring, training and retaining these employees.

Operating Highlights

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

	Years Ended December 31,		
	2011	2010	2009
Total Available Horsepower (at period end)(1)	1,873	1,572	1,304
Total Operating Horsepower (at period end)(1)	1,728	1,384	1,050
Average Operating Horsepower	1,549	1,179	878
Horsepower utilization:			
Spot (at period end)	92%	88%	81%
Average	89%	81%	82%

(1) Includes compressor units with an aggregate horsepower of 221,000, 278,000 and 145,000 leased from Exterran Holdings as of December 31, 2011, 2010 and 2009, respectively. Excludes compressor units with an aggregate horsepower of 18,000, 18,000 and 15,000 leased to Exterran Holdings as of December 31, 2011, 2010 and 2009, respectively (see Note 3 to the Financial Statements).

Summary of Results

Net income (loss). We recorded net income of $6.1 million for the year ended December 31, 2011, net loss of $23.3 million for the year ended December 31, 2010 and net income of $14.8 million for the year ended December 31, 2009. The increase in net income in the year ended December 31, 2011 compared to the year ended December 31, 2010 was primarily caused by higher long-lived asset impairments of $23.9 million recorded in the prior year and due to the inclusion of the results from the assets acquired in the June 2011 Contract Operations Acquisition and the August 2010 Contract Operations Acquisition. The reduction of net income in the year ended December 31, 2010 compared to the year ended December 31, 2009 was primarily caused by long-lived asset impairments of $25.0 million, lower pricing and an increase in our field operating expenses, partially offset by the benefit of the inclusion of the results from the assets acquired in the August 2010 Contract Operations Acquisition and the November 2009 Contract Operations Acquisition.

EBITDA, as further adjusted. Our EBITDA, as further adjusted, was $139.3 million, $104.8 million and $83.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. The increase in EBITDA, as further adjusted, in the year ended December 31, 2011 compared to the prior two years was primarily caused by the inclusion of the results from the assets acquired in the June 2011 Contract Operations Acquisition, the August 2010 Contract Operations Acquisition and the November 2009 Contract Operations Acquisition. For a reconciliation of EBITDA, as further adjusted, to net income (loss), its most directly comparable financial measure, calculated and presented in accordance with GAAP, please read Selected Financial Data — Non-GAAP Financial Measures of this report.

Financial Results of Operations

Year ended December 31, 2011 compared to year ended December 31, 2010

The following table summarizes our revenue, gross margin, gross margin percentage, expenses and net income (loss) (dollars in thousands):

	Years Ended December 31,	
	2011	2010
Revenue	$308,274	$237,636
Gross margin(1)	145,349	113,394
Gross margin percentage	47%	48%
Expenses:		
Depreciation and amortization	$ 67,930	$ 52,518
Long-lived asset impairment	1,060	24,976
Selling, general and administrative — affiliates	39,380	34,830
Interest expense	30,400	24,037
Other (income) expense, net	(392)	(314)
Income tax expense	918	680
Net income (loss)	$ 6,053	$ (23,333)

(1) For a reconciliation of gross margin to net income (loss), its most directly comparable financial measure, calculated and presented in accordance with GAAP, please read Selected Financial Data — Non-GAAP Financial Measures of this report.

Revenue. Average operating horsepower was approximately 1,549,000 and 1,179,000 for the years ended December 31, 2011 and 2010, respectively. The increase in revenue and average operating horsepower was primarily due to the inclusion of the results from the assets acquired in the June 2011 Contract Operations Acquisition and the August 2010 Contract Operations Acquisition.

Gross Margin. The increase in gross margin (defined as revenue less cost of sales, excluding depreciation and amortization expense) for the year ended December 31, 2011 compared to the year ended December 31, 2010 was primarily due to the inclusion of results from the assets acquired in the June 2011 Contract Operations Acquisition and the August 2010 Contract Operations Acquisition. Gross margin for the year ended December 31, 2011 was also adversely impacted by an increase in lube oil expense.

Depreciation and Amortization. The increase in depreciation and amortization expense during the year ended December 31, 2011 compared to the year ended December 31, 2010 was primarily due to additional depreciation on compression equipment additions, including the assets acquired in the June 2011 Contract Operations Acquisition and the August 2010 Contract Operations Acquisition.

Long-lived Asset Impairment. Long-lived asset impairments in the year ended December 31, 2011 and 2010 were $1.1 million and $25.0 million, respectively. During 2011 and 2010, we reviewed our idle compression fleet for units that were not of the type, configuration, make or model that are cost effective to maintain and operate. We performed a cash flow analysis of the expected proceeds from the salvage value of these units to determine the fair value of the assets. As a result of reviews during the year ended December 31, 2011, we determined that 22 units representing approximately 4,600 horsepower would be retired from the fleet. During the year ended December 31, 2010, we determined that 9 units representing approximately 1,800 horsepower would be retired from the fleet. The net book value of these assets exceeded the fair value by $1.1 million and $0.4 million, respectively, for the years ended December 31, 2011 and 2010, and was recorded as a long-lived asset impairment.

Additionally, during December 2010, we completed an evaluation of our longer-term strategies and, as a result, determined to retire and sell approximately 370 idle compressor units, or approximately 117,000 horsepower, that were previously used to provide services in our business. As a result of our decision to sell these compressor units, we performed an impairment review and based on that review, recorded a $24.6 million asset impairment to reduce the book value of each unit to its estimated fair value. The fair value of each unit was estimated based on the expected net sale proceeds as compared to other fleet units we had recently sold, as well as our review of other units that were recently for sale by third parties. See Note 10 to the Financial Statements for further discussion of the long-lived asset impairments.

SG&A — affiliates. SG&A expenses are primarily comprised of an allocation of expenses, including costs for personnel support and related expenditures, from Exterran Holdings to us pursuant to the terms of the Omnibus Agreement. The increase in SG&A expense was primarily due to increased costs associated with the impact of the June 2011 Contract Operations Acquisition and the August 2010 Contract Operations Acquisition. SG&A expenses represented 13% and 15% of revenues for the years ended December 31, 2011 and 2010, respectively. SG&A expenses for the year ended December 31, 2010 included $0.8 million in additional sales taxes as a result of a state tax ruling received in June 2010 that applied retroactively to July 2007 to certain contract compression transactions. The decrease in SG&A expense as a percentage of revenues was also impacted by a decrease of $0.7 million in unit-based compensation expense during the year ended December 31, 2011 compared to the year ended December 31, 2010.

Interest Expense. The increase in interest expense was primarily due to a higher average balance of long-term debt for the year ended December 31, 2011 compared to the year ended December 31, 2010 and the refinancing of our senior secured credit facility at a higher interest rate than the debt it replaced.

Other (Income) Expense, Net. Other (income) expense, net for the year ended December 31, 2011 included $0.5 million of transaction costs associated with the June 2011 Contract Operations Acquisition. Other (income) expense, net for the year ended December 31, 2010 included $0.4 million of transaction costs associated with the August 2010 Contract Operations Acquisition. Additionally, other (income) expense, net for the years ended December 31, 2011 and 2010 included $0.9 million and $0.7 million of gains on the sale of used compression equipment, respectively.

Income Tax Expense. Income tax expense primarily reflects taxes recorded under the Texas margins tax and the Michigan business tax. The increase in income tax expense for the year ended December 31, 2011 compared to the year ended December 31, 2010 was primarily due to an increase in our revenue earned within the state of Texas.

Year ended December 31, 2010 compared to year ended December 31, 2009

The following table summarizes our revenue, gross margin, gross margin percentage, expenses and net income (loss) (dollars in thousands):

	Years Ended December 31,	
	2010	2009
Revenue	$237,636	$181,729
Gross margin(1)	113,394	98,249
Gross margin percentage	48%	54%
Expenses:		
Depreciation and amortization	$ 52,518	$ 36,452
Long-lived asset impairment	24,976	3,151
Selling, general and administrative „ affiliates	34,830	24,226
Interest expense	24,037	20,303
Other (income) expense, net	(314)	(1,208)
Income tax expense	680	541
Net income (loss)	$	

In addition, our capital requirements include funding distributions to our unitholders. We anticipate such distributions will be funded through cash provided by operating activities and borrowings under our credit facility and that we have the ability to generate adequate amounts of cash to meet our short-term needs and needs for the foreseeable future. Given our objective of long-term growth through acquisitions, expansion capital expenditure projects and other internal growth projects, we anticipate that over time we will continue to invest capital to grow and acquire assets. We expect to actively consider a variety of assets for potential acquisitions and expansion projects. We expect to fund future capital expenditures with borrowings under our credit facility, the issuance of additional partnership units and future debt offerings, as appropriate, given market conditions. The timing of future capital expenditures will be based on the economic environment, including the availability of debt and equity capital.

Our Ability to Grow Depends on Our Ability to Access External Expansion Capital. We expect that we will rely primarily upon external financing sources, including our senior secured credit facility and the issuance of debt and equity securities, rather than cash reserves established by our general partner, to fund our acquisitions and expansion capital expenditures. Our ability to access the capital markets may be restricted at a time when we would like, or need, to do so, which could have an impact on our ability to grow.

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

Long-term Debt. In November 2010, we entered into an amendment and restatement of our senior secured credit agreement (the "Credit Agreement") to provide for a new five-year, $550.0 million senior secured credit facility consisting of a $400.0 million revolving credit facility and a $150.0 million term loan facility. In March 2011, the revolving borrowing capacity under this facility was increased by $150.0 million to $550.0 million. Concurrent with the execution of the Credit Agreement in November 2010, we borrowed $304.0 million under the revolving credit facility and $150.0 million under the term loan and used the proceeds to (i) repay the entire $406.1 million outstanding under our previous senior secured credit facility, (ii) repay the entire $30.0 million outstanding under our asset-backed securitization facility and terminate that facility, (iii) pay $14.8 million to terminate the interest rate swap agreements to which we were a party and (iv) pay customary fees and other expenses relating to the facility. We incurred transaction costs of approximately $4.0 million related to the Credit Agreement. These costs were included in Intangible and other assets, net and are being amortized over the respective facility terms. As a result of the amendment and restatement of our Credit Agreement, we expensed $0.2 million of unamortized deferred financing costs associated with our refinanced debt, which is reflected in Interest expense in our consolidated statement of operations.

As of December 31, 2011, we had undrawn capacity of $154.5 million under our revolving credit facility. Our Credit Agreement limits our Total Debt to EBITDA ratio (as defined in the Credit Agreement) of not greater than 4.75 to 1.0. The Credit Agreement allows for our Total Debt to EBITDA ratio to be increased from 4.75 to 1.0 to 5.25 to 1.0 during a quarter when an acquisition meeting certain thresholds is completed and for the following two quarters after such an acquisition closes. Therefore, because the June 2011 Contract Operations Acquisition closed in the second quarter of 2011, the maximum allowed ratio of Total Debt to EBITDA is 5.25 to 1.0 through December 31, 2011, reverting to 4.75 to 1.0 for the quarter ending March 31, 2012 and subsequent quarters.

We are currently working to increase the borrowing capacity under our revolving credit facility by approximately $200.0 million, which we expect to close in the first quarter of 2012.

The revolving credit facility bears interest at a base rate or LIBOR, at our option, plus an applicable margin. Depending on our leverage ratio, the applicable margin for revolving loans varies (i) in the case of LIBOR loans, from 2.25% to 3.25% and (ii) in the case of base rate loans, from 1.25% to 2.25%. The base rate is the highest of the prime rate announced by Wells Fargo Bank, National Association, the Federal Funds Effective Rate plus 0.5% and one-month LIBOR plus 1.0%. At December 31, 2011, all amounts outstanding under the revolving credit facility were LIBOR loans and the applicable margin was 2.5%. The weighted average annual interest rate on the outstanding balance of our revolving credit facility at December 31, 2011, excluding the effect of interest rate swaps, was 2.8%.

The term loan facility bears interest at a base rate or LIBOR, at our option, plus an applicable margin. Depending on our leverage ratio, the applicable margin for term loans varies (i) in the case of LIBOR loans, from 2.5% to 3.5% and (ii) in the case of base rate loans, from 1.5% to 2.5%. At December 31, 2011, all amounts outstanding under the term loan facility were LIBOR loans and the applicable margin was 2.75%. The average annual interest rate on the outstanding balance of the term loan at December 31, 2011 was 3.1%.

Borrowings under the Credit Agreement are secured by substantially all of the U.S. personal property assets of us and our Significant Domestic Subsidiaries (as defined in the Credit Agreement), including all of the membership interests of our Domestic Subsidiaries (as defined in the Credit Agreement).

The Credit Agreement contains various covenants with which we must comply, including restrictions on the use of proceeds from borrowings and limitations on our ability to incur additional indebtedness, engage in transactions with affiliates, merge or consolidate, sell assets, make certain investments and acquisitions, make loans, grant liens, repurchase equity and pay dividends and distributions. We must maintain various consolidated financial ratios, including a ratio of EBITDA (as defined in the Credit Agreement) to Total Interest Expense (as defined in the Credit Agreement) of not less than 3.0 to 1.0 (which will decrease to 2.75 to 1.0 following the occurrence of certain events specified in the Credit Agreement) and a ratio of Total Debt (as defined in the Credit Agreement) to EBITDA of not greater than 4.75 to 1.0. As discussed above, because the June 2011 Contract Operations Acquisition closed during the second quarter of 2011, our Total Debt to EBITDA ratio was temporarily increased from 4.75 to 1.0 to 5.25 to 1.0 during the quarter ended June 30, 2011 and continued at that level through December 31, 2011, reverting to 4.75 to 1.0 for the quarter ending March 31, 2012 and subsequent quarters. As of December 31, 2011, we maintained a 7.3 to 1.0 EBITDA to Total Interest Expense ratio and a 3.7 to 1.0 Total Debt to EBITDA ratio. The Credit Agreement also contains various covenants requiring mandatory prepayments from the net cash proceeds of certain asset transfers and debt issuances. If we experience a material adverse effect on our assets, liabilities, financial condition, business or operations that, taken as a whole, impacts our ability to perform our obligations under the Credit Agreement, this, among other things, could lead to a default under that agreement. As of December 31, 2011, we were in compliance with all financial covenants under the Credit Agreement.

We have entered into interest rate swap agreements related to a portion of our variable rate debt. In November 2010, we paid $14.8 million to terminate interest rate swap agreements with a total notional value of $285.0 million and a weighted average rate of 4.4%. These swaps qualified for hedge accounting and were previously included on our balance sheet as a liability and in accumulated other comprehensive loss. The liability was paid in connection with the termination, and the associated amount in accumulated other comprehensive loss will be amortized into interest expense over the original term of the swaps. Of the total amount included in accumulated other comprehensive loss, $10.3 million was amortized into interest expense during the year ended December 31, 2011 and we expect $0.9 million to be amortized into interest expense in 2012. See Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” of this report for further discussion of our interest rate swap agreements.

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

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

On January 27, 2012, Exterran GP LLC's board of directors approved a cash distribution of $0.4925 per limited partner unit, or approximately $19.6 million, including distributions to our general partner on its incentive distribution rights. The distribution covers the time period from October 1, 2011 through December 31, 2011. The record date for this distribution was February 9, 2012 and payment was made on February 14, 2012.

Contractual Obligations. The following table summarizes our cash contractual obligations as of December 31, 2011 (in thousands):

	Payments Due by Period				
	Total	**2012**	**2013-2014**	**2015-2016**	**Thereafter**
Long-term debt(1):					
Revolving credit facility	$395,500	$ —	$ —	$395,500	$ —
Term loan facility	150,000	—	—	150,000	—
Total long-term debt	545,500	—	—	545,500	—
Estimated interest payments(2)	76,946	20,039	40,078	16,829	—
Total contractual obligations	$622,446	$20,039	$40,078	$562,329	$ —

(1) Amounts represent the expected cash payments for principal on our total debt and do not include any deferred issuance costs or fair market valuation of our debt. For more information on our long-term debt, see Note 5 to the Financial Statements.

(2) Interest amounts calculated using the interest rates in effect as of December 31, 2011, including the effect of our interest rate swap agreements.

Effects of Inflation. Our revenues and results of operations have not been materially impacted by inflation and changing prices in the past three fiscal years.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The preparation of these financial statements requires us to make 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 our estimates on historical experience, available information and various other assumptions we believe to be reasonable under the circumstances. On an ongoing basis, we evaluate our estimates; however, actual results may differ from these estimates under different

assumptions or conditions. The accounting policies that we believe require management's most difficult, subjective or complex judgments and are the most critical to our reporting of results of operations and financial condition are as follows. We describe our significant accounting policies more fully in Note 1 to our Financial Statements.

Allowances and Reserves

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The determination of the collectibility of amounts due from our customers requires us to use estimates and make judgments regarding future events and trends, including monitoring our customers' payment history and current credit worthiness to determine that collectibility is reasonably assured, as well as consideration of the overall business climate in which our customers operate. Inherently, these uncertainties require us to make judgments and estimates regarding our customers' ability to pay amounts due us in order to determine the appropriate amount of valuation allowances required for doubtful accounts. We review the adequacy of our allowance for doubtful accounts quarterly. We determine the allowance needed based on historical write-off experience and by evaluating significant balances aged greater than 90 days individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. For the years ended December 31, 2011, 2010 and 2009, we recorded bad debt expense of approximately $0.1 million, $1.3 million and $0.6 million, respectively. A five percent change in the allowance for doubtful accounts would have had an impact on income before income taxes of approximately $49,000 for the year ended December 31, 2011.

Depreciation

Property, plant and equipment are carried at cost. Depreciation for financial reporting purposes is computed on the straight-line basis using estimated useful lives and salvage values. The assumptions and judgments we use in determining the estimated useful lives and salvage values of our property, plant and equipment reflect both historical experience and expectations regarding future use of our assets. The use of different estimates, assumptions and judgments in the establishment of property, plant and equipment accounting policies, especially those involving their useful lives, would likely result in significantly different net book values of our assets and results of operations.

Business Combinations and Goodwill

Goodwill and intangible assets acquired in connection with business combinations represent the excess of consideration over the fair value of tangible net assets acquired. Certain assumptions and estimates are employed in determining the fair value of assets acquired and liabilities assumed.

The carrying value of goodwill is reviewed annually or earlier if indicators of potential impairment exist. A qualitative assessment is performed to determine whether it is more likely than not that the fair value of the reporting unit is impaired. If it is more likely than not, we perform a goodwill impairment test. We determine the fair value of our reporting unit using both the expected present value of future cash flows and a market approach. Each approach is weighted 50% in determining our calculated fair value. The present value of future cash flows is estimated using our most recent forecast and the weighted average cost of capital. The market approach uses a market multiple on the reporting unit's earnings before interest, tax, depreciation and amortization. Significant estimates for each reporting unit included in our impairment analysis are our cash flow forecasts, our estimate of the market's weighted average cost of capital and market multiples. Changes in forecasts, cost of capital and market multiples could affect the estimated fair value of our reporting unit and result in a goodwill impairment charge in a future period.

Long-Lived Assets

Long-lived assets, which include property, plant and equipment and identifiable intangibles, comprise a significant amount of our total assets. Long-lived assets to be held and used by us are reviewed to determine whether any events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. The determination that the carrying amount of an asset may not be recoverable requires us to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require significant assumptions about future market conditions. Significant and unanticipated changes to these assumptions could require a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and specific times, it is not possible to reasonably quantify the impact of changes in these assumptions. An impairment loss exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When necessary, an impairment loss is recognized and represents the excess of the asset's carrying value as compared to its estimated fair value and is charged to the period in which the impairment occurred.

Self-Insurance

Exterran Holdings insures our property and operations and allocates certain insurance costs to us. Exterran Holdings is self-insured up to certain levels for general liability, vehicle liability, group medical and for workers' compensation claims. We regularly review estimates of reported and unreported claims and provide for losses based on claims filed and an estimate for significant claims incurred but not reported. Although we believe the insurance costs allocated to us are adequate, it is reasonably possible our estimates of these liabilities will change over the near term as circumstances develop. In addition, we currently have minimal insurance on our offshore assets.

Recent Accounting Pronouncements

See Note 12 to the Financial Statements.

ITEM 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Variable Rate Debt

We are exposed to market risk due to variable interest rates under our financing arrangements.

As of December 31, 2011, after taking into consideration interest rate swaps, we had approximately $295.5 million of outstanding indebtedness that was effectively subject to floating interest rates. A 1% increase in the effective interest rate on our outstanding debt subject to floating interest rates at December 31, 2011 would result in an annual increase in our interest expense of approximately $3.0 million.

For further information regarding our use of interest rate swap agreements to manage our exposure to interest rate fluctuations on a portion of our debt obligations, see Note 8 to the Financial Statements.

ITEM 8. ***Financial Statements and Supplementary Data***

The financial statements and supplementary information specified by this Item are presented in Part IV, Item 15 of this report.

ITEM 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

ITEM 9A. ***Controls and Procedures***

Management's Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), which are designed to provide reasonable assurance that we are able to record, process, summarize and report the information required to be disclosed in our reports under the Exchange Act within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based on the evaluation, as of December 31, 2011, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to management, and made known to our principal executive officer and principal financial officer, on a timely basis to ensure that it is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

As required by Exchange Act Rules 13a-15(c) and 15d-15(c), the management of Exterran GP LLC, the general partner of our general partner, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness as 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. Based on the results of management's evaluation described above, management concluded that our internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of internal control over financial reporting as of December 31, 2011 was audited by Deloitte & Touche, LLP, an independent registered public accounting firm, as stated in its report found on the following page of this report.

Changes in Internal Control over Financial Reporting

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
Exterran Partners, L.P.
Houston, Texas

We have audited the internal control over financial reporting of Exterran Partners, L.P. and subsidiaries (the "Partnership") as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Partnership'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 Annual Report on Internal Control Over Financial Reporting.* Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (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 receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2011 of the Partnership and our report dated February 23, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ *DELOITTE & TOUCHE LLP*

Houston, Texas
February 23, 2012

ITEM 9B. ***Other Information***

None.

PART III

ITEM 10. ***Directors, Executive Officers and Corporate Governance***

Board of Directors

Because our general partner is a limited partnership, its general partner, Exterran GP LLC, conducts our operations and activities. Our general partner is not elected by our unitholders and is not subject to re-election on a regular basis in the future. The directors of Exterran GP LLC oversee our operations. Unitholders are not entitled to elect the directors of Exterran GP LLC or directly or indirectly participate in our management or operation. As a result, we do not hold annual unitholder meetings. Our general partner owes a fiduciary duty to our unitholders. Our general partner is liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made expressly non-recourse to it. Our general partner therefore may cause us to incur indebtedness or other obligations that are non-recourse to it.

Pursuant to Rule 5615(a)(4) of the NASDAQ Stock Market ("NASDAQ") Marketplace Rules, NASDAQ does not require a listed limited partnership like us to have a majority of independent directors on the board of directors of Exterran GP LLC or to establish a compensation committee or a nominating committee. Exterran GP LLC has seven directors. The board of directors has determined that three of its seven directors — James G. Crump, G. Stephen Finley and Edmund P. Segner, III — are "independent directors" within the meaning of applicable NASDAQ rules and Rule 10A-3 of the Exchange Act. In determining the independence of each director, Exterran GP LLC has adopted standards that incorporate the NASDAQ and Exchange Act standards.

Exterran GP LLC's board of directors has standing audit, compensation and conflicts committees. The written charter for each of these committees is available on our website at www.exterran.com. We also will provide a copy of any of our committee charters to any of our unitholders without charge upon written request to Investor Relations, 16666 Northchase Drive, Houston, Texas 77060.

Exterran GP LLC's board of directors met seven times and took action by unanimous written consent on three occasions during 2011. During 2011, each member of the board of directors attended at least 75% of the aggregate number of meetings of the board of directors and any committee of the board of directors on which such director served.

Exterran GP LLC's directors hold office until the earlier of their death, resignation, removal or disqualification or until their successors have been elected and qualified. Officers serve at the discretion of the board of directors. There are no family relationships among any of Exterran GP LLC's directors or executive officers, and there are no arrangements or understandings between any of the directors or executive officers and any other persons pursuant to which a director or officer was selected as such.

Audit Committee. The audit committee, which met four times during 2011, consists of Messrs. Crump (chair), Finley and Segner. The board of directors has determined that each of Messrs. Crump, Finley and Segner is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of SEC Regulation S-K, and that each is "independent" within the meaning of the applicable NASDAQ and Exchange Act rules regulating audit committee independence. The audit committee assists the board of directors of Exterran GP LLC in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and corporate policies and controls. The audit committee has the sole authority to retain and terminate our independent registered public accounting firm, approve all auditing services and related fees and the terms thereof and pre-approve any non-audit services to be rendered by our independent registered public accounting firm. The audit committee is also responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm is given unrestricted access to the audit committee.

Compensation Committee. The compensation committee, which met five times and took action by unanimous written consent on two occasions during 2011, consists of Messrs. Crump, Finley (chair) and Segner. The purpose of the compensation committee is to discharge the board of directors' responsibilities relating to compensation of Exterran GP LLC's executives, to produce an annual report relating to the CD&A (as defined below) for inclusion in our Annual Report on Form 10-K, in accordance with the rules and regulations of the SEC, and to oversee the development and implementation of our compensation programs. The function of the compensation committee is discussed in greater detail in Part III, Item 11 ("Executive Compensation — Compensation Discussion & Analysis — Partnership Compensation Committee Structure and Responsibilities") of this report.

Conflicts Committee. The conflicts committee, which met seven times during 2011, consists of Messrs. Crump (chair), Finley and Segner. The purpose of the conflicts committee is to carry out the duties of the committee as set forth in our Partnership Agreement and the Omnibus Agreement, and any other duties delegated by the board of directors of Exterran GP LLC that it believes may involve a conflict of interest. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, directors, officers and beneficial owners of 10 percent or more of our common units ("Reporting Persons") are required to report to the SEC on a timely basis the initiation of their status as a Reporting Person and any changes with respect to their beneficial ownership of our common units. Based solely on a review of Forms 3, 4 and 5 (and any amendments thereto) furnished to us and the representations made to us, we have concluded that no Reporting Persons were delinquent with respect to their reporting obligations, as set forth in Section 16(a) of the Exchange Act, during 2011.

Code of Ethics

Exterran GP LLC has adopted a Code of Business Conduct and Ethics (the "Code") that applies to Exterran GP LLC and its subsidiaries and affiliates, including us, and to all of its and their employees, officers, including its principal executive officer, principal financial officer, principal accounting officer and directors. A copy of the Code is available on our website at www.exterran.com. We also will provide a copy of the Code to any of our unitholders without charge upon written request to Investor Relations, 16666 Northchase Drive, Houston, Texas 77060.

