

MAGELLAN MIDSTREAM PARTNERS LP

Form 424B5

October 05, 2004

Table of Contents

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PROSPECTUS SUPPLEMENT

(To Prospectus dated May 16, 2002)

## 2,600,000 Common Units

### Representing Limited Partner Interests

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We are selling 2,600,000 common units representing limited partner interests in Magellan Midstream Partners, L.P. Our common units trade on the New York Stock Exchange under the symbol MMP. The last reported sales price of our common units on the New York Stock Exchange on October 4, 2004 was \$54.50 per common unit.

*Investing in our common units involves risk. Please read Risk Factors beginning on page S-11 of this prospectus supplement and on page 2 of the accompanying prospectus.*

	<u>Per Common Unit</u>	<u>Total</u>
Public offering price	\$ 54.500	\$ 141,700,000
Underwriting discount	\$ 2.316	\$ 6,021,600
Proceeds to us (before expenses)	\$ 52.184	\$ 135,678,400

We have granted the underwriters a 30-day option to purchase up to 390,000 common units on the same terms and conditions as set forth above to cover over-allotments of common units, if any.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.**

Lehman Brothers, on behalf of the underwriters, expects to deliver the common units on or about October 8, 2004.

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*Joint Book-Running Managers*

**LEHMAN BROTHERS**

**CITIGROUP**

**GOLDMAN, SACHS & Co.**

**UBS INVESTMENT BANK**

**WACHOVIA SECURITIES**

October 4, 2004

**Table of Contents**

**Table of Contents**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this common unit offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this common unit offering.

If the information about the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

**TABLES OF CONTENTS**

**Prospectus Supplement**

<u>Summary</u>	S-1
<u>Risk Factors</u>	S-11
<u>Use of Proceeds</u>	S-13
<u>Capitalization</u>	S-14
<u>Price Range of Common Units and Distributions</u>	S-15
<u>Overview of the Shell Acquisition</u>	S-16
<u>Management</u>	S-20
<u>Tax Considerations</u>	S-23
<u>Underwriting</u>	S-24
<u>Legal</u>	S-27
<u>Experts</u>	S-27
<u>Information Regarding Forward-Looking Statements</u>	S-28
<u>Where You Can Find More Information</u>	S-29

**Prospectus dated May 16, 2002**

About this Prospectus	1
About Williams Energy Partners	1
The Subsidiary Guarantors	1
Risk Factors	2
Where You Can Find More Information	10
Forward-Looking Statements and Associated Risks	11
Use of Proceeds	12
Ratio of Earnings to Fixed Charges	12
Description of Debt Securities	13
Description of Our Class B Units	23

Table of Contents	4
-------------------	---

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Cash Distributions	24
Material Tax Consequences	31
Investment in Us by Employee Benefit Plans	44
Plan of Distribution	45
Legal	45
Experts	45

**Table of Contents**

**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Please read Risk Factors beginning on page S-11 of this prospectus supplement and page 2 of the accompanying prospectus for more information about important factors that you should consider before buying common units in this offering. Unless we indicate otherwise, the information we present in this prospectus supplement assumes that the underwriters do not exercise their over-allotment option. As used in this prospectus supplement and the accompanying prospectus, unless we indicate otherwise, the terms our, we, us and similar terms refer to Magellan Midstream Partners, L.P., together with our subsidiaries.*

**Magellan Midstream Partners, L.P.**

We are a publicly traded Delaware limited partnership that owns and operates a diversified portfolio of complementary energy assets. We are principally engaged in the transportation, storage and distribution of refined petroleum products. For the year ended December 31, 2003, we had revenues of \$485.2 million, EBITDA of \$161.6 million and net income of \$88.2 million. For the six months ended June 30, 2004, we had revenues of \$275.4 million, EBITDA of \$85.7 million and net income of \$44.3 million. For a reconciliation of EBITDA to net income and a discussion of EBITDA as a performance measure, please read Summary Selected Financial and Operating Data.

We completed the initial public offering of our common units in February 2001 at an initial offering price of \$21.50 per common unit. Since our initial public offering, we have increased our quarterly cash distribution for 13 consecutive quarters, resulting in an aggregate increase of approximately 65.7% from \$0.525 per unit, or \$2.10 per unit on an annualized basis, to \$0.87 per unit, or \$3.48 per unit on an annualized basis. Since February 2001, we have completed nine acquisitions, including the Shell acquisition described below, for an aggregate purchase price of approximately \$1.7 billion, and we intend to continue pursuing an asset acquisition strategy.

On October 1, 2004, we acquired more than 2,000 miles of refined petroleum products pipeline system assets from Shell Pipeline Company LP and Equilon Enterprises LLC, which had operated these assets under the name Shell Oil Products US, or Shell, for approximately \$489.7 million. For more information about this acquisition, please read Recent Developments Acquisition of Shell Refined Petroleum Products Pipeline Systems.

In addition to the assets that we recently acquired from Shell, our other assets consist of:

a 6,700-mile petroleum products pipeline system, including 39 petroleum products terminals, serving the mid-continent region of the United States, referred to as our 6,700-mile petroleum products pipeline system ;

five petroleum products terminal facilities located along the U.S. Gulf Coast and near the New York harbor, referred to as marine terminal facilities ;

29 petroleum products terminals located principally in the southeastern United States, referred to as inland terminals ; and

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an 1,100-mile ammonia pipeline system, including six ammonia terminals, serving the mid-continent region of the United States.

S-1

## **Table of Contents**

Our 6,700-mile petroleum products pipeline system is a common carrier pipeline that provides transportation, storage and distribution services for petroleum products and liquefied petroleum gases, or LPGs, in 11 states from Oklahoma through the Midwest to North Dakota, Minnesota, Wisconsin and Illinois. This system generates revenues principally from tariffs regulated by the Federal Energy Regulatory Commission, or the FERC, based on the volumes transported and also from storage and other ancillary fees. Through direct refinery connections and interconnections with other pipelines, this system can access approximately 41% of the refinery capacity in the United States and is well-positioned to adapt to shifts in product supply or demand. For each of the year ended December 31, 2003 and the six months ended June 30, 2004, our 6,700-mile petroleum products pipeline system generated approximately 80% of our total revenues.

Our inland terminals and marine terminal facilities, which we refer to collectively as our petroleum products terminals, store and distribute gasoline and other petroleum products throughout 11 states. Our inland terminals are part of a distribution network located primarily throughout the southeastern United States and used by retail suppliers, wholesalers and marketers to receive gasoline and other petroleum products from large, interstate pipelines and to transfer these products to trucks, railcars or barges for delivery to their final destination. Our marine terminal facilities are large storage terminals that principally serve refiners, marketers and large end-users of petroleum products and are strategically located near major refining hubs along the U.S. Gulf Coast and near the New York harbor. Our petroleum products terminals generate revenues principally from volume-based fees charged for the storage and delivery of gasoline and other petroleum products handled by these terminals. For each of the year ended December 31, 2003 and the six months ended June 30, 2004, our petroleum products terminals generated approximately 17% and 18%, respectively, of our total revenues.

Our ammonia pipeline system transports and distributes ammonia from production facilities in Texas and Oklahoma to various distribution points in the Midwest for use as an agricultural fertilizer. Our ammonia pipeline system generates revenues principally from volume-based fees charged for the transportation of ammonia on the pipeline system. For each of the year ended December 31, 2003 and the six months ended June 30, 2004, our ammonia pipeline system generated approximately 3% and 2%, respectively, of our total revenues.

## **Business Strategies**

Our primary business strategies are to:

grow through strategic acquisitions and expansion projects that increase per unit cash flow;

generate stable cash flows to make quarterly cash distributions; and

conduct safe and efficient operations.

## **Competitive Strengths**

We believe we are well-positioned to execute our business strategies successfully because of the following competitive strengths:

our assets are strategically located in areas with high demand for our services;



we have little direct commodity price exposure;

we have long-term relationships with many of our customers that utilize our pipeline and terminal assets;

we have a strong financial position that allows us to make acquisitions and complete expansion projects; and

our senior management has extensive industry experience.

S-2

## Table of Contents

### Recent Developments

*Distribution Increase.* On July 22, 2004, the board of directors of our general partner declared a quarterly cash distribution of \$0.87 per common and subordinated unit for the period of April 1 through June 30, 2004. This distribution represents an 11.5% increase over the distribution for the second quarter of 2003 of \$0.78 per unit and an approximate 65.7% increase in our distribution since our initial public offering in February 2001. The distribution was paid on August 13, 2004 to unitholders of record at the close of business on August 3, 2004.

*Acquisition of Shell Refined Petroleum Products Pipeline Systems.* On October 1, 2004, we acquired more than 2,000 miles of refined petroleum products pipeline system assets from Shell for approximately \$489.7 million. In addition to the purchase price, we paid approximately \$30.0 million for inventory related to a third-party supply agreement under which we received a security interest in a related \$14.0 million cash collateral account, assumed approximately \$25.7 million of existing liabilities and expect to incur approximately \$9.6 million for transaction costs. These assets are located in Colorado, Kansas, Oklahoma and Texas and primarily comprise the following four refined petroleum products pipeline systems, which include six active terminals and six system storage facilities that have a combined storage capacity of approximately 6.4 million barrels:

*Orion refined products system:* an approximate 1,000-mile pipeline originating at the East Houston terminal in Houston, Texas that we acquired as part of this acquisition that delivers refined products to (i) a terminal in Odessa, Texas that we acquired as part of this acquisition, (ii) a third-party terminal in El Paso, Texas, (iii) third-party facilities in central Texas and (iv) the mid-continent region of the United States through an interconnection with our 6,700-mile petroleum products pipeline system at Duncan, Oklahoma;

*Hearne refined products system:* an approximate 145-mile pipeline originating in Hearne, Texas that delivers refined products to third-party terminals in Waco and Dallas, Texas and to our existing terminal in Dallas;

*Chase refined products system:* an approximate 700-mile pipeline originating in El Dorado, Kansas that delivers refined products to (i) two terminals that we acquired as part of this acquisition and one third-party terminal in Kansas, (ii) a terminal near Denver, Colorado that we acquired as part of this acquisition and (iii) the Denver International Airport; and

*Cimarron refined products system:* an approximate 175-mile pipeline with origin points in Glenpool and Cushing, Oklahoma that delivers refined products to the Chase pipeline connection at El Dorado, Kansas. Our 6,700-mile petroleum products pipeline system serves as an interconnect between the Orion pipeline at Duncan, Oklahoma and the Cimarron pipeline at Cushing, Oklahoma.

The acquisition of the Shell refined petroleum products pipeline system assets provides us with a direct connection to the U.S. Gulf Coast, which is the primary refining region of the United States and a major point of entry for foreign imports of refined petroleum products. The acquisition also extends the reach of our 6,700-mile petroleum products pipeline system into key markets in Colorado and western and northern Texas, including the growing metropolitan centers of Denver, Dallas/Fort Worth and El Paso.

The Orion, Chase and Cimarron refined products systems already have connections to our 6,700-mile petroleum products pipeline system. Given the strategic importance of these assets to us and their connections to our existing assets, we believe that opportunities exist for several expansion projects to improve the utilization of, and integrate the acquired assets into, our existing operations.

