Shell Midstream Partners, L.P.
Form 424B3
November 03, 2015

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-204906

PROSPECTUS SUPPLEMENT NO. 3

(to prospectus dated July 23, 2015)

Shell Midstream

Partners

7,692,308 Common Units

Representing Limited Partner Interests

This prospectus supplement is being filed to update and supplement information contained in the prospectus dated July 23, 2015, covering the offer and resale of common units by the selling unitholders identified on page 10 of the prospectus, with information contained in our Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 2, 2015.

This prospectus supplement updates and supplements the information in the prospectus and is not complete without, and may not be delivered or utilized except in combination with, the prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the prospectus and if there is any inconsistency between the information in the prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Investing in our common units involves a high degree of risk. Before buying any common units, you should carefully read the discussion of material risks of investing in our common units in Risk Factors beginning on page 4 of the prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to

the contrary is a criminal offense.

Prospectus Supplement dated November 2, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): November 2, 2015

Shell Midstream Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction** **of incorporation)**	**1-36710** **(Commission** **File Number)**	**46-5223743** **(I.R.S. Employer** **Identification No.)**

One Shell Plaza	**77002**

910 Louisiana Street

Houston, Texas
(Address of principal executive offices) **(Zip Code)**
Registrant s telephone number, including area code: (713) 241-6161

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

This Current Report on Form 8-K is being filed by Shell Midstream Partners, L.P. (the Partnership) to update the historical financial information of Poseidon Oil Pipeline Company, L.L.C. (Poseidon), in which the Partnership acquired a 36% equity interest effective July 1, 2015.

The unaudited historical financial statements of Poseidon, including the related notes thereto, as of and for the six months ended June 30, 2015 are provided in Exhibit 99.1 and incorporated herein by reference.

This Current Report on Form 8-K is also being filed to include the unaudited pro forma condensed consolidated financial statements of the Partnership as of and for the six months ended June 30, 2015 and for the year ended December 31, 2014 in accordance with Article 11 of Regulation S-X, which are provided in Exhibit 99.2 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Number	**Description**
99.1	Unaudited historical financial statements of Poseidon as of and for the six months ended June 30, 2015, together with the related notes to the financial statements.
99.2	Unaudited pro forma condensed consolidated financial statements of Shell Midstream Partners, L.P. as of and for the six months ended June 30, 2015 and for the year ended December 31, 2014.

SIGNATURE

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 hereunto duly authorized.

SHELL MIDSTREAM PARTNERS, L.P.

By: Shell Midstream Partners GP LLC,
its general partner

By: /s/ Lori M. Muratta
Lori M. Muratta
Vice President, General Counsel and Secretary

Date: November 2, 2015

INDEX TO EXHIBITS

Number	Description
99.1	Unaudited historical financial statements of Poseidon as of and for the six months ended June 30, 2015, together with the related notes to the financial statements.
99.2	Unaudited pro forma condensed consolidated financial statements of Shell Midstream Partners, L.P. as of and for the six months ended June 30, 2015 and for the year ended December 31, 2014.

Exhibit 99.1

Poseidon Oil Pipeline Company, L.L.C.

Index to Financial Statements

Poseidon Oil Pipeline Company, L.L.C.

Unaudited Balance Sheets

(in thousands of dollars)

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 887	$ 4,119
Accounts receivable - trade	12,410	12,282
Accounts receivable - related parties	1,663	202
Crude oil inventory	1,115	474
Debt issuance costs	260	87
Other current assets	799	53
Total current assets	17,134	17,217
Property, plant and equipment, net	255,496	262,651
Other assets	957	
Total assets	$ 273,587	$ 279,868
Liabilities and Members Equity		
Current liabilities		
Accounts payable - trade	$ 6,204	$ 7,406
Accounts payable - related parties	171	776
Deferred revenue	13,040	8,590
Other current liabilities	231	150
Total current liabilities	19,646	16,922
Long-term debt	195,250	195,250
Other liabilities	1,353	1,302
Commitments and contingencies (see Note 8)		
Members equity	57,338	66,394
Total liabilities and members equity	$ 273,587	$ 279,868

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

Poseidon Oil Pipeline Company, L.L.C.