Directors and Executive Officers

All of the executive officers of Exterran GP LLC, who are listed below, allocate their time between managing our business and affairs and the business and affairs of Exterran Holdings. The executive officers of Exterran GP LLC may face a conflict regarding the allocation of their time between our business and the other business interests of Exterran Holdings. Exterran Holdings seeks to cause the executive officers to devote as much time to the management of our business and affairs as is necessary for the proper conduct of our business and affairs. We also utilize a significant number of other employees of Exterran Holdings and its affiliates to operate our business and provide us with general and administrative services.

The following table shows information regarding the current directors and executive officers of Exterran GP LLC:

Name	Age	Position with Exterran GP LLC
D. Bradley Childers	47	President, Chief Executive Officer and Chairman of the Board
J. Michael Anderson	49	Senior Vice President, Chief Financial Officer and Director
Joseph G. Kishkill	47	Senior Vice President
Robert E. Rice	46	Senior Vice President
Daniel K. Schlanger	38	Senior Vice President and Director
Donald C. Wayne	45	Senior Vice President and General Counsel
Kenneth R. Bickett	50	Vice President and Controller
David S. Miller	48	Director
James G. Crump	71	Director
G. Stephen Finley	61	Director
Edmund P. Segner, III	58	Director

D. Bradley Childers. Mr. Childers was elected President and Chief Executive Officer and Chairman of the Board of Exterran GP LLC in December 2011, having served as interim Chief Executive Officer and interim Chairman of the Board since November 2011. Prior to that, Mr. Childers had served as Senior Vice President of Exterran GP LLC since June 2006 and as a director of Exterran GP LLC since May 2008. He also served as Senior Vice President of Exterran Holdings since August 2007 and as President, North America of Exterran Energy Solutions, L.P. from March 2008 to November 2011. Prior to the merger of Hanover Compressor Company and Universal Compression Holdings, Inc., Mr. Childers was Senior Vice President of Universal and President of the International Division of Universal Compression, Inc., Universal's wholly-owned subsidiary, positions he held since July 2006. Previously, he served as Senior Vice President, Business Development, General Counsel and Secretary of Universal beginning in April 2005 and as Senior Vice President, General Counsel and Secretary of Universal beginning in September 2002. Prior to joining Universal, he held various positions with Occidental Petroleum Corporation (an international oil and gas exploration and production company) and its subsidiaries from 1994 to 2002, including as Vice President, Business Development at Occidental Oil and Gas Corporation, and as corporate counsel. Mr. Childers also serves as an officer and director of certain other Exterran Holdings majority-owned subsidiaries. Mr. Childers holds a B.A. from Claremont McKenna College and a J.D. from the University of Southern California.

Mr. Childers' day to day leadership as our Chief Executive Officer and his role in forming the Partnership provide him with an intimate knowledge of our Partnership, including its strategies, operations and markets. His previous experience as President, North America of Exterran Energy Solutions, L.P. has provided him with intimate knowledge of our contract compression operations, as well as a unique understanding of market factors and operational challenges and opportunities. Also, through his prior role as General Counsel of Exterran Holdings' predecessor, Mr. Childers is familiar with a full range of company and board functions. Mr. Childers' business judgment, management experience and leadership skills are highly valuable in assessing our business strategies and accompanying risks. We believe this knowledge and experience make Mr. Childers well qualified to serve as a director of Exterran GP LLC.

J. Michael Anderson. Mr. Anderson was elected Senior Vice President and Chief Financial Officer of Exterran GP LLC in November 2011. Prior to that, Mr. Anderson had served as Senior Vice President of Exterran GP LLC since June 2006 and as a director of Exterran GP LLC since October 2006. He also served as Senior Vice President and Chief Financial Officer of Exterran Holdings from August 2007 to December 2011. Prior to the merger of Hanover and Universal in August 2007, Mr. Anderson was Senior Vice President and Chief Financial Officer of Universal, a position he assumed in March 2003. Mr. Anderson held various positions with Azurix Corp. (a water and wastewater utility and services company), primarily as the company's Chief Financial Officer and later as Chairman and Chief Executive Officer. Prior to that time, he spent ten years in the Global Investment

Banking Group of J.P. Morgan Chase & Co. (a financial services company), where he specialized in merger and acquisitions advisory services. Mr. Anderson also serves as an officer and director of certain other Exterran Holdings majority-owned subsidiaries. Mr. Anderson holds a BBA in finance from Texas Tech University and an MBA in finance from The Wharton School of the University of Pennsylvania.

Through his role as our Chief Financial Officer and his involvement in our formation, Mr. Anderson brings extensive knowledge of our Partnership, including its capital structure and financing requirements. Mr. Anderson also brings valuable financial expertise, including extensive experience with capital markets transactions and knowledge of the energy industry from his prior role as an investment banker. We believe this knowledge and experience make Mr. Anderson well qualified to serve as a director of Exterran GP LLC.

Joseph G. Kishkill. Mr. Kishkill was elected Senior Vice President of Exterran GP LLC in May 2010. He also serves as Senior Vice President of Exterran Holdings, a position he has held since February 2009, and as President, Eastern Hemisphere of Exterran Energy Solutions, L.P., having served as President, Latin America from March 2008 to November 2009. Prior to the merger of Hanover and Universal, Mr. Kishkill held the position of Vice President, Latin America with Universal. Mr. Kishkill joined Universal in 2002 as a General Manager in South America. Mr. Kishkill held positions of increasing responsibility with Enron Corporation from 1990 to 2001, advancing to Chief Executive Officer for South America. During his career, Mr. Kishkill has been based in Dubai, Brazil and Argentina and has provided management services for energy projects and pipelines throughout South America. Mr. Kishkill also serves as an officer of certain other Exterran Holdings majority-owned subsidiaries. Mr. Kishkill holds a B.S. in electrical engineering from Brown University and an MBA from Harvard University.

Robert E. Rice. Mr. Rice was elected Senior Vice President of Exterran GP LLC in December 2011, and at that time he was also appointed Senior Vice President of Exterran Holdings, Inc. and President, North America of Exterran Energy Solutions, L.P. Previously, Mr. Rice was Regional Vice President for the U.S. Gulf Coast Region of Exterran Energy Solutions, L.P. Prior to the merger of Hanover and Universal, Mr. Rice held the following positions at Hanover: Vice President, Gulf Coast Business Unit, from September 2003 to August 2007; Vice President, Health, Safety & Environmental, from October 2002 to September 2003; and Director, Corporate Development, January 2002 to October 2002. During his career, Mr. Rice has been based in Argentina and Australia and has developed detailed experience in analyzing, structuring and growing businesses in domestic and international energy markets. Mr. Rice also served as a Flight Test Engineer with the United States Air Force. Mr. Rice holds a B.S. in electrical engineering from Louisiana Tech University.

Daniel K. Schlanger. Mr. Schlanger has served as Senior Vice President of Exterran GP LLC since June 2006, and has served as a director of Exterran GP LLC since October 2006. From June 2006 to March 2009, he also served as Chief Financial Officer of Exterran GP LLC. He also currently serves as Senior Vice President, Operations Services of Exterran Holdings and Exterran Energy Solutions, L.P. Prior to the merger of Hanover and Universal, Mr. Schlanger served as Vice President — Corporate Development of Universal. From August 1996 through May 2006, Mr. Schlanger was employed as an investment banker with Merrill Lynch & Co. where he focused on the energy sector. Mr. Schlanger also serves as an officer of certain other Exterran Holdings majority-owned subsidiaries. Mr. Schlanger holds a B.S. in economics from the University of Pennsylvania.

From his position as Senior Vice President, Operations Services of Exterran Holdings, Mr. Schlanger has unique insight into our operational challenges and opportunities. Also, through his prior role as our Chief Financial Officer and previously as an investment banker who provided advice regarding the structuring of our Partnership, Mr. Schlanger brings extensive knowledge of our Partnership, including its capital structure and financing requirements. Mr. Schlanger also brings financial expertise, including experience with capital markets transactions, knowledge of the energy industry and familiarity with master limited partnerships from his prior role as an investment banker. We believe this knowledge and experience make Mr. Schlanger well qualified to serve as a director of Exterran GP LLC.

Donald C. Wayne. Mr. Wayne was elected Senior Vice President and General Counsel of Exterran GP LLC in May 2008, having served as Vice President, General Counsel and Secretary since August 2006. He also serves as Senior Vice President, General Counsel and Secretary of Exterran Holdings. Prior to the merger of Hanover and Universal, Mr. Wayne served as Vice President, General Counsel and Secretary of Universal, a position he assumed upon joining Universal in August 2006. Prior to joining Universal, he served as Vice President, General Counsel and Corporate Secretary of U.S. Concrete, Inc. (a producer of ready-mixed concrete and concrete-related products) from 1999 to August 2006. Prior to joining U.S. Concrete in 1999, Mr. Wayne served as an attorney with the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P. Mr. Wayne also serves as an officer and director of certain other Exterran Holdings majority-owned subsidiaries. Mr. Wayne holds a B.A. from Tufts University and a J.D. and an MBA from Washington University (St. Louis).

Kenneth R. Bickett. Mr. Bickett is Vice President and Controller, positions he assumed in December 2011. Mr. Bickett held the titles of Vice President, Finance and Accounting of Exterran GP LLC from April 2009 to December 2011, having served as Vice President and Controller of Exterran GP LLC from June 2006 to April 2009. He also serves as Vice President and Controller of Exterran Holdings. Prior to the merger of Hanover and Universal, Mr. Bickett served as Vice President, Accounting and Corporate Controller of Universal, a position he held since joining Universal in July 2005. Prior to joining Universal, he served as Vice President and Assistant Controller for Reliant Energy, Inc. (an electricity and energy services provider). Prior to joining Reliant Energy in 2002, Mr. Bickett was employed by Azurix Corp. (a water and wastewater utility and services company) since 1998, where he most recently served as Vice President and Controller. Mr. Bickett also serves as an officer of certain other Exterran Holdings majority-owned subsidiaries. Mr. Bickett is a Certified Public Accountant and holds a B.S. in accounting from the University of Kentucky.

David S. Miller. Mr. Miller was elected as a director of Exterran GP LLC in March 2009. He has served as Vice President and Chief Financial Officer, Eastern Hemisphere of Exterran Energy Solutions, L.P. since August 2010, and previously served as Vice President and Chief Financial Officer of Exterran GP LLC from March 2009 to August 2010. Prior to that, Mr. Miller served as Chief Operating Officer of JMI Realty, a private real estate investment and development company, from October 2005 to January 2009. From April 2002 to September 2005, Mr. Miller was a partner with SP Securities LLC, a private investment banking firm. Prior to joining SP Securities LLC, Mr. Miller served in positions of increasing responsibility with the Energy Investment Banking department of Merrill Lynch & Co, Inc. (a financial management and advisory firm) from May 1993 to March 2002, including as Vice President beginning in 1996 and as Director beginning in 1999. Mr. Miller holds a B.S. in finance from Southern Methodist University and an MBA from Northwestern University J.L. Kellogg Graduate School of Management.

Through his former role as our Vice President and Chief Financial Officer, Mr. Miller brings extensive knowledge of our Partnership, including its capital structure and financing requirements. Mr. Miller also brings valuable financial expertise, including extensive experience with capital markets transactions, knowledge of the energy industry and familiarity with the natural gas compression industry from his prior role as an investment banker. We believe this knowledge and experience make Mr. Miller well qualified to serve as a director of Exterran GP LLC.

James G. Crump. Mr. Crump was appointed as a director of Exterran GP LLC in October 2006. Mr. Crump began his career at Price Waterhouse in 1962 and became a partner in 1974. From 1977 until the merger of Price Waterhouse and Coopers Lybrand in 1998, Mr. Crump held numerous management and leadership roles. From 1998 until his retirement in 2001, Mr. Crump served as Global Energy and Mining Cluster Leader, as a member of the U.S. Management Committee and the Global Management Committee and as Houston Office Managing Partner. Mr. Crump also serves as chairman of the audit committee and a member of the conflicts committee of the board of directors of Copano Energy, L.L.C. (a natural gas gathering and processing company). Mr. Crump holds a B.A. in accounting from Lamar University.

With a nearly 40-year career focused on providing independent public accounting services to the energy industry, Mr. Crump contributes a broad-based understanding of the oil and gas industry and of complex accounting and financial matters. Mr. Crump also serves on the audit and conflicts committees of the board of directors of another energy services company. We believe this knowledge and experience make Mr. Crump well qualified to serve as a director of Exterran GP LLC.

G. Stephen Finley. Mr. Finley was elected as a director of Exterran GP LLC in November 2006. Mr. Finley served in various positions of increasing responsibility at Baker Hughes Incorporated (a provider of drilling, formation evaluation, completion and production products and services to the worldwide oil and gas industry) from 1982 until his retirement in 2006, including as Senior Vice President — Finance and Administration and Chief Financial Officer from April 1999 through April 2006. Mr. Finley currently serves as chairman of the audit committee and as a member of the compensation committee and the nominating and corporate governance committee of the board of directors of Newpark Resources, Inc. (a provider of integrated site, environmental and drilling fluid services to the oil and gas exploration and production industry). From December 2006 to November 2011, Mr. Finley served on the board of Total Safety U.S., Inc. (a privately held company and global provider of integrated safety strategies and solutions for hazardous environments). From June 2006 to June 2008, Mr. Finley served on the board of Ocean Rig ASA (a Norway-based drilling contractor). Mr. Finley is a Certified Public Accountant and holds a B.S. from Indiana State University.

Mr. Finley contributes extensive financial acumen and an understanding of the oil and gas services industry, including oilfield services companies, through his 24 years of service with Baker Hughes, including seven years as Chief Financial Officer, and also serves on the audit and compensation committees of the board of directors of another energy services company. We believe this knowledge and experience make Mr. Finley well qualified to serve as a director of Exterran GP LLC.

Edmund P. Segner, III. Mr. Segner was elected as a director of Exterran GP LLC in May 2009. Mr. Segner is a Professor in the Practice of Engineering Management in the Department of Civil and Environmental Engineering at Rice University (Houston). In November 2008, Mr. Segner retired from EOG Resources, Inc. (EOG), a publicly traded independent oil and gas exploration and production company. Among the positions he held at EOG was President and Chief of Staff and Director from 1999 to 2007. From March 2003 through June 2007, he also served as EOG's principal financial officer. Mr. Segner served on the board of directors of Universal from 2000 to 2002. Mr. Segner currently serves as chairman of the reserves committee and is a member of the audit and compensation committees of Bill Barrett Corporation (a company engaged in exploration and development of natural gas and oil reserves in the Rocky Mountain region of the U.S.). Mr. Segner also serves on the audit committee and the nominating and governance committee of Laredo Petroleum, Inc. (a company focused on the exploration, development and acquisition of oil and natural gas properties in the Permian and Mid-Continent regions of the U.S.). He served as chairman of the audit committee and as a member of the finance committee of the board of Seahawk Drilling, Inc. (an owner and operator of offshore oil and gas platforms and a provider of shallow water contract drilling services to the oil and natural gas exploration industry) from August 2009 to October 2011. Mr. Segner is a member of the Society of Petroleum Engineers and currently serves as a member of the board or as a trustee for several non-profit organizations. Mr. Segner is a Certified Public Accountant and holds a B.S. in civil engineering from Rice University and an M.A. in economics from the University of Houston.

Mr. Segner brings technical experience and financial acumen to the board of directors. Having served in a senior management position for an oil and gas company, Mr. Segner also possesses a thorough understanding of the energy industry and operational challenges unique to this industry. In addition, as a former president of a public company and as a director of other public companies, Mr. Segner has valuable experience with other functions pertinent to our board, including compensation, financing matters and the evaluation of acquisition opportunities. We believe this knowledge and experience make Mr. Segner well qualified to serve as a director of Exterran GP LLC.

ITEM 11. *Executive Compensation*

Compensation Discussion and Analysis

Overview

As is commonly the case for many publicly traded limited partnerships, we have no employees. Under the terms of our partnership agreement, we are ultimately managed by Exterran GP LLC, the general partner of Exterran General Partner, L.P., our general partner (which we may refer to as our general partner or Exterran GP LLC). We sometimes refer herein to Exterran GP LLC's management and executive officers as "our management" and "our executive officers," respectively.

The following discussion and analysis provides information about our compensation objectives and policies with respect to our principal executive officer, principal financial officer and certain of our other highly compensated executive officers, including Mr. Danner, whose employment with us concluded in October 2011, and Mr. Aaronson, whose employment with us concluded in November 2011 (collectively, our "Named Executive Officers" and, excluding Messrs. Danner and Aaronson, our "current Named Executive Officers"). This discussion and analysis provides additional context for the numbers presented in the compensation tables that follow. For 2011, our Named Executive Officers were:

- *D. Bradley Childers*, President and Chief Executive Officer of Exterran GP LLC and Exterran Holdings and Chairman of the Board of Exterran GP LLC (from December 12, 2011 through December 31, 2011), former Interim President and Chief Executive Officer of Exterran GP LLC and Exterran Holdings (from November 1, 2011 through December 11, 2011), and former Senior Vice President of Exterran GP LLC and Exterran Holdings and President, North America Operations of Exterran Energy Solutions, L.P. ("EESLP") (from January 1, 2011 through October 31, 2011);
- *Ernie L. Danner*, former President and Chief Executive Officer of Exterran GP LLC and Exterran Holdings (from January 1, 2011 through October 31, 2011);
- *J. Michael Anderson*, Senior Vice President and Chief Financial Officer of Exterran GP LLC (from November 16, 2011 through December 31, 2011), Senior Vice President of Exterran GP LLC (from January 1, 2011 through November 16, 2011), and former Senior Vice President and Chief Financial Officer of Exterran Holdings (from January 1, 2011 through December 11, 2011);
- *Michael J. Aaronson*, former Vice President and Chief Financial Officer of Exterran GP LLC (from January 1, 2011 through November 16, 2011);
- *Joseph G. Kishkill*, Senior Vice President of Exterran GP LLC and Exterran Holdings and President, Eastern Hemisphere of EESLP;
- *Daniel K. Schlanger*, Senior Vice President of Exterran GP LLC and Senior Vice President, Operations Services of Exterran Holdings;
- *Donald C. Wayne*, Senior Vice President and General Counsel of Exterran GP LLC and Exterran Holdings.

Executive Management Changes in 2011

Effective October 31, 2011, in connection with Mr. Danner's resignation as Exterran Holdings' and our President and Chief Executive Officer, Mr. Childers was appointed to serve as Exterran Holdings' and our Interim President and Chief Executive Officer. Mr. Childers was appointed as Exterran Holdings' and our President and Chief Executive Officer effective December 12, 2011.

In connection with Mr. Aaronson's resignation as our Vice President and Chief Financial Officer, effective November 16, 2011, J. Michael Anderson was appointed as our Senior Vice President and Chief Financial Officer, immediately following the effectiveness of Mr. Aaronson's resignation.

Compensation Actions Related to Executive Management Changes

In December 2011, the following one-time compensation actions were taken in connection with certain of the management changes discussed above:

- In recognition of his promotion to President and Chief Executive Officer, Mr. Childers was awarded his long-term equity incentive award for 2012 (other than performance units, which the Exterran Holdings compensation committee may award in March 2012 in order to provide an additional performance component to his overall compensation) on an advanced basis. As a result of the advancement of this award, it is not expected that Mr. Childers will receive a long-term incentive award (other than any Exterran Holdings• performance units) in 2012.
- In connection with the terms of his separation agreement with Exterran Holdings, Exterran Holdings• and our former President and Chief Executive Officer, Mr. Danner, received a $1,225,000 cash payment, and all of his outstanding Exterran Holdings• restricted stock, Exterran Holdings• 2010 performance shares and Partnership phantom unit awards vested on his termination date.

Each of these actions has been included as required in our Summary Compensation Table for 2011, below.

Compensation Expense Allocations

Allocation Methodology

Under the terms of the Omnibus Agreement, most costs associated with Exterran Holdings• provision of services to us, including compensation of our Named Executive Officers, are allocated to us on a monthly basis in the manner that our general partner deems reasonable. During 2011, those allocations were generally made using a two-step process:

- First, Exterran Holdings allocates an appropriate portion of its total selling, general and administrative expenses among its business segments, including to the U.S. portion of its North America contract operations segment, based on revenue.
- SecondExterran Holdings allocates to us a prorated portion of the selling, general and administrative expenses initially allocated to the U.S. portion of Exterran Holdings• North America contract operations segment based upon the ratio of our total compression equipment horsepower to the sum of Exterran Holdings• total U.S. compression equipment horsepower and our total compression equipment horsepower.

In accordance with the terms of the Omnibus Agreement, the amount for which we were obligated to reimburse Exterran Holdings for selling, general and administrative expenses allocated to us, including compensation costs, could not exceed $7.6 million per quarter, after taking into account any such costs we incur and pay directly (the •SG&A CapŽ). In connection with the June 2011 Contract Operations Acquisition, effective June 10, 2011, the SG&A Cap under the terms of the Omnibus Agreement was increased to $9.0 million per quarter. The reimbursement of compensation costs allocated by Exterran Holdings to us for the compensation of our Named Executive Officers (which excludes the non-cash costs related to our phantom unit awards) is subject to the SG&A Cap. See Part III, Item 13 (•Certain Relationships and Related Transactions, and Director IndependenceŽ)

For 2012, the Exterran Holdings compensation committee has engaged Pearl Meyer, an independent third-party compensation consultant.

Comparative Compensation Data. In determining the appropriate levels of executive officer compensation for 2011, including total compensation and its principal components, the Exterran Holdings compensation committee reviewed a combination of data (collectively, the "Comparative Compensation Data") provided by Towers Watson, comprised of the following:

- General industry data, which included comparative compensation data from companies across a variety of industries, totaling in excess of 400 companies, which was then regressed for companies with annual revenue of approximately $2.7 billion. No information was provided as to any individual company's responses to the survey questions, and no individual component company that contributed to this data was evaluated by or considered by the Exterran Holdings compensation committee for purposes of determining executive compensation.
- Oilfield services industry data, which included survey data from the following 14 companies with a median revenue of approximately $2.0 billion:

Atwood Oceanics, Inc.	Global Industries, Ltd.	Oil States International, Inc.
Baker Hughes Incorporated	Gulfmark Offshore, Inc.	Pride International, Inc.
Bristow Group Inc.	Helmerich & Payne, Inc.	Schlumberger Limited
Cameron International Corporation	Hercules Offshore, Inc.	Transocean Ltd.
ENSCO International Incorporated	Noble Corporation	

The Exterran Holdings compensation committee believes the Comparative Compensation Data provides a broad-based view of executive compensation across multiple industry segments based on companies similar in size to Exterran Holdings. This provides valuable information for structuring an executive compensation program that is generally competitive, allows the Exterran Holdings compensation committee to identify a target compensation range and appropriately position executive compensation within that target range, as indicated below, and provides the data necessary to support individual compensation decisions for comparable positions in the general and oilfield services industries.

Peer Group Data. The Exterran Holdings compensation committee also reviews executive compensation data published in the proxy statements of Exterran Holdings' peer group (the "Peer Group Data") as an additional source of information in assessing whether its executive compensation program is appropriately positioned and competitive based on Exterran Holdings' industry and size.

For 2011, the Exterran Holdings compensation committee set Exterran Holdings' peer group as follows:

Cameron International Corporation	FMC Technologies, Inc.	Patterson-UTI Energy, Inc.
Chicago Bridge & Iron Company N.V.	Gardner Denver, Inc.	Pride International, Inc.
Complete Production Services, Inc.	Key Energy Services, Inc.	Regency Energy Partners, L.P.
DCP Midstream Partners	McDermott International, Inc.	Rowan Companies, Inc.
Dresser-Rand Group Inc.	Noble Corporation	Superior Energy Services, Inc.
	Oil States International, Inc.	

This peer group included companies with a large range of revenues and with both domestic and international operations, many of whom compete with Exterran Holdings for managerial talent. The Exterran Holdings compensation committee believes that a diversity of oilfield services companies provides an enhanced overview of compensation and reflects more completely those companies with which Exterran Holdings competes for technical and managerial talent.

How the Exterran Holdings Compensation Committee Uses the Data. The Comparative Compensation Data was used by the Exterran Holdings compensation committee for 2011 to consider overall trends in executive

compensation and to target executive cash compensation and long-term incentive compensation at the 50th percentile, which it believes is appropriate to maintain Exterran Holdings' competitiveness in the market for managerial talent.

The Peer Group Data was used by the Exterran Holdings compensation committee for 2011 to target cash compensation for Exterran Holdings' and our then-current Chief Executive Officer (Mr. Danner) at the 25th to 50th percentile of our peer group. The Exterran Holdings compensation committee also used the Peer Group Data to target 2012 cash compensation for our new President and Chief Executive Officer, Mr. Childers, below the 25th percentile of our peer group. The Peer Group Data was not used to target the compensation of any other Named Executive Officer.

For 2011, actual cash compensation and long-term equity incentive compensation (based on the grant-date fair value) for Exterran Holdings' and our former Chief Executive Officer, Mr. Danner (excluding the impact of the severance payment made pursuant to the terms of his separation agreement with Exterran Holdings), fell below the 50th percentile of the Comparative Compensation Data and the Peer Group Data. Also for 2011, actual cash compensation and long-term equity incentive compensation (based on the grant-date fair value) for our other Named Executive Officers fell around the 50th percentile and slightly above the 50th percentile, respectively, of the Comparative Compensation Data (excluding the impact of the December 2011 payment made to Mr. Childers in recognition of his service to Exterran Holdings and us as Interim President and Chief Executive Officer and the December 2011 advanced grant to Mr. Childers of his 2012 long-term equity incentive award (other than performance units) in recognition of his assumption of the role of President and Chief Executive Officer).

Consideration of Chief Executive Officer Recommendations

The most significant aspects of management's, including Exterran Holdings' and our Chief Executive Officer's, role in the compensation-setting process are:

- recommending compensation programs, compensation policies, compensation levels and incentive opportunities that are consistent with Exterran Holdings' and our business strategies;
- compiling, preparing and distributing materials for Exterran Holdings compensation committee review and consideration, including market data;
- recommending corporate performance goals on which performance-based compensation will be based; and
- assisting in the evaluation of employee performance.

Exterran Holdings' and our Chief Executive Officer annually reviews the performance of each of the executive officers other than himself. Based on these performance reviews, he recommends certain salary adjustments, annual cash incentives and long-term incentive awards to the Exterran Holdings compensation committee.