Giving effect to the anticipated expansion projects and our marketing of these assets to third parties, including Shell, we expect annual operating profit from the acquired assets to be between \$40.0 and \$45.0 million by 2007 and to average approximately \$37.0 million for the period 2005 to

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2007. We expect the related book depreciation to average approximately \$18.0 million per year for the period 2005 to 2007, and the maintenance capital for the acquired assets to be approximately \$2.0 million annually. For information about

S-3

## **Table of Contents**

certain factors that could cause the actual operating results attributable to the acquired assets to materially differ from that which we expect, please read [Information Regarding Forward-Looking Statements](#) in this prospectus supplement and [Risk Factors](#) included in and incorporated by reference into this prospectus supplement and the accompanying prospectus.

In connection with this acquisition, we amended our partnership agreement to reduce the incentive cash distributions to be paid to our general partner by \$5.0 million and \$3.0 million for 2005 and 2006, respectively. In addition, the amended partnership agreement reduces the incentive cash distributions to be paid to our general partner for the fourth quarter of 2004 by \$1.25 million. These reductions will accelerate the accretion attributable to the acquisition and increase the cash available for distribution to our limited partners.

At the time this acquisition closed on October 1, 2004, we financed the acquisition with cash on hand of approximately \$179.3 million, including net proceeds of approximately \$87.3 million from our August 2004 equity offering and net of an escrow payment of approximately \$24.6 million to Shell in June 2004, \$300.0 million of borrowings under our short-term acquisition facility and \$50.0 million of borrowings under our revolving credit facility. Affiliates of each of the underwriters participating in this offering are lenders under our \$300.0 million short-term acquisition facility. We intend to use the net proceeds from this offering to repay a portion of the borrowings under our short-term acquisition facility. We expect to repay the remaining borrowings under our short-term acquisition facility with net proceeds from a future issuance of long-term debt.

For more information about the acquisition and our related financing plan, please read [Overview of the Shell Acquisition](#), [Use of Proceeds](#) and [Underwriting](#).

## **Partnership Structure and Management**

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. After giving effect to this offering of our common units:

There will be 25,795,000 publicly held common units outstanding, representing a 77.1% limited partner interest in us;

Magellan Midstream Holdings, L.P. will own 2,735,541 common units and 4,259,771 subordinated units, representing an aggregate 20.9% limited partner interest in us; and

Magellan GP, LLC, our general partner, will continue to own a 2.0% general partner interest in us and all of the incentive distribution rights.

Our general partner has sole responsibility for conducting our business and managing our operations. Our general partner does not receive any management fee or other compensation in connection with its management of our business, but it is reimbursed for direct and indirect expenses incurred on our behalf.

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The chart on the following page depicts our organizational and ownership structure after giving effect to this offering. The percentages reflected in the organizational chart represent the approximate ownership interests in us and our operating subsidiaries.

S-4

**Table of Contents**

	<b>Percentage Interest</b>
<b>Ownership of Magellan Midstream Partners, L.P.</b>	
Public common units	77.1%
Magellan Midstream Holdings, L.P. common units	8.2%
Magellan Midstream Holdings, L.P. subordinated units	12.7%
Magellan GP, LLC general partner interest	2.0%
<b>Total</b>	<b>100.0%</b>

S-5

**Table of Contents**

**The Offering**

Common units offered	2,600,000 common units; 2,990,000 common units if the underwriters exercise their over-allotment option in full.
Units outstanding after this offering	28,530,541 common units if the underwriters do not exercise their over-allotment option and 28,920,541 common units if the underwriters exercise their over-allotment option in full; and 4,259,771 subordinated units.
Use of proceeds	We intend to use the net proceeds from this offering, including the net proceeds from the exercise of the underwriters' over-allotment option, if any, and our general partner's related capital contribution to repay a portion of the indebtedness and accrued interest outstanding under our \$300.0 million short-term acquisition facility that we used to finance the acquisition from Shell. Affiliates of each of the underwriters participating in this offering are lenders under our short-term acquisition facility.
Cash distributions	Under our partnership agreement, we must distribute all of our cash on hand as of the end of each quarter, less reserves established by our general partner. We refer to this cash as available cash, and we define it in our partnership agreement.

We declared a quarterly cash distribution for the second quarter of 2004 of \$0.87 per common and subordinated unit, or \$3.48 per unit on an annualized basis. We paid this cash distribution on August 13, 2004 to unitholders of record at the close of business on August 3, 2004.

When our quarterly cash distributions exceed \$0.578 per unit in any given quarter, our general partner receives a higher percentage of the cash distributed in excess of that amount, in increasing percentages up to 50% if the quarterly cash distributions exceed \$0.788 per unit. For a description of our cash distribution policy, please read "Cash Distributions" in the accompanying prospectus. In connection with the Shell acquisition, we have amended our partnership agreement to reduce the incentive cash distributions to our general partner as described in "Overview of the Shell Acquisition" Overview.

Subordination period	The subordination period will end once we meet the financial tests in the partnership agreement, but it generally cannot end before December 31, 2005.
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When the subordination period ends, all remaining subordinated units will convert into common units, and the common units will no longer be entitled to arrearages.

Early conversion of subordinated units	We met the financial tests in our partnership agreement for the quarter ended December 31, 2003 for the early conversion of a portion of our subordinated units. As a result, in February 2004, 25%, or 1,419,923,
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**Table of Contents**

of our subordinated units converted into common units. If we meet these tests for any quarter ending on or after December 31, 2004, an additional 25% of the subordinated units will convert into common units. The early conversion of the second 25% of the subordinated units may not occur until at least one year after the early conversion of the first 25% of the subordinated units.

Estimated ratio of taxable income to distributions

We estimate that if you own the common units you purchase in this offering through the record date for the distribution for the fourth calendar quarter of 2006, then you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed with respect to that period. Please read "Tax Considerations" in this prospectus supplement for the basis of this estimate.

New York Stock Exchange symbol

MMP

S-7



**Table of Contents**

**Summary Selected Financial and Operating Data**

We have derived the summary selected historical financial data as of and for the years ended December 31, 2001, 2002 and 2003 from our audited consolidated financial statements and related notes. We have derived the summary selected historical financial data as of and for the six months ended June 30, 2003 and 2004 from our unaudited financial statements, which, in the opinion of our management, include all adjustments necessary for a fair presentation of the data. This financial data is an integral part of, and should be read in conjunction with, the consolidated financial statements and notes thereto, which are incorporated by reference and have been filed with the Securities and Exchange Commission, or SEC. All other amounts have been prepared from our financial records. Information concerning significant trends in our financial condition and results of operations is contained in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," which has been filed with the SEC and is incorporated by reference.

The non-generally accepted accounting principle financial measures of EBITDA and operating margin are presented in the summary selected historical financial data. We have presented these financial measures because we believe that investors benefit from having access to the same financial measures utilized by management.

EBITDA is defined as net income plus provision for income taxes, debt placement fee amortization, write-off of unamortized debt placement fees, interest expense (net of interest income) and depreciation and amortization. EBITDA should not be considered an alternative to net income, operating income, cash flow from operations or any other measure of financial performance presented in accordance with generally accepted accounting principles, or GAAP. EBITDA is not intended to represent cash flow. Because EBITDA excludes some but not all items that affect net income and these measures may vary among other companies, the EBITDA data presented may not be comparable to similarly titled measures of other companies. Our management uses EBITDA as a performance measure to assess the viability of projects and to determine overall rates of return on alternative investment opportunities. We believe investors can use EBITDA as a simplified means of measuring cash generated by operations before maintenance capital and fluctuations in working capital. The reconciliation of EBITDA to net income, which is its nearest comparable GAAP measure, is included under the heading "Other Data" presented on the following page.

The components of operating margin are computed by using amounts that are determined in accordance with GAAP. The reconciliation of operating margin to operating profit, which is its nearest comparable GAAP financial measure, is included under the heading "Income Statement Data" presented on the following page. Operating profit includes expense items, such as depreciation and amortization and general and administrative expenses, that management does not consider when evaluating the core profitability of an operation. Our management uses operating margin in deciding how to allocate capital resources between our business segments. We believe that operating margin is an important measure for investors of the economic performance of our core operations.

**Table of Contents**

	Six Months Ended				
	Year Ended December 31,			June 30,	
	2001	2002	2003	2003	2004
	(\$ in thousands, except per unit amounts)				
<b>Income Statement Data:</b>					
Transportation and terminals revenues	\$ 339,412	\$ 363,740	\$ 372,848	\$ 183,430	\$ 192,629
Product sales revenues	108,169	70,527	112,312	44,210	82,735
Affiliate construction and management fee revenues	1,018	210			
<b>Total revenues</b>	<b>448,599</b>	<b>434,477</b>	<b>485,160</b>	<b>227,640</b>	<b>275,364</b>
Operating expenses including environmental expenses net of indemnifications	160,880	155,146	166,883	76,402	80,915
Product purchases	95,268	63,982	99,907	39,851	70,881
Equity earnings(a)					(268)
<b>Operating margin</b>	<b>192,451</b>	<b>215,349</b>	<b>218,370</b>	<b>111,387</b>	<b>123,836</b>
Depreciation and amortization	35,767	35,096	36,081	18,262	19,344
General and administrative	47,365	43,182	56,846	26,923	26,394
<b>Operating profit</b>	<b>109,319</b>	<b>137,071</b>	<b>125,443</b>	<b>66,202</b>	<b>78,098</b>
Interest expense, net	12,113	21,758	34,536	16,976	15,773
Debt placement fee amortization	253	9,950	2,830	1,309	1,338
Debt prepayment premium					12,666
Write-off of unamortized debt placement fees					5,002
Gain on derivative					(953)
Other income, net	(431)	(2,112)	(92)		
<b>Income before income taxes</b>	<b>97,384</b>	<b>107,475</b>	<b>88,169</b>	<b>47,917</b>	<b>44,272</b>
Provision for income taxes(b)	29,512	8,322			
<b>Net income</b>	<b>\$ 67,872</b>	<b>\$ 99,153</b>	<b>\$ 88,169</b>	<b>\$ 47,917</b>	<b>\$ 44,272</b>
<b>Basic net income per limited partner unit</b>	<b>\$ 1.87</b>	<b>\$ 3.68</b>	<b>\$ 3.32</b>	<b>\$ 1.75</b>	<b>\$ 1.50</b>
<b>Diluted net income per limited partner unit</b>	<b>\$ 1.87</b>	<b>\$ 3.67</b>	<b>\$ 3.31</b>	<b>\$ 1.74</b>	<b>\$ 1.50</b>
<b>Balance Sheet Data:</b>					
Working capital (deficit)	\$ (2,211)	\$ 47,328	\$ 77,438	\$ 64,523	\$ 70,261
Total assets	1,104,559	1,120,359	1,194,930	1,147,999	1,248,680
Total debt	139,500	570,000	570,000	570,000	551,690
Affiliate long-term note payable(c)	138,172				
Partners' capital	589,682	451,757	498,149	484,742	547,242
<b>Cash Flow Data:</b>					
Cash distributions declared per unit(d)	\$ 2.02	\$ 2.71	\$ 3.17	\$ 1.53	\$ 1.72
<b>Other Data:</b>					
Operating margin:					
Petroleum products pipeline system	\$ 143,711	\$ 163,233	\$ 162,494	\$ 81,583	\$ 89,711
Petroleum products terminals	38,240	43,844	46,909	26,890	28,517
Ammonia pipeline system	10,500	8,272	8,094	2,914	4,160
Allocated partnership depreciation costs			873		1,448