Unaudited Statements of Operations

(in thousands of dollars)

	For the Three Months Ended June 30, 2015	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
Crude oil handling revenues:				
Third parties	$ 24,808	$ 9,577	$ 49,818	$ 29,736
Related parties	8,516	16,013	12,036	22,288
Total crude oil handling revenues	33,324	25,590	61,854	52,024
Costs and expenses:				
Crude oil handling costs:				
Third parties	200	2,360	228	4,053
Related parties	330	1,475	629	2,799
Total crude oil handling costs	530	3,835	857	6,852
Other operating costs and expenses:				
Third parties	802	1,511	1,737	1,656
Related parties	2,012	2,055	4,057	4,163
Total other operating costs and expenses	2,814	3,566	5,794	5,819
Depreciation and accretion	3,876	2,857	7,839	5,699
General and administrative	57	25	81	49
Total costs and expenses	7,277	10,283	14,571	18,419
Operating income	26,047	15,307	47,283	33,605
Other expense:				
Interest expense	(1,162)	(796)	(2,339)	(1,545)
Total other expense	(1,162)	(796)	(2,339)	(1,545)
Net income	$ 24,885	$ 14,511	$ 44,944	$ 32,060

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

Poseidon Oil Pipeline Company, L.L.C.

Unaudited Statements of Cash Flows

(in thousands of dollars)

	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
Operating activities:		
Net income	$ 44,944	$ 32,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion expenses	8,016	5,829
Loss (gain) on sale of assets	(5)	92
Effect of changes in operating accounts:		
Increase in accounts receivable	(1,564)	(23,278)
Decrease (increase) in crude oil inventories	(641)	6,069
Increase in other current assets	(436)	(89)
Increase (decrease) in accounts payable	(828)	18,638
Increase in other current liabilities	4,533	(43)
Net cash provided by operating activities	54,019	39,278
Investing activities:		
Capital expenditures	(1,952)	(7,972)
Proceeds from asset sales	5	
Cash used in investing activities	(1,947)	(7,972)
Financing activities:		
Debt issuance costs	(1,304)	
Borrowings under revolving credit facilities	32,250	16,500
Repayments of principal	(32,250)	(8,500)
Cash distributions to Members	(54,000)	(41,000)
Cash used in financing activities	(55,304)	(33,000)
Net change in cash and cash equivalents	(3,232)	(1,694)
Cash and cash equivalents, beginning of period	4,119	3,031
Cash and cash equivalents, end of period	$ 887	$ 1,337

Supplemental disclosure of cash flow information:

Current liabilities for capital expenditures at end of period	$	220	$	3,794
Cash paid for interest, net of amounts capitalized	$	2,176	$	2,220

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

Poseidon Oil Pipeline Company, L.L.C.

Unaudited Statements of Members Equity

(in thousands of dollars)

	Poseidon Pipeline Company, L.L.C. (36%)	Shell Oil Products U.S. (36%)	GEL Poseidon, LLC (28%)	Total
Balance December 31, 2014	$ 23,902	$ 23,902	$ 18,590	$ 66,394
Net income	16,180	16,180	12,584	44,944
Cash distributions to Members	(19,440)	(19,440)	(15,120)	(54,000)
Balance June 30, 2015	$ 20,642	$ 20,642	$ 16,054	$ 57,338

	Poseidon Pipeline Company, L.L.C. (36%)	Shell Oil Products U.S. (36%)	GEL Poseidon, LLC (28%)	Total
Balance December 31, 2013	$ 32,718	$ 32,718	$ 25,446	$ 90,882
Net income	11,541	11,541	8,978	32,060
Cash distributions to Members	(14,760)	(14,760)	(11,480)	(41,000)
Balance June 30, 2014	$ 29,499	$ 29,499	$ 22,944	$ 81,942

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

Poseidon Oil Pipeline Company, L.L.C.

Notes to Unaudited Financial Statements

1. Company Organization and Description of Business

Company Organization

Poseidon Oil Pipeline Company, L.L.C. (Poseidon) is a Delaware limited liability company formed in February 1996 to design, construct, own and operate an unregulated crude oil pipeline system located in the central Gulf of Mexico offshore Louisiana. Unless the context requires otherwise, references to we , us , our or the Company within these no are intended to mean Poseidon.