Elements of Compensation

Exterran Holdings' and our executive compensation programs are managed from a "total rewards" perspective, with consideration given to each of the following components:

- base salary;
- annual performance-based incentives;
- long-term incentives; and
- other compensation and benefit programs.

In addition, our Named Executive Officers are eligible to participate in Exterran Holdings' standard retirement savings plans, standard employee benefit plans and standard employee health and welfare benefit plans, as

further described below. Certain executive officers and key employees, including our current Named Executive Officers, have been provided with severance benefit agreements and change of control arrangements, as further described below.

Base Salaries

The Exterran Holdings compensation committee annually reviews and sets the base salaries for our Named Executive Officers. The Exterran Holdings compensation committee has determined that, to attract and retain sufficient talent, base pay generally should be set near the median of that for companies similar in size to Exterran Holdings in the general industry and the oilfield services industry, as described above. In addition to considering the Comparative Compensation Data in making salary decisions, the Exterran Holdings compensation committee exercises its judgment and discretion based upon each executive's level of responsibility, individual skills, experience in his or her current role, his or her expected future role, performance, internal pay equity and external factors involving competitive positioning and general economic conditions. No specific formula is applied to determine the weight of each of these factors; rather, base salaries are established based on the Exterran Holdings compensation committee's assessment of all relevant information. Performance evaluations are conducted annually during the first quarter of each year, and the resulting adjustments in base salaries generally are effective following the first quarter of each year.

In February 2011, the Exterran Holdings compensation committee reviewed the annual base salaries of our then-current Named Executive Officers. Our then-current Chief Executive Officer, Mr. Danner, while generally satisfied with performance in the areas of cash flow generation, customer service, employee development and safety, concluded that other financial performance indicators for 2010 fell short of expectations, and thus recommended to the Exterran Holdings compensation committee that no increase be made to the annual base salaries of the Named Executive Officers, other than Mr. Aaronson, for 2011. The Exterran Holdings compensation committee determined, based on a review of Exterran Holdings' performance, and taking into account Mr. Danner's recommendations with respect to the Named Executive Officers other than himself and Mr. Aaronson, to make no adjustment to the annual base salaries of the Named Executive Officers for 2011.

Because Mr. Aaronson was not an executive officer of Exterran Holdings, his compensation, including any increase in his annual base salary, was determined by the Chief Executive Officer. In recognition of Mr. Aaronson's rapid integration into the role of Chief Financial Officer of Exterran GP LLC and leadership on a number of successful financing transactions for Exterran Holdings and us during the second half of 2010, Mr. Danner approved a 3% increase to his annual base salary, resulting in a 2011 annual base salary of $252,350 for Mr. Aaronson.

The base salaries in effect for our Named Executive Officers for 2011 were as follows:

Executive Officer	Title	2011 Base Salary ($)
Current Named Executive Officers		
D. Bradley Childers(1)	President and Chief Executive Officer	350,000
J. Michael Anderson	Senior Vice President and Chief Financial Officer	365,000
Joseph G. Kishkill	Senior Vice President	340,000
Daniel K. Schlanger	Senior Vice President	325,000
Donald C. Wayne	Senior Vice President and General Counsel	307,500
Former Named Executive Officers		
Ernie L. Danner	Former President and Chief Executive Officer	500,000
Michael J. Aaronson	Former Vice President and Chief Financial Officer	252,350

(1) Mr. Childers was our Senior Vice President and President, North America Operations of EESLP when the Exterran Holdings compensation committee set his 2011 base salary.

Annual Performance-Based Incentive Compensation

In February 2011, the Exterran Holdings compensation committee adopted a short-term incentive program (the "2011 Incentive Program") under which each Named Executive Officer was eligible to receive a cash award based on 2011 performance. In determining the bonus opportunity for each Named Executive Officer, the Exterran Holdings compensation committee considered his relative responsibility and his potential impact on the achievement of Exterran Holdings' performance criteria. Bonus targets, expressed as a percentage of each Named Executive Officer's 2011 base salary, were assigned as follows:

Executive Officer	Title	2011 Bonus Target (% of base salary)	2011 Bonus Target ($)
Officers Eligible for an Award Under the 2011 Incentive Program			
D. Bradley Childers(1)	President and Chief Executive Officer	70	245,000
Joseph G. Kishkill	Senior Vice President	70	238,000
Daniel K. Schlanger	Senior Vice President	70	227,500
Donald C. Wayne	Senior Vice President and General Counsel	50	153,750
Officers Ineligible for an Award Under the 2011 Incentive Program			
Ernie L. Danner	Former President and Chief Executive Officer	140	700,000
Michael J. Aaronson	Former Vice President and Chief Financial Officer	42	105,987
J. Michael Anderson	Senior Vice President and Chief Financial Officer	70	255,500

(1) Mr. Childers was our Senior Vice President and President, North America Operations of EESLP when the Exterran Holdings compensation committee set his 2011 target bonus opportunity.

Under the 2011 Incentive Program, each Named Executive Officer was eligible to receive a cash award, ranging from 0% to 175% of his bonus target, based on the Exterran Holdings compensation committee's assessment of Exterran Holdings' company and business group performance for 2011 relative to the key performance indicators discussed below, as well as individual performance and such other factors or criteria that the Exterran Holdings compensation committee could choose to consider, in its discretion. For 2011, while Exterran Holdings' business group performance and company operational and safety performance were generally acceptable, Exterran Holdings' financial performance was below expectations and, on that basis, the Exterran Holdings compensation committee determined to exercise its discretion to reduce the payment under the 2011 Incentive Program to each Named Executive Officer.

The Exterran Holdings compensation committee reviewed the performance of Exterran Holdings' business groups relative to the financial, people, customer service and safety performance indicators shown in the table below, weighted as shown in the table, and assigned an achievement percentage to each business group based on such assessment.

Business Group Performance(1)

		Business Group			
	Weight	North America	Eastern Hemisphere	Latin America	Operations Services
Financial	70%	Operating cash flow Operating horsepower	Operating cash flow Bookings Working capital	Operating cash flow Bookings Cash Accounts receivable Accounts payable Inventory	On-time deliveries Budget management Product cost reduction Bookings
People	10%	Employee retention	Employee retention	Employee retention	Employee retention
Customer Service	10%	Service availability percentage Service reports percentage	Liquidated damages	Service availability percentage	Manufacturing quality
Safety	10%	Recordable injuries Vehicle incidents	Recordable injuries Vehicle incidents	Recordable injuries	Recordable injuries
Business Group Achievement Percentage		**73%**	**47%**	**69%**	**76%**

(1) Exterran Holdings has not disclosed its target level with respect to the achievement of the business group performance indicators listed above because they are derived from internal analyses reflecting Exterran Holdings' business strategy, and will not be publicly disclosed. Exterran Holdings believes their disclosure would provide its competitors, customers and other third parties with significant insights regarding its confidential business strategies that could cause it substantial competitive harm.

The Exterran Holdings compensation committee considered Exterran Holdings' company performance relative to the financial, operational and safety performance indicators shown in the table below, with no specific weight assigned to any performance indicator.

Company Performance

Performance Indicator	2011 Target	Company Achievement Percentage
North America operating horsepower (at year-end) (in thousands)	2,900	80%
International bookings(1) (in millions)	$ 634	134%
Safety (total recordable incident rate)(2)	0.75	187%
Generation of free cash flow(3) (in millions)	$ 69	Threshold not met
Recurring EBITDA(4) (in millions)	$ 503	Threshold not met
Economic profit(5) (in millions)	$ (4)	Threshold not met
Recurring earnings per share(6)	$ (0.70)	Threshold not met

(1) Refers to bookings, excluding Exterran Holdings' Belleli Energy operations, made outside the United States and Canada related to product sales, contract operations projects and certain aftermarket services projects.

(2) Refers to the incident rate for both recordable injuries and lost time accidents for all employees worldwide.

(3) Refers to debt reduction plus amortization of original debt issue discount and cash used for business acquisitions.

(4) Refers to income (loss) from continuing operations plus income taxes, interest expense (including debt extinguishment costs and gain or loss on termination of interest rate swaps), depreciation and amortization expense, impairment charges, excluding non-recurring items, and extraordinary gains or losses.

(5) Refers to EBITDA less the sum of maintenance capital, cash taxes and a charge for capital employed.

(6) Refers to earnings per share adjusted to remove the impact of discontinued operations, impairment charges and other non-recurring items.

In addition to reviewing Exterran Holdings' business group performance and company performance, the Exterran Holdings compensation committee considered each executive's individual contributions, including demonstrated leadership, implementation of Exterran Holdings' business strategy and success at driving employee engagement, as well as the input of Exterran Holdings' and our Chief Executive Officer with respect to each executive other than himself, and determined to make no adjustment to the payout for any Named Executive Officer, other than for Mr. Wayne, in connection with his efforts on various projects during 2011.

No specific weight was made as between Exterran Holdings' company performance and business group performance. As discussed above, following its assessment of Exterran Holdings' business group performance and downward adjustment based on overall Exterran Holdings' company financial performance, the Exterran Holdings compensation committee approved the following cash payments under the 2011 Incentive Program.

Executive Officer	Title	Business Group	2011 Bonus Payout ($)	2011 Bonus Payout as a Percentage of Target (%)
D. Bradley Childers	President and Chief Executive Officer	North America	110,250	45
Joseph G. Kishkill	Senior Vice President	Eastern Hemisphere	95,200	40
Daniel K. Schlanger	Senior Vice President	Operations Services	113,750	50
Donald C. Wayne	Senior Vice President and General Counsel	Corporate Services	107,019	70

Long-Term Incentive Compensation

The Exterran Holdings compensation committee and our compensation committee and management believe that Exterran Holdings' and our executive officers and key employees of Exterran Holdings should have an ongoing stake in Exterran Holdings' and our success and that these individuals should have a meaningful portion of their total compensation tied to the achievement of Exterran Holdings' strategic objectives and long-term financial and operational performance. The Exterran Holdings compensation committee believes that:

- *Exterran Holdings' Stock Options* provide an incentive to Exterran Holdings' key employees and executive officers to work toward Exterran Holdings' long-term performance goals, as the benefit will be realized only if and to the extent that the value of Exterran Holdings' common stock increases;
- *Exterran Holdings' Restricted Stock and Restricted Stock Units* not only provide an incentive to Exterran Holdings' key employees and executive officers to work toward long-term performance goals, but also create an ownership stake aligned with the interests of Exterran Holdings' stockholders and serve as a retention tool; and
- *Exterran Holdings' Performance Awards* encourage long-range planning and reward sustained stockholder value creation and also serve as a retention tool.

The Exterran Holdings compensation committee and our compensation committee believe that:

- *Partnership Phantom Units* with tandem distribution equivalent rights ("DERs") serve to emphasize our growth objectives. Such grants are made from the Exterran Partners, L.P. Long-Term Incentive Plan (the "Partnership Plan"), which is solely administered by our compensation committee. DERs are the right to receive cash distributions that are provided to all common unitholders, subject to the same vesting restrictions and risk of forfeiture applicable to the underlying grant.

Equity-based long-term incentive awards ("LTI Awards") are granted and valued based on the closing market price of Exterran Holdings' common stock or our common units, as applicable, on the date of approval by the applicable compensation committee (or the last business day immediately preceding such date). Awards other than performance shares generally vest at the rate of one-third per year over a three-year period, subject to continued employment through the vesting date. Performance awards are payable based on achievement of certain specified Exterran Holdings' performance indicators, and may be paid out at 0% to 200% of the number of shares or units granted. Payout amounts under the performance awards are determined following the conclusion of the performance period, which is generally the previous fiscal year. Performance shares vest on the third anniversary of the grant date and may be settled in shares of Exterran Holdings' common stock or in cash, in the Exterran Holdings compensation committee's discretion.

2011 LTI Awards. In addition to targeting total long-term incentive compensation at the 50th percentile, as discussed above under "How the Exterran Holdings Compensation Committee Determines Executive Compensation — Consideration of Compensation Consultant Data and Analysis," in determining the LTI Awards made to our Named Executive Officers for 2011, the Exterran Holdings compensation committee also reviewed share utilization with respect to the Exterran Holdings, Inc. Amended and Restated 2007 Stock Incentive Plan (as amended, the "Stock Incentive Plan"), potential overhang and burn rate under various award scenarios, as well as the total compensation paid to executives over the past three years. Consistent with the Exterran Holdings compensation committee's compensation philosophy discussed above under "Compensation Philosophy and Objectives," the Exterran Holdings compensation committee believes it is important to place a significant percentage of each Named Executive Officer's compensation "at risk."

On average, the long-term equity incentive compensation awarded during the first quarter of 2011 to our then-current Named Executive Officers (excluding the advanced equity grant to Mr. Childers discussed below) comprised approximately 55% of their total target compensation for 2011. Please see the Summary Compensation Table for 2011 and the Grants of Plan-Based Awards Table for 2011 below for more information regarding the LTI Awards granted to our Named Executive Officers in 2011.

In recognition of his assumption of the role of President and Chief Executive Officer, Mr. Childers was awarded his LTI Award for 2012 (other than Exterran Holdings' performance units, which the Exterran Holdings compensation committee may award in March 2012 in order to provide an additional performance component to his overall compensation) on an advanced basis in December 2011. The award included Exterran Holdings' restricted stock valued at approximately $900,000, Exterran Holdings' stock options valued at approximately $900,000 and Partnership phantom units valued at approximately $200,000. As a result of the advancement of this award, Mr. Childers is not expected to receive an LTI Award (other than any Exterran Holdings' performance units) in 2012.

Exterran Holdings' 2011 Performance Shares. The Exterran Holdings' performance shares awarded to the Named Executive Officers in 2011 (the "2011 Performance Shares") were payable based on achievement of Exterran Holdings' economic profit during the performance period from January 1, 2011 through December 31, 2011, and could be paid out at 0% to 200% of the number of shares granted. The following table shows the economic profit target range for payout under the 2011 Performance Shares and the results achieved by Exterran Holdings' for the year ended December 31, 2011 (dollars in millions):

Performance Indicator	2011 Target	Percent of Target Achieved
Economic profit(1)	$8	0%

(1) Economic profit is calculated for purposes of the 2011 Performance Shares as EBITDA less the sum of maintenance capital, cash taxes and a charge for capital employed for the year ended December 31, 2011, as adjusted for certain items in the Exterran Holdings compensation committee's discretion.

Based on the economic profit threshold not being met for the year ended December 31, 2011, the Exterran Holdings compensation committee determined that no 2011 Performance Shares would be payable to our Named Executive Officers.

Off-Cycle Equity Grants. In addition to awarding the annual long-term equity incentive award grants during the first quarter of each year, the Exterran Holdings compensation committee has delegated limited authority to a committee of the Exterran Holdings' board of directors, which is currently comprised of Exterran Holdings' Executive Vice Chairman, to grant off-cycle equity awards, subject to the following restrictions:

- Grants are limited to an aggregate value of $1.0 million per quarter;
- The value that can be awarded to any one individual is limited to $200,000 annually, based on the grant date fair market value;
- Full value awards will vest over a minimum of three years;
- No grants will be made to a Section 16 officer;
- No grants will be made retroactively; and
- All grants are required to be regularly reported to the Exterran Holdings compensation committee.

During 2011, an aggregate of 9,766 Exterran Holdings' stock options, 29,476 shares of Exterran Holdings' restricted stock and 32,440 Exterran Holdings' restricted stock units, which was within the limits discussed above, was granted to Exterran Holdings' employees pursuant to this delegation of authority by the Exterran Holdings compensation committee.

Other Compensation Programs

Amended and Restated 2007 Stock Incentive Plan

The Stock Incentive Plan is administered by the Exterran Holdings compensation committee and authorizes the issuance of awards, at the discretion of the Exterran Holdings compensation committee, of Exterran Holdings' stock options, restricted stock, restricted stock units, stock appreciation rights and performance awards to Exterran Holdings' directors and employees and employees of Exterran Holdings' subsidiaries. A maximum of 12,500,000 shares of Exterran Holdings' common stock is available for issuance under the Stock Incentive Plan. At December 31, 2011, approximately 4,537,071 shares remained available for issuance under the Stock Incentive Plan.

Exterran Partners Long-Term Incentive Plan

The Partnership Plan, which is administered by our compensation committee, provides incentive compensation awards based on the value of our common units to management, directors, employees and consultants of Exterran Holdings, the Partnership and our respective affiliates who perform services for us and our subsidiaries. The Partnership Plan also enhances our ability to attract and retain the services of individuals essential for our growth and profitability and encourages them to devote their best efforts to advancing our business.

The Partnership Plan provides for the grant of up to an aggregate of 1,035,378 common units, restricted units, phantom units, unit options, unit awards or substitute awards and, with respect to unit options and phantom units, the grant of DERs. DERs are credited with an amount equal to any cash distributions we make on our common units during the period phantom units are outstanding and are payable upon vesting of the tandem phantom units without interest. Since the inception of the Partnership Plan, we have awarded only unit options and phantom units. At December 31, 2011, approximately 858,947 units remained available for issuance under the Partnership Plan.

401(k) Retirement and Savings Plan

The Exterran 401(k) Plan provides employees, including our Named Executive Officers, with the opportunity to defer up to 25% of their eligible salary, up to the Internal Revenue Service ("IRS") maximum deferral amount, on a pre-tax basis. This is accomplished through contributions to an account maintained by an independent trustee. Exterran Holdings generally matches 100% of an employee's contribution to a maximum of 1% of the employee's annual eligible compensation, plus 50% of an employee's contribution from 2% to a maximum of 6% of the employee's annual eligible compensation.

The employee directs how contributions to the 401(k) Plan are invested. Employees vest in Exterran Holdings' matching contributions after two years of service. The Exterran 401(k) Plan includes a sunset provision that requires employees to divest their Plan holdings of Exterran Holdings' common stock by December 31, 2012.

Deferred Compensation Plan

Under the Exterran Deferred Compensation Plan (the "Deferred Compensation Plan"), key management and highly compensated employees, including our Named Executive Officers, may (i) defer receipt of their compensation, including up to 100% of their salaries and up to 100% of their bonuses, and (ii) be credited with company contributions that are designed to serve as a make-up for the portion of the employer-matching contribution that cannot be made under the Exterran 401(k) Plan due to qualified plan limits under the Internal Revenue Code (the "Code"). Exterran Holdings may, but has no obligation to, make discretionary contributions on behalf of a participant, in such form and amount as the Exterran Holdings compensation committee deems appropriate, in its sole discretion.

Participant elections with respect to deferrals of compensation and plan distributions generally must be made in the year preceding that in which the compensation is earned, except that the Exterran Holdings compensation committee may permit a newly eligible participant to make deferral elections up to 30 days after he or she first becomes eligible to participate in the Deferred Compensation Plan. The Deferred Compensation Plan is an "unfunded" plan for state and federal tax purposes, and participants have the rights of Exterran Holdings' unsecured creditors with respect to their Deferred Compensation Plan accounts.

An employee's contributions to the Deferred Compensation Plan are self-directed investments in the various funds that are made available under such plan. There are thus no interest calculations or other earnings measures other than the performance of the investment funds selected by the employee. Employees, including our Named Executive Officers, determine how their contributions are invested and may change these elections at any time.

Participants may elect to receive distributions of their accounts while still employed by Exterran Holdings or upon the participant's separation from service or disability, each as defined in the Deferred Compensation Plan, either in a lump sum or in two to ten annual installments. Distributions will be made in cash, except that participants may elect to have any portion of his or her account that is deemed invested in Exterran Holdings' common stock distributed in shares of common stock if the distribution is made prior to January 1, 2013.

Employee Stock Purchase Plan

The Exterran Holdings, Inc. Employee Stock Purchase Plan (the "ESPP") provides eligible employees of Exterran Holdings, including our Named Executive Officers, an option to purchase Exterran Holdings' common stock through payroll deductions and is designed to comply with Section 423 of the Code. The Exterran Holdings compensation committee, which administers the ESPP, has the discretion to set the purchase price at 85% to 100% of the fair market value of a share of Exterran Holdings' common stock on one of the following dates: (i) the offering date, (ii) the purchase date or (iii) the offering date or the purchase date, whichever is lower. For 2011, employees who elected to participate in the ESPP could purchase a share of Exterran Holdings' common stock at the lesser of (i) 95% of the fair market value of a share of common stock on the offering date or (ii) 95% of the fair market value of a share of common stock on the purchase date. Offering periods consist of three-month periods, or such other periods as may be determined from time to time by the Exterran Holdings compensation committee. A total of 1,000,000 shares of Exterran Holdings' common stock has been authorized and reserved for issuance under the ESPP. At December 31, 2011, approximately 491,533 shares remained available for purchase under the ESPP.

Medical Expense Reimbursement Plan

The Medical Expense Reimbursement Plan ("MERP") was a plan made available to certain of Exterran Holdings' executive officers that supplemented the standard medical and dental benefit plans available to Exterran Holdings' employees. During 2011, the MERP provided for reimbursement, in an amount up to $10,000, of certain out-of-pocket medical costs incurred by the executive or his dependents that were not covered by Exterran Holdings' standard medical and dental plans. As part of Exterran Holdings' ongoing effort to ensure its compensation program reflects best practices, the MERP was terminated effective December 31, 2011.

Benefits and Perquisites

Exterran Holdings maintains a standard complement of health benefit plans for its employees, including our Named Executive Officers, that provide medical, dental and vision benefits, flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance and life insurance coverage. These benefits are generally provided to our Named Executive Officers on the same terms and conditions as they are provided to Exterran Holdings' other employees.

Exterran Holdings made limited use of perquisites during 2011. A taxable benefit of tax preparation and planning services was made available to certain executive officers. The MERP, which provided for additional medical, dental, and vision benefits to certain of Exterran Holdings' executive officers during 2011, was terminated effective December 31, 2011. In early 2009, the Exterran Holdings compensation committee established a policy prohibiting tax gross-ups on perquisites.

Severance Benefit and Change of Control Arrangements

Exterran Holdings has entered into severance benefit and change of control agreements with each of Messrs. Childers, Anderson, Kishkill, Schlanger and Wayne. The Exterran Holdings compensation committee considers the provision of such agreements for its executive officers to be a customary part of executive compensation and, therefore, necessary to attracting and retaining executive talent. The change of control agreements are designed to promote continuity of management in the event of a change of control, and are structured as "double trigger"

agreements. In other words, the change of control does not itself trigger benefits; rather, benefits are paid only if the executive•s employment terminates within a specified period following a change of control. Exterran Holdings also believes that the vulnerability to termination of employment at a management level creates uncertainty for its executives, which is appropriately addressed by providing severance protections, both within and outside of the change of control context.

The change of control agreements provide that if the executive is terminated other than for cause, death or disability within 18 months after a change of control occurs, or if during that period the executive terminates his employment for good reason (each, a •qualifying terminationŽ), he will be entitled to (i) a payment equal to a multiple of two times the executive•s annual base salary and two times target bonus (three times base salary and three times target bonus, in the case of Mr. Childers), (ii) a payment equal to his target bonus, prorated to the date of termination, (iii) health and welfare benefits for up to two years following such termination, and (iv) certain other forms of remuneration. A more specific description of the terms of the change of control agreements, together with an estimate of the payouts in connection with such agreements, is provided under •Information Regarding Executive Compensation „ Potential Payments upon Termination or Change of Control „ Change of Control Agreements,Ž below.

The severance benefit agreements provide that if the executive•s employment is terminated by Exterran Holdings without cause or by such executive with good reason at any time through the term of the agreement, he will be entitled to (i) a payment equal to the sum of his annual base salary and his target bonus, (ii) a payment equal to his target bonus, prorated to the date of separation, multiplied by the greater of 50% or the actual performance percentage achieved as of the separation date, (iii) health and welfare benefits for up to one year following such termination, and (iv) certain other forms of remuneration. A more specific description of the terms of the severance benefit agreements, together with an estimate of the payouts in connection with such agreements, is provided under •Information Regarding Executive Compensation „ Potential Payments upon Termination or Change of Control „ Severance Benefit Agreements,Ž below.

In early 2009, the Exterran Holdings compensation committee established a policy prohibiting tax gross-ups on income attributable to change of control agreements and other executive benefit agreements entered into in the future, and no such agreement entered into since that date has included this provision. As a recent example, upon his promotion as Exterran Holdings• and our President and Chief Executive Officer in December 2011, Mr. Childers• previous change of control agreement with Exterran Holdings, which predated the policy change and thus provided for tax gross-ups, was replaced with a new change of control agreement that does not provide for tax gross-ups.

The Stock Incentive Plan and the Partnership Plan each permit the accelerated vesting of outstanding equity awards in the event of a change of control. The award agreements for all awards made under the Stock Incentive Plan, however, provide that, upon a change of control that is not followed by a qualifying termination, only the

Name and Title	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	All Other Compensation ($)(5)	Total ($)
Former Named Executive Officers								
Ernie L. Danner, ...	2011(9)	438,660	—	4,104,606(10)	1,042,919	—	1,314,849	6,901,034
Former President and Chief	2010	506,015	—	2,665,004(11)	1,484,445(11)	—	17,697	4,673,161
Executive Officer	2009	450,000	—	550,003	434,615	303,750	19,511	1,757,879
Michael J. Aaronson, ...	2011(12)	222,980	—	210,000	—	—	54,841	487,821
Former Vice President and Chief Financial Officer	2010(13)	125,450	—	249,992	—	50,112	47,321	472,875

(1) The amounts shown in this column represent amounts earned for the fiscal year. There were 27 bi-weekly pay periods in 2010 and 26 bi-weekly pay periods in each of 2009 and 2011.

(2) The amounts included in this column represent the grant date fair value of (a) restricted shares of Exterran Holdings' common stock, awarded and recognized by Exterran Holdings, (b) performance shares, awarded and recognized by Exterran Holdings, as finally determined by the Exterran Holdings compensation committee following the conclusion of the performance period (as discussed above under "Elements of Compensation — Long-Term Incentive Compensation — 2011," the Exterran Holdings compensation committee determined to award no performance shares for 2011), and (c) Partnership phantom units with DERs, awarded and recognized by us, in each case calculated in accordance with the Financial Accounting Standards Board Accounting Standards Codification 718, "Stock Compensation" ("ASC 718"). For a discussion of valuation assumptions, see Note 7 to the Financial Statements and see Note 17 to the consolidated financial statements within Exterran Holdings' Annual Report on Form 10-K for the year ended December 31, 2011. Please see the Grants of Plan-Based Awards for 2011 table below for more information regarding equity-based awards granted in 2011.