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Operating margin	\$ 192,451	\$ 215,349	\$ 218,370	\$ 111,387	\$ 123,836
<b>EBITDA:</b>					
Net income	\$ 67,872	\$ 99,153	\$ 88,169	\$ 47,917	\$ 44,272
Income taxes(b)	29,512	8,322			
Debt placement fee amortization	253	9,950	2,830	1,309	1,338
Write-off of unamortized debt placement fees					5,002
Interest expense, net	12,113	21,758	34,536	16,976	15,773
Depreciation and amortization	35,767	35,096	36,081	18,262	19,344
<b>EBITDA(e)</b>	<b>\$ 145,517</b>	<b>\$ 174,279</b>	<b>\$ 161,616</b>	<b>\$ 84,464</b>	<b>\$ 85,729</b>

S-9

**Table of Contents**

	Six Months Ended				
	Year Ended December 31,			June 30,	
	2001	2002	2003	2003	2004
<b>Operating Statistics:</b>					
Petroleum products pipeline system:					
Transportation revenue per barrel shipped (cents per barrel)	90.8	94.9	96.4	98.9	99.1
Transportation barrels shipped (millions)	236.1	234.6	237.6	111.7	115.4
Barrel miles (billions)	70.5	71.0	70.5	33.3	32.1
Petroleum products terminals:					
Marine terminal average storage capacity utilized per month (million barrels)	15.7	16.2	15.2	15.7	15.6
Marine terminal throughput (million barrels)(f)	11.5	20.5	22.2	10.4	11.2
Inland terminal throughput (million barrels)	56.7	57.3	61.2	28.3	46.6
Ammonia pipeline system:					
Volume shipped (thousand tons)	763	712	614	236	381

- (a) Represents equity earnings related to our 50% ownership interest in Osage Pipe Line Company, LLC.
- (b) Prior to our initial public offering on February 9, 2001, our petroleum products terminals and ammonia pipeline system operations were subject to income taxes. Prior to our acquisition of Magellan Pipeline Company, which primarily comprises our 6,700-mile petroleum products pipeline system, on April 11, 2002, Magellan Pipeline Company was also subject to income taxes. Because we are a partnership, the petroleum products terminals and ammonia pipeline system were no longer subject to income taxes after our initial public offering, and Magellan Pipeline Company was no longer subject to income taxes following our acquisition of it.
- (c) At the closing of our acquisition of Magellan Pipeline Company, its affiliate note payable was contributed to us as a capital contribution by an affiliate of The Williams Companies, Inc., or Williams.
- (d) Represents cash distributions declared associated with each respective calendar year. Cash distributions were declared and paid within 45 days following the close of each quarter. Cash distributions declared for 2001 include a prorated distribution for the first quarter, which included the period from February 10, 2001 through March 31, 2001.
- (e) Includes \$5.9 million and \$3.6 million of reimbursable general and administrative expenses and \$10.8 million and \$0.8 million of transition costs for the year ended December 31, 2003 and the six months ended June 30, 2004, respectively.
- (f) For the year ended December 31, 2001, represents a full year of activity for the New Haven facility (9.3 million barrels) and two months of activity for the Gibson facility (2.2 million barrels), which was acquired in October 2001.

**Table of Contents**

**RISK FACTORS**

*An investment in our common units involves risk. You should carefully read the risk factors set forth below, the risk factors included under the caption Risk Factors beginning on page 2 of the accompanying prospectus, and those risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.*

***The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for federal income tax purposes.***

Since December 2003, Magellan Midstream Holdings, L.P. has sold common units that represented an approximate 28% interest in our capital and profits for tax purposes. We will be considered to have been terminated for federal income tax purposes if the common units sold by Magellan Midstream Holdings, L.P., together with all common units sold within a 12-month period, represent a sale or exchange of 50% or more of our capital and profits interests. Our termination for tax purposes would, among other things, result in a significant deferral of the depreciation deductions allowable in computing our taxable income for the year in which the termination occurs. For a discussion of the consequences of our termination for federal income tax purposes, please read Material Tax Consequences Disposition of Common Units Constructive Termination in the accompanying prospectus.

***Our general partner and its affiliates may have conflicts with our partnership.***

The directors and officers of our general partner and its affiliates have duties to manage our general partner in a manner that is beneficial to Magellan Midstream Holdings, L.P., its sole member. At the same time, our general partner has duties to manage us in a manner that is beneficial to us. Therefore, our general partner's duties to us may conflict with the duties of its officers and directors to Magellan Midstream Holdings, L.P.

Such conflicts may include, among others, the following:

decisions of our general partner regarding the amount and timing of cash expenditures, borrowings and issuances of additional limited partnership units or other securities can affect the amount of incentive distribution payments we make to our general partner;

under our partnership agreement, we reimburse our general partner for the costs of managing and operating us; and

under our partnership agreement, it is not a breach of our general partner's fiduciary duties for affiliates of our general partner to engage in activities that compete with us. Specifically, our general partner is owned by an affiliate of the Carlyle/Riverstone Global Energy and Power Fund II, L.P. which also owns, through affiliates, an interest in the general partner of Buckeye Partners, L.P. Although we do not have extensive operations in the geographic areas primarily served by Buckeye Partners, we will compete directly with Buckeye Partners and perhaps other entities in which the Carlyle/Riverstone Fund has an interest for acquisition opportunities throughout the United States and potentially will compete with Buckeye Partners and these other entities for new business or extensions of the existing services provided by our operating partnerships, creating actual and potential conflicts of interest between us and affiliates of our general partner.

*The assets acquired from Shell are subject to ongoing remediation obligations, and we may incur substantial environmental costs and liabilities that are not covered by Shell's indemnification of us.*

Some of the assets acquired from Shell have been used for many years to distribute, store or transport petroleum products, and releases may have occurred from terminals or along pipeline rights-of-way that require remediation. In addition, past releases may have occurred but have not yet been discovered, which could require costly future remediation. As part of the acquisition, Shell agreed to retain liabilities and expenses related to active environmental remediation projects, other than those relating to the consent decree discussed in the paragraph below. In addition, Shell agreed to indemnify us for certain environmental liabilities arising from pre-closing conditions so long as we provide notice of those conditions no later than October 1, 2006. Shell's indemnification obligation is subject to a \$250,000 per-claim deductible and a \$30.0 million aggregate cap.

In 2003, Shell entered into a consent decree with the United States Environmental Protection Agency arising out of a June 1999 incident unrelated to the assets we acquired from Shell. In order to resolve Shell's civil

## **Table of Contents**

liability for the incident, Shell agreed to pay civil penalties of \$10.0 million and to comply with certain terms set out in the consent decree. These terms include requirements for testing and maintenance of a number of Shell's pipelines, including the Chase and Orion pipelines, the creation of a damage prevention program, submission to independent monitoring and various reporting requirements. The consent decree imposes penalties for non-compliance for a period of at least five years from the date of the consent decree. Under our purchase agreement with Shell, we agreed, at our own expense, to complete any remaining remediation work required under the consent decree with respect to the Chase and Orion pipelines and have assumed a liability of approximately \$8.1 million for this remediation work. Shell has agreed to retain responsibility under the consent decree for the ongoing independent monitoring obligations related to the Chase pipeline.

If a significant accident or event occurred in the past for which indemnification is not available or if the costs of performing any remediation significantly exceed our expectations, it could adversely affect our financial position, results of operations and our ability to make distributions to our unitholders.

***Rate regulation or a successful challenge to the rates we charge on our petroleum products pipelines may reduce the amount of cash we generate.***

The FERC regulates the tariff rates for interstate movements on our petroleum products pipelines. Shippers may protest our pipeline tariff filings, and the FERC may investigate new or changed tariff rates and order refunds of amounts collected under rates that were in excess of a just and reasonable level. In addition, shippers may challenge the lawfulness of tariff rates that have become final and effective. The FERC may also investigate such rates absent shipper complaint.

The FERC's ratemaking methodologies may limit our ability to set rates based on our true costs or may delay the use of rates that reflect increased costs. The FERC's primary ratemaking methodology is price indexing. We use this methodology to establish our rates in approximately one-third of our interstate markets. The indexing method allows a pipeline to increase its rates by a percentage equal to the change in the producer price index, or PPI. If the PPI falls, we could be required to reduce our rates that are based on the FERC's price indexing methodology if they exceed the new maximum allowable rate. In addition, changes in the PPI might not be large enough to fully reflect actual increases in the costs associated with the pipelines subject to indexing.

The potential for a challenge to our indexed rates creates the risk that the FERC might find some of our indexed rates to be in excess of a just and reasonable level—that is, a level justified by our cost of service. In such an event, the FERC would order us to reduce any such rates and, could require the payment of reparations to complaining shippers for up to two years prior to the complaint.

On July 20, 2004, the United States Court of Appeals for the District of Columbia Circuit issued its opinion in *BP West Coast Products, LLC v. FERC*, which vacated the FERC's application of its *Lakehead* policy. Under that policy, the FERC allowed a regulated entity organized as a master limited partnership to include in its cost of service an income tax allowance to the extent that its unitholders, or limited partners, were corporations subject to income tax. Because the court's ruling on the FERC's *Lakehead* policy in *BP West Coast* appears to focus on the facts and record presented to it in that case, it is not clear what impact, if any, the opinion will have on our indexed rates. Moreover, it is not clear what action the FERC will take in response to *BP West Coast*, to what extent such action will be challenged and, if so, whether it will withstand further FERC or judicial review. Nevertheless, a shipper might rely on this decision to challenge our indexed rates and claim that our income tax allowance should be eliminated. If the FERC were to disallow our income tax allowance, it may be somewhat more difficult to justify our indexed rates on a cost of service basis. However, because of the relatively small percentage of our unitholders that are corporations, which results in our including only a small income tax allowance in our cost of service, we do not believe that a challenge to our indexed rates based solely on an elimination of our income tax allowance would be likely to succeed.

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We establish rates in approximately two-thirds of our markets using the FERC's market-based ratemaking regulations. These regulations allow us to establish rates based on conditions in individual markets without regard to the index or our cost of service. If successfully challenged, the FERC could take away our ability to establish market-based rates. We would then have to establish rates that would be justified on some other basis such as our cost of service.

Any reduction in the indexed rates, removal of our ability to establish market-based rates, or payment of reparations could have a material adverse effect on our operations and reduce the amount of cash we generate.

S-12



**Table of Contents**

**USE OF PROCEEDS**

We will receive net proceeds of approximately \$138.3 million from the sale of the 2,600,000 common units we are offering and our general partner's related capital contribution, after deducting the underwriting discounts and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering, including the net proceeds from the exercise of the underwriters' over-allotment option, if any, and our general partner's related capital contribution to repay a portion of the indebtedness and accrued interest outstanding under our \$300.0 million short-term acquisition facility that we used to finance the acquisition from Shell. Affiliates of each of the underwriters participating in this offering are lenders under our short-term acquisition facility. Please read "Overview of the Shell Acquisition" for more information regarding this acquisition. As of October 1, 2004, this short-term acquisition facility had a weighted average interest rate of 2.8% per year and matures in September 2005.

S-13

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of June 30, 2004:

on a historical basis;

as adjusted to give effect to the sale of 1,800,000 common units sold by us in August 2004, our general partner's related capital contribution and the application of the net proceeds from both;

as adjusted to give effect to the consummation of the Shell acquisition and the financing of a portion of the purchase price with borrowings under our short-term acquisition facility and our revolving credit facility; and

as adjusted to give effect to the sale of 2,600,000 common units offered by us pursuant to this prospectus supplement, our general partner's related capital contribution and the application of the net proceeds therefrom in the manner described under "Use of Proceeds."