At June 30, 2015 we were owned (i) 36% by Poseidon Pipeline Company, L.L.C. (Enterprise), (ii) 36% by Equilon Enterprises LLC (d/b/a Shell Oil Products U.S., Shell) and (iii) 28% by GEL Poseidon, LLC (Genesis). Enterprise, Shell and Genesis are referred to individually as a Member, or collectively as the Members. On July 1, 2015, Shell contributed its ownership interest in Poseidon to Shell Midstream Partners, L.P. On July 24, 2015, the ownership interest held by Enterprise was transferred to Genesis as a part of the sale of Enterprise Products Partners, L.P. s sale of its offshore business.

Description of Business

The Poseidon Oil Pipeline System (the Pipeline) gathers crude oil production from the outer continental shelf and deepwater areas of the Gulf of Mexico offshore Louisiana for delivery to onshore locations in south Louisiana. The Poseidon system extends 366 miles and has an approximate capacity of 430 thousand barrels per day. The system includes a pipeline junction platform located at South Marsh Island 205 (SMI-205). Manta Ray Gathering Company, L.L.C. (Manta Ray), an affiliate of Enterprise, serves as operator of the Pipeline.

See Note 3 for information regarding major capital projects completed in 2014.

2. Significant Accounting Policies

Our financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Except as noted within the context of each footnote disclosure, dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars.

In preparing these financial statements, the Company has evaluated subsequent events for potential recognition or disclosure through November 2, 2015, the issuance date of the financial statements.

Basis of Presentation

Our results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of results expected for the full year of 2015. In our opinion, the accompanying unaudited financial statements as of June 30, 2015 and for the three and six months ended June 30, 2015 include all adjustments consisting of normal recurring accruals necessary for fair presentation.

Cash and Cash Equivalents

Cash and cash equivalents represent unrestricted cash on hand and may also include highly liquid investments with original maturities of less than three months from the date of purchase.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company s management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company s legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued and the nature of the contingent liability would be disclosed in the Company s financial statements.

If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed or recorded unless they involve guarantees that are material to the Company, in which case the nature of the guarantee would be disclosed.

We had no matters requiring loss contingency accruals or disclosure at December 31, 2014 or June 30, 2015.

Crude Oil Handling Costs

Crude oil handling costs represent (i) expenses we incur as a result of utilizing third party-owned pipelines in the provision of services and (ii) quality bank expenses we record as a result of selling common stream crude oil to producers. Quality bank charges are incurred when the crude oil we sell back to producers is of a lesser quality than the crude oil we originally purchased from the producer.

Environmental Costs

Our operations are subject to extensive federal environmental regulations. Environmental costs for remediation are accrued based on estimates of known remediation requirements. Such accruals are based on management s best estimate of the ultimate cost to remediate a site and are adjusted as further information and circumstances develop. Those estimates may change substantially depending on information about the nature and extent of contamination, appropriate remediation technologies and regulatory approvals. Expenditures to mitigate or prevent future environmental contamination are capitalized. Ongoing environmental compliance costs are charged to expense as incurred. In accruing for environmental remediation liabilities, costs of future expenditures for environmental remediation are not discounted to their present value, unless the amount and timing of the expenditures are fixed or reliably determinable. There were no environmental remediation liabilities incurred as of June 30, 2015 or December 31, 2014.

Estimates

Preparing our financial statements in conformity with GAAP requires us to make estimates that affect amounts presented in the financial statements. Our most significant estimates relate to (i) the useful lives and depreciation methods used for fixed assets; (ii) measurement of fair value and projections used in impairment testing of fixed assets; (iii) contingencies; and (iv) revenue and expense accruals.

Actual results could differ materially from our estimates. On an ongoing basis, we review our estimates based on currently available information. Any changes in the facts and circumstances underlying our estimates may require us to update such estimates, which could have a material impact on our financial statements.

Fair Value Information

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature.

Impairment Testing for Long-Lived Assets

Long-lived assets such as property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Long-lived assets with carrying values that are not expected to be recovered through future cash flows are written-down to their estimated fair values. The carrying value of a long-lived asset is deemed not recoverable if it exceeds the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset s carrying value exceeds the sum of its undiscounted cash flows, a non-cash asset impairment charge equal to the excess of the asset s carrying value over its estimated fair value is recorded. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. We measure fair value using market price indicators or, in the absence of such data, appropriate valuation techniques. No asset impairment charges were recognized during the three and six months ended June 30, 2015 or 2014.