(3) The amounts included in this column represent the grant date fair value of options to purchase Exterran Holdings' common stock, awarded and recognized by Exterran Holdings and calculated in accordance with ASC 718. For a discussion of valuation assumptions, see Note 17 to the consolidated financial statements within Exterran Holdings' Annual Report on Form 10-K for the year ended December 31, 2011. Please see the Grants of Plan-Based Awards for 2011 table below for more information regarding equity-based awards granted in 2011.

(4) The amounts included in this column represent cash payments made under the 2011, 2010 and 2009 Incentive Programs, which covered the compensation measurement and performance years ended December 31, 2011, 2010 and 2009, respectively, and which were paid during the first quarters of 2012, 2011 and 2010, respectively.

(5) The amounts shown in this column for the year ended December 31, 2011 are attributable to the following:

Name	401(k) Plan Matching Contribution ($)(a)	Deferred Compensation Plan Matching Contribution ($)(b)	Executive Medical Coverage ($)(c)	Tax Preparation and Planning Services ($)	DERs ($)(d)	Other ($)	Total ($)
Current Named Executive Officers							
D. Bradley Childers	8,575	2,826	4,834	5,000	18,666	100,000(e)	139,901
J. Michael Anderson	6,437	4,277	5,984	—	20,565	—	37,263
Joseph G. Kishkill	—	—	—	2,750	9,004	201,049(f)	212,803
Daniel K. Schlanger	6,129	4,371	2,957	7,500	13,550	—	34,507
Donald C. Wayne	8,575	1,784	6,527	3,500	9,741	—	30,127
Former Named Executive Officers							
Ernie L. Danner	4,038	—	10,000	6,000	67,882	1,226,929(g)	1,314,849
Michael J. Aaronson	2,838	—	—	—	4,416	47,587(h)	54,841

(a) Executives could contribute up to 25% (subject to limits established by the IRS) of their salary to the Exterran 401(k) Plan. The amounts in this column represent Exterran Holdings' matching contributions for 2011.

(b) Eligible executive officers could contribute up to 100% of their base pay and bonus to the Deferred Compensation Plan, which Exterran Holdings matched for 2011 to a maximum of 3.5% of the executive's annual eligible compensation, less Exterran Holdings' matching contributions to the executive's 401(k) account.

(c) Represents premiums paid by Exterran Holdings for medical coverage under the MERP. The MERP was terminated effective December 31, 2011.

(d) Represents a cash payment pursuant to DERs payable upon vesting of Partnership phantom units.

(e) Represents a cash payment made to Mr. Childers in December 2011 as compensation for his service as Exterran Holdings' and our Interim President and Chief Executive Officer from November 1, 2011 through December 11, 2011.

(f) Represents Mr. Kishkill's annual expatriate benefits, including $8,400 for an expatriate hardship payment, $91,321 for a residential allowance, $11,758 for reimbursement of residential utilities, $25,984 for reimbursement of school tuition for Mr. Kishkill's children, $21,086 for a vacation travel allowance, $2,500 for reimbursement of property management fees and a $40,000 annual expatriate payment for miscellaneous expenses related to living abroad.

(g) Includes a $1,225,000 cash payment made by Exterran Holdings in connection with the terms of Mr. Danner's separation agreement with Exterran Holdings and a $1,929 reimbursement for an annual physical exam.

(h) Represents reimbursement for relocation expenses.

(6) The amounts shown for Mr. Childers include both his 2011 annual long-term equity incentive award, awarded in March 2011, and his 2012 annual long-term equity incentive award, awarded on an advanced basis in December 2011 in recognition of his assumption of the role of President and Chief Executive Officer. It is not expected that Mr. Childers will receive an equity grant (other than any Exterran Holdings performance shares) in 2012 for his service as President and Chief Executive Officer.

(7) Includes a one-time grant awarded by the Exterran Holdings compensation committee to Mr. Kishkill in recognition of his assumption of the role of President, Eastern Hemisphere of EESLP in late 2009.

(8) The amount shown represents a discretionary bonus awarded outside the 2009 Incentive Program by the Exterran Holdings compensation committee to Mr. Schlanger in consideration for his individual contribution as our Chief Financial Officer from our inception to March 2009.

(9) Mr. Danner's employment with Exterran Holdings and us concluded October 31, 2011; thus, the 2011 amounts shown for him represent his compensation for the period from January 1, 2011 through October 31, 2011.

(10) Under the terms of his separation agreement with Exterran Holdings, all of Mr. Danner's unvested Exterran Holdings' restricted stock, Exterran Holdings' 2010 performance shares and Partnership phantom units vested on his termination date. Accordingly, the amount shown includes (i) the grant date fair value of the restricted stock and phantom units awarded to Mr. Danner in March 2011 (the grant date fair value of which was $1,264,996), plus (ii) the fair value associated with the awards that accelerated and vested in full on his termination date (which includes the value of all of the awards shown in this column that were awarded to Mr. Danner for 2011, 2010 and 2009 and vested on an accelerated basis), in each case calculated in accordance with ASC 718. The fair value of the awards that vested on an accelerated basis in connection with Mr. Danner's termination in 2011 is presented in the following table.

Restricted Stock	2010 Performance Shares	Phantom Units	Total Incremental Fair Value
$1,700,200	$647,128	$492,282	$2,839,610

(11) Includes a one-time grant awarded by the Exterran Holdings compensation committee to Mr. Danner in recognition of his leadership and Exterran Holdings' performance during the second half of 2009, together with his willingness to forgo any salary increase or adjustment to his LTI Award opportunity when promoted to Chief Executive Officer in June 2009.

(12) Mr. Aaronson's employment with us concluded November 16, 2011; thus, the 2011 amounts shown for him represent his compensation for the period from January 1, 2011 through November 16, 2011.

(13) Mr. Aaronson's employment with Exterran Holdings began on July 1, 2010; thus, the amounts shown for him for 2010 represent his compensation from that date through December 31, 2010.

Grants of Plan-Based Awards for 2011

The following table provides additional information about stock and option awards and non-equity incentive plan awards granted to the Named Executive Officers by Exterran Holdings and us during the year ended December 31, 2011. The numbers presented are the full amounts received by each Named Executive Officer and have not been adjusted to reflect the amount that was allocated to us.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/SH)	Grant Date Fair Value of Stock and Option Awards ($)(3)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Current Named Executive Officers											
D. Bradley		0	245,000	428,750							
Childers	3/04/2011				0	5,478	10,956				125,008
	3/04/2011							11,339(4)			258,756
	3/04/2011								31,150(5)	22.82	260,726
	3/04/2011							2,018(6)			57,513
	12/12/2011							88,149(4)			900,001
	12/12/2011								220,588(5)	10.21	899,999
	12/12/2011							9,376(6)			199,990
J. Michael		0	255,500	447,125							
Anderson	3/04/2011				0	6,266	12,532				142,990
	3/04/2011							12,956(4)			295,656
	3/04/2011								35,593(5)	22.82	297,913
	3/04/2011							2,305(6)			65,693
Joseph G.		0	238,000	416,500							
Kishkill	3/04/2011				0	5,478	10,956				125,008
	3/04/2011							11,339(4)			258,756
	3/04/2011								31,150(5)	22.82	260,726
	3/04/2011							2,018(6)			57,513
Daniel K.		0	227,500	398,125							
Schlanger	3/04/2011				0	5,478	10,956				125,008
	3/04/2011							11,339(4)			258,756
	3/04/2011								31,150(5)	22.82	260,726
	3/04/2011							2,018(6)			57,513
Donald C.		0	153,750	269,063							
Wayne					—	—	—				—
	3/04/2011							15,776(4)			360,008
	3/04/2011							1,404(6)			40,014
Former Named Executive Officers											
Ernie L.		0	700,000	1,225,000							
Danner(7)	3/04/2011				0	21,911	43,822				500,009
	3/04/2011							45,355(4)			1,035,001
	3/04/2011								124,602(5)	22.82	1,042,919
	3/04/2011							8,070(6)			229,995
Michael J.		0	105,987	185,477							
Aaronson(8)					—	—	—				—
	3/04/2011							8,282(4)			188,995
	3/04/2011							737(6)			21,005

(1) The amounts in these columns reflect the range of potential payouts under the 2011 Incentive Program. The actual payouts under the plan were determined in February 2012 and are expected to be paid in the first quarter of 2012, as reflected in the Summary Compensation Table for 2011, above.

(2) The amounts in these columns reflect the range of potential payouts of performance shares awarded as part of the LTI Award for 2011. "Target" is the number of performance shares awarded in 2011. "Threshold" represents the lowest possible payout (0% of the grant), and "Maximum" reflects the highest possible payout (200% of the grant). See "Elements of Compensation — Long-Term Incentive Compensation — 2011" for a detailed description of the performance shares. As discussed above under "Elements of Compensation — Long-Term Incentive Compensation — 2011," the Exterran Holdings compensation committee determined to award no performance shares for 2011.

(3) The value of Exterran Holdings' performance shares, restricted stock and stock option awards and our phantom units on the grant date is calculated in accordance with ASC 718. Performance shares are shown at target value. As discussed above under "Elements of Compensation — Long-Term Incentive Compensation — 2011," the Exterran Holdings compensation committee determined to award no performance shares for 2011.

(4) Exterran Holdings restricted stock awards were granted under the Stock Incentive Plan and vest over a three-year period at the rate of one-third per year beginning on the first anniversary of the grant date and on each successive anniversary of the initial date of vesting.

(5) Options to purchase Exterran Holdings' common stock were granted under the Stock Incentive Plan and vest over a three-year period at the rate of one-third per year beginning on the first anniversary of the grant date and on each successive anniversary of the initial date of vesting.

(6) Partnership phantom units with tandem DERs were granted under the Partnership Plan and vest over a three-year period at the rate of one-third per year beginning on the first anniversary of the grant date and on each successive anniversary of the initial date of vesting.

(7) Mr. Danner was ineligible for a payout under the 2011 Incentive Program because his employment with Exterran Holdings and us concluded in October 2011.

(8) Mr. Aaronson was ineligible for a payout under the 2011 Incentive Program because his employment with us concluded in November 2011.

Outstanding Equity Awards at Fiscal Year-End for 2011

The following table provides information regarding equity awards and equity-based awards granted by Universal, Exterran Holdings and us that were outstanding at December 31, 2011. The numbers presented are the full amounts received by each Named Executive Officer and have not been adjusted to reflect the amount that was allocated to us.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Yet Vested ($)
Current Named Executive Officers								
D. Bradley Childers	38,420		19.03	9/03/2012				
	25,000		16.71	3/10/2013				
	20,000		30.07	4/30/2014				
	30,720		67.30	3/04/2015				
	17,000		38.15	3/09/2015				
	20,000		43.39	3/03/2016				
	34,790	17,394(1)	16.14	3/04/2016				
	9,899	19,797(1)	22.75	2/28/2017				
	10,871		75.27	6/12/2017				
		31,150(1)	22.82	3/04/2018	113,575(2)	1,033,533(3)		
		220,588(1)	10.21	12/12/2018	15,072(4)	303,701(5)	9,342(6)	85,012(3)
J. Michael Anderson	85,000		17.30	3/31/2013				
	20,000		30.07	4/30/2014				
	32,530		67.30	3/04/2015				
	17,000		38.15	3/09/2015				
	20,000		43.39	3/03/2016				
	39,760	19,879(1)	16.14	3/04/2016				
	11,621	23,240(1)	22.75	2/28/2017				
	10,871		75.27	6/12/2017	29,292(2)	266,557(3)		
		35,593(1)	22.82	3/04/2018	6,560(4)	132,184(5)	9,342(6)	85,012(3)

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Yet Vested ($)
Joseph G. Kishkill	4,667		18.07	11/27/2012				
	6,667		16.71	3/10/2013				
	6,000		30.07	4/30/2014				
	3,715		78.25	8/20/2014				
	3,920		67.30	3/04/2015				
	2,000		38.15	3/09/2015				
	3,200		43.39	3/03/2016				
	34,790	17,394(1)	16.14	3/04/2016				
	12,769	25,535(1)	22.75	2/28/2017				
	1,208		75.27	6/12/2017	27,624(2)	251,378(3)		
		31,150(1)	22.82	3/04/2018	5,696(4)	114,774(5)	9,342(6)	85,012(3)
Daniel K. Schlanger	21,690		67.30	3/04/2015				
	24,850	12,424(1)	16.14	3/04/2016				
	9,038	18,076(1)	22.75	2/28/2017				
	7,247		75.27	6/12/2017	22,909(2)	208,472(3)		
		31,150(1)	22.82	3/04/2018	4,978(4)	100,307(5)	9,342(6)	85,012(3)
Donald C. Wayne	18,070		67.30	3/04/2015				
	14,910	7,454(1)	16.14	3/04/2016				
	5,595	11,190(1)	22.75	2/28/2017	22,850(2)	207,935(3)		
	4,831		75.27	6/12/2017	3,208(5)	64,641(6)	—	—
Former Named Executive Officers								
Ernie L. Danner(7)	103,217		23.63	1/31/2012				
	49,699		16.14	1/31/2012				
	56,810		22.75	1/31/2012	—	—	—	—
Michael J. Aaronson(8)	—	—			—	—	—	—

(1) Represents options to purchase Exterran Holdings' common stock awarded under the Stock Incentive Plan that vest at the rate of one-third per year over a three-year period, with a term of seven years following the date of grant.

(2) Represents Exterran Holdings' restricted stock awarded under the Stock Incentive Plan that vest at the rate of one-third per year over a three-year period.

(3) Based on the market closing price of Exterran Holdings' common stock on December 30, 2011 of $9.10 per share.

(4) Represents phantom units with tandem DERs under the Partnership Plan that vest at the rate of one-third per year over a three-year period.

(5) Based on the market closing price of our common units on December 30, 2011 of $20.15 per common unit.

(6) Represents performance shares awarded under the Stock Incentive Plan that vest on the third anniversary of their grant date. Amounts shown are the actual number of shares awarded, as finally determined by the Exterran Holdings compensation committee following the conclusion of the applicable performance period.

(7) Mr. Danner's employment with Exterran Holdings and us concluded October 31, 2011. Under the terms of his separation agreement with Exterran Holdings, all Exterran Holdings restricted stock and 2010 performance shares and all Partnership phantom units granted to Mr. Danner vested on his termination date. All other equity awards granted to Mr. Danner that remained unvested as of October 31, 2011 were forfeited as of that date in accordance with the terms of the plan under which they were granted.

(8) Mr. Aaronson's employment with us concluded November 16, 2011. All equity awards granted to Mr. Aaronson that remained unvested as of November 16, 2011 were forfeited as of that date in accordance with the terms of the plan under which they were granted.

Option Exercises and Stock Vested for 2011

The following table provides additional information about the value realized by the Named Executive Officers on stock award vesting during the year ended December 31, 2011. No stock options were exercised by the Named Executive Officers during the year ended December 31, 2011. The value realized upon vesting represents the total value to each Named Executive Officer and does not represent the amount allocated to us.

	Stock Awards	
Name	Number of Shares and Units Acquired on Vesting (#)(1)	Value Realized on Vesting ($)(2)
Current Named Executive Officers		
D. Bradley Childers	18,869	452,617
J. Michael Anderson	21,035	509,191
Joseph G. Kishkill	15,311	365,534
Daniel K. Schlanger	14,218	343,971
Donald C. Wayne	9,526	230,817
Former Named Executive Officers		
Ernie L. Danner(3)	194,795	2,720,134
Michael J. Aaronson	3,478	80,209

(1) Represents Exterran Holdings' restricted stock and performance shares and Partnership phantom units with DERs that vested during 2011.

(2) The value realized for vested awards was determined by multiplying the fair market value of the Exterran Holdings restricted stock or performance shares (the closing market price of Exterran Holdings' common stock on the vesting date) or Partnership phantom units (the closing market price of our common units on the vesting date) by the number of shares or units that vested. Shares and units vested on various dates throughout the year; therefore, the value listed represents the aggregate value of all shares and units that vested for each Named Executive Officer in 2011.

(3) Mr. Danner's employment with Exterran Holdings and us concluded October 31, 2011. Under the terms of his separation agreement with Exterran Holdings, all Exterran Holdings restricted stock and 2010 performance shares and all Partnership phantom units granted to Mr. Danner vested in full on his termination date.

Nonqualified Deferred Compensation for 2011

The following table summarizes the Named Executive Officers' compensation under our nonqualified deferred compensation plans for the year ended December 31, 2011. The numbers presented are the full amounts received by each Named Executive Officer and have not been adjusted to reflect the amount that was allocated to us.

Name	Executive Contributions in Last Fiscal Year ($)	Exterran Holdings' Contributions in Last Fiscal Year ($)(1)	Aggregate Earnings (Losses) in Last Fiscal Year ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)
Current Named Executive Officers					
D. Bradley Childers	—	2,826	(11,177)	—	138,606
J. Michael Anderson	—	4,277	(10,700)	—	151,813
Joseph G. Kishkill	—	—	—	—	—
Daniel K. Schlanger	—	4,371	335	—	56,987
Donald C. Wayne	—	1,784	227	—	37,467
Former Named Executive Officers					
Ernie L. Danner	—	—	(17,274)	—	458,009
Michael J. Aaronson	—	—	—	—	—

(1) Amounts shown represent matching contributions to each Named Executive Officer's Deferred Compensation Plan account earned in 2011 but paid in the first quarter of 2012; these amounts are also shown under "All Other Compensation" in the Summary Compensation Table for 2011, above.

Potential Payments upon Termination or Change of Control

Severance Benefit Agreements

We and Exterran Holdings have decided, as a policy matter, not to offer employment agreements to our executive officers; however, certain of our executive officers, including our current Named Executive Officers, have entered into severance benefit agreements with Exterran Holdings. Each such agreement provides that if the executive's employment is terminated by Exterran Holdings without cause or by such executive with good reason at any time through August 15, 2013, then the executive will receive a lump sum in cash on the 35th day after the date of termination consisting of the following:

- an amount equal to the sum of the executive's annual base salary then in effect and the amount of the executive's target annual incentive bonus opportunity for the year in which the termination occurs;
- an amount equal to the product of the executive's annual target incentive bonus opportunity for the year in which the termination occurs, prorated to the separation date, multiplied by (i) with respect to all current Named Executive Officers other than Mr. Anderson, the greater of 50% or the actual performance percentage achieved as of the separation date under our annual short term incentive plan then in effect, and (ii) with respect to Mr. Anderson, 50%;
- the vesting as of the separation date of the executive's outstanding unvested restricted stock, restricted stock units and 2010 performance shares granted under the Stock Incentive Plan that were scheduled to vest within 12 months following the separation date (provided that the executive will receive a cash payment equal to one-half the value of his 2010 performance shares that are scheduled to vest in March 2013 if the separation date occurs on or prior to March 4, 2012);
- the vesting as of the separation date of the executive's outstanding phantom units granted under the Partnership Plan that were scheduled to vest within 12 months following the separation date; and
- continued coverage under our medical benefit plans for the executive and his or her eligible dependents for up to one year following the separation date.

Each executive's entitlement to the payments and benefits set forth in the applicable severance benefit agreement are subject to the executive's execution of a waiver and release for Exterran Holdings' benefit.

Change of Control Agreements

Certain of our executive officers, including our current Named Executive Officers, have entered into change of control agreements with Exterran Holdings. Exterran Holdings designed the change of control agreements to aid in the retention of its executives and promote continuity of management in the event of any actual or potential change of control. Each such agreement provides that if, during the 18-month period following a change of control (as defined in the change of control agreements), the executive's employment is terminated other than for cause, death or disability, or the executive terminates his employment for good reason (in each case, a "Qualifying Termination"), then the executive will receive a lump sum payment in cash within 60 days after the date of termination consisting of the following:

- an amount equal to the total of the executive's earned but unpaid base salary through the date of termination, plus the executive's target annual incentive bonus that would be payable to the executive for that year prorated to the date of termination, plus any earned but unpaid annual bonus for the prior year, plus any portion of the executive's earned but unused vacation pay for that year;
- an amount equal to two times (three times in the case of Mr. Childers) the executive's current annual base salary and two times (three times in the case of Mr. Childers) the target annual incentive bonus award that would be payable to the executive for that year;

- an amount equal to two times the total of the matching contributions that would have been credited to the executive under the Exterran 401(k) Plan and any other deferred compensation plan had the executive made the required amount of elective deferrals or contributions during the 12-month period immediately preceding the month of the executive's date of termination;
- any amount previously deferred, or earned but not paid, by the executive under the incentive and nonqualified deferred compensation plans or programs as of the date of termination;
- for a period of up to two years following the executive's date of termination, company-paid medical and welfare benefits for the executive and/or the executive's family equal to those benefits that would have been provided to such executive if the executive's employment had not been terminated;
- all stock options, restricted stock, restricted stock units or other stock-based awards, and all common units, unit appreciation rights, unit awards or other unit-based awards and all cash-based incentive awards held by the executive that are not vested, will vest; and
- in the event that any payment or distribution Exterran Holdings makes to or for the benefit of the executive would be subject to a federal excise tax, Messrs. Anderson, Schlanger and Wayne, whose change of control agreements predate Exterran Holdings' policy to no longer include tax gross-ups in such agreements, are entitled to receive an additional gross-up payment; under the terms of their change of control agreements, neither Mr. Childers nor Mr. Kishkill is entitled to receive any additional gross-up payment.

All payments to a Named Executive Officer under his change of control agreement are to be made in exchange for a commitment from the executive to not (1) disclose Exterran Holdings' confidential information during the two-year period following the termination of the executive's employment, (2) employ or seek to employ any of Exterran Holdings' key employees or solicit or encourage any such key employee to terminate his or her employment with Exterran Holdings during the two-year period following the termination of the executive's employment or (3) engage in a competitive business for a period of two years following the executive's termination.

Vesting of Equity-Based Incentives upon a Change of Control

Pursuant to the terms of the applicable award agreements for each Named Executive Officer, for all Exterran Holdings' stock options, restricted stock and restricted stock units awarded beginning in 2010, upon a change of control that is not followed by a Qualifying Termination, only the portion of the award that would have vested on the next vesting date will fully vest as of the date of the change of control, and the remaining portion of the award will continue to be subject to the original vesting schedule. Pursuant to the terms of the applicable award agreements for each Named Executive Officer, Exterran Holdings' performance shares vest upon a change of control only if such change of control is followed by a Qualifying Termination.

Additionally, the Partnership Plan provides that, upon a change of control (as defined in the Partnership Plan), all awards of phantom units (including the related DERs) and unit options automatically vest and become payable or exercisable, as the case may be. The Partnership Plan does not require that the recipient of awards under the Partnership Plan have his or her employment with us or Exterran GP LLC terminate following such change of control in order for automatic vesting to occur. This feature was incorporated into the Partnership Plan and the awards under the Partnership Plan because it was consistent with the long-term incentive plans of other publicly-traded partnerships, reflecting their relatively unique situations as controlled publicly-traded entities with few of their own officers or employees.

Payments Made Under Mr. Danner's Separation Agreement

Under the terms of his separation agreement with Exterran Holdings, upon his departure on October 31, 2011, Mr. Danner was entitled to (i) a lump sum cash severance payment of $1,225,000, (ii) full vesting of all of his

unvested Exterran Holdings' restricted stock, Exterran Holdings' 2010 performance shares and our phantom units, and (iii) for up to five years following termination, continued coverage under Exterran Holdings' medical benefit plans for him and his family. These severance payments and benefits are further described in the Summary Compensation Table for 2011, above.

Potential Payments upon Termination or Change of Control

The following tables reflect the potential payments to which the current Named Executive Officers would be entitled upon a theoretical change of control or termination of employment occurring on December 30, 2011, the last business day of 2011. The amounts shown assume an Exterran Holdings common stock value of $9.10 per share and a Partnership common unit value of $20.15 per unit (the December 30, 2011 closing prices, respectively). The actual amounts to be paid out to executives upon termination can only be determined at the time of each Named Executive Officer's termination.

Name	Termination Due to Death or Disability ($)(1)	Termination Without Cause or Resignation with Good Reason ($)(2)	Change of Control Without a Qualifying Termination ($)	Change of Control with a Qualifying Termination ($)
D. Bradley Childers				
Cash Severance(3)	—	867,500	—	2,480,000
Stock Options(4)	—	—	—	—
Restricted Stock(5)	1,033,533	395,477	395,477	1,033,533
Phantom Units(6)	322,511	147,833	322,511	322,511
Performance Shares(7)	134,862	42,506	—	85,012
Benefits and Perquisites(8)	—	13,411	—	49,624
Total Pre-Tax Benefit	**1,490,906**	**1,466,727**	**717,988**	**3,970,680**

Name	Termination Due to Death or Disability ($)(1)	Termination Without Cause or Resignation with Good Reason ($)(2)	Change of Control Without a Qualifying Termination ($)	Change of Control with a Qualifying Termination ($)
J. Michael Anderson				
Cash Severance(3)	—	748,250	—	1,496,500
Stock Options(4)	—	—	—	—
Restricted Stock(5)	266,557	147,466	147,466	266,557
Phantom Units(6)	157,052	99,584	157,052	157,052
Performance Shares(7)	142,033	42,506	—	85,012
Benefits and Perquisites(8)	—	13,411	—	52,526
Tax Gross-ups	—	—	—	—
Total Pre-Tax Benefit	**565,642**	**1,051,217**	**304,518**	**2,057,647**

Name	Termination Due to Death or Disability ($)(1)	Termination Without Cause or Resignation with Good Reason ($)(2)	Change of Control Without a Qualifying Termination ($)	Change of Control with a Qualifying Termination ($)
Joseph G. Kishkill				
Cash Severance(3)	—	697,000	—	1,394,000
Stock Options(4)	—	—	—	—
Restricted Stock(5)	251,378	138,093	138,093	251,378
Phantom Units(6)	133,584	84,898	133,584	133,584
Performance Shares(7)	134,862	42,506	—	85,012
Benefits and Perquisites(8)	—	13,151	—	43,452
Total Pre-Tax Benefit	**519,824**	**975,648**	**271,677**	**1,907,426**

Name	Termination Due to Death or Disability ($)(1)	Termination Without Cause or Resignation with Good Reason ($)(2)	Change of Control Without a Qualifying Termination ($)	Change of Control with a Qualifying Termination ($)
Daniel K. Schlanger				
Cash Severance(3)	—	666,250	—	1,332,500
Stock Options(4)	—	—	—	—
Restricted Stock(5)	208,472	108,190	108,190	208,472
Phantom Units(6)	115,678	68,681	115,678	115,678
Performance Shares(7)	134,862	42,506	—	85,012
Benefits and Perquisites(8)	—	13,747	—	53,386
Tax Gross-ups	—	—	—	—
Total Pre-Tax Benefit	**459,012**	**899,374**	**223,868**	**1,795,048**

Name	Termination Due to Death or Disability ($)(1)	Termination Without Cause or Resignation with Good Reason ($)(2)	Change of Control Without a Qualifying Termination ($)	Change of Control with a Qualifying Termination ($)
Donald C. Wayne				
Cash Severance(3)	—	538,125	—	1,076,250
Stock Options(4)	—	—	—	—
Restricted Stock(5)	207,935	92,729	92,729	207,935
Phantom Units(6)	74,242	42,929	74,242	74,242
Performance Shares(7)	—	—	—	—
Benefits and Perquisites(8)	—	13,411	—	47,540
Tax Gross-ups	—	—	—	—
Total Pre-Tax Benefit	**282,177**	**687,194**	**166,971**	**1,405,967**

(1) "Disability" is defined (a) with respect to awards of Exterran Holdings' stock options, restricted stock and performance shares, in the Stock Incentive Plan and (b) with respect to awards of phantom units, in our form of award agreement for phantom units.