The net proceeds from the common units offered by us and our general partner's related capital contribution are approximately \$138.3 million, after deducting the underwriting discounts and estimated offering expenses payable by us.

This table should be read together with our historical financial statements and the accompanying notes incorporated by reference into this prospectus supplement and the accompanying prospectus. This table does not reflect the issuance of up to 390,000 common units that we may sell to the underwriters upon exercise of their over-allotment option, the proceeds of which, together with our general partner's related capital contribution, will be used to repay a portion of the indebtedness and accrued interest outstanding under our short-term acquisition facility that we used to finance the acquisition from Shell. Please read "Use of Proceeds."

	<b>As of June 30, 2004</b>			
	<b>Historical</b>	<b>As Adjusted for August 2004 Offering</b>	<b>As Adjusted for Shell Acquisition Financing</b>	<b>As Adjusted for this Offering</b>
		(unaudited) (\$ in thousands)		
Cash and cash equivalents	\$ 51,951(a)	\$ 174,258(b)	\$ 19,640	\$ 19,910
<b>Debt:</b>				
Short-term acquisition facility			\$ 300,000	\$ 162,000
Revolving credit facility			50,000	50,000
Magellan Pipeline Company Series B senior notes due 2007(c)	\$ 302,202	\$ 302,202	302,202	302,202

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Magellan Midstream Partners 6.45% senior notes due 2014(d)	249,488	249,488	249,488	249,488
Total debt	\$ 551,690	\$ 551,690	\$ 901,690	\$ 763,690
Total partners capital	547,242	634,549	634,549	772,819
Total capitalization	\$ 1,098,932	\$ 1,186,239	\$ 1,536,239	\$ 1,536,509

- (a) Net of a \$24.6 million escrow payment made to Shell in June 2004 in connection with the acquisition.
- (b) Reflects a \$35.0 million cash receipt on July 1, 2004 in connection with our indemnification settlement with Williams.
- (c) Reflects a \$0.2 million change in the fair value of these notes between May 25, 2004 and June 30, 2004 in connection with the fair value hedges associated with these notes.
- (d) Reflects \$0.5 million of original issue discount.

S-14

**Table of Contents****PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS**

As of September 30, 2004, there were 25,930,541 common units outstanding, held by approximately 29,000 holders, including common units held in street name and units held by Magellan Midstream Holdings, L.P. Our common units are traded on the New York Stock Exchange under the symbol MMP.

As of September 30, 2004, 4,259,771 subordinated units were outstanding. These subordinated units are held by Magellan Midstream Holdings, L.P. and are not publicly traded.

The following table sets forth, for the periods indicated, the high and low closing sales prices for our common units, as reported on the New York Stock Exchange Composite Transaction Tape, and quarterly declared cash distributions per common unit. The closing sales price of our common units on the New York Stock Exchange on October 4, 2004 was \$54.50 per common unit.

	Price Ranges		Cash Distributions
	High	Low	Per Unit(a)
<b>2004</b>			
Fourth Quarter (through October 4, 2004)	\$ 55.84	\$ 54.50	N/A(b)
Third Quarter	55.00	49.77	N/A(b)
Second Quarter	55.50	46.89	\$ 0.8700
First Quarter	55.35	50.05	0.8500
<b>2003</b>			
Fourth Quarter	\$ 55.03	\$ 45.80	\$ 0.8300
Third Quarter	48.55	42.40	0.8100
Second Quarter	48.20	37.54	0.7800
First Quarter	37.19	33.30	0.7500
<b>2002</b>			
Fourth Quarter	\$ 34.70	\$ 29.50	\$ 0.7250
Third Quarter	36.40	25.20	0.7000
Second Quarter	42.35	30.75	0.6750
First Quarter	43.30	32.85	0.6125
<b>2001</b>			
Fourth Quarter	\$ 44.00	\$ 37.00	\$ 0.5900
Third Quarter	40.40	29.40	0.5775
Second Quarter	33.42	28.45	0.5625
First Quarter	31.00	24.00	0.2920

(a) Cash distributions declared for each respective quarter. Cash distributions were declared and paid within 45 days following the close of each quarter. The cash distribution for the first quarter of 2001 was prorated for the period from February 10, 2001 through March 31, 2001.

(b) We expect to declare and pay a cash distribution within 45 days following the end of the quarter.

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**Table of Contents**

**OVERVIEW OF THE SHELL ACQUISITION**

*Substantially all of the information presented below related to the Shell assets is based on information provided to us by Shell in connection with our acquisition of Shell's refined petroleum products pipeline system assets.*

**Overview**

On October 1, 2004, we acquired more than 2,000 miles of refined petroleum products pipeline system assets from Shell for approximately \$489.7 million. In addition to the purchase price, we paid approximately \$30.0 million for inventory related to a third-party supply agreement under which we received a security interest in a related \$14.0 million cash collateral account, assumed approximately \$25.7 million of existing liabilities and expect to incur approximately \$9.6 million for transaction costs. These assets are located in Colorado, Kansas, Oklahoma and Texas and primarily comprise the following four refined products pipeline systems, which include six active terminals and six system storage facilities that have a combined storage capacity of approximately 6.4 million barrels:

*Orion refined products system:* an approximate 1,000-mile pipeline originating at the East Houston terminal in Houston, Texas that we acquired as part of this acquisition that delivers refined products to (i) a terminal in Odessa, Texas that we acquired as part of this acquisition, (ii) a third-party terminal in El Paso, Texas, (iii) third-party facilities in central Texas and (iv) the mid-continent region of the United States through an interconnection with our 6,700-mile petroleum products pipeline system at Duncan, Oklahoma;

*Hearne refined products system:* an approximate 145-mile pipeline originating in Hearne, Texas that delivers refined products to third-party terminals in Waco and Dallas, Texas and to our existing terminal in Dallas;

*Chase refined products system:* an approximate 700-mile pipeline originating in El Dorado, Kansas that delivers refined products to (i) two terminals that we acquired as part of this acquisition and one third-party terminal in Kansas, (ii) a terminal near Denver, Colorado that we acquired as part of this acquisition and (iii) the Denver International Airport; and

*Cimarron refined products system:* an approximate 175-mile pipeline with origin points in Glenpool and Cushing, Oklahoma that delivers refined products to the Chase pipeline connection at El Dorado, Kansas. Our 6,700-mile petroleum products pipeline system serves as an interconnect between the Orion pipeline at Duncan, Oklahoma and the Cimarron pipeline at Cushing, Oklahoma.

Giving effect to anticipated expansion projects discussed below under "Strategic Rationale" and our marketing of these assets to third parties, including Shell, we expect annual operating profit from the acquired assets to be between \$40.0 and \$45.0 million by 2007 and to average approximately \$37.0 million for the period 2005 to 2007. We expect the related book depreciation to average approximately \$18.0 million per year for the period 2005 to 2007, and the maintenance capital for the acquired assets to be approximately \$2.0 million annually. For information about certain factors that could cause the actual operating results attributable to the acquired assets to materially differ from that which we expect, please read "Information Regarding Forward-Looking Statements" in this prospectus supplement and "Risk Factors" included in and incorporated by reference into this prospectus supplement and the accompanying prospectus.

In connection with this acquisition, we amended our partnership agreement to reduce the incentive cash distributions to be paid to our general partner by \$5.0 million and \$3.0 million for 2005 and 2006, respectively. In addition, the amended partnership agreement reduces the incentive cash distributions to be paid to our general partner for the fourth quarter of 2004 by \$1.25 million. These reductions will accelerate the accretion attributable to the acquisition and increase the cash available for distribution to our limited partners.

At the time this acquisition closed on October 1, 2004, we financed the acquisition with cash on hand of approximately \$179.3 million, including net proceeds of approximately \$87.3 million from our August 2004 equity offering and net of an escrow payment of approximately \$24.6 million to Shell in June 2004, \$300.0

S-16

## **Table of Contents**

million of borrowings under our short-term acquisition facility and \$50.0 million of borrowings under our revolving credit facility. Affiliates of each of the underwriters participating in this offering are lenders under our short-term acquisition facility. We intend to use the net proceeds from this offering to repay a portion of the borrowings under our short-term acquisition facility. We expect to repay the remaining borrowings under our short-term acquisition facility with net proceeds from a future issuance of long-term debt.

## **Strategic Rationale**

The acquisition of the Shell refined petroleum products pipeline system assets provides us with a direct connection to the U.S. Gulf Coast, which is the primary refining region of the United States and a major point of entry for foreign imports of refined petroleum products. The acquisition also extends the reach of our 6,700-mile petroleum products pipeline system into key markets in Colorado and western and northern Texas, including the growing metropolitan centers of Denver, Colorado, Dallas/Fort Worth, Texas and El Paso, Texas. According to the U.S. Census Bureau, the annual population growth in these areas has exceeded the national average over the past ten years. The compound annual growth in population for the Dallas/Fort Worth, Denver and El Paso markets was approximately 2.6%, 2.6% and 1.4%, respectively, from 1990 to 2000 compared to the compound annual growth of approximately 1.2% for the nation on average. Based on this historical trend, we believe that demand for refined products in these markets will also increase more than the national average. Further, statistics from the Energy Information Administration indicate the demand for refined petroleum products in the market areas served by our 6,700-mile petroleum products pipeline system is also expected to grow at an average compound annual rate of approximately 1.7% per year over the next ten years. We believe that a substantial part of this growth in demand will be satisfied by shipments of refined products from the U.S. Gulf Coast region. The integration of the acquired assets into our 6,700-mile petroleum products pipeline system will provide us with the ability to efficiently connect these growing markets with the U.S. Gulf Coast as a source of supply.

The Orion, Chase and Cimarron refined products systems already have connections to our 6,700-mile petroleum products pipeline system. For example, the Orion refined products system currently serves markets in the mid-continent region through a connection with our 6,700-mile petroleum products pipeline system, and the Chase refined products system can be supplied with refined products from the U.S. Gulf Coast region through our 6,700-mile petroleum products pipeline system. In addition, prior to the acquisition, we leased and operated a portion of the Cimarron pipeline. Given the strategic importance of these assets to us, we believe that opportunities exist for several projects to expand our 6,700-mile petroleum products pipeline system, our existing terminal network and the Orion refined products system's point of origin at the East Houston terminal, thereby enhancing our connectivity to U.S. Gulf Coast refineries.

## **Description of the Assets**

### ***Orion Refined Products System***

The Orion refined products system, or Orion, comprises three main segments which total approximately 1,000 miles:

the South segment, which extends from its East Houston terminal located near Houston, Texas to its Frost storage facility located approximately 50 miles south of Dallas, Texas, both of which we acquired as part of this acquisition;

the North segment, which extends from the Frost storage facility to Duncan, Oklahoma, where it interconnects with our 6,700-mile petroleum products pipeline system; and

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the West segment, which extends from the Frost storage facility to El Paso, Texas.

Orion's three segments are linked at the Frost storage facility and form a system capable of transporting approximately 100,000 barrels per day, or bpd. Orion also includes one active terminal located in Odessa, Texas, which has an aggregate storage capacity of approximately 709,000 barrels, and one idle terminal located in El Paso. The East Houston terminal includes a number of crude oil storage tanks that we are leasing to Shell under a long-term lease agreement.