Income Taxes

We are organized as a pass-through entity for federal income tax purposes. As a result, our financial statements do not provide for such taxes and our Members are individually responsible for their allocable share of our taxable income for federal income tax purposes.

Inventories

We take title to crude oil volumes we purchase from producers and volumes we obtain through contractual pipeline loss allowances. Timing and measurement differences between receipt and delivery volumes, as well as fluctuations in crude oil pricing, impact our inventory balances. Our inventory amounts are presented at the lower of average cost or market.

Due to fluctuating crude oil prices, we recognize lower of cost or market adjustments when the carrying value of our crude oil inventory exceeds its net realizable value. These non-cash charges are a component of Crude oil handling costs on our Unaudited Statements of Operations in the period they are recognized. We recognized $0.1million of lower of cost or market adjustments for the three and six months ended June 30, 2015. There were $0.1 million of lower of cost or market adjustments for the six months ended June 30, 2014. These adjustments during the three months ended June 30, 2014 were immaterial.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Expenditures for additions, improvements and other enhancements to property, plant and equipment are capitalized, and minor replacements, maintenance, and repairs that do not extend asset life or add value are charged to expense as incurred. When property, plant and equipment assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in results of operations for the respective period.

In general, depreciation is the systematic and rational allocation of an asset s cost, less its residual value (if any), to the reporting periods it benefits. Our property, plant and equipment is depreciated using the straight-line method, which results in depreciation expense being incurred evenly over the life of an asset. Our estimate of depreciation expense incorporates management assumptions regarding the useful economic lives and residual values of our assets.

Asset retirement obligations (AROs) are legal obligations associated with the retirement of tangible long-lived assets that result from their acquisition, construction, development and/or normal operation. When an ARO is incurred, we record a liability for the ARO and capitalize an equal amount as an increase in the carrying value of the related long-lived asset. ARO amounts are measured at their estimated fair value using expected present value techniques. Over time, the liability is accreted to its present value (through accretion expense) and the capitalized amount is depreciated over the remaining useful life of the related long-term asset. We will incur a gain or loss to the extent that our ARO liabilities are not settled at their recorded amounts. See Note 3 for additional information regarding our property, plant and equipment and related AROs.

Revenue Recognition

Crude oil handling revenues are generated from purchase and sale agreements whereby we purchase crude oil from producers at various receipt points along the Pipeline for a contractual fixed price (less a handling fee) and sell common stream crude oil back to the producers at various redelivery points at the same contractual fixed price (before the handling fee was applied). Since these purchase and sale transactions are with the same customer and entered into in contemplation of one another, the purchase and sales amounts are netted against one another and the residual handling fees are recognized as crude oil handling revenue. The intent of these buy-sell arrangements is to earn a fee for handling crude oil (a service to the producer) and not to engage in crude oil marketing activities. We also net the corresponding receivables and payables from such transactions on our Balance Sheets for consistency of presentation.

We have entered into long-term pipeline capacity reservation agreements with the Lucius producers. The term of these agreements is 20 years (July 2014 through June 2034), which corresponds to the period of dedicated production from the Lucius producers under the agreements. The amount of pipeline capacity reserved each year for the Lucius producers is based on their expected production volumes for that period (as defined in the contract). The capacity reservation agreements require the Lucius producers to make scheduled minimum bill payments to us (as defined in the contract). We defer that portion of the minimum bill payments that relate to future performance obligations under the contract. We recognized \$3.3 million and \$6.5 million of pipeline capacity reservation revenues from the Lucius producers during the three and six months ended June 30, 2015, respectively. At December 31, 2014 and June 30, 2015, our deferred revenue attributable to the Lucius agreements totaled \$6.0 million and \$11.7 million, respectively.

Our agreements with the Lucius producers also provide for fees on volumes handled on our Pipeline. With the inception of Lucius production flows in January 2015, we began billing these amounts. Amounts billed for the six months ended June 30, 2015 were \$7.7 million.