(2) "Cause" and "Good Reason" each are defined in the severance benefit agreements.

(3) The amounts included in this row represent (i) in the case of termination without cause or resignation with good reason, an amount equal to the executive's base salary in effect on December 31, 2011, plus the amount of the executive's 2011 target annual incentive bonus, plus 50% of the executive's 2011 target annual incentive bonus, and (ii) in the case of a change of control with a Qualifying Termination, the executive's 2011 target annual incentive bonus, prorated to the date of termination, plus two times (three times in the case of Mr. Childers) the sum of the executive's base salary in effect on December 31, 2011 and the executive's 2011 target annual incentive bonus.

(4) The amounts included in this row represent the value of options to purchase Exterran Holdings' common stock. The number of options currently unvested and outstanding at year end for each Named Executive Officer is provided in the Outstanding Equity Awards at Fiscal Year-End for 2011 table above, and the value of such awards has been calculated using the market closing price of Exterran Holdings' common stock on December 30, 2011.

(5) The amounts included in this row represent the value of Exterran Holdings' restricted stock. The number of restricted shares that are unvested and outstanding at year end for each Named Executive Officer is provided in the Outstanding Equity Awards at Fiscal Year-End for 2011 table above, and the value of such awards has been calculated using the market closing price of Exterran Holdings' common stock on December 30, 2011.

(6) The amounts included in this row represent the value of Partnership phantom units (including the related DERs). The number of phantom units that are unvested and outstanding at year end for each Named Executive Officer is provided in the Outstanding Equity Awards at Fiscal Year-End for 2011 table above,

and the value of such awards has been calculated using the market closing price of our common units on December 30, 2011, with the DERs accumulated through December 31, 2011 added to the phantom unit values.

(7) The amounts included in this row represent the value of Exterran Holdings' performance shares that have not vested as of December 31, 2011. The number of performance shares currently unvested and outstanding at year end for each Named Executive Officer is provided in the Outstanding Equity Awards at Fiscal Year-End for 2011 table above, and the value of such awards has been calculated using the market closing price of Exterran Holdings' common stock on December 30, 2011. Under the terms of the severance benefit agreements, if an executive is terminated on or prior to March 4, 2012, he will receive a cash payment equal to one-half the value of his Exterran Holdings' 2010 performance shares.

(8) The amounts included in this row represent each Named Executive Officer's right to the payment of (a) in the event of a termination without Cause or voluntary resignation for Good Reason, medical benefit premiums for a one-year period and (b) in the event of a change of control followed by a Qualifying Termination, medical benefit premiums and the 401(k) Plan and deferred compensation plan matching contributions for a two-year period.

Compensation of Directors

Retainers and Fees

Only the independent members of Exterran GP LLC's board of directors receive compensation for their service as directors. Messrs. Anderson, Childers, Miller and Schlanger, who are executive officers of Exterran GP LLC, serve on the board of directors but receive no compensation for such service. Exterran GP LLC's board of directors has implemented a program of cash and equity compensation for its independent directors, consisting of:

- an annual retainer of $35,000;
- annual phantom unit compensation of $40,000 pursuant to the Partnership Plan;
- an annual retainer fee for the chairs of the audit committee, conflicts committee and compensation committee of $10,000, $5,000 and $5,000, respectively;
- a fee per board of directors meeting of $1,500 if attended in person or $500 if attended telephonically; and
- a fee per committee meeting of (a) $1,500, whether attended in person or telephonically, for each committee member who is a chairperson, and (b) $1,500 if attended in person or $500 if attended telephonically, for each committee member who is a non-chairperson.

In addition, each director is reimbursed for his reasonable out-of-pocket expenses in connection with attending meetings of the board of directors or committees. Each director will be fully indemnified by us for actions associated with serving as a director to the fullest extent permitted under Delaware law.

Equity-Based Compensation

Independent directors are annually awarded phantom units under the Partnership Plan. A phantom unit is a notional unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit or, in the discretion of our compensation committee, the cash equivalent to the value of a common unit. Phantom units awarded to independent directors are granted with DERs, which are credited with an amount equal to any cash distributions we make on common units during the period such phantom units are outstanding and are payable upon vesting of the tandem phantom units without interest. The DERs are subject to the same vesting restrictions and risk of forfeiture applicable to the underlying grant.

During the year ended December 31, 2011, the non-employee directors of Exterran GP LLC earned compensation as set forth below:

Name	Fees Earned or Paid in Cash ($)	Unit Awards ($)(1)	DERs ($)	Total ($)
James G. Crump	79,500	40,016	8,761	128,277
G. Stephen Finley	71,500	40,016	8,761	120,277
Edmund P. Segner, III	63,500	40,016	3,701	107,217

(1) The amounts included in this column represent the grant date fair value related to awards of phantom units, calculated in accordance with ASC 718.

Risk Assessment Related to Exterran Holdings' Compensation Structure

As disclosed above under "Overview," as is commonly the case for many publicly traded limited partnerships, we have no employees. Under the terms of our partnership agreement, we are ultimately managed by Exterran GP LLC, the general partner of Exterran General Partner, L.P., our general partner. In addition, as disclosed above under "Partnership Compensation Committee Structure and Responsibilities," the compensation structure for our executive officers is generally established by the Exterran Holdings compensation committee, which performed a risk assessment and believes that its compensation programs do not create risks that are reasonably likely to have a material adverse effect on Exterran Holdings. For example, the Exterran Holdings compensation committee and management set performance goals in light of past performance, future expectations and market conditions, which they believe do not encourage the taking of unreasonable risks. The Exterran Holdings compensation committee believes its practice of considering non-financial and other qualitative factors in determining compensation awards discourages excessive risk-taking and encourages good judgment. In addition, Exterran Holdings believes employee compensation is allocated between cash and equity-based awards, between fixed and variable awards, and between short-term and long-term focused compensation in a manner that encourages decision-making that balances short-term goals with long-term goals and thereby reduces the likelihood of excessive risk taking. Finally, the Exterran Holdings compensation committee has established multiple performance indicators in its short-term incentive program that balance various Exterran Holdings objectives, short-term incentive awards with maximum payout levels, and long-term incentive awards with three-year vesting periods, which Exterran Holdings believes further balances short- and long-term objectives and encourages employee behavior designed to achieve sustained profitability and growth.

Exterran GP LLC conducted a similar assessment, with input from Exterran GP LLC's executive management, and determined, based on the same considerations discussed above in relation to Exterran Holdings' risk assessment, that Exterran Holdings' and our compensation policies do not create risks that are reasonably likely to have a material adverse effect on us.

Compensation Committee Interlocks and Insider Participation

Messrs. Finley, Crump and Segner served on our compensation committee during 2011. There are no matters relating to interlocks or insider participation that we are required to report.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters*

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2011 with respect to the compensation plans under which our common units are authorized for issuance, aggregated as follows:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (#)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders(1)	—(2)	—	858,947
Total	—	—	858,947

(1) For more information about our Long-Term Incentive Plan, which did not require approval by our unitholders, please read Item 11 ("Executive Compensation — Compensation Discussion and Analysis — Other Compensation Programs — Exterran Partners Long-Term Incentive Plan") of this report.

(2) Does not include 75,267 phantom units outstanding as of December 31, 2011. Upon vesting, phantom units are payable in common units or cash, in the discretion of our compensation committee.

Security Ownership of Certain Beneficial Owners

The following table sets forth information as of February 16, 2012, with respect to persons known to us to be the beneficial owners of more than five percent of our outstanding limited partner units. Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act.

Name and Address of Beneficial Owner	Common Units Beneficially Owned	Percent of Common Units Beneficially Owned(1)
Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne(2) 1800 Avenue of the Stars, Second Floor Los Angeles, CA 90067	4,453,468	12%
Exterran Holdings, Inc. 16666 Northchase Drive Houston, TX 77060	12,495,391	34%

(1) As a percentage of the total limited partner interest. When taking into consideration the 2% general partner interest, the percentages reflected in this column are 12% and 35% (including the general partner interest), respectively.

(2) Based solely on a review of the Schedule 13G/A jointly filed by Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne on January 24, 2012.

Security Ownership of Management

The following table sets forth information as of February 16, 2012, with respect to our common units beneficially owned by Exterran GP LLC's directors, Named Executive Officers and all of our current directors and executive officers as a group. Each beneficial owner has sole voting and investment power with respect to all the units attributed to him.

Name of Beneficial Owner	Units Owned Directly	Phantom Units(1)	Total Ownership	Percent of Class
Named Executive Officers				
D. Bradley Childers	3,444	3,514	6,958	*
Ernie L. Danner(2)	133,723	—	133,723	*
J. Michael Anderson	12,400	4,041	16,441	*
Michael J. Aaronson	1,375	—	1,375	*
Joseph G. Kishkill	3,349	3,514	6,863	*
Daniel K. Schlanger	12,325	2,868	15,193	*
Donald C. Wayne	5,969	1,799	7,768	*
Directors				
James G. Crump	9,262	—	9,262	*
G. Stephen Finley	8,869	—	8,869	*
David S. Miller	10,541	3,882	14,423	*
Edmund P. Segner, III	3,859	—	3,859	*
All current directors and executive officers as a group (11 persons)	73,498	21,154	94,652	*

* Less than 1%.

(1) Only includes phantom units that vest within 60 days of February 16, 2012.

(2) Ownership information is as of February 1, 2012.

ITEM 13. ***Certain Relationships and Related Transactions, and Director Independence***

Transactions with Related Persons

Distributions and Payments to Our General Partner and its Affiliates

As of December 31, 2011, Exterran and its subsidiaries owned 12,495,391 common units, which constitutes 33% of the limited partner interest in us, and 757,722 general partner units, which constitute the entire 2% general partner interest in us. Exterran Holdings is, therefore, a "related person" relative to us under SEC regulations, and we believe that Exterran Holdings has and will have a direct and indirect material interest in its various transactions with us.

The following summarizes the distributions and payments made or to be made by us to our general partner and its affiliates in connection with the ongoing operation of Exterran Partners, L.P.

Distributions of available cash to our general partner and its affiliates	We will generally make cash distributions 98% to our unitholders on a pro rata basis, including our general partner and its affiliates, as the holders of 12,495,391 common units, and 2% to our general partner. In addition, if distributions exceed the minimum quarterly distribution and other higher target distribution levels, then our general partner is entitled to increasing percentages of the distributions, up to 50% of the distributions above the highest target distribution level. During the year ended December 31, 2011, our general partner and its affiliates received aggregate distributions of approximately $4.0 million on their general partner units, including distributions on our general partner's incentive distribution rights, $26.8 million on their limited partner units. On February 14, 2012, our general partner and its affiliates received a quarterly distribution with respect to the period from October 1, 2011 to December 31, 2011, of approximately $1.2 million on their general partner units, including distributions on our general partner's incentive distribution rights, and $6.2 million on their common units.
Payments to our general partner and its affiliates	Subject to certain caps, we reimburse Exterran Holdings and its affiliates for the payment of all direct and indirect expenses incurred on our behalf. For further information regarding the reimbursement of these expenses, please read "— Omnibus Agreement" below.

Pursuant to the terms of our Omnibus Agreement (as described below), we reimburse Exterran Holdings for (1) allocated expenses of operational personnel who perform services for our benefit, (2) direct costs incurred in operating and maintaining our business and (3) allocated SG&A expenses. Our general partner does not receive any management fee or other compensation for its management of us. Our general partner and its affiliates are reimbursed for all expenses incurred on our behalf, including the compensation of employees of Exterran Holdings that perform services on our behalf. These expenses include all expenses necessary or appropriate to the conduct of our business and that are allocable to us. Our partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. Except as provided in the Omnibus Agreement, there is no cap on the amount that may be paid or reimbursed to our general partner or its affiliates for compensation or expenses incurred on our behalf.

June 2011 Contract Operations Acquisition

In connection with the June 2011 Contract Operations Acquisition, we acquired from Exterran Holdings contract operations customer service agreements with 34 customers and a fleet of 407 compressor units used to provide compression services under those agreements, comprising approximately 289,000 horsepower, or 8% (by then available horsepower) of the combined U.S. contract operations business of Exterran Holdings and us. In addition, the acquired assets included 207 compressor units, comprising approximately 98,000 horsepower previously leased from Exterran Holdings to us, and a natural gas processing plant with a capacity of 8 million cubic feet per day used to provide processing services pursuant to a long-term services agreement. In connection with this acquisition, we assumed $159.4 million of Exterran Holdings' debt, paid $62.2 million in cash and issued approximately 51,000 general partner units to our general partner. Total consideration for the transaction was approximately $223.0 million, excluding transaction costs.

Omnibus Agreement

We are party to an Omnibus Agreement with Exterran Holdings, our general partner, and others, the terms of which are described below. The Omnibus Agreement (other than the indemnification obligations described below under "— Indemnification for Environmental and Related Liabilities") will terminate upon a change of control of our general partner or the removal or withdrawal of our general partner, and certain provisions will terminate upon a change of control of Exterran Holdings.

Non-competition

Under the Omnibus Agreement, subject to the provisions described below, Exterran Holdings has agreed not to offer or provide compression services in the U.S. to our contract operations services customers that are not also contract operations service customers of Exterran Holdings. Compression services are defined to include the provision of natural gas contract compression services, but exclude fabrication of compression equipment, sales of compression equipment or material, parts or equipment that are components of compression equipment, leasing of compression equipment without also providing related compression equipment service, gas processing operations services and operating, maintenance, service, repairs or overhauls of compression equipment owned by third parties. In addition, under the Omnibus Agreement, we have agreed not to offer or provide compression services to Exterran Holdings' U.S. contract operations services customers that are not also contract operations service customers of ours.

At the time of execution of the Omnibus Agreement with Exterran Holdings, some of our customers were also contract operations services customers of Exterran Holdings, which we refer to as overlapping customers. We and Exterran Holdings have agreed, subject to the exceptions described below, not to provide contract operations services to an overlapping customer at any site at which the other was providing such services to an overlapping customer on the date of execution of the Omnibus Agreement, each being referred to as a "Partnership site" or "Exterran site." After the date of the agreement, if an overlapping customer requests contract operations services at a Partnership site or an Exterran site, whether in addition to or in replacement of the equipment existing at such site on the date of the agreement, we will be entitled to provide contract operations services if such overlapping customer is a previously specified customer of ours (a "Partnership overlapping customer"), and Exterran Holdings will be entitled to provide such contract operations services if such overlapping customer is a previously specified customer of Exterran Holdings (an "Exterran overlapping customer"). Additionally, any additional contract operations services provided to a Partnership overlapping customer will be provided by us and any additional services provided to an Exterran overlapping customer will be provided by Exterran Holdings.

Exterran Holdings also has agreed that new customers for contract compression services (neither our customers nor customers of Exterran Holdings for U.S. contract compression services) are for our account unless the new customer is unwilling to contract with us or unwilling to do so under our form of compression services agreement. If a new customer is unwilling to enter into such an arrangement with us, then Exterran Holdings may provide compression services to the new customer. In the event that either we or Exterran Holdings enter into a contract to provide compression services to a new customer, either we or Exterran Holdings, as applicable, will receive the protection of the applicable non-competition arrangements described above in the same manner as if such new customer had been a compression services customer of either us or Exterran Holdings at the time of entry into the Omnibus Agreement.

The non-competition arrangements described above do not apply to:

- our provision of contract compression services to a particular Exterran Holdings customer or customers, with the approval of Exterran Holdings;
- Exterran Holdings' provision of contract compression services to a particular customer or customers of ours, with the approval of the conflicts committee of our board of directors;

- our purchase and ownership of not more than five percent of any class of securities of any entity which provides contract compression services to the contract compression services customers of Exterran Holdings;
- Exterran Holdings' purchase and ownership of not more than five percent of any class of securities of any entity which provides contract compression services to our contract compression services customers;
- Exterran Holdings' ownership of us;
- our acquisition, ownership and operation of any business that provides contract compression services to Exterran Holdings' contract compression services customers if Exterran Holdings has been offered the opportunity to purchase the business for its fair market value from us and Exterran Holdings declines to do so. However, if neither the Omnibus Agreement nor the non-competition arrangements described above have already terminated, we will agree not to provide contract compression services to Exterran Holdings' customers that are also customers of the acquired business at the sites at which Exterran Holdings is providing contract operations services to them at the time of the acquisition;
- Exterran Holdings' acquisition, ownership and operation of any business that provides contract compression services to our contract operations services customers if we have been offered the opportunity to purchase the business for its fair market value from Exterran Holdings and we decline to do so with the concurrence of the conflicts committee of our board of directors. However, if neither the Omnibus Agreement nor the non-competition arrangements described above have already terminated, Exterran Holdings will agree not to provide contract operations services to our customers that are also customers of the acquired business at the sites at which we are providing contract operations services to them at the time of the acquisition; or
- a situation in which one of our customers (or its applicable business) and a customer of Exterran Holdings (or its applicable business) merge or are otherwise combined, in which case, each of we and Exterran Holdings may continue to provide contract operations services to the applicable combined entity or business without being in violation of the non-competition provisions, but Exterran Holdings and the conflicts committee of our board of directors must negotiate in good faith to implement procedures or such other arrangements, as necessary, to protect the value to each of Exterran Holdings and us of the business of providing contract operations services to each such customer or its applicable business, as applicable.

Unless the Omnibus Agreement is terminated earlier due to a change of control of our general partner or the removal or withdrawal of our general partner, or from a change of control of Exterran Holdings, the non-competition provisions of the Omnibus Agreement will terminate on December 31, 2013 or on the date on which a change of control of Exterran Holdings occurs, whichever event occurs first. If a change of control of Exterran Holdings occurs, and neither the Omnibus Agreement nor the non-competition arrangements have already terminated, Exterran Holdings will agree for the remaining term of the non-competition arrangements not to provide contract operations services to our customers at the sites at which we are providing contract operations services to them at the time of the change of control.

Exterran Holdings against environmental liabilities occurring on or after the applicable acquisition date related to our assets to the extent Exterran Holdings is not required to indemnify us.

Additionally, Exterran Holdings will indemnify us for losses attributable to title defects, retained assets and income taxes attributable to pre-acquisition operations. We will indemnify Exterran Holdings for all losses attributable to the post-closing operations of the assets contributed to us, to the extent not subject to Exterran Holdings' indemnification obligations. For the year ended December 31, 2011, there were no requests for indemnification by either party.

Purchase of New Compression Equipment from Exterran Holdings

Pursuant to the Omnibus Agreement, we are permitted to purchase newly fabricated compression equipment from Exterran Holdings or its affiliates at Exterran Holdings' cost to fabricate such equipment plus a fixed margin of 10%, which may be modified with the approval of Exterran Holdings and the conflicts committee of our board of directors. During the year ended December 31, 2011, we purchased $7.6 million of new compression equipment from Exterran Holdings.

Transfer, Exchange or Lease of Compression Equipment with Exterran Holdings

Pursuant to the Omnibus Agreement, in the event that Exterran Holdings determines in good faith that there exists a need on the part of Exterran Holdings' contract operations services business or on our part to transfer, exchange or lease compression equipment between Exterran Holdings and us, such equipment may be so transferred, exchanged or leased if it will not cause us to breach any existing contracts or to suffer a loss of revenue under an existing compression services contract or incur any unreimbursed costs.

In consideration for such transfer, exchange or lease of compression equipment, the transferee will either (1) transfer to the transferor compression equipment equal in value to the appraised value of the compression equipment transferred to it; (2) agree to lease such compression equipment from the transferor; or (3) pay the transferor an amount in cash equal to the appraised value of the compression equipment transferred to it. Unless the Omnibus Agreement is terminated earlier as discussed above, the transfer of compression equipment provisions described above will terminate on December 31, 2013.

During the year ended December 31, 2011, pursuant to the terms of the Omnibus Agreement, we transferred ownership of 394 compressor units, totaling approximately 173,800 horsepower with a net book value of approximately $76.6 million, to Exterran Holdings. In exchange, Exterran Holdings transferred ownership to us of 347 compressor units, totaling approximately 138,700 horsepower with a net book value of approximately $68.8 million. During the year ended December 31, 2011, we recorded capital distributions of approximately $7.8 million related to the differences in net book value on the compression equipment that was exchanged with us. No customer service agreements were included in the transfers. Under the terms of the Omnibus Agreement, such transfers must be of equal appraised value, as defined in the Omnibus Agreement, with any difference being settled in cash. As a result, Exterran Holdings paid to us a nominal amount for the difference in fair value of the equipment in connection with the transfer. The units we transferred to Exterran Holdings were being utilized to provide services to customers of Exterran Holdings on the date of the transfer, and prior to the transfer had been leased by Exterran Holdings from us.

For the year ended December 31, 2011, we had revenues of $1.0 million from Exterran Holdings related to the lease of our compression equipment and cost of sales of $14.4 million with Exterran Holdings related to the lease by us of its compression equipment.

Reimbursement of Operating and SG&A Expense

Exterran Holdings provides all operational staff, corporate staff and support services reasonably necessary to run our business. The services provided by Exterran Holdings may include, without limitation, operations, marketing,

maintenance and repair, periodic overhauls of compression equipment, inventory management, legal, accounting, treasury, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes, facilities management, investor relations, enterprise resource planning system, training, executive, sales, business development and engineering.

Costs incurred by Exterran Holdings directly attributable to us are charged to us in full. Costs incurred by Exterran Holdings that are indirectly attributable to us and Exterran Holdings' other operations are allocated among us and Exterran Holdings' other operations. The allocation methodologies vary based on the nature of the charge and include, among other things, revenue and horsepower. We believe that the allocation methodologies used to allocate indirect costs to us are reasonable. Included in our SG&A expense for the year ended December 31, 2011 is $35.9 million of indirect costs incurred by Exterran Holdings.

Exterran Holdings has agreed that, for a period that will terminate on December 31, 2012, our obligation to reimburse Exterran Holdings for (1) any cost of sales that it incurs in the operation of our business will be capped at an amount equal to $21.75 per operating horsepower per quarter (after taking into account any such costs that we incur and pay directly); and (2) any SG&A costs allocated to us will be capped at $9.0 million per quarter (after taking into account any such costs that we incur and pay directly). These caps may be subject to increases in connection with expansions of our operations through the acquisition or construction of new assets or businesses.

For the year ended December 31, 2011, our cost of sales exceeded the cap by $26.5 million, and our SG&A expenses exceeded the cap by $5.9 million. The excess amount over the cap is being accounted for as a capital contribution.

Indemnification of Directors and Officers

Under our partnership agreement, in most circumstances, we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages or similar events:

- our general partner;
- any departing general partner;
- any person who is or was an affiliate of a general partner or any departing general partner;
- any person who is or was a director, officer, member, partner, fiduciary or trustee of any entity set forth in the preceding three bullet points;
- any person who is or was serving as director, officer, member, partner, fiduciary or trustee of another person at the request of our general partner or any departing general partner; and
- any person designated by our general partner.

Any indemnification under these provisions will only be made out of our assets. Unless it otherwise agrees, our general partner will not be personally liable for, or have any obligation to contribute or lend funds or assets to us to enable us to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Review, Approval or Ratification of Transactions with Related Persons

The related person transactions in which we engaged in 2011 were typically of a recurring, ordinary course nature and were previously made known to our board of directors and generally were of the sort contemplated by the Omnibus Agreement. While we do not have formal, specified policies or procedures for the review, approval or ratification of transactions required to be reported under paragraph (a) of Regulation S-K Item 404, as 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 board of directors 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.

Our board of directors has established a conflicts committee to carry out certain duties set forth in our partnership agreement and the Omnibus Agreement, and to carry out any other duties delegated by the board of directors that involve or relate to conflicts of interests between us and Exterran Holdings, including its operating subsidiaries.

The conflicts committee is charged with acting on an informed basis, in good faith and with an honest belief that any action taken by the conflicts committee is in our best interests. In taking any such action, including the resolution of any conflict of interest, the conflicts committee is authorized to consider any factors the conflicts committee determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances.

Director Independence

Please see Part III, Item 10 ("Directors, Executive Officers and Corporate Governance — Board of Directors") of this report for a discussion of director independence matters.

ITEM 14. *Principal Accountant Fees and Services*

During the years ended December 31, 2011 and 2010, fees for professional services rendered by our independent registered public accounting firm, Deloitte & Touche LLP, were billed to Exterran Holdings and then charged to us. The services rendered during both the years ended December 31, 2011 and 2010 were for the audit of our annual financial statements and work related to registration statements and were approximately $0.5 million and $0.4 million, respectively. All of the fees during each of the years ended December 31, 2011 and 2010 were "Audit Fees," and none of those fees constituted "Audit-Related Fees," "Tax Fees" or "All Other Fees," in each case, as such terms are defined by the SEC.

In considering the nature of the services provided by Deloitte & Touche LLP, the audit committee of our board of directors determined that such services are compatible with the provision of independent audit services. The audit committee discussed these services with the independent auditor and our management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

All services performed by the independent registered public accounting firm during 2011 and 2010 were approved in advance by the audit committee of our board of directors. Any requests for audit, audit-related, tax and other services to be performed by Deloitte & Touche LLP must be submitted to our audit committee for pre-approval. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant pre-approval between meetings, as necessary, has been delegated to the audit committee chair, or, in the absence or unavailability of the chair, one of the other members. Any such pre-approval must be reviewed at the next regularly scheduled audit committee meeting.

PART IV

ITEM 15. ***Exhibits and Financial Statement Schedules***

(a) *Documents filed as a part of this report.*

1. *Financial Statements.* The following financial statements are filed as a part of this report.