S-17



## **Table of Contents**

Orion receives all of the refined products it transports from the East Houston terminal, which receives the majority of its supply from Shell's Deer Park, Texas refinery. The remainder of the refined products received by the East Houston terminal originate from Kinder Morgan Energy Partners L.P.'s terminals located in Galena Park and Pasadena, Texas.

Orion is a common-carrier pipeline, and its tariffs are regulated by the FERC and the Texas Railroad Commission.

### ***Hearne Refined Products System***

The Hearne refined products system, or Hearne, consists of an approximate 145-mile pipeline that originates at the Hearne, Texas storage facility located approximately 120 miles northwest of Houston, Texas and delivers refined products to third-party terminals in Waco and Dallas, Texas and to our existing terminal in Dallas. Additionally, refined products from Hearne can be delivered to the Hearne/Bryan/College Station area through a third-party truck loading rack at the Hearne storage facility and from facilities in Reagan, Texas to a railroad fueling facility in Temple, Texas through an interconnection with a pipeline owned by Koch Pipeline Company L.P. Hearne has a current throughput capacity of approximately 70,000 bpd and also includes an approximate 25-mile pipeline from Dallas to Fort Worth, Texas that has been idle since 2001.

Hearne receives a majority of its volumes through the Magtex pipeline from two major Gulf Coast refineries owned by ExxonMobil and Motiva. Hearne also has a newly constructed interconnection with Orion at Bee Creek, Texas.

Hearne is a common-carrier pipeline, and its tariffs are regulated by the Texas Railroad Commission.

### ***Chase Refined Products System***

The Chase refined products system, or Chase, consists of an approximate 700-mile pipeline that originates at its El Dorado, Kansas storage facility and has two segments, the Chase Mainline and the Chase Loop. The Chase Mainline currently has capacity to transport approximately 60,000 bpd of refined products from El Dorado, Kansas to its Aurora terminal near Denver, Colorado. The Chase Mainline also includes a pipeline that extends from its Aurora terminal to Denver International Airport and is the only pipeline serving that airport. The Chase Loop has a current capacity of approximately 21,000 bpd that delivers refined products to two terminals located in Great Bend and Scott City, Kansas, which have storage capacities of approximately 96,000 and 156,000 barrels, respectively. In addition, the Chase Loop delivers refined products to a third-party terminal located in Valley Center, Kansas, a northern suburb of Wichita.

Chase receives refined products from its El Dorado storage facility, which receives refined products primarily from Frontier Oil Corporation's approximate 110,000 bpd refinery located in El Dorado. The El Dorado storage facility also receives products from U.S. Gulf Coast refineries through an interconnection with our 6,700-mile petroleum products pipeline system through the Cimarron pipeline described below.

The Chase Mainline is a common-carrier pipeline, and its tariffs are regulated by the FERC, except for the segment serving the Denver International Airport, the tariffs for which are regulated by the Colorado Public Utility Commission. The Chase Loop is a common-carrier pipeline, and its tariffs are regulated by the Kansas Corporation Commission.

*Cimarron Refined Products System*

The Cimarron refined products system, or Cimarron, consists of an approximate 175-mile pipeline that originates at its Glenpool storage facility near Glenpool, Oklahoma and extends approximately 40 miles west to Cushing, Oklahoma. At Cushing, the pipeline extends north approximately 130 miles to the El Dorado storage facility, where it interconnects with Chase. Cimarron has current capacity to transport approximately 25,000 bpd

S-18

## **Table of Contents**

of refined products. The approximate 620,000-barrel Glenpool storage facility is connected to an approximate 3.8 million-barrel storage facility on the Explorer pipeline, and is also connected to the storage facility that we lease in Glenpool. Cimarron also includes the approximate 292,000-barrel Boyer storage facility which provides additional tankage for Cimarron and allows Cimarron to access the El Dorado storage facility more efficiently.

The section of Cimarron extending from Glenpool to Cushing is leased to a third party through January 31, 2005 and currently transports crude oil.

### ***Other Assets***

In addition to the four refined products pipeline systems described above, we also acquired:

a five-mile pipeline that extends from an interconnection with the Magtex pipeline to Bush Intercontinental Airport in Houston, Texas, including four storage tanks connected to the pipeline with an aggregate capacity of approximately 226,000 barrels; and

a terminal in Oklahoma City, Oklahoma, with a storage capacity of approximately 152,000 barrels, located on our 6,700-mile petroleum products pipeline system.

Because we already own a terminal in Oklahoma City, the Federal Trade Commission is requiring us to sell the newly acquired terminal in Oklahoma City. We believe the Oklahoma City terminal is not material to the operation of the Shell assets.

### **No Historical Financial Information**

The Shell assets we acquired have not been operated historically as a separate division or subsidiary. Shell operated these assets as part of its more extensive transportation and terminalling and crude oil and refined products operations. As a result, Shell did not maintain complete and separate financial statements for these assets as an independent business unit.

We plan to integrate the assets into the operations of our 6,700-mile petroleum products pipeline system utilizing our existing accounting, financial reporting and measurement and control systems. In order to facilitate this integration, we entered into a transition services agreement with Shell. Under the transition services agreement, Shell agreed to provide certain pipeline control services in connection with the operation of the assets for up to one year following the closing of the acquisition. We employ field operations personnel to operate the assets, including some former Shell employees, and utilize our existing marketing and managerial employees as well as additional personnel to perform these functions. We also entered into transportation, terminalling and supply agreements with third parties, including Shell, for the refined petroleum products pipeline system assets, terminals and system storage facilities that we acquired. We charge applicable tariffs and fees for transportation and terminalling services with respect to these assets in order to generate revenues and cash for distribution to our unitholders.

### **Terminalling and Transportation Agreements with Shell**

In connection with our acquisition of these refined petroleum products pipeline system assets, we entered into three-year terminalling and transportation agreements and a five-year storage lease agreement with Shell for a combined minimum revenue commitment averaging approximately \$28.1 million per year through September 30, 2007 and approximately \$750,000 per year thereafter through September 30, 2009.

S-19

**Table of Contents****MANAGEMENT**

The following table sets forth information with respect to the executive officers and members of the board of directors of our general partner. Executive officers are elected by the board of directors of our general partner and serve until the earlier of their resignation or removal. The board of directors of our general partner has eight directors divided into three classes serving staggered three-year terms.

<b>Name</b>	<b>Age</b>	<b>Position with General Partner</b>
Don R. Wellendorf	52	Chairman of the Board, President and Chief Executive Officer
John D. Chandler	34	Vice President, Chief Financial Officer and Treasurer
Michael N. Mears	41	Vice President, Transportation
Richard A. Olson	47	Vice President, Pipeline Operations
Brett C. Riley	34	Vice President, Business Development
Lonny E. Townsend	47	Vice President and General Counsel
Jay A. Wiese	48	Vice President, Terminal Services and Development
Patrick C. Eilers	38	Director
Justin S. Huscher	50	Director
N. John Lancaster, Jr.	36	Director
Pierre F. Lapeyre, Jr.	42	Director
James R. Montague	57	Director
George A. O'Brien, Jr.	55	Director
Mark G. Papa	58	Director

Don R. Wellendorf has served as Chairman of the Board since June 17, 2003, and as a director and the President and Chief Executive Officer of our general partner since November 15, 2002. He has served as the President and Chief Executive Officer of Magellan Midstream Management, LLC, the general partner of Magellan Midstream Holdings, L.P., since June 17, 2003. Mr. Wellendorf also served as President and Chief Executive Officer of our former general partner from May 13, 2002 until November 15, 2002 and served as a director of our former general partner from February 9, 2001 until November 15, 2002. He served as Treasurer and Chief Financial Officer of our former general partner from January 7, 2001 to July 24, 2002 and as Senior Vice President of our former general partner from January 7, 2001 until May 13, 2002. From 1998 to March 2003, he served as a Vice President of a subsidiary of Williams. Prior to Williams' merger with MAPCO Inc., he served in various management positions since joining MAPCO in 1979.

John D. Chandler has served as a Vice President since June 17, 2003 and as the Chief Financial Officer and Treasurer of our general partner since November 15, 2002 and served in that capacity for our former general partner from July 24, 2002 until November 15, 2002. He has served as Vice President, Chief Financial Officer and Treasurer of Magellan Midstream Management, LLC since June 17, 2003. He was Director of Financial Planning and Analysis for a subsidiary of Williams from September 2000 to July 2002. He also served as Director of Strategic Development for a subsidiary of Williams from 1999 to 2000 and served as Manager of Strategic Analysis from 1998 to 1999. Prior to Williams' merger with MAPCO Inc., he held various accounting and finance positions with MAPCO from 1992 to 1998.

Michael N. Mears has served as the Vice President, Transportation of our general partner since November 15, 2002 and served in that capacity for our former general partner from April 22, 2002 until November 15, 2002. He has served as a Vice President of Magellan Midstream Management, LLC since June 17, 2003. He served as a Vice President of subsidiaries of Williams from 1996 to June 17, 2003. Mr. Mears also worked in various management positions with Magellan Pipeline Company, L.P. since joining Williams in 1985.

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Richard A. Olson has served as the Vice President, Pipeline Operations of our general partner since November 15, 2002 and served in that capacity for our former general partner from April 22, 2002 until November 15, 2002. He served as a Vice President of subsidiaries of Williams from 1996 to 2002. Mr. Olson also worked in various management positions with Magellan Pipeline Company, L.P. since joining Williams in 1981.

S-20

## **Table of Contents**

Brett C. Riley has served as the Vice President, Business Development of our general partner since June 17, 2003. He has served as a Vice President of Magellan Midstream Management, LLC since June 17, 2003. Mr. Riley served as Director of Mergers & Acquisitions for a subsidiary of Williams from September 2000 until June 2003. He also served as Director of Financial Planning and Analysis for a subsidiary of Williams from 1998 to 2000. Mr. Riley also worked in various financial positions with MAPCO and Williams since 1992.

Lonny E. Townsend has served as Vice President and General Counsel of our general partner since June 17, 2003. He has served as Vice President, General Counsel and Assistant Secretary of Magellan Midstream Management, LLC since June 17, 2003. He was Assistant General Counsel for Williams from February 2001 to June 17, 2003. He also served as Senior Counsel for Williams from September 1995 to February 2001.

Jay A. Wiese has served as the Vice President, Terminal Services and Development of our general partner since November 15, 2002 and served in that capacity for our former general partner from January 7, 2001 until November 15, 2002. He has served as a Vice President of Magellan Midstream Management, LLC since June 17, 2003. He was Managing Director, Terminal Services and Commercial Development for a subsidiary of Williams from 2000 to January 2001. From 1995 to 2000, he served as Director, Terminal Services and Commercial Development for a subsidiary of Williams and held various operations, marketing and business development positions for Williams from 1982 to 1995.

Patrick C. Eilers has served as a director of our general partner since June 17, 2003. He has been employed by Madison Dearborn Partners, Inc. since 1999 where he serves as a Director. He has served as a Vice President of Magellan Midstream Management, LLC since April 17, 2003. Prior to joining Madison Dearborn Partners, he served as a Director with Jordan Industries, Inc. from 1995 to 1997 and as an Associate with IAI Venture Capital, Inc. from 1990 to 1994 while playing professional football with the Chicago Bears, the Washington Redskins and the Minnesota Vikings from 1990 to 1995. Mr. Eilers received a Masters in Business Administration from the Northwestern J.L. Kellogg Graduate School of Management in 1999.