Report of Independent Registered Public Accounting Firm F-1
Consolidated Balance Sheets F-2
Consolidated Statements of Operations F-3
Consolidated Statements of Comprehensive Income (Loss) F-4
Consolidated Statements of Partners' Capital F-5
Consolidated Statements of Cash Flows F-6
Notes to the Consolidated Financial Statements F-7

2. *Financial Statement Schedule*

Schedule II — Valuation and Qualifying Accounts S-1

All other schedules have been omitted because they are not required under the relevant instructions.

3. *Exhibits*

Exhibit No.	Description
2.1	Contribution, Conveyance and Assumption Agreement, dated July 26, 2010, by and among Exterran Holdings, Inc., Exterran Energy Solutions, L.P., EES Leasing LLC, EXH GP LP LLC, Exterran GP LLC, EXH MLP LP LLC, Exterran General Partner, L.P., EXLP Operating LLC, EXLP Leasing LLC and Exterran Partners, L.P., incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on July 28, 2010
2.2	Contribution, Conveyance and Assumption Agreement, dated May 23, 2011, by and among Exterran Holdings, Inc., Exterran Energy Corp., Exterran General Holdings LLC, Exterran Energy Solutions, L.P., EES Leasing LLC, EXH GP LP LLC, Exterran GP LLC, EXH MLP LP LLC, Exterran General Partner, L.P., EXLP Operating LLC, EXLP Leasing LLC and Exterran Partners, L.P., incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on May 24, 2011
3.1	Certificate of Limited Partnership of Universal Compression Partners, L.P., incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed on June 27, 2006
3.2	Certificate of Amendment to Certificate of Limited Partnership of Universal Compression Partners, L.P. (now Exterran Partners, L.P.), dated as of August 20, 2007, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 24, 2007
3.3	First Amended and Restated Agreement of Limited Partnership of Exterran Partners, L.P., as amended, incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008
3.4	Certificate of Partnership of UCO General Partner, LP, incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1 filed on June 27, 2006
3.5	Amended and Restated Limited Partnership Agreement of UCO General Partner, LP, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on October 26, 2006
3.6	Certificate of Formation of UCO GP, LLC, incorporated by reference to Exhibit 3.5 to the Registrant's Registration Statement on Form S-1 filed June 27, 2006

Exhibit No.	Description
3.7	Amended and Restated Limited Liability Company Agreement of UCO GP, LLC, incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed on October 26, 2006
4.1	Indenture, dated as of October 13, 2009, by and between EXLP ABS 2009 LLC, as Issuer, EXLP ABS Leasing 2009 LLC and Wells Fargo Bank, National Association, as Indenture Trustee, with respect to the $150,000,000 ABS facility consisting of $150,000,000 of Series 2009-1 Notes, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on October 19, 2009
4.2	Series 2009-1 Supplement, dated as of October 13, 2009, to Indenture dated as of October 13, 2009, by and between EXLP ABS 2009 LLC, as Issuer, EXLP ABS Leasing 2009 LLC and Wells Fargo Bank, National Association, as Indenture Trustee, with respect to the $150,000,000 of Series 2009-1 Notes, incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on October 19, 2009
10.1	Second Amended and Restated Omnibus Agreement, dated November 5, 2009, by and among Exterran Holdings, Inc., Exterran Energy Solutions, L.P., Exterran GP LLC, Exterran General Partner, L.P. and EXLP Operating LLC, incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (portions of this exhibit have been omitted by redacting a portion of the text (indicated by asterisks in the text) and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment)
10.2	First Amendment to Second Amended and Restated Omnibus Agreement, dated August 11, 2010, by and among Exterran Partners, L.P., Exterran Holdings, Inc., Exterran Energy Solutions, L.P., Exterran GP LLC, Exterran General Partner, L.P. and EXLP Operating LLC, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (portions of this exhibit have been omitted by redacting a portion of the text (indicated by asterisks in the text) and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment)
10.3	Third Amended and Restated Omnibus Agreement, dated June 10, 2011, by and among Exterran Holdings, Inc., Exterran Energy Solutions, L.P., Exterran GP LLC, Exterran General Partner, L.P., EXLP Operating LLC and Exterran Partners, L.P., incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 (portions of this exhibit have been omitted by redacting a portion of the text (indicated by asterisks in the text) and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment)
10.4	Amended and Restated Senior Secured Credit Agreement, dated as of November 3, 2010, by and among EXLP Operating LLC, as Borrower, Exterran Partners, L.P., as Guarantor, Wells Fargo Bank, National Association, as Administrative Agent, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Barclays Bank plc and The Royal Bank of Scotland plc, as Co-Documentation Agents, and the lenders signatory thereto, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 9, 2010
10.5	Amended and Restated Guaranty Agreement, dated as of November 3, 2010, made by Exterran Partners, L.P. and EXLP Leasing LLC in favor of Wells Fargo Bank, National Association, as Administrative Agent, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 9, 2010

Exhibit No.	Description
10.6	Amended and Restated Collateral Agreement, dated as of November 3, 2010, made by EXLP Operating LLC, Exterran Partners, L.P. and EXLP Leasing LLC in favor of Wells Fargo Bank, National Association, as Administrative Agent, incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 9, 2010
10.7†	Universal Compression Partners, L.P. Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 filed October 4, 2006
10.8†	First Amendment to Exterran Partners, L.P. Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 29, 2008
10.9†	Second Amendment to Exterran Partners, L.P. Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 30, 2008
10.10†	Third Amendment to Exterran Partners, L.P. Long-Term Incentive Plan, incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008
10.11†	Form of Grant of Phantom Units, incorporated by reference to Exhibit 10.5 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 filed October 4, 2006
10.12†	Form of Grant of Options, incorporated by reference to Exhibit 10.4 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 filed October 4, 2006
10.13†	Form of Amendment to Grant of Options, incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008
10.14†	Form of Amendment No. 2 to Grant of Options, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed October 30, 2008
10.15†	Form of Amendment No. 3 to Grant of Options, incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008
10.16†	Form of Exterran Partners, L.P. Award Notice for Phantom Units with DERs, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009
10.17†	Form of Exterran Partners, L.P. Award Notice for Phantom Units with DERs for Directors, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009
21.1*	List of Subsidiaries of Exterran Partners, L.P.
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of the Chief Executive Officer of Exterran GP LLC (as general partner of the general partner of Exterran Partners, L.P.) pursuant to Rule 13a-14 under the Securities Exchange Act of 1934
31.2*	Certification of the Chief Financial Officer of Exterran GP LLC (as general partner of the general partner of Exterran Partners, L.P.) pursuant to Rule 13a-14 under the Securities Exchange Act of 1934
32.1**	Certification of the Chief Executive Officer of Exterran GP LLC (as general partner of the general partner of Exterran Partners, L.P.) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Description
32.2**	Certification of the Chief Financial Officer of Exterran GP LLC (as general partner of the general partner of Exterran Partners, L.P.) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1*	Pro forma financial information
101.1***	Interactive data files pursuant to Rule 405 of Regulation S-T

† Management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished, not filed.

*** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of sections 11 and 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to any liability under those sections.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
Exterran Partners, L.P.
Houston, Texas

We have audited the accompanying consolidated balance sheets of Exterran Partners, L.P. and subsidiaries (the "Partnership") as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, partners' capital, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule for each of the three years in the period ended December 31, 2011 listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Partnership's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2012 expressed an unqualified opinion on the Partnership's internal control over financial reporting.

/s/ *DELOITTE & TOUCHE LLP*

Houston, Texas
February 23, 2012

EXTERRAN PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS
(In thousands, except for unit amounts)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5	$ 50
Accounts receivable, trade, net of allowance of $985 and $1,232, respectively	33,275	24,550
Due from affiliates, net	4,383	3,759
Total current assets	37,663	28,359
Property, plant and equipment	1,219,605	953,759
Accumulated depreciation	(412,553)	(316,806)
Net property, plant and equipment	807,052	636,953
Goodwill	124,019	124,019
Interest rate swaps	—	5,769
Intangibles and other assets, net	22,271	18,245
Total assets	$ 991,005	$ 813,345
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable, trade	$ —	$ 166
Accrued liabilities	12,224	9,347
Accrued interest	1,278	983
Current portion of interest rate swaps	3,040	3,112
Total current liabilities	16,542	13,608
Long-term debt	545,500	449,000
Interest rate swaps	5,197	—
Total liabilities	567,239	462,608
Commitments and contingencies (Note 13)		
Partners' capital:		
Limited partner units:		
Common units, 37,308,402 and 27,363,451 units issued, respectively	420,960	379,748
Subordinated units, zero and 4,743,750 units issued and outstanding, respectively	—	(30,702)
General partner units, 2% interest with 757,722 and 653,318 equivalent units issued and outstanding, respectively	12,877	10,638
Accumulated other comprehensive loss	(9,313)	(8,673)
Treasury units, 33,811 and 15,756 common units, respectively	(758)	(274)
Total partners' capital	423,766	350,737
Total liabilities and partners' capital	$ 991,005	$ 813,345

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

EXTERRAN PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit amounts)

	Years Ended December 31,		
	2011	2010	2009
Revenues:			
Revenue — third parties	$307,243	$236,719	$180,688
Revenue — affiliates	1,031	917	1,041
Total revenues	308,274	237,636	181,729
Costs and expenses:			
Cost of sales (excluding depreciation and amortization expense) — affiliates	162,925	124,242	83,480
Depreciation and amortization	67,930	52,518	36,452
Long-lived asset impairment	1,060	24,976	3,151
Selling, general and administrative — affiliates	39,380	34,830	24,226
Interest expense	30,400	24,037	20,303
Other (income) expense, net	(392)	(314)	(1,208)
Total costs and expenses	301,303	260,289	166,404
Income (loss) before income taxes	6,971	(22,653)	15,325
Income tax expense	918	680	541
Net income (loss)	$ 6,053	$ (23,333)	$ 14,784
General partner interest in net income (loss)	$ 3,005	$ 1,091	$ 1,354
Common units interest in net income (loss)	$ 2,723	$ (19,257)	$ 9,137
Subordinated units interest in net income (loss)	$ 325	$ (5,167)	$ 4,293
Weighted average common units outstanding:			
Basic	31,390	21,360	13,461
Diluted	31,403	21,360	13,477
Weighted average subordinated units outstanding:			
Basic	3,747	5,731	6,325
Diluted	3,747	5,731	6,325
Earnings (loss) per common unit:			
Basic	$ 0.09	$ (0.90)	$ 0.68
Diluted	$ 0.09	$ (0.90)	$ 0.68
Earnings (loss) per subordinated unit:			
Basic	$ 0.09	$ (0.90)	$ 0.68
Diluted	$ 0.09	$ (0.90)	$ 0.68

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

EXTERRAN PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Years Ended December 31,		
	2011	2010	2009
Net income (loss)	$ 6,053	$(23,333)	$14,784
Other comprehensive income (loss):			
Interest rate swaps gain (loss)	(10,891)	4,525	2,052
Amortization of payments to terminate interest rate swaps	10,251	1,659	—
Total other comprehensive income (loss)	(640)	6,184	2,052
Comprehensive income (loss)	$ 5,413	$(17,149)	$16,836

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

EXTERRAN PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(In thousands, except for unit amounts)

	Partners' Capital									
	Common Units		Subordinated Units		General Partner Units		Treasury Units		Accumulated Other Comprehensive Loss	Total
	$	Units	$	Units	$	Units	$	Units		
Balance, December 31, 2008	$221,090	12,767,462	$(35,518)	6,325,000	$ 6,805	389,642	$ —	—	$(16,909)	$175,468
Issuance of units to Exterran Holdings, Inc. for a portion of its U.S. contract operations business	82,722	4,739,927			1,685	96,601				84,407
Issuance of units for vesting of phantom units		34,576								—
Treasury units purchased							(108)	(8,426)		(108)
Transaction costs for registration of units	(24)		(11)							(35)
Contribution of capital	7,749		9,901		361					18,011
Excess of purchase price of equipment over Exterran Holdings' cost of equipment	(143)		(159)		(10)					(312)
Cash distributions	(23,651)		(11,700)		(1,738)					(37,089)
Unit-based compensation expense	955									955
Other	175									175
Interest rate swap gain									2,052	2,052
Net income	9,137		4,293		1,354					14,784
Balance, December 31, 2009	$298,010	17,541,965	$(33,194)	6,325,000	$ 8,457	486,243	$(108)	(8,426)	$(14,857)	$258,308
Issuance of common units for vesting of phantom units		33,373								—
Treasury units purchased							(166)	(7,330)		(166)
Transaction costs for the public offering of common units by Exterran Holdings	(192)									(192)
Transaction costs for conversion of subordinated units	(25)									(25)
Conversion of subordinated units to common units	(8,721)	1,581,250	8,721	(1,581,250)						—
Issuance of units to Exterran Holdings for a portion of its U.S. contract operations business	125,043	8,206,863			2,548	167,075				127,591
Contribution of capital	21,401		10,316		928					32,645
Excess of purchase price of equipment over Exterran Holdings' cost of equipment	(558)		(385)		(29)					(972)
Cash distributions	(37,140)		(10,993)		(2,357)					(50,490)
Unit-based compensation expense	1,187									1,187
Interest rate swap gain									4,525	4,525
Amortization of payments to terminate interest rate swaps									1,659	1,659
Net income (loss)	(19,257)		(5,167)		1,091					(23,333)
Balance, December 31, 2010	$379,748	27,363,451	$(30,702)	4,743,750	$10,638	653,318	$(274)	(15,756)	$ (8,673)	$350,737
Issuance of common units for vesting of phantom units		67,026								—
Treasury units purchased							(484)	(18,055)		(484)
Transaction costs for conversion of subordinated units	(71)									(71)
Conversion of subordinated units to common units	(29,556)	4,743,750	29,556	(4,743,750)						—
Net proceeds from issuance of common units	127,672	5,134,175								127,672
Proceeds from sale of general partner units to Exterran Holdings					1,316	53,431				1,316
Transaction costs for the registration of units by Exterran Holdings	(78)									(78)
Transaction costs for the public offering of common units by Exterran Holdings	(261)									(261)
Acquisition of a portion of Exterran Holdings U.S. contract operations business	(24,655)				767	50,973				(23,888)
Contribution of capital	23,951		9,158		1,174					34,283
Excess of purchase price of equipment over Exterran Holdings' cost of equipment	(709)				(43)					(752)
Cash distributions	(58,319)		(8,337)		(3,980)					(70,636)
Unit-based compensation expense	515									515
Interest rate swap loss									(10,891)	(10,891)
Amortization of payments to terminate interest rate swaps									10,251	10,251
Net income	2,723		325		3,005					6,053
Balance, December 31, 2011	$420,960	37,308,402	$ —	—	$12,877	757,722	$(758)	(33,811)	$ (9,313)	$423,766

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

EXTERRAN PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2011	**2010**	**2009**
Cash flows from operating activities:			
Net income (loss)	$ 6,053	$ (23,333)	$ 14,784
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	67,930	52,518	36,452
Long-lived asset impairment	1,060	24,976	3,151
Amortization of debt issuance cost	1,327	1,180	457
Amortization of fair value of acquired interest rate swaps	—	111	149
Amortization of payments to terminate interest rate swaps	10,251	1,659	—
Unit-based compensation expense	532	1,209	811
Provision for doubtful accounts	83	1,292	627
Gain on sale of compression equipment	(919)	(667)	(2,011)
Changes in assets and liabilities:			
Accounts receivable, trade	(8,808)	(2,632)	2,121
Other assets	—	—	94
Accounts payable, trade	(166)	166	(163)
Interest rate swaps	—	(13,561)	—
Other liabilities	2,747	764	(536)
Net cash provided by operating activities	80,090	43,682	55,936
Cash flows from investing activities:			
Capital expenditures	(50,250)	(28,113)	(17,893)
Payment to Exterran Holdings for a portion of the June 2011 Contract Operations Acquisition	(62,217)	—	—
Proceeds from the sale of compression equipment	2,940	1,370	4,457
(Increase) decrease in restricted cash	—	431	(431)
(Increase) decrease in amounts due from affiliates, net	3,064	(2,730)	6,445
Net cash used in investing activities	(106,463)	(29,042)	(7,422)
Cash flows from financing activities:			
Proceeds from borrowings of long-term debt	557,500	471,000	76,750
Repayments of long-term debt	(620,434)	(454,500)	(100,200)
Distributions to unitholders	(70,636)	(50,490)	(37,089)
Net proceeds from issuance of common units	127,672	—	—
Net proceeds from sale of general partner units	1,316	—	—
Payments for debt issue costs	(1,003)	(4,064)	—
Purchase of treasury units	(484)	(166)	(108)
Capital contribution from limited partners and general partner	32,397	24,720	7,799
Increase (decrease) in amounts due to affiliates, net	—	(1,293)	1,293
Net cash provided by (used in) financing activities	26,328	(14,793)	(51,555)
Net decrease in cash and cash equivalents	(45)	(153)	(3,041)
Cash and cash equivalents at beginning of period	50	203	3,244
Cash and cash equivalents at end of period	$ 5	$ 50	$ 203
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 18,527	$ 22,134	$ 19,696
Cash paid for taxes, net	$ 223	$ 620	$ 104
Supplemental disclosure of non-cash transactions:			
Non-cash capital contribution from limited and general partner	$ 9,606	$ 2,838	$ 5,967
Non-cash capital contribution for contract operations equipment acquired/exchanged, net	$ 183,643	$ 126,911	$ 141,745
Intangible assets allocated in acquisitions	$ 6,400	$ 5,864	$ 5,746
Debt assumed in acquisitions	$ 159,434	$ —	$ 57,200
Non-cash capital distribution due to the June 2011 Contract Operations Acquisition	$ 24,655	$ —	$ —
Common units issued to limited partner in acquisitions	$ —	$ 125,043	$ 82,722
General partner units issued in acquisitions	$ 767	$ 2,548	$ 1,685

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

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

Exterran Partners, L.P., together with its subsidiaries ("we" or the "Partnership"), is a publicly held Delaware limited partnership formed on June 22, 2006 to acquire certain contract operations customer service agreements and a compressor fleet used to provide compression services under those agreements. As of December 31, 2011, public unitholders held a 65% ownership interest in us and Exterran Holdings, Inc. ("Exterran Holdings") owned our remaining equity interests, including the general partner interests and all of our incentive distribution rights.

Exterran General Partner, L.P. is our general partner and an indirect wholly-owned subsidiary of Exterran Holdings. As Exterran General Partner, L.P. is a limited partnership, its general partner, Exterran GP LLC, conducts our business and operations, and the board of directors and officers of Exterran GP LLC make decisions on our behalf.

Nature of Operations

Natural gas compression is a mechanical process whereby the pressure of a volume of natural gas is increased to a desired higher pressure for transportation from one point to another, and is essential to the production and transportation of natural gas. Compression is typically required several times during the natural gas production and transportation cycle, including: (i) at the wellhead; (ii) throughout gathering and distribution systems; (iii) into and out of processing and storage facilities; and (iv) along intrastate and interstate pipelines. We also own and operate a natural gas processing plant with a capacity of 8 million cubic feet per day used to provide processing services pursuant to a long-term services agreement.

Principles of Consolidation

The accompanying consolidated financial statements include us and our subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S.") ("GAAP") requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosures of contingent assets and liabilities. Because of the inherent uncertainties in this process, actual future results could differ from those expected at the reporting date. Management believes that the estimates and assumptions used are reasonable.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consisted of cash restricted for use to pay for expenses incurred under our asset-backed securitization facility, which terminated in November 2010. Restricted cash is presented separately from cash and cash equivalents in the statement of cash flows.

Revenue Recognition

Revenue from contract operations is recorded when earned, which generally occurs monthly at the time the monthly service is provided to customers in accordance with the contracts.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents and trade accounts receivable. We believe that the credit risk in cash investments that we have with financial institutions is minimal. Trade accounts receivable are due from companies of varying size engaged principally in oil and natural gas activities throughout the world. We review the financial condition of customers prior to extending credit and generally do not obtain collateral for trade receivables. Payment terms are on a short-term basis and in accordance with industry practice. We consider this credit risk to be limited due to these companies' financial resources, the nature of the services we provide them and the terms of our contract operations customer service agreements.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The determination of the collectibility of amounts due from our customers requires us to use estimates and make judgments regarding future events and trends, including monitoring our customers' payment history and current creditworthiness to determine that collectibility is reasonably assured, as well as consideration of the overall business climate in which our customers operate. These uncertainties require us to make judgments and estimates regarding our customers' ability to pay amounts due us in order to determine the appropriate amount of valuation allowances required for doubtful accounts. We review the adequacy of our allowance for doubtful accounts quarterly. We determine the allowance needed based on historical write-off experience and by evaluating significant balances aged greater than 90 days individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. During the years ended December 31, 2011, 2010 and 2009, our bad debt expense was $0.1 million, $1.3 million and $0.6 million, respectively. During the year ended December 31, 2009, one customer accounted for 11% of our total revenue. No other customer individually accounted for 10% or more of our total revenue for the years ended December 31, 2011, 2010 and 2009.

Property, Plant and Equipment

Property, plant and equipment is carried at cost. Depreciation for financial reporting purposes is computed on the straight-line basis using estimated useful lives. For compression equipment, depreciation begins with the first compression service. The estimated useful lives for compression equipment as of December 31, 2011 were 15 to 30 years. Maintenance and repairs are charged to expense as incurred. Overhauls and major improvements that increase the value or extend the life of compressor units are capitalized and depreciated over the estimated useful life of up to seven years. Depreciation expense for the years ended December 31, 2011, 2010 and 2009 was $65.9 million, $51.1 million and $35.8 million, respectively.

Long-Lived Assets

We review for impairment of long-lived assets, including property, plant and equipment and identifiable intangibles that are being amortized whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. The impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value. Identifiable intangibles are amortized over the assets' estimated useful lives.

Goodwill and Intangible Assets

Goodwill is reviewed for impairment annually or whenever events indicate impairment may have occurred.

Intangible assets and deferred debt issuance costs consisted of the following (in thousands):

	December 31, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Deferred debt issuance costs	$ 6,828	$(1,527)	$ 5,825	$ (199)
Customer- related (14-18 year life)	20,078	(3,193)	13,678	(1,278)
Contract based (7-9 year life)	1,210	(1,125)	1,210	(991)
Intangible assets and deferred debt issuance costs	$28,116	$(5,845)	$20,713	$(2,468)

Amortization of deferred debt issuance costs totaled $1.3 million, $1.2 million and $0.5 million in 2011, 2010 and 2009, respectively, and is recorded to interest expense in our consolidated statements of operations. Amortization expense for finite life intangible assets totaled $2.0 million, $1.4 million and $0.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Estimated future intangible amortization expense is as follows (in thousands):

2012	$ 2,234
2013	2,021
2014	1,823
2015	1,645
2016	1,483
Thereafter	7,764
Total	$16,970

Due To/From Affiliates, Net

We have receivables and payables with Exterran Holdings. A valid right of offset exists related to the receivables and payables with these affiliates and as a result, we present such amounts on a net basis on our consolidated balance sheets.

The transactions reflected in due to/from affiliates, net primarily consist of centralized cash management activities between us and Exterran Holdings. Because these balances are treated as short-term borrowings between us and Exterran Holdings, serve as a financing and cash management tool to meet our short-term operating needs, are large, turn over quickly and are payable on demand, we present borrowings and repayments with our affiliates on a net basis within the consolidated statements of cash flows. Net receivables from our affiliate are considered advances and changes are presented as investing activities in the consolidated statements of cash flows. Net payables due to our affiliate are considered borrowings and changes are presented as financing activities in the consolidated statements of cash flows.

Income Taxes

As a partnership, all income, gains, losses, expenses, deductions and tax credits generated by us generally flow through to our unitholders. However, some states impose an entity-level income tax on partnerships, including

us. For the years ended December 31, 2011, 2010 and 2009, we recorded income tax expense of approximately $0.9 million, $0.7 million and $0.5 million, respectively, related to state income taxes.

Segment Reporting

ASC 280, "Segment Reporting," establishes standards for entities to report information about the operating segments and geographic areas in which they operate. We only operate in one segment and all of our operations are located in the U.S.

Fair Value of Financial Instruments

Our financial instruments consist of cash, trade receivables and payables, interest rate swaps and long-term debt. At December 31, 2011 and 2010, the estimated fair values of those financial instruments approximated their carrying values as reflected in our consolidated balance sheets. The fair value of our debt has been estimated based on similar debt transactions that occurred near the valuation dates.

Hedging and Uses of Derivative Instruments

We use derivative financial instruments to minimize the risks and/or costs associated with financial activities by managing our exposure to interest rate fluctuations on a portion of our debt obligations. We do not use derivative financial instruments for trading or other speculative purposes. We record interest rate swaps on the balance sheet as either derivative assets or derivative liabilities measured at their fair value. The fair value of our derivatives was estimated using a combination of the market and income approach. Changes in the fair value of the swaps designated as cash flow hedges are deferred in accumulated other comprehensive loss to the extent the contracts are effective as hedges until settlement of the underlying hedged transaction. To qualify for hedge accounting treatment, we must formally document, designate and assess the effectiveness of the transactions. If the necessary correlation ceases to exist or if physical delivery of the hedged item becomes improbable, we would discontinue hedge accounting and apply mark-to-market accounting. Amounts paid or received from interest rate swap agreements are charged or credited to interest expense and matched with the cash flows and interest expense of the debt being hedged, resulting in an adjustment to the effective interest rate.

Earnings Per Common and Subordinated Unit

The computations of earnings per common and subordinated unit are based on the weighted average number of common and subordinated units, respectively, outstanding during the applicable period. Our subordinated units meet the definition of a participating security and therefore we are required to use the two-class method in the computation of earnings per unit. Basic earnings per common and subordinated unit are determined by dividing net income allocated to the common units and subordinated units, respectively, after deducting the amount allocated to our general partner (including distributions to our general partner on its incentive distribution rights), by the weighted average number of outstanding common and subordinated units, respectively, during the period.

When computing earnings per common and subordinated unit under the two-class method in periods when distributions are greater than earnings, the amount of the incentive distribution rights, if any, is deducted from net income and allocated to our general partner for the period to which the calculation relates. The remaining amount of net income, after deducting the incentive distribution rights, is allocated between the general partner, common and subordinated units based on how our partnership agreement allocates net losses.

When computing earnings per common and subordinated unit under the two-class method in periods when earnings are greater than distributions, earnings are allocated to the general partner, common and subordinated

units based on how our partnership agreement would allocate earnings if the full amount of earnings for the period had been distributed. This allocation of net income does not impact our total net income, consolidated results of operations or total cash distributions; however, it may result in our general partner being allocated additional incentive distributions for purposes of our earnings per unit calculation, which could reduce net income per common and subordinated unit. However, as defined in our partnership agreement, we determine cash distributions based on available cash and determine the actual incentive distributions allocable to our general partner based on actual distributions.

The potentially dilutive securities issued by us include phantom units, which do not require an adjustment to the amount of net income (loss) used for dilutive earnings (loss) per common unit purposes. The table below indicates the potential common units that were included in computing the dilutive potential common units used in diluted earnings (loss) per common unit (in thousands):

	Years Ended December 31,		
	2011	2010	2009
Weighted average common units outstanding — used in basic earnings (loss) per common unit	31,390	21,360	13,461
Net dilutive potential common units issuable:			
Phantom units	13	**	16
Weighted average common units and dilutive potential common units — used in diluted earnings (loss) per common unit	31,403	21,360	13,477

** Excluded from diluted earnings (loss) per common unit as the effect would have been anti-dilutive.

The table below indicates the potential number of common units that were excluded from net dilutive potential units of common units as their effect would have been anti-dilutive (in thousands):

	Years Ended December 31,		
	2011	2010	2009
Net dilutive potential common units issuable:			
Phantom units	3	19	—
Net dilutive potential common units issuable	3	19	—

Reclassifications

Certain amounts in the prior financial statements have been reclassified to conform to the 2011 financial statement classification. These reclassifications have no impact on our consolidated results of operations, cash flows or financial position.

2. June 2011, August 2010 and November 2009 Contract Operations Acquisitions

In June 2011, we acquired from Exterran Holdings contract operations customer service agreements with 34 customers and a fleet of 407 compressor units used to provide compression services under those agreements, comprising approximately 289,000 horsepower, or 8% (by then available horsepower) of the combined U.S. contract operations business of Exterran Holdings and us (the "June 2011 Contract Operations Acquisition"). In addition, the acquired assets included 207 compressor units, comprising approximately 98,000 horsepower previously leased from Exterran Holdings to us, and a natural gas processing plant with a capacity of 8 million

cubic feet per day used to provide processing services pursuant to a long-term services agreement. At the date of acquisition, the acquired fleet assets had a net book value of $191.4 million, net of accumulated depreciation of $85.5 million. Total consideration for the transaction was approximately $223.0 million, excluding transaction costs. In connection with this acquisition, we assumed $159.4 million of Exterran Holdings' debt, paid $62.2 million in cash and issued approximately 51,000 general partner units to our general partner.

In connection with this acquisition, we were allocated $6.4 million finite life intangible assets associated with customer relationships of Exterran Holdings' North America contract operations segment. The amounts allocated were based on the ratio of fair value of the net assets transferred to us to the total fair value of Exterran Holdings' North America contract operations segment. These intangible assets are being amortized through 2024, based on the present value of expected income to be realized from these intangible assets.

In August 2010, we acquired from Exterran Holdings contract operations customer service agreements with 43 customers and a fleet of approximately 580 compressor units used to provide compression services under those agreements having a net book value of $121.8 million, net of accumulated depreciation of $53.6 million, and comprising approximately 255,000 horsepower, or 6% (by then available horsepower) of the combined U.S. contract operations business of Exterran Holdings and us (the "August 2010 Contract Operations Acquisition") for approximately $214.0 million, excluding transaction costs. In connection with this acquisition, we issued approximately 8.2 million common units and approximately 167,000 general partner units to Exterran Holdings' wholly-owned subsidiaries.

In connection with this acquisition, we were allocated $5.9 million finite life intangible assets associated with customer relationships of Exterran Holdings' North America contract operations segment. The amounts allocated were based on the ratio of fair value of the net assets transferred to us to the total fair value of Exterran Holdings' North America contract operations segment. These intangible assets are being amortized through 2024, based on the present value of expected income to be realized from these intangible assets.

In November 2009, we acquired from Exterran Holdings certain contract operations customer service agreements with 18 customers and a fleet of approximately 900 compressor units used to provide compression services under those agreements having a net book value of $137.2 million, net of accumulated depreciation of $47.2 million, and comprising approximately 270,000 horsepower, or 6% (by then available horsepower) of the combined U.S. contract operations business of Exterran Holdings and us (the "November 2009 Contract Operations Acquisition"). In connection with this acquisition, we assumed $57.2 million of long-term debt from Exterran Holdings and issued to Exterran Holdings approximately 4.7 million common units and approximately 97,000 general partner units. Concurrent with the closing of the November 2009 Contract Operations Acquisition, we borrowed $28.0 million and $30.0 million under our revolving credit facility and asset-backed securitization facility, respectively, which together were used to repay the debt assumed from Exterran Holdings in the acquisition.

In connection with this acquisition, we were allocated $4.5 million finite life intangible assets of Exterran Holdings' North America contract operations segment. The amounts allocated were based on the ratio of fair value of the net assets transferred to us to the total fair value of Exterran Holdings' North America contract operations segment. The amount of finite life intangible assets included in the November 2009 Contract Operations Acquisition is comprised of $4.3 million associated with customer relationships and $0.2 million associated with customer service agreements. These intangible assets are being amortized through 2024 and 2016, respectively, based on the present value of expected income to be realized from these assets.

Because Exterran Holdings and we are considered entities under common control, GAAP requires that we record the assets acquired and liabilities assumed from Exterran Holdings in connection with the June 2011 Contract

Operations Acquisition, the August 2010 Contract Operations Acquisition and the November 2009 Contract Operations Acquisition using Exterran Holdings' historical cost basis in the assets and liabilities.

An acquisition of a business from an entity under common control is generally accounted for under GAAP by the acquirer with retroactive application as if the acquisition date was the beginning of the earliest period included in the financial statements. Retroactive effect to the June 2011 Contract Operations Acquisition, the August 2010 Contract Operations Acquisition and the November 2009 Contract Operations Acquisitions was impracticable because such retroactive application would have required significant assumptions in a prior period that cannot be substantiated. Accordingly, our financial statements include the assets acquired, liabilities assumed, revenues and direct operating expenses associated with the acquisition beginning on the date of such acquisition. However, the preparation of pro forma financial information allows for certain assumptions that do not meet the standards of financial statements prepared in accordance with GAAP.

Unaudited Pro Forma Financial Information

Pro forma financial information for the years ended December 31, 2011, 2010 and 2009 has been included to give effect to the expansion of our compressor fleet and service contracts and addition of a natural gas processing plant as a result of the June 2011 Contract Operations Acquisition, the August 2010 Contract Operations Acquisition and the November 2009 Contract Operations Acquisition. The June 2011 Contract Operations Acquisition is presented in the pro forma financial information as though the transaction occurred as of January 1, 2010. The August 2010 Contract Operations Acquisition and the November 2009 Contract Operations Acquisition are presented in the pro forma financial information as though the transactions occurred as of January 1, 2009. The unaudited pro forma financial information for the years ended December 31, 2011, 2010 and 2009 reflect the following transactions:

As related to the June 2011 Contract Operations Acquisition:

- our acquisition in June 2011 of certain contract operations customer service agreements, compression equipment and a natural gas processing plant from Exterran Holdings;
- our assumption of $159.4 million of Exterran Holdings' long-term debt;
- our payment of $62.2 million in cash to Exterran Holdings; and
- our issuance of approximately 51,000 general partner units to our general partner.

As related to the August 2010 Contract Operations Acquisition:

- our acquisition in August 2010 of certain contract operations customer service agreements and compression equipment from Exterran Holdings; and
- our issuance of approximately 8.2 million common units and approximately 167,000 general partner units to Exterran Holdings' wholly-owned subsidiaries.

As related to the November 2009 Contract Operations Acquisition:

- our acquisition in November 2009 of certain contract operations customer service agreements and compression equipment from Exterran Holdings;
- our assumption of $57.2 million of Exterran Holdings' long-term debt;
- our borrowing of $30.0 million under our asset-backed securitization facility and $28.0 million under our revolving credit facility and use of those proceeds to retire the debt assumed from Exterran Holdings; and
- our issuance of approximately 4.7 million common units and approximately 97,000 general partner units to Exterran Holdings' wholly-owned subsidiaries.

The unaudited pro forma financial information below is presented for informational purposes only and is not necessarily indicative of the results of operations that would have occurred had the transaction been consummated at the beginning of the period presented, nor is it necessarily indicative of future results. The unaudited pro forma consolidated financial information below was derived by adjusting our historical financial statements.

The following table presents unaudited pro forma financial information for the years ended December 31, 2011, 2010 and 2009 (in thousands, except per unit amounts):

	Years Ended December 31,		
	2011	2010	2009
Revenue	$334,071	$322,333	$286,393
Net income (loss)	$ 8,424	$ (5,006)	$ 43,181
Basic earnings (loss) per common and subordinated limited partner unit	$ 0.15	$ (0.20)	$ 1.27
Diluted earnings (loss) per common and subordinated limited partner unit	$ 0.15	$ (0.20)	$ 1.27

Pro forma net income (loss) per limited partner unit is determined by dividing the pro forma net income (loss) that would have been allocated to the common and subordinated unitholders by the weighted average number of common and subordinated units expected to be outstanding after the completion of the transactions included in the pro forma consolidated financial statements. All common units issued in connection with the August 2010 Contract Operations Acquisition and the November 2009 Contract Operations Acquisition were assumed to have been outstanding during the period in which the associated results of operations from each acquisition have been included. Pursuant to our partnership agreement, to the extent that the quarterly distributions exceed certain targets, our general partner is entitled to receive certain incentive distributions that will result in more net income (loss) proportionately being allocated to our general partner than to the holders of our common and subordinated units. The pro forma net earnings (loss) per limited partner unit calculations reflect pro forma incentive distributions to our general partner. There was no additional pro forma reduction of net income allocable to our limited partners, including the amount of additional incentive distributions that would have occurred, for the year ended December 31, 2011. The pro forma net earnings (loss) per limited partner unit calculations reflect pro forma incentive distributions to our general partner, including an additional pro forma reduction of net income (loss) allocable to our limited partners of approximately $0.4 million and $0.6 million for the years ended December 31, 2010 and 2009, respectively, which includes the amount of additional incentive distributions that would have occurred during the period.

3. Related Party Transactions

We are a party to an omnibus agreement with Exterran Holdings and others (as amended and restated, the "Omnibus Agreement"), the terms of which include, among other things:

- certain agreements not to compete between Exterran Holdings and its affiliates, on the one hand, and us and our affiliates, on the other hand;
- Exterran Holdings' obligation to provide all operational staff, corporate staff and support services reasonably necessary to operate our business and our obligation to reimburse Exterran Holdings for the provision of such services, subject to certain limitations and the cost caps discussed below;

- the terms under which we, Exterran Holdings, and our respective affiliates may transfer, exchange or lease compression equipment among one another;
- the terms under which we may purchase newly-fabricated contract operations equipment from Exterran Holdings' affiliates;
- Exterran Holdings' grant of a license of certain intellectual property to us, including our logo; and
- Exterran Holdings' obligation to indemnify us for certain liabilities and our obligation to indemnify Exterran Holdings for certain liabilities.

The Omnibus Agreement will terminate upon a change of control of our general partner or the removal or withdrawal of our general partner, and certain provisions of the Omnibus Agreement will terminate upon a change of control of Exterran Holdings.

Non-competition

Under the Omnibus Agreement, subject to the provisions described below, Exterran Holdings has agreed not to offer or provide compression services in the U.S. to our contract operations services customers that are not also contract operations services customers of Exterran Holdings. Compression services are defined to include the provision of natural gas contract compression services, but exclude fabrication of compression equipment, sales of compression equipment or material, parts or equipment that are components of compression equipment, leasing of compression equipment without also providing related compression equipment service, gas processing operations services and operating, maintenance, service, repairs or overhauls of compression equipment owned by third parties. In addition, under the Omnibus Agreement, we have agreed not to offer or provide compression services to Exterran Holdings' U.S. contract operations services customers that are not also contract operations services customers of ours.

At the time of execution of the Omnibus Agreement with Exterran Holdings, some of our customers were also contract operations services customers of Exterran Holdings, which we refer to as overlapping customers. We and Exterran Holdings have agreed, subject to the exceptions described below, not to provide contract operations services to an overlapping customer at any site at which the other was providing such services to an overlapping customer on the date of the Omnibus Agreement, each being referred to as a "Partnership site" or an "Exterran site." After the date of the Omnibus Agreement, if an overlapping customer requests contract operations services at a Partnership site or an Exterran site, whether in addition to or in replacement of the equipment existing at such site on the date of the Omnibus Agreement, we will be entitled to provide contract operations services if such overlapping customer is a Partnership overlapping customer, and Exterran Holdings will be entitled to provide such contract operations services at other locations if such overlapping customer is an Exterran overlapping customer. Additionally, any additional contract operations services provided to a Partnership overlapping customer will be provided by us and any additional services provided to an Exterran overlapping customer will be provided by Exterran Holdings.

Exterran Holdings also has agreed that new customers for contract compression services (neither our customers nor customers of Exterran Holdings for U.S. contract compression services) are for our account unless the new customer is unwilling to contract with us or unwilling to do so under our form of compression services agreement. If a new customer is unwilling to enter into such an arrangement with us, then Exterran Holdings may provide compression services to the new customer. In the event that either we or Exterran Holdings enter into a contract to provide compression services to a new customer, either we or Exterran Holdings, as applicable, will receive the protection of the applicable non-competition arrangements described above in the same manner as if such new customer had been a compression services customer of either us or Exterran Holdings on the date of the Omnibus Agreement.

Unless the Omnibus Agreement is terminated earlier due to a change of control of our general partner or the removal or withdrawal of our general partner, or from a change of control of Exterran Holdings, the non-competition provisions of the Omnibus Agreement will terminate on December 31, 2013 or on the date on which a change of control of Exterran Holdings occurs, whichever event occurs first. If a change of control of Exterran Holdings occurs, and neither the Omnibus Agreement nor the non-competition arrangements have already terminated, Exterran Holdings will agree for the remaining term of the non-competition arrangements not to provide contract operations services to our customers at the sites at which we are providing contract operations services to them at the time of the change of control.

Indemnification for Environmental and Related Liabilities

Under the Omnibus Agreement, Exterran Holdings has agreed to indemnify us, for a three-year period following each applicable asset acquisition from Exterran Holdings, against certain potential environmental claims, losses and expenses associated with the ownership and operation of the acquired assets that occur before the acquisition date. Exterran Holdings' maximum liability for environmental indemnification obligations under the Omnibus Agreement cannot exceed $5 million, and Exterran Holdings will not have any obligation under the environmental or any other indemnification until our aggregate losses exceed $250,000. Exterran Holdings will have no indemnification obligations with respect to environmental claims made as a result of additions to or modifications of environmental laws promulgated after such acquisition date. We have agreed to indemnify Exterran Holdings against environmental liabilities occurring on or after the applicable acquisition date related to our assets to the extent Exterran Holdings is not required to indemnify us.

Additionally, Exterran Holdings will indemnify us for losses attributable to title defects, retained assets and income taxes attributable to pre-closing operations. We will indemnify Exterran Holdings for all losses attributable to the post-closing operations of the assets contributed to us, to the extent not subject to Exterran Holdings' indemnification obligations. For the years ended December 31, 2011 and 2010, there were no requests for indemnification by either party.

Purchase of New Compression Equipment from Exterran Holdings

Pursuant to the Omnibus Agreement, we are permitted to purchase newly-fabricated compression equipment from Exterran Holdings or its affiliates at Exterran Holdings' cost to fabricate such equipment plus a fixed margin of 10%, which may be modified with the approval of Exterran Holdings and our conflicts committee. During the years ended December 31, 2011 and 2010, we purchased $7.6 million and $9.8 million, respectively, of newly-fabricated compression equipment from Exterran Holdings. Transactions between us and Exterran Holdings and its affiliates are transactions between entities under common control. Under GAAP, transfers of assets and liabilities between entities under common control are to be initially recorded on the books of the receiving entity at the carrying value of the transferor. Any difference between consideration given and the carrying value of the assets or liabilities is treated as a capital distribution or contribution. As a result, the equipment purchased during the years ended December 31, 2011 and 2010 was recorded in our consolidated balance sheet as property, plant and equipment of $6.8 million and $8.8 million, respectively, which represents the carrying value of the Exterran Holdings affiliates that sold it to us, and as a distribution of equity of $0.8 million and $1.0 million, respectively, which represents the fixed margin we paid above the carrying value in accordance with the Omnibus Agreement. During the years ended December 31, 2011 and 2010, Exterran Holdings contributed to us $9.6 million and $2.8 million, respectively, related to the completion of overhauls on compression equipment that was exchanged with us or contributed to us and where overhauls were in progress on the date of exchange or contribution.

Transfer, Exchange or Lease of Compression Equipment with Exterran Holdings

Pursuant to the Omnibus Agreement, in the event that Exterran Holdings determines in good faith that there exists a need on the part of Exterran Holdings' contract operations services business or on our part to transfer, exchange or lease compression equipment between Exterran Holdings and us, such equipment may be so transferred, exchanged or leased if it will not cause us to breach any existing contracts, suffer a loss of revenue under an existing compression services contract or incur any unreimbursed costs.

In consideration for such transfer, exchange or lease of compression equipment, the transferee will either (1) transfer to the transferor compression equipment equal in value to the appraised value of the compression equipment transferred to it; (2) agree to lease such compression equipment from the transferor; or (3) pay the transferor an amount in cash equal to the appraised value of the compression equipment transferred to it. Unless the Omnibus Agreement is terminated earlier as discussed above, the transfer of compression equipment provisions described above will terminate on December 31, 2013.

During the year ended December 31, 2011, pursuant to the terms of the Omnibus Agreement, we transferred ownership of 394 compressor units, totaling approximately 173,800 horsepower with a net book value of approximately $76.6 million, to Exterran Holdings. In exchange, Exterran Holdings transferred ownership of 347 compressor units, totaling approximately 138,700 horsepower with a net book value of approximately $68.8 million, to us. During the year ended December 31, 2010, pursuant to the terms of the Omnibus Agreement, we transferred ownership of 125 compressor units, totaling approximately 55,200 horsepower with a net book value of approximately $25.3 million, to Exterran Holdings. In exchange, Exterran Holdings transferred ownership of 200 compressor units, totaling approximately 53,000 horsepower with a net book value of approximately $30.2 million, to us. During the year ended December 31, 2011, we recorded capital distributions of approximately $7.8 million related to the differences in net book value on the compression equipment that was exchanged with us. During the year ended December 31, 2010, we recorded capital contributions of approximately $4.9 million related to the differences in net book value on the compression equipment that was exchanged with us. No customer service agreements were included in the transfers. Under the terms of the Omnibus Agreement, such transfers must be of equal appraised value, as defined in the Omnibus Agreement, with any difference being settled in cash. As a result, Exterran Holdings paid to us a nominal amount for the difference in fair value of the equipment in connection with the transfers during the year ended December 31, 2011 and we paid a nominal amount to Exterran Holdings for the difference in fair value of the equipment in connection with the transfers during the year ended December 31, 2010. We recorded the compressor units received at the historical book basis of Exterran Holdings. The units we received from Exterran Holdings were being utilized to provide services to our customers on the date of the transfers and, prior to the transfers, had been leased by us from Exterran Holdings. The units we transferred to Exterran Holdings were either being utilized to provide services to customers of Exterran Holdings on the date of the transfers, and prior to the transfers had been leased by Exterran Holdings from us or were idle.

At December 31, 2011, we had equipment on lease to Exterran Holdings with an aggregate cost and accumulated depreciation of $14.9 million and $3.2 million, respectively. For the years ended December 31, 2011, 2010 and 2009, we had revenues of $1.0 million, $0.9 million and $1.0 million, respectively, from Exterran Holdings related to the lease of our compression equipment. For the years ended December 31, 2011, 2010 and 2009, we had cost of sales of $14.4 million, $14.5 million and $11.1 million, respectively, with Exterran Holdings related to the lease of Exterran Holdings' compression equipment.

Reimbursement of Operating and General and Administrative Expense

Exterran Holdings provides all operational staff, corporate staff and support services reasonably necessary to run our business. The services provided by Exterran Holdings may include, without limitation, operations, marketing,

maintenance and repair, periodic overhauls of compression equipment, inventory management, legal, accounting, treasury, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes, facilities management, investor relations, enterprise resource planning system, training, executive, sales, business development and engineering.

We are charged costs incurred by Exterran Holdings directly attributable to us. Costs incurred by Exterran Holdings that are indirectly attributable to us and Exterran Holdings' other operations are allocated among Exterran Holdings other operations and us. The allocation methodologies vary based on the nature of the charge and include, among other things, revenue and horsepower. We believe that the allocation methodologies used to allocate indirect costs to us are reasonable. Included in our selling, general and administrative ("SG&A") expense for the years ended December 31, 2011, 2010 and 2009 are $35.9 million, $27.2 million and $20.1 million, respectively, of indirect costs incurred by Exterran Holdings.

Under the Omnibus Agreement, Exterran Holdings has agreed that, for a period that will terminate on December 31, 2012, our obligation to reimburse Exterran Holdings for: (i) any cost of sales that it incurs in the operation of our business will be capped (after taking into account any such costs we incur and pay directly); and (ii) any cash SG&A costs allocated to us will be capped (after taking into account any such costs we incur and pay directly). Cost of sales is capped at $21.75 per operating horsepower per quarter from July 30, 2008 through December 31, 2012. SG&A costs were capped at $6.0 million per quarter from July 30, 2008 through November 9, 2009, at $7.6 million per quarter from November 10, 2009 through June 9, 2011 and are capped at $9.0 million per quarter from June 10, 2011 through December 31, 2012. These caps may be subject to future adjustment or termination in connection with expansions of our operations through the acquisition or construction of new assets or businesses.

For the years ended December 31, 2011 and 2010, our cost of sales exceeded the cap provided in the Omnibus Agreement by $26.5 million and $21.4 million, respectively. For the years ended December 31, 2011 and 2010, our SG&A expenses exceeded the cap provided in the Omnibus Agreement by $5.9 million and $3.3 million, respectively. The excess amounts over the caps are included in the consolidated statements of operations as cost of sales or SG&A expense. The cash received for the amounts over the caps has been accounted for as a capital contribution in our consolidated balance sheets and consolidated statements of cash flows.

4. Goodwill

We review the carrying value of our goodwill in the fourth quarter of every year, or whenever events indicate impairment may have occurred, to determine if the estimated recoverable value of our reporting unit exceeds the net carrying value of the reporting unit, including the applicable goodwill.

A qualitative assessment is performed to determine whether it is more likely than not that the fair value of the reporting unit is impaired. If it is more likely than not, we perform a goodwill impairment test. We determine the fair value of our reporting unit using both the expected present value of future cash flows and a market approach. Each approach is weighted 50% in determining our calculated fair value. The present value of future cash flows is estimated using our most recent forecast and the weighted average cost of capital. The market approach uses a market multiple on the reporting unit's earnings before interest, tax, depreciation and amortization. Significant estimates for our reporting unit included in our impairment analysis are our cash flow forecasts, our estimate of the market's weighted average cost of capital and market multiples. Changes in forecasts, cost of capital and market multiples could affect the estimated fair value of our reporting unit and result in a goodwill impairment charge in a future period.

Management must apply judgment in determining the estimated fair value of our reporting unit for purposes of performing the annual goodwill impairment test. Management uses all available information to make this fair value determination, including the present values of expected future cash flows using discount rates commensurate with the risks involved in the assets.

For the years ended December 31, 2011, 2010 and 2009, we determined that there was no impairment of goodwill.

5. Debt

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

	December 31,	
	2011	2010
Revolving credit facility due November 2015	$395,500	$299,000
Term loan facility due November 2015	150,000	150,000
Long-term debt	$545,500	$449,000

Revolving Credit Facility and Term Loan

In November 2010, we entered into an amendment and restatement of our senior secured credit agreement (the •Credit AgreementŽ) to provide for a new five-year, $550.0 million senior secured credit facility consisting of a $400.0 million revolving credit facility and a $150.0 million term loan facility. In March 2011, the revolving borrowing capacity under this facility was increased by $150.0 million to $550.0 million. Concurrent with the execution of the Credit Agreement in November 2010, we borrowed $304.0 million under the revolving credit facility and $150.0 million under the term loan and used the proceeds to (i) repay the entire $406.1 million outstanding under our previous senior secured credit facility, (ii) repay the entire $30.0 million outstanding under our asset-backed securitization facility and terminate that facility, (iii) pay $14.8 million to terminate the interest rate swap agreements to which we wereour revolvingofwedit

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3.5% and (ii) in the case of base rate loans, from 1.5% to 2.5%. At December 31, 2011, all amounts outstanding under the term loan facility were LIBOR loans and the applicable margin was 2.75%. The average annual interest rate on the outstanding balance of the term loan at December 31, 2011 was 3.1%.

Borrowings under the Credit Agreement are secured by substantially all of the U.S. personal property assets of us and our Significant Domestic Subsidiaries (as defined in the Credit Agreement), including all of the membership interests of our Domestic Subsidiaries (as defined in the Credit Agreement).

The Credit Agreement contains various covenants with which we must comply, including restrictions on the use of proceeds from borrowings and limitations on our ability to incur additional indebtedness, engage in transactions with affiliates, merge or consolidate, sell assets, make certain investments and acquisitions, make loans, grant liens, repurchase equity and pay dividends and distributions. We must maintain various consolidated financial ratios, including a ratio of EBITDA (as defined in the Credit Agreement) to Total Interest Expense (as defined in the Credit Agreement) of not less than 3.0 to 1.0 (which will decrease to 2.75 to 1.0 following the occurrence of certain events specified in the Credit Agreement) and a ratio of Total Debt (as defined in the Credit Agreement) to EBITDA of not greater than 4.75 to 1.0. As discussed above, because the June 2011 Contract Operations Acquisition closed during the second quarter of 2011, our Total Debt to EBITDA ratio was temporarily increased from 4.75 to 1.0 to 5.25 to 1.0 during the quarter ended June 30, 2011 and continued at that level through December 31, 2011, reverting to 4.75 to 1.0 for the quarter ending March 31, 2012 and subsequent quarters. As of December 31, 2011, we maintained a 7.3 to 1.0 EBITDA to Total Interest Expense ratio and a 3.7 to 1.0 Total Debt to EBITDA ratio. The Credit Agreement also contains various covenants requiring mandatory prepayments from the net cash proceeds of certain asset transfers and debt issuances. If we experience a material adverse effect on our assets, liabilities, financial condition, business or operations that, taken as a whole, impacts our ability to perform our obligations under the Credit Agreement, this, among other things, could lead to a default under that agreement. As of December 31, 2011, we were in compliance with all financial covenants under the Credit Agreement.