Justin S. Huscher has served as a director of our general partner since June 17, 2003. He has served as a Vice President of Magellan Midstream Management, LLC since April 17, 2003. He is a founder of Madison Dearborn Partners, Inc. where he has served as a Managing Director since 1993. He currently serves as a member of the board of directors of Bay State Paper Company, Jefferson Smurfit Group plc and Packaging Corporation of America. Previously, he served as a director of Buckeye Technologies, Inc. and HomeSide, Inc. Prior to joining Madison Dearborn Partners, he was with First Chicago Venture Capital for seven years.

N. John Lancaster, Jr. has served as a director of our general partner since May 20, 2004. He has served as a Vice President of Magellan Midstream Management, LLC since May 4, 2004. He is a Managing Director of Riverstone Holdings, LLC where his primary focus includes sourcing and executing investments in the energy industry. Prior to joining Riverstone in April 2000, he was a director with The Beacon Group, LLC, a strategic advisory and private equity investment firm. He attended Harvard Business School from January 1998 through May 1999. He also served previously in the energy investment banking groups of both Credit Suisse First Boston and Bankers Trust.

Pierre F. Lapeyre, Jr. has served as a director of our general partner since June 17, 2003. He has served as a Vice President of Magellan Midstream Management, LLC since April 17, 2003. He is a founder of Riverstone Holdings, LLC where he has served as a Managing Director since May 2000. He serves as a member of the board of directors of Legend Natural Gas, L.P., InTank, Inc. and CDM Resource Management, Ltd. He is also a member of the board of directors of Seabulk International Inc., where he serves on the compensation committee. Prior to joining Riverstone Holdings, Mr. Lapeyre spent 14 years with Goldman, Sachs & Co. where he served as a Managing Director of the Global Energy and Power Group. During his investment banking career at Goldman, Sachs & Co., he focused on energy and power, particularly the midstream/infrastructure, oil service and technology sectors.





**Table of Contents**

James R. Montague has served as a director of our general partner since November 21, 2003. From December 2001 to October 2002, Mr. Montague served as President of AEC Gulf of Mexico, Inc., a subsidiary of Alberta Energy Company, Ltd., which is involved in oil and gas exploration and production. From 1996 to June 2001, he served as President of two subsidiaries of International Paper Company, IP Petroleum Company, an oil and gas exploration and production company, and GCO Minerals Company, a company that manages International Paper Company's mineral holdings. He is also a director of the general partner of Penn Virginia Resource Partners.

George A. O'Brien, Jr. has served as a director of our general partner since December 12, 2003. He is Senior Vice President of Forest Resources for International Paper Company and is responsible for its forestry and wood products businesses. Since joining International Paper in 1988, his responsibilities have included corporate development, chief financial officer of its New Zealand subsidiary and operations management.

Mark G. Papa has served as a director of our general partner since July 21, 2003. He has served as Chairman of EOG Resources Inc., an independent exploration and production company, since August 1999, where he also has served as Chief Executive Officer, a director since September 1998 and as President since December 1996. He serves as a member of the board of directors of Oil States International, Inc. and Chairman of the U.S. Oil and Gas Association.

**Table of Contents**

**TAX CONSIDERATIONS**

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our common units, please read **Material Tax Consequences** in the accompanying prospectus. You are urged to consult with your own tax advisor about the federal, state and local tax consequences that are specific to your circumstances.

We estimate that if you purchase common units in this offering and own them through the record date for the distribution for the fourth quarter of 2006, then you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the cash distributed with respect to that period. These estimates are based upon the assumption that our available cash for distribution will approximate the amount required to distribute cash to the holders of our common units in an amount of at least the current quarterly distribution of \$0.87 per unit and other assumptions with respect to capital expenditures, cash flow and anticipated cash distributions. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, the estimates are based on current tax law and certain tax reporting positions that we have adopted with which the Internal Revenue Service could disagree. Accordingly, we cannot assure you that the estimates will be correct. The actual percentage of distributions that will constitute taxable income could be higher or lower, and any differences could be material and could materially affect the value of the common units. Please read **Material Tax Consequences** in the accompanying prospectus.

Ownership of common units by tax-exempt entities, regulated investment companies and foreign investors raises issues unique to such persons. Please read **Material Tax Consequences Tax-Exempt Organizations and Other Investors** in the accompanying prospectus.

Recently issued Treasury Regulations require taxpayers to report certain information on Internal Revenue Service Form 8886 if they participate in a reportable transaction. You may be required to file this form with the Internal Revenue Service if we participate in a reportable transaction. A transaction may be a reportable transaction based upon any of several factors. You are urged to consult with your own tax advisor concerning the application of any of these factors to your investment in our common units. Congress is considering legislative proposals that, if enacted, would impose significant penalties for failure to comply with these disclosure requirements. The Treasury Regulations also impose obligations on material advisors that organize, manage or sell interests in registered tax shelters. As described in the accompanying prospectus, we have registered as a tax shelter, and, thus, one of our material advisors will be required to maintain a list with specific information, including your name and tax identification number, and furnish this information to the Internal Revenue Service upon request. You are urged to consult with your own tax advisor concerning any possible disclosure obligation with respect to your investment, and you should be aware that we and our material advisors intend to comply with the list and disclosure requirements.

The top marginal United States federal income tax rate for individuals is currently 35%. In general, net capital gains of an individual are subject to a maximum 15% United States federal income tax rate if the asset disposed of was held for more than 12 months at the time of disposition.

In addition, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity-level taxation through the implementation of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our cash available for distribution would be reduced.

**Table of Contents****UNDERWRITING**

Under the underwriting agreement, which we will file as an exhibit to our current report on Form 8-K relating to this common unit offering, each of the underwriters named below have severally agreed to purchase common units from us. Each underwriter is obligated to purchase the respective number of common units indicated in the following table:

<b><u>Underwriters</u></b>	<b><u>Number of Common Units</u></b>
Lehman Brothers Inc.	650,000
Citigroup Global Markets Inc.	650,000
Goldman, Sachs & Co.	433,334
UBS Securities LLC	433,333
Wachovia Capital Markets, LLC	433,333
<b>Total</b>	<b>2,600,000</b>

The underwriting agreement provides that the underwriters are obligated to purchase, subject to certain conditions, all of the common units from us in the offering if any are purchased, other than those covered by the over-allotment option described below. The conditions contained in the underwriting agreement include requirements that:

the representations and warranties made by us to the underwriters are true;

there has been no material adverse change in our condition or in the financial markets; and

we deliver the customary closing documents to the underwriters.

**Over-Allotment Option**

We have granted the underwriters a 30-day option to purchase, in whole or part, up to an aggregate of 390,000 additional common units at the public offering price less the underwriting discount and commissions. This option may be exercised to cover over-allotments, if any, made in connection with the common unit offering. To the extent that the option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional common units proportionate to the underwriter's percentage underwriting commitment in the offering as indicated in the preceding table, and we will be obligated, pursuant to the option, to sell these common units to the underwriters.

**Commission and Expenses**

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We have been advised by the underwriters that the underwriters propose to offer the common units directly to the public at the price to the public set forth on the cover page of this prospectus supplement and to selected dealers, who may include the underwriters, at the offering price less a selling concession not in excess of \$1.396 per unit. The underwriters may allow, and the selected dealers may reallow, a discount from the concession not in excess of \$0.10 per unit to other dealers. After the common unit offering, the underwriters may change the offering price and other selling terms.

The following table shows the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase 390,000 additional common units from us. The underwriting fee is the difference between the public offering price and the amount the underwriters pay us for the common units.

	<u>No Exercise</u>	<u>Full Exercise</u>
Per unit	\$ 2.316	\$ 2.316
Total	\$ 6,021,600	\$ 6,924,840

S-24

## **Table of Contents**

We estimate that the total expenses for this common unit offering, excluding underwriting discounts and commissions, will be approximately \$0.3 million.

## **Lock-up Agreements**

We, our affiliates that own common units and the directors and the executive officers of our general partner have agreed that we and they will not, subject to limited exceptions, directly or indirectly, sell, offer for sale, pledge or otherwise dispose of any common units or any securities convertible into or exchangeable or exercisable for common units or enter into any derivative transaction with similar effect as a sale of common units for a period of 90 days after the date of this prospectus supplement without the prior written consent of Lehman Brothers Inc. and Citigroup Global Markets Inc. The restrictions described in this paragraph do not apply to (i) the sale of common units by us to the underwriters, (ii) issuances of common units pursuant to any existing employee benefit plans or (iii) sales of our registered common units to one or more investors in a transaction other than an underwritten public offering, provided that such investors agree in writing to be subject to the same restrictions set forth above for the period between the date of any such issuance and the date 90 days after the date of this prospectus.

Lehman Brothers Inc. and Citigroup Global Markets Inc., in their discretion, may release the common units subject to lock-up agreements in whole or in part at any time with or without notice. When determining whether or not to release common units from lock-up agreements, Lehman Brothers Inc. and Citigroup Global Markets Inc. will consider, among other factors, our or the unitholders' reasons for requesting the release, the number of common units for which the release is being requested, and market conditions at the time.

## **Indemnification**

We, our general partner and certain of our affiliates have agreed to indemnify the underwriters against certain liabilities relating to the offering, including liabilities under the Securities Act of 1933, as amended, and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement or to contribute to payments that may be required to be made in respect of these liabilities.

## **Stabilization, Short Positions and Penalty Bids**

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common units in accordance with Regulation M under the Securities Exchange Act of 1934, as amended.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment transactions involve sales by the underwriters of the common units in excess of the number of common units the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of common units over-allotted by the underwriters is not greater than the number of common units they may purchase in the over-allotment option. In a naked short position, the number of common units involved is greater than the number of common units in the

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over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing the common units in the open market.

Syndicate covering transactions involve purchases of the common units in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of the common units to close out the short position, the underwriters will consider, among other things, the price of common units available for purchase in the open market as compared to the price at which they may purchase common units through the over-allotment option. If the underwriters sell more common

S-25

## **Table of Contents**

units than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common units originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover a syndicate short position.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common units or preventing or retarding a decline in the market price of the common units. As a result, the price of our common units may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time. Prior to purchasing the common units being offered pursuant to this prospectus supplement, one of the underwriters purchased on behalf of the syndicate 20,000 common units at an average price of \$54.67 per unit, in stabilizing transactions.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common units. In addition, neither we nor any of the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

## **Affiliations**

Some of the underwriters and their affiliates have performed investment banking, financial advisory and other commercial services for us and our affiliates in the ordinary course of business from time to time for which they have received customary fees and expenses. The underwriters and their affiliates may, from time to time in the future, engage in transactions with and perform such services for us and our affiliates in the ordinary course of their business.

Affiliates of each of the underwriters participating in this offering are lenders under the short-term acquisition facility that we used to finance the acquisition from Shell. Each of these lenders will receive a partial repayment of amounts outstanding under this facility from the net proceeds of this offering. Because we intend to use more than 10% of the net proceeds from the sale of the common units to repay indebtedness owed by us to such affiliates under our short-term acquisition facility, this offering is being made in compliance with the requirements of Rule 2710(h) of the Conduct Rules of the National Association of Securities Dealers, Inc. Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering as a bona fide independent market (as defined in the NASD Conduct Rules) exists in our common units.