Long-term Debt Maturity Schedule

Contractual maturities of long-term debt (excluding interest to be accrued thereon) at December 31, 2011 are as follows (in thousands):

	December 31, 2011
2012	$ —
2013	—
2014	—
2015	545,500
2016	—
Thereafter	—
Total debt	$545,500

6. Partners' Equity, Allocations and Cash Distributions

Units Outstanding

All of our subordinated units were owned by a wholly-owned subsidiary of Exterran Holdings. As of both June 30, 2011 and 2010, we met the requirements under our partnership agreement for early conversion of 1,581,250 of these subordinated units into common units. Accordingly, in each of August 2011 and 2010,

1,581,250 subordinated units owned by Exterran Holdings converted into common units. As of September 30, 2011, we met the requirements under our partnership agreement for the end of the subordination period and, therefore, our remaining 3,162,500 subordinated units converted into common units in November 2011.

In June 2011, we completed the June 2011 Contract Operations Acquisition from Exterran Holdings. In connection with this acquisition, we issued approximately 51,000 general partner units to our general partner.

In May 2011, we sold, pursuant to a public underwritten offering, 5,134,175 common units representing limited partner interests in us, including 134,175 common units sold pursuant to an over-allotment option. The net proceeds from this offering of $127.7 million were used (i) to repay approximately $64.8 million of borrowings outstanding under the revolving credit facility and (ii) for general partnership purposes, including to fund a portion of the consideration for the June 2011 Contract Operations Acquisition from Exterran Holdings. In connection with this sale and as permitted under the partnership agreement, we issued approximately 53,000 general partner units to our general partner in consideration of the continuation of its approximate 2.0% general partner interest in us. Our general partner made a capital contribution to us in the amount of $1.3 million as consideration for such units.

In March 2011, Exterran Holdings sold, pursuant to a public underwritten offering, 5,914,466 common units representing limited partner interests in us, including 664,466 common units sold pursuant to an over-allotment option. We did not sell any common units in this offering and did not receive any proceeds from the sale of the common units by Exterran Holdings. In connection with our initial issuance of these units to Exterran Holdings, we agreed to pay certain costs relating to their future public sale. These costs have been recorded as a reduction to partners' capital.

In September 2010, Exterran Holdings sold, pursuant to a public underwritten offering, 5,290,000 common units representing limited partner interests in us, including 690,000 common units sold pursuant to an over-allotment option. We did not sell any common units in this offering and did not receive any proceeds from the sale of the common units by Exterran Holdings. In connection with our initial issuance of units to Exterran Holdings, we agreed to pay certain costs relating to their future public sale. These costs have been recorded as a reduction to partners' capital.

In August 2010, we completed the August 2010 Contract Operations Acquisition from Exterran Holdings. In connection with this acquisition, we issued approximately 8.2 million common units and 167,000 general partner units to Exterran Holdings' wholly-owned subsidiaries.

In November 2009, we completed the November 2009 Contract Operations Acquisition from Exterran Holdings. In connection with this acquisition, we issued approximately 4.7 million common units and 97,000 general partner units to Exterran Holdings' wholly-owned subsidiaries.

Partners' capital at December 31, 2011 consists of 37,274,591 common units outstanding representing a 98% effective ownership interest in us, and 757,722 general partner units representing a 2% general partner interest in us.

As of December 31, 2011, Exterran Holdings owned 12,495,391 common units and 757,722 general partner units, collectively representing a 35% interest in us.

Common Units

For quarters during the subordination period, which ended September 30, 2011, the common units had the right to receive distributions of available cash (as defined in the partnership agreement) from operating surplus in an amount equal to the minimum quarterly distribution of $0.35 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus were made on the subordinated units. The purpose of the subordinated units was to increase the likelihood that during the subordination period there was available cash to be distributed on the common units. At the end of the subordination period, the common units were not due any arrearages and all subordinated units had received full distributions.

For quarters following the end of the subordination period, the common units have the right to receive distributions of available cash (as defined in the partnership agreement) from operating surplus in an amount equal to the minimum quarterly distribution of $0.35 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters.

The common units have limited voting rights as set forth in our partnership agreement.

Subordinated Units

As of September 30, 2011, we met the requirements under our partnership agreement for the end of the subordination period and, therefore, our remaining 3,162,500 subordinated units converted into common units in November 2011.

For quarters during the subordination period, the subordinated units had no right to receive distributions of available cash from operating surplus until the common units received distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.35 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters. No arrearages were to be paid to subordinated units.

The subordinated units had limited voting rights as set forth in our partnership agreement.

General Partner Units

The general partner units have the same rights to receive distributions of available cash from operating surplus as the common units for each quarter. The general partner units also have the right to receive incentive distributions of cash in excess of the minimum quarterly distributions.

The general partner units have the management rights set forth in our partnership agreement.

Cash Distributions

For quarters during the subordination period, which ended on September 30, 2011, we made distributions of available cash (as defined in our partnership agreement) from operating surplus in the following manner:

- *first*, 98% to the common unitholders, pro rata, and 2% to our general partner, until we distributed for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;
- *second*, 98% to the common unitholders, pro rata, and 2% to our general partner, until we distributed for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;

- *third*, 98% to the subordinated unitholders, pro rata, and 2% to our general partner, until we distributed for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter;
- *fourth*, 98% to all common and subordinated unitholders, pro rata, and 2% to our general partner, until each unit had received a distribution of $0.4025;
- *fifth*, 85% to all common and subordinated unitholders, pro rata, and 15% to our general partner, until each unit had received a distribution of $0.4375;
- *sixth*, 75% to all common and subordinated unitholders, pro rata, and 25% to our general partner, until each unit had received a total of $0.525; and
- *thereafter*, 50% to all common and subordinated unitholders, pro rata, and 50% to our general partner.

For quarters following the end of the subordination period, which ended on September 30, 2011, we make distributions of available cash (as defined in our partnership agreement) from operating surplus in the following manner:

- *first*, 98% to the common unitholders, pro rata, and 2% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;
- *second*, 98% to common unitholders, pro rata, and 2% to our general partner, until each unit has received a distribution of $0.4025;
- *third*, 85% to all common unitholders, pro rata, and 15% to our general partner, until each unit has received a distribution of $0.4375;
- *fourth*, 75% to all common unitholders, pro rata, and 25% to our general partner, until each unit has received a total of $0.525; and
- *thereafter*, 50% to all common unitholders, pro rata, and 50% to our general partner.

The following table summarizes our distributions per unit for 2009, 2010 and 2011:

Period Covering	Payment Date	Distribution per Limited Partner Unit	Total Distribution(1)
1/1/2009 — 3/31/2009	May 15, 2009	$0.4625	$9.3 million
4/1/2009 — 6/30/2009	August 14, 2009	0.4625	9.3 million
7/1/2009 — 9/30/2009	November 13, 2009	0.4625	9.3 million
10/1/2009 — 12/31/2009	February 12, 2010	0.4625	11.6 million
1/1/2010 — 3/31/2010	May 14, 2010	0.4625	11.6 million
4/1/2010 — 6/30/2010	August 13, 2010	0.4625	11.6 million
7/1/2010 — 9/30/2010	November 12, 2010	0.4675	15.7 million
10/1/2010 — 12/31/2010	February 14, 2011	0.4725	16.0 million
1/1/2011 — 3/31/2011	May 13, 2011	0.4775	16.2 million
4/1/2011 — 6/30/2011	August 12, 2011	0.4825	19.1 million
7/1/2011 — 9/30/2011	November 14, 2011	0.4875	19.3 million
10/1/2011 — 12/31/2011	February 14, 2012	0.4925	19.6 million

(1) Includes distributions to our general partner on its incentive distribution rights.

7. Unit-Based Compensation

Long-Term Incentive Plan

We have a long-term incentive plan that was adopted by Exterran GP LLC, the general partner of our general partner, in October 2006 for employees, directors and consultants of us, Exterran Holdings or our respective affiliates. The long-term incentive plan currently permits the grant of awards covering an aggregate of 1,035,378 common units, unit options, restricted units and phantom units. The long-term incentive plan is administered by the board of directors of Exterran GP LLC or a committee thereof (the "Plan Administrator").

Unit options have an exercise price that is not less than the fair market value of the units on the date of grant and become exercisable over a period determined by the Plan Administrator. Phantom units are notional units that entitle the grantee to receive a common unit upon the vesting of the phantom unit or, at the discretion of the Plan Administrator, cash equal to the fair value of a common unit.

The following table presents the unit-based compensation expense included in our results of operations (in thousands):

	Years Ended December 31,		
	2011	2010	2009
Unit options	$ —	$ —	$ (1)
Phantom units	532	1,209	812
Total unit-based compensation expense(1)	$532	$1,209	$811

(1) Excludes the chargeback of unit-based compensation expense to Exterran Holdings of $0.6 million, $0.7 million and $0.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

We have granted phantom units to directors of Exterran GP LLC and to employees of Exterran Holdings and its subsidiaries. Because we grant phantom units to non-employees, we are required to re-measure the fair value of these phantom units each period and record a cumulative adjustment of the expense previously recognized. We recorded a reduction to SG&A expense of $0.7 million for the year ended December 31, 2011 related to the re-measurement of fair value of the phantom units. We recorded $0.3 million and $0.2 million in SG&A expense related to the re-measurement of fair value of the phantom units for the years ended December 31, 2010 and 2009, respectively.

Unit Options

All unit options vested and became exercisable on January 1, 2009, and expired on December 31, 2009.

As of December 31, 2011 and 2010, we had no unit options outstanding.

Phantom Units

During the year ended December 31, 2011, we granted 49,082 phantom units to officers and directors of Exterran GP LLC and certain employees of Exterran Holdings and its subsidiaries, which vest 33⅓% on each of the first three anniversaries of the grant date.

Exterran GP LLC's general practice has been to grant equity-based awards (i) to its officers once a year, in late February or early March around the time the compensation committee of the board of directors of Exterran

Holdings grants equity-based awards to Exterran Holdings' officers, and (ii) to its directors once a year in October or November, around the anniversary of our initial public offering. The schedule for making equity-based awards is typically established several months in advance and is not set based on knowledge of material nonpublic information or in response to our unit price. This practice results in awards being granted on a regular, predictable annual cycle. Equity-based awards are occasionally granted at other times during the year, such as upon the hiring of a new employee or following the promotion of an employee. In some instances, Exterran GP LLC's board of directors may be aware, at the time grants are made, of matters or potential developments that are not ripe for public disclosure at that time but that may result in public announcement of material information at a later date.

The following table presents phantom unit activity for 2011:

	Phantom Units	Weighted Average Grant-Date Fair Value per Unit
Phantom units outstanding, December 31, 2010	98,537	$19.23
Granted	49,082	24.70
Vested	(67,026)	20.47
Cancelled	(5,326)	22.56
Phantom units outstanding, December 31, 2011	75,267	21.45

As of December 31, 2011, $1.1 million of unrecognized compensation cost related to unvested phantom units is expected to be recognized over the weighted-average period of 1.8 years.

8. Accounting for Interest Rate Swap Agreements

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

Interest Rate Risk

At December 31, 2011, we were party to interest rate swaps pursuant to which we pay fixed payments and receive floating payments on a notional value of $250.0 million. We entered into these swaps to offset changes in expected cash flows due to fluctuations in the associated variable interest rates. Our interest rate swaps expire in November 2015. As of December 31, 2011, the weighted average effective fixed interest rate on our interest rate swaps was 1.8%. We have designated these interest rate swaps as cash flow hedging instruments so that any change in their fair values is recognized as a component of comprehensive income and is included in accumulated other comprehensive loss to the extent the hedge is effective. The swap terms substantially coincide with the hedged item and are expected to offset changes in expected cash flows due to fluctuations in the variable rate, and, therefore, we currently do not expect a significant amount of ineffectiveness on these hedges. We perform quarterly calculations to determine whether the swap agreements are still effective and to calculate any ineffectiveness. For the years ended December 31, 2011 and 2010, there was no ineffectiveness related to interest rate swaps. We estimate that $3.0 million of deferred pre-tax losses from existing interest rate swaps will be realized as an expense during the next twelve months. Cash flows from derivatives designated as hedges are classified in our consolidated statements of cash flows under the same category as the cash flows from the underlying assets, liabilities or anticipated transactions.

In November 2010, we paid $14.8 million to terminate interest rate swap agreements with a total notional value of $285.0 million and a weighted average effective fixed interest rate of 4.4%. These swaps qualified for hedge accounting and were previously included on our balance sheet as a liability and in accumulated other comprehensive loss. The liability was paid in connection with the termination, and the associated amount in accumulated other comprehensive loss is being amortized into interest expense over the original term of the swaps. We estimate that $0.9 million of deferred pre-tax losses from these terminated interest rate swaps will be amortized into interest expense during the next twelve months.

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

	December 31, 2011	
	Balance Sheet Location	Fair Value Asset (Liability)
Derivatives designated as hedging instruments:		
Interest rate hedges	Current portion of interest rate swaps	$(3,040)
Interest rate hedges	Interest rate swaps	(5,197)
Total derivatives		$(8,237)

	December 31, 2010	
	Balance Sheet Location	Fair Value Asset (Liability)
Derivatives designated as hedging instruments:		
Interest rate hedges	Interest rate swaps	$ 5,769
Interest rate hedges	Current portion of interest rate swaps	(3,112)
Total derivatives		$ 2,657

	Year Ended December 31, 2011		
	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)
Derivatives designated as cash flow hedges:			
Interest rate hedges	$(14,601)	Interest expense	$(13,961)

	Year Ended December 31, 2010		
	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)
Derivatives designated as cash flow hedges:			
Interest rate hedges	$(5,474)	Interest expense	$(11,658)

The counterparties to our derivative agreements are major international financial institutions. We monitor the credit quality of these financial institutions and do not expect non-performance by any counterparty, although such non-performance could have a material adverse effect on us. We have no specific collateral posted for our derivative instruments. The counterparties to our interest rate swaps are also lenders under our credit facility and, in that capacity, share proportionally in the collateral pledged under the credit facility.

9. Fair Value Measurements

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

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

The following table summarizes the valuation of our interest rate swaps and impaired long-lived assets as of and for the year ended December 31, 2011 with pricing levels as of the date of valuation (in thousands):

	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps asset (liability)	$(8,237)	$—	$(8,237)	$ —
Impaired long-lived assets	275	—	—	275

The following table summarizes the valuation of our interest rate swaps and impaired long-lived assets as of and for the year ended December 31, 2010 with pricing levels as of the date of valuation (in thousands):

	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps asset (liability)	$ 2,657	$—	$2,657	$ —
Impaired long-lived assets	12,819	—	—	12,819

On a quarterly basis, our interest rate swaps are recorded at fair value utilizing a combination of the market approach and income approach to estimate fair value. Our estimate of the fair value of the impaired long-lived assets was based on the estimated component value of the equipment that we plan to use.

10. Long-lived Asset Impairment

During 2011, we reviewed our idle compression fleet for units that were not of the type, configuration, make or model that are cost effective to maintain and operate. We performed a cash flow analysis of the expected

proceeds from the salvage value of these units to determine the fair value of the assets. The net book value of these assets exceeded the fair value by $1.1 million for the year ended December 31, 2011, and was recorded as a long-lived asset impairment.

During December 2010, we completed an evaluation of our longer-term strategies and, as a result, determined to retire and sell approximately 370 idle compressor units, or approximately 117,000 horsepower, that were previously used to provide services in our business. As a result of our decision to sell these compressor units, we performed an impairment review and based on that review, recorded a $24.6 million asset impairment to reduce the book value of each unit to its estimated fair value. The fair value of each unit was estimated based on the expected net sale proceeds as compared to other fleet units we had recently sold, as well as our review of other units that were recently for sale by third parties.

This decision was part of our longer-term strategy to upgrade our fleet. As part of this strategy, we also currently plan to invest more than we have in the recent past to add newly built compressor units to our fleet. We expect to focus this investment on key growth areas, including providing compression and processing services to producers of natural gas from shale plays and natural gas liquids.

As a result of a decline in market conditions during 2010 and 2009, we reviewed our idle compression fleet for units that were not of the type, configuration, make or model that are cost effective to maintain and operate. We performed a cash flow analysis of the expected proceeds from the salvage value of these units to determine the fair value of the assets. The net book value of these assets exceeded the fair value by $0.4 million and $3.2 million, respectively, for the years ended December 31, 2010 and 2009, and was recorded as a long-lived asset impairment.

11. 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. The net tax basis in our assets and liabilities is less than the reported amounts on the financial statements by approximately $189.3 million as of December 31, 2011. Certain states impose an entity-level income tax on partnerships. We are subject to income taxes in Texas and Michigan.

The following table reconciles net income (loss), as reported, to our U.S. federal partnership taxable income (loss) (in thousands):

	Years Ended December 31,		
	2011	2010	2009
Net income (loss), as reported	$ 6,053	$(23,333)	$ 14,784
Book/tax depreciation and amortization adjustment	6,201	7,524	(37,742)
Book/tax adjustment for unit-based compensation expense	532	1,209	811
Book/tax adjustment for interest rate swap terminations	10,252	(12,386)	—
Other temporary differences	(2,496)	2,212	2,728
Other permanent differences	93	4	16
U.S. federal partnership taxable income (loss)	$20,635	$(24,770)	$(19,403)

The following allocations and adjustments (which are not reflected in the reconciliation because they do not affect our total taxable income) may affect the amount of taxable income or loss allocated to a unitholder:

- *Internal Revenue Code ("IRC") Section 704(c) Allocations:* We make special allocations under IRC Section 704(c) to eliminate the disparity between a unitholder's U.S. GAAP capital account (credited with the fair market value of contributed property or the investment) and tax capital account (credited with the investor's tax basis). The effect of such allocations will be to either increase or decrease a unitholder's share of depreciation, amortization and/or gain or loss on the sale of assets.
- *IRC Section 743(b) Basis Adjustments:* Because we have made the election provided for by IRC Section 754, we adjust each unitholder's basis in our assets (inside basis) pursuant to IRC Section 743(b) to reflect their purchase price (outside basis). The Section 743(b) adjustment belongs to a particular unitholder and not to other unitholders. Basis adjustments such as this give rise to income and deductions by reference to the portion of each transferee unitholder's purchase price attributable to each of our assets. The effect of such adjustments will be to either increase or decrease a unitholder's share of depreciation, amortization and/or gain or loss on sale of assets.
- *Gross Income and Loss Allocations:* To maintain the uniformity of the economic and tax characteristics of our units, we will sometimes make a special allocation of income or loss to a unitholder. Any such allocations of income or loss will decrease or increase, respectively, our distributive taxable income.

12. Recent Accounting Developments

In December 2010, the Financial Accounting Standards Board ("FASB") issued ASU No. 2010-29 *Disclosure of Supplementary Pro Forma Information for Business Combinations*. This standard update clarifies that, when presenting comparative financial statements, public companies should disclose revenue and earnings of the combined entity as though the current period business combinations had occurred as of the beginning of the comparable prior annual reporting period only. The update also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The update is effective prospectively for business combinations entered into in fiscal years beginning on or after December 15, 2010. Our adoption of this new guidance did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued an update to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards. This update changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This update is effective for interim and annual periods beginning on or after December 15, 2011. We do not believe the adoption of this update will have a material impact on our consolidated financial statements.

In June 2011, the FASB issued an update on the presentation of other comprehensive income. Under this update, entities will be required to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The current option to report other comprehensive income and its components in the statement of changes in equity has been eliminated. This update is effective for interim and annual periods beginning on or after December 15, 2011. We do not believe the adoption of this update will have a material impact on our consolidated financial statements.

In September 2011, the FASB issued an update allowing entities to use a qualitative approach to test goodwill for impairment. Under this update, entities are permitted to first perform a qualitative assessment to determine

whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We adopted this authoritative guidance in October 2011. Our adoption of this new guidance did not have a material impact on our consolidated financial statements.

13. Commitments and Contingencies

In the ordinary course of business, we are involved in various pending or threatened legal actions. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not have a material adverse effect on our consolidated financial position, results of operations or cash flows; however, because of the inherent uncertainty of litigation, we cannot provide assurance that the resolution of any particular claim or proceeding to which we are a party will not have a material adverse effect on our consolidated financial position, results of operations or cash flows for the period in which that resolution occurs.

14. Selected Quarterly Financial Data (Unaudited)

In the opinion of management, the summarized quarterly financial data below (in thousands, except per unit amounts) contains all appropriate adjustments, all of which are normally recurring adjustments, considered necessary to present fairly our financial position and the results of operations for the respective periods.

	March 31, 2011	June 30, 2011(1)	September 30, 2011	December 31, 2011
Revenue	$68,729	$71,841	$84,437	$ 83,267
Gross profit(4)	17,927	16,696	22,215	21,570
Net income (loss)	223	(1,938)	3,253	4,515
Earnings (loss) per common and subordinated unit — basic	$ (0.01)	$ (0.08)	$ 0.06	$ 0.10
Earnings (loss) per common and subordinated unit — diluted	(0.01)	(0.08)	0.06	0.10

	March 31, 2010	June 30, 2010	September 30, 2010(2)	December 31, 2010(3)
Revenue	$52,710	$53,790	$62,721	$ 68,415
Gross profit(4)	15,025	13,174	15,468	(6,409)
Net income (loss)	1,426	(1,345)	83	(23,497)
Earnings (loss) per common and subordinated unit — basic	$ 0.05	$ (0.07)	$ (0.01)	$ (0.73)
Earnings (loss) per common and subordinated unit — diluted	0.05	(0.07)	(0.01)	(0.73)

(1) During the second quarter of 2011, we completed the June 2011 Contract Operations Acquisition from Exterran Holdings (see Note 2).

(2) During the third quarter of 2010, we completed the August 2010 Contract Operations Acquisition from Exterran Holdings (see Note 2).

(3) During the fourth quarter of 2010, we recorded a long-lived asset impairment charge of $24.6 million.

(4) Gross profit is defined as revenue less cost of sales and direct depreciation and amortization expense and long-lived asset impairment charges.

15. Subsequent Event

In February 2012, we entered into a Contribution, Conveyance and Assumption Agreement to acquire from Exterran Holdings contract operations customer service agreements with approximately 40 customers and a fleet of approximately 400 compressor units used to provide compression services under those agreements, comprising approximately 188,000 horsepower, or 5% (by then available horsepower) of the combined U.S. contract operations business of Exterran Holdings and us. In addition, the assets to be acquired include approximately 140 compressor units, comprising approximately 75,000 horsepower, that we currently lease from Exterran Holdings, and a natural gas processing plant with a capacity of 10 million cubic feet per day used to provide processing services pursuant to a long-term services agreement. Total consideration for the transaction is expected to be approximately $184 million, excluding transaction costs. In connection with this transaction, we expect to enter into an amendment to the Omnibus Agreement that would, among other things, increase the cap on SG&A costs allocated to us based on costs Exterran Holdings incurs on our behalf and extend the term of the caps on our obligation to reimburse Exterran Holdings for SG&A costs and operating costs allocated to us based on such costs Exterran Holdings incurs on our behalf for an additional year such that the caps would terminate on December 31, 2013.

EXTERRAN PARTNERS, L.P.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Item	Balance at Beginning of Period	Additions Charged to Costs and Expenses(1)	Deductions(2)	Balance at End of Period
Allowance for doubtful accounts deducted from accounts receivable in the balance sheet				
December 31, 2011	$1,232	$ 83	$(330)	$ 985
December 31, 2010	714	1,292	(774)	1,232
December 31, 2009	230	627	(143)	714

(1) Amounts accrued for uncollectibility

(2) Uncollectible accounts written off, net of recoveries

SIGNATURES

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

Exterran Partners, L.P.

By: Exterran General Partner, L.P.
its General Partner

By: Exterran GP LLC
its General Partner

By: /s/ D. BRADLEY CHILDERS
D. Bradley Childers
Chief Executive Officer
(Principal Executive Officer)

Date: February 23, 2012

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints D. Bradley Childers, J. Michael Anderson and Donald C. Wayne, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 23, 2012.

Name	Title
/s/ D. BRADLEY CHILDERS D. Bradley Childers	President, Chief Executive Officer and Chairman of the Board, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P. (Principal Executive Officer)
/s/ J. MICHAEL ANDERSON J. Michael Anderson	Senior Vice President, Chief Financial Officer and Director, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P. (Principal Financial Officer)
/s/ KENNETH R. BICKETT Kenneth R. Bickett	Vice President and Controller, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P. (Principal Accounting Officer)
/s/ DANIEL K. SCHLANGER Daniel K. Schlanger	Senior Vice President and Director, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P.
/s/ DAVID S. MILLER David S. Miller	Director, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P.
/s/ JAMES G. CRUMP James G. Crump	Director, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P.
/s/ G. STEPHEN FINLEY G. Stephen Finley	Director, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P.
/s/ EDMUND P. SEGNER III Edmund P. Segner, III	Director, Exterran GP LLC, as General Partner of Exterran General Partner, L.P., as General Partner of Exterran Partners, L.P.

DIRECTORS*

William M. Austin

D. Bradley Childers

James G. Crump

G. Stephen Finley

David S. Miller

Daniel K. Schlanger

Edmund P. Segner, III

EXECUTIVE OFFICERS*

D. Bradley Childers
Chairman, President and
Chief Executive Officer

David S. Miller
Senior Vice President and
Chief Financial Officer

William M. Austin
Senior Vice President

Joseph G. Kishkill
Senior Vice President

Rob Rice
Senior Vice President

Daniel K. Schlanger
Senior Vice President

Donald C. Wayne
Senior Vice President and
General Counsel

Kenneth R. Bickett
Vice President and Controller

*Of Exterran GP LLC, as Managing General Partner of Exterran Partners, L.P.

COMPANY INFORMATION

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Unitholder Information Website
Additional information on Exterran Partners, including securities filings, press releases, Code of Business Conduct and Board Committee Charters, is available on our website at www.exterran.com.

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(781) 575-2879
www.computershare.com

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
Houston, Texas USA

Forward-Looking Statements
Certain statements contained in this Annual Report may constitute "forward-looking statements." These statements involve a number of risks, uncertainties and other factors that could cause actual results to be materially different, as discussed more fully elsewhere in this Annual Report and in our filings with the Securities and Exchange Commission, including our 2011 Form 10-K filed on February 24, 2012. Except as required by law, we expressly disclaim any intention or obligation to revise or update any forward-looking statements whether as a result of new information, future events or otherwise.

Exterran Partners, L.P.
www.exterran.com