Affiliates of each of the underwriters participating in this offering are also lenders under our revolving credit facility.

The decision of the underwriters to participate in this offering was made independently of any of their respective affiliates that are lenders under our revolving credit facility and our short-term acquisition facility.

## **Electronic Distribution**

A prospectus supplement and the accompanying prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this common unit offering, or by their affiliates. In those cases, prospective

S-26



## **Table of Contents**

investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of common units for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus supplement and the accompanying prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other website maintained by any underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus supplement forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as an underwriter or selling group member and should not be relied upon by investors.

## **Listing**

Our common units are traded on the New York Stock Exchange under the symbol MMP.

## **National Association of Securities Dealers Conduct Rules**

Because the NASD views the common units offered hereby as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASD Conduct Rules.

## **LEGAL**

The validity of the common units will be passed upon for us by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters in connection with the common units offered hereby will be passed upon for the underwriters by Andrews Kurth LLP, Houston, Texas. Andrews Kurth LLP also performs legal services for us from time to time unrelated to this offering.

## **EXPERTS**

The consolidated balance sheets of Magellan Midstream Partners, L.P. (formerly Williams Energy Partners L.P.) as of December 31, 2002 and 2003 and the related consolidated statements of income, cash flows and partners' capital for each of the years ended December 31, 2001, 2002 and 2003 appearing in Magellan Midstream Partners, L.P.'s (formerly Williams Energy Partners L.P.) Annual Report on Form 10-K for the year ended December 31, 2003 and the consolidated balance sheets of Magellan GP, LLC (formerly WEG GP LLC) as of December 31, 2002 and 2003 appearing in Magellan Midstream Partners, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2003 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein and incorporated herein by reference. Such consolidated balance sheets and financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.



**Table of Contents**

**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the documents incorporated in this prospectus supplement by reference include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as anticipate, believe, intend, plan, projection, forecast, strategy, position, continue, estimate, expect, may, will, or other variations of them or comparable terminology. In particular, statements, express or implied, concerning future actions, conditions or events or future operating results or the ability to generate sales, income, cash flow or cash to be distributed to unitholders are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond the ability of us and our affiliates to control or predict. In addition to the risk factors included under Risk Factors in this prospectus supplement and the accompanying prospectus, other specific factors which could cause actual results to differ from those in the forward-looking statements include:

price trends and overall demand for natural gas liquids, refined petroleum products, natural gas, oil and ammonia in the United States;

weather patterns materially different from historical trends;

development of alternative energy sources;

changes in demand for storage in our petroleum products terminals;

changes in supply patterns for our marine terminals due to geopolitical events;

changes in our tariff rates implemented by the FERC, the United States Surface Transportation Board and/or state regulators;

shut-downs or cutbacks at major refineries, petrochemical plants, ammonia production facilities or other businesses that use or supply our services;

changes in throughput on petroleum products pipelines owned and operated by third parties and connected to our petroleum products terminals or petroleum products pipeline system;

loss of one or more of our three customers on our ammonia pipeline system;

changes in the federal government's policy regarding farm subsidies, which could negatively impact the demand for ammonia and reduce the amount of ammonia transported through our ammonia pipeline system;

an increase in the competition our operations encounter;

the occurrence of an operational hazard or unforeseen interruption for which we are not adequately insured;

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our ability to integrate any acquired operations into our existing operations;

our ability to successfully identify and close strategic acquisitions and expansion projects and make cost saving changes in operations;

changes in general economic conditions in the United States;

changes in laws or regulations to which we are subject, including federal, state and local tax, safety, environmental and employment laws and regulations;

the cost and effects of legal and administrative claims and proceedings against us or our subsidiaries;

the amount of our indebtedness, which could make us vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds, place us at competitive disadvantages compared to our competitors that have less debt or could have other adverse consequences;

the condition of the capital markets and equity markets in the United States;

S-28

**Table of Contents**

our ability to raise capital in a cost-effective manner;

the effect of changes in accounting policies;

our ability to manage rapid growth;

Magellan Midstream Holdings, L.P.'s ability to perform on its environmental and right-of-way indemnifications to us;

Williams' ability to pay the amounts owed to us under the indemnification settlement;

the ability of our general partner to enter into certain agreements which could negatively impact our financial position, results of operations and cash flows;

supply disruption; and

global and domestic economic repercussions from terrorist activities and international hostilities and the government's response thereto.

You should not put undue reliance on any forward-looking statements.

When considering forward-looking statements, please review the risk factors described under "Risk Factors" in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference.

**WHERE YOU CAN FIND MORE INFORMATION**

The SEC allows us to incorporate by reference information we file with it. This procedure means that we can disclose important information to you by referring you to documents we filed with the SEC. The information we incorporate by reference is part of this prospectus supplement and later information that we file with the SEC (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any Current Report on Form 8-K) will automatically update and supersede this information. We incorporate by reference the documents listed below:

Annual Report on Form 10-K for the year ended December 31, 2003;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004;

Definitive Proxy Statement on Schedule 14A filed on March 10, 2004;

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Current Reports on Form 8-K filed on May 5, 2004, May 18, 2004, May 21, 2004, May 25, 2004, May 27, 2004, June 24, 2004, August 13, 2004, September 16, 2004 and October 1, 2004; and

the description of our common units contained in our Form 8-A initially filed February 2, 2001, and any subsequent amendment thereto filed for the purpose of updating such description.

You may request a copy of these filings at no cost by making written or telephone requests for copies to:

Magellan Midstream Partners, L.P.

P.O. Box 22186

Tulsa, Oklahoma 74121-2186

Attention: Investor Relations Department

Telephone: (918) 574-7000

We also make available free of charge on our internet website at <http://www.magellanlp.com> our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not part of this prospectus supplement or the accompanying prospectus.

S-29

**Table of Contents**

PROSPECTUS

**\$1,800,000,000**

**WILLIAMS ENERGY PARTNERS L.P.**

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**Common Units**

**Debt Securities**

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**Guarantees of Debt Securities of Williams Energy Partners L.P. by:**

**Williams GP Inc.**

**Williams OLP, L.P.**

**Williams Pipe Line Company, LLC**

**Williams NGL, LLC**

**Williams Pipelines Holdings, L.P.**

**Williams Terminals Holdings, L.P.**

**Williams Ammonia Pipeline, L.P.**

**Williams Fractionation Holdings, L.P.**

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We may from time to time offer and sell common units and debt securities that may be fully and unconditionally guaranteed by our subsidiaries, Williams GP Inc., Williams OLP, L.P., Williams Pipe Line Company, LLC, Williams NGL, LLC, Williams Pipelines Holdings, L.P., Williams

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Terminals Holdings, L.P., Williams Ammonia Pipeline, L.P. and Williams Fractionation Holdings, L.P. This prospectus describes the general terms of these securities and the general manner in which we will offer the securities. The specific terms of any securities we offer will be included in a supplement to this prospectus. The prospectus supplement will also describe the specific manner in which we will offer the securities.

The New York Stock Exchange has listed our common units under the symbol WEG. Our address is One Williams Center, Tulsa, Oklahoma 74172, and our telephone number is (918) 573-2000.

**Limited partnerships are inherently different from corporations. You should carefully consider the risk factors beginning on page 2 of this prospectus before you make an investment in our securities.**

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**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.**

The date of this prospectus is May 16, 2002.



**Table of Contents**

**TABLE OF CONTENTS**

<u>ABOUT THIS PROSPECTUS</u>	1
<u>ABOUT WILLIAMS ENERGY PARTNERS</u>	1
<u>THE SUBSIDIARY GUARANTORS</u>	1
<u>RISK FACTORS</u>	2
<u>Risks Related to our Business</u>	2
<u>Risks Related to our Partnership Structure</u>	5
<u>Tax Risks to Common Unitholders</u>	7
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	10
<u>FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS</u>	11
<u>USE OF PROCEEDS</u>	12
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	12
<u>DESCRIPTION OF DEBT SECURITIES</u>	13
<u>General</u>	13
<u>Covenants</u>	15
<u>Events of Default, Remedies and Notice</u>	15
<u>Amendments and Waivers</u>	17
<u>Defeasance</u>	18
<u>No Personal Liability of General Partner</u>	19
<u>Subordination</u>	20
<u>Book Entry, Delivery and Form</u>	21
<u>The Trustee</u>	22
<u>Governing Law</u>	22
<u>DESCRIPTION OF OUR CLASS B UNITS</u>	23
<u>CASH DISTRIBUTIONS</u>	24
<u>Distributions of Available Cash</u>	24
<u>Operating Surplus, Capital Surplus and Adjusted Operating Surplus</u>	24
<u>Subordination Period</u>	25
<u>Distributions of Available Cash from Operating Surplus During the Subordination Period</u>	26
<u>Distributions of Available Cash from Operating Surplus After the Subordination Period</u>	26
<u>Incentive Distribution Rights</u>	27
<u>Percentage Allocations of Available Cash from Operating Surplus</u>	27
<u>Distributions from Capital Surplus</u>	27
<u>Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels</u>	28
<u>Distributions of Cash Upon Liquidation</u>	28
<u>MATERIAL TAX CONSEQUENCES</u>	31
<u>Partnership Status</u>	31
<u>Limited Partner Status</u>	32
<u>Tax Consequences of Unit Ownership</u>	33
<u>Tax Treatment of Operations</u>	37
<u>Disposition of Common Units</u>	38
<u>Uniformity of Units</u>	40
<u>Tax-Exempt Organizations and Other Investors</u>	40
<u>Administrative Matters</u>	41
<u>State, Local and Other Tax Considerations</u>	43
<u>Tax Consequences of Ownership of Debt Securities</u>	43
<u>INVESTMENT IN US BY EMPLOYEE BENEFIT PLANS</u>	44
<u>PLAN OF DISTRIBUTION</u>	45
<u>LEGAL</u>	45
<u>EXPERTS</u>	45

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone else to give you different information. We are not offering these securities in any state where they do not permit the offer. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

(i)

**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf registration process, we may sell up to \$1.8 billion in aggregate offering price of the common units or debt securities described in this prospectus in one or more offerings. This prospectus generally describes us and the common units, debt securities and the guarantees of the debt securities. Each time we sell common units or debt securities with this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update or change information in this prospectus. The information in this prospectus is accurate as of May 15, 2002. You should carefully read both this prospectus and any prospectus supplement and the additional information described under the heading **Where You Can Find More Information**.

**ABOUT WILLIAMS ENERGY PARTNERS**

We were formed by The Williams Companies, Inc. in August 2000 to own, operate and acquire a diversified portfolio of complementary energy assets. We are principally engaged in the transportation, storage and distribution of refined petroleum products and ammonia. Williams GP LLC serves as our general partner and is an indirect wholly owned subsidiary of The Williams Companies, Inc.

As used in this prospectus, **we**, **us**, **our** and **Williams Energy Partners** mean Williams Energy Partners L.P. and, where the context requires, include our operating subsidiaries.

**THE SUBSIDIARY GUARANTORS**

Williams GP Inc., Williams OLP, L.P., Williams Pipe Line Company, LLC, Williams NGL, LLC, Williams Pipelines Holdings, L.P., Williams Terminals Holdings, L.P., Williams Ammonia Pipeline, L.P. and Williams Fractionation Holdings, L.P. are our only subsidiaries as of the date of this prospectus. Williams GP Inc. and Williams Pipe Line Company, LLC are wholly owned subsidiaries of Williams Energy Partners L.P. Williams GP Inc. owns a 0.001% general partner interest and Williams Energy Partners, L.P. owns a 99.999% limited partner interest in Williams OLP, L.P. Williams OLP, L.P. owns all of the membership interests in Williams NGL LLC and a 99.999% limited partner interest in each of Williams Pipelines Holdings, L.P., Williams Terminals Holdings, L.P., Williams Ammonia Pipeline, L.P. and Williams Fractionation Holdings, L.P. Williams NGL, LLC owns a 0.001% general partner interest in each of these four partnerships. We sometimes refer to Williams GP Inc., Williams OLP, L.P., Williams NGL, LLC, Williams Pipelines Holdings, L.P., Williams Terminals Holdings, L.P., Williams Ammonia Pipeline, L.P. and Williams Fractionation Holdings, L.P. in this prospectus as the **Subsidiary Guarantors**. The Subsidiary Guarantors may jointly and severally and unconditionally guarantee our payment obligations under any series of debt securities offered by this prospectus, as set forth in a related prospectus supplement.

**Table of Contents**

**RISK FACTORS**

*Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should carefully consider the following risk factors together with all of the other information included in this prospectus, any prospectus supplement and the documents we have incorporated by reference into this document in evaluating an investment in the common units.*

*If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common units could decline and you could lose all or part of your investment.*

**Risks Related to Our Business**

*We may not be able to generate sufficient cash from operations to allow us to pay the minimum quarterly distribution following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.*

The amount of cash we can distribute on our common units principally depends upon the cash we generate from our operations. Because the cash we generate from operations will fluctuate from quarter to quarter, we may not be able to pay the minimum quarterly distribution for each quarter. Our ability to pay the minimum quarterly distribution each quarter depends primarily on cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items. As a result, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

*Potential future acquisitions and expansions, if any, may affect our business by substantially increasing the level of our indebtedness and contingent liabilities and increasing our risks of being unable to effectively integrate these new operations.*

From time to time, we evaluate and acquire assets and businesses that we believe complement our existing assets and businesses. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

Acquisitions and business expansions involve numerous risks, including difficulties in the assimilation of the assets and operations of the acquired businesses, inefficiencies and difficulties that arise because of unfamiliarity with new assets and the businesses associated with them and new geographic areas and the diversion of management's attention from other business concerns. Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined, and we may experience unanticipated delays in realizing the benefits of an acquisition. Following an acquisition, we may discover previously unknown liabilities associated with the acquired business for which we have no recourse under applicable indemnification provisions.

*Our financial results depend on the demand for the refined petroleum products that we store and distribute.*

Any sustained decrease in demand for refined petroleum products in the markets served by our terminals could result in a significant reduction in the volume of products that we store at our marine terminal facilities and in the throughput in our inland terminals, and therefore reduce our cash flow and our ability to pay cash distributions to you. Factors that could lead to a decrease in market demand include:

an increase in the market price of crude oil that leads to higher refined product prices, which may reduce demand for gasoline and other petroleum products. Market prices for refined petroleum products are subject to wide fluctuation in response to changes in global and regional supply over which we have no control;

## **Table of Contents**

a recession or other adverse economic condition that results in lower spending by consumers and businesses on transportation fuels such as gasoline, jet fuel and diesel;

higher fuel taxes or other governmental or regulatory actions that increase the cost of gasoline;

an increase in fuel economy, whether as a result of a shift by consumers to more fuel-efficient vehicles or technological advances by manufacturers; and

the increased use of alternative fuel sources, such as fuel cells and solar, electric and battery-powered engines. Several state and federal initiatives mandate this increased use.

***When prices for the future delivery of petroleum products that we store in our marine terminals fall below current prices, customers are less likely to store these products, thereby reducing our storage revenues.***

This market condition is commonly referred to as backwardation. When the petroleum product market is in backwardation, the demand for storage capacity at our marine terminal facilities may decrease. The forward pricing market for petroleum products moved to backwardation in the second quarter of 1999 and continued for a majority of 2000. This market condition contributed to reduced storage revenues in 1999 and 2000. In 2001, the forward pricing market remained backwardated during the first half of the year, reversing during the latter half of 2001. If this market becomes strongly backwardated for an extended period of time, it may affect our ability to pay cash distributions to you.

***We depend on petroleum product pipelines owned and operated by others to supply our terminals.***

Most of our inland and marine terminal facilities depend on connections with petroleum product pipelines owned and operated by third parties. Reduced throughput on these pipelines because of testing, line repair, damage to pipelines, reduced operating pressures or other causes could result in our being unable to deliver products to our customers from our terminals or receive products for storage and could adversely affect our ability to pay cash distributions to you.

***Collectively, our affiliates Williams Energy Marketing & Trading Company and Williams Refining & Marketing, L.L.C. are our largest customer, and any reduction in their use of our terminal facilities could reduce our ability to pay cash distributions to you.***

For the year ended December 31, 2001, our affiliates Williams Energy Marketing & Trading and Williams Refining & Marketing collectively accounted for approximately 21.0 percent of our combined historical revenues. If Williams Energy Marketing & Trading and Williams Refining & Marketing were to decrease the throughput volume they allocate to our terminals for any reason, we could experience difficulty in replacing those lost volumes. Because our operating costs are primarily fixed, a reduction in throughput would result in not only a reduction of revenues, but also a decline in net income and cash flow of a similar magnitude, which would reduce our ability to pay cash distributions to you. Either Williams Energy Marketing & Trading or Williams Refining & Marketing could reduce the volume of throughput it allocates to us because of market conditions or because of factors that specifically affect Williams Energy Marketing & Trading or Williams Refining & Marketing, including a decrease in demand for products in the markets served by our terminals or a loss of customers in those markets.

***Our ammonia pipeline and terminals system is dependent on three customers.***

Three customers ship all of the ammonia on our pipeline and utilize the six terminals that we own and operate on the pipeline. We have contracts with Farmland Industries, Inc., Agrium U.S. Inc. and Terra Nitrogen, L.P. through June 2005 that obligate them to ship-or-pay for specified minimum quantities of ammonia. Two of these customers have credit ratings below investment grade. The loss of any one of these three customers or their failure or inability to pay us would adversely affect our ability to pay cash distributions to you.

## **Table of Contents**

***High natural gas prices can increase ammonia production costs and reduce the amount of ammonia transported through our ammonia pipeline and terminals system.***

The profitability of our customers that produce ammonia partially depends on the price of natural gas, which is the principal raw material used in the production of ammonia. From 1999 through the first half of 2001, natural gas prices were substantially higher than historical averages. As a result, our customers substantially curtailed their production of ammonia and shipped lower volumes of ammonia on our pipeline. Because of this, our ammonia business realized reduced revenues and cash flows in 1999, 2000 and the first six months of 2001. Our ammonia pipeline and terminals system revenues increased during the second half of 2001, when high natural gas prices returned to lower historical levels. An extended period of high natural gas prices may cause our customers to produce and ship lower volumes of ammonia, which could adversely affect our ability to pay cash distributions to you.

***Changes in or challenges to the federal government's policy regarding farm subsidies could negatively impact the demand for ammonia and result in decreased shipments through our ammonia pipeline and terminals system.***

Our customers who ship ammonia through our pipeline primarily sell the ammonia to corn farmers in the Midwest. The recently enacted 2002 Farm Bill continues the Freedom to Farm Program that provides incentives to farmers to grow corn that has resulted in large corn crops over the last few years. In addition, the bill provides for a target-price program and loan-price supports for corn farmers. This legislation extends to September 2007. If this legislation is revised, terminated or successfully attacked by foreign governments that allege it violates the General Agreement on Tariffs and Trade, it could reduce farmers' incentive to grow corn and reduce the demand for the ammonia used to fertilize corn crops. In addition, the federal government and state governments have been providing tax credits related to the production of ethanol, for which corn is the essential element. If these tax incentives are reduced or repealed, the demand for ammonia would be reduced and our customers might reduce the volumes transported through our pipeline.

***Our marine and inland terminals encounter competition from other terminal companies and our ammonia pipeline and terminals system encounters competition from rail carriers and another ammonia pipeline.***

Our marine and inland terminals face competition from large, generally well-financed companies that own many terminals, as well as from small companies. Our marine and inland terminals also encounter competition from integrated refining and marketing companies that own their own terminal facilities. Our customers demand delivery of products on tight time schedules and in a number of geographic markets. If our quality of service declines or we cannot meet the demands of our customers, they may use our competitors.

We compete primarily with rail carriers for the transportation of ammonia. If our customers elect to transport ammonia by rail rather than pipeline, we may realize lower revenues and cash flows and our ability to pay cash distributions may be adversely affected. Our ammonia pipeline also competes with the Koch Pipeline Company LP ammonia pipeline in Iowa and Nebraska.

***Our business is subject to federal, state and local laws and regulations that govern the environmental and operational safety aspects of our operations.***

Our marine and inland terminal facilities and ammonia pipeline and terminals system are subject to the risk of incurring substantial costs and liabilities under environmental and safety laws. These costs and liabilities arise under increasingly strict environmental and safety laws,



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including regulations and governmental enforcement policies, and as a result of claims for damages to property or persons arising from our operations. Failure to comply with these laws and regulations may result in assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens and, to a lesser extent, issuance of injunctions to limit or cease operations. If we were unable to recover these costs through increased revenues, our ability to pay cash distributions to you could be adversely affected.

## **Table of Contents**

We own a number of properties that have been used for many years to distribute or store petroleum products by third parties not under our control. In some cases, owners, tenants or users of these properties have disposed of or released hydrocarbons or solid wastes on or under these properties. In addition, some of our terminals are located on or near current or former refining and terminal operations, and there is a risk that contamination is present on these sites. The transportation of ammonia by our pipeline is hazardous and may result in environmental damage, including accidental releases that may cause death or injuries to humans and farm animals and damage to crops.

*Terrorist attacks aimed at our facilities could adversely affect our business.*

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scale. Since the September 11 attacks, the U.S. government has issued warnings that energy assets, specifically our nation's pipeline infrastructure, may be the future target of terrorist organizations. These developments have subjected our operations to increased risks. Any future terrorist attack on our facilities, those of our customers and, in some cases, those of other pipelines, could have a material adverse effect on our business.

*Our business involves many hazards and operational risks, some of which may not be covered by insurance.*

Our operations are subject to the many hazards inherent in the transportation of refined petroleum products and ammonia, including ruptures, leaks and fires. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our related operations. We are not fully insured against all risks incident to our business. In addition, as a result of market conditions, premiums and deductibles for some of our insurance policies have increased substantially and could escalate further. In some instances, insurance could become unavailable or available only for reduced amounts of coverage. For example, insurance carriers are now requiring broad exclusions for losses due to war risk and terrorist and sabotage acts. If a significant accident or event occurs that is not fully insured, it could adversely affect our financial position or results of operations.

## **Risks Related to Our Partnership Structure**

*We are a holding company and depend entirely on our operating subsidiaries' distributions to service our debt obligations.*

We are a holding company with no material operations. If we cannot receive cash distributions from our operating subsidiaries, we will not be able to meet our debt service obligations. Our operating subsidiaries may from time to time incur additional indebtedness under agreements that contain restrictions which could further limit each operating subsidiary's ability to make distributions to us.

The debt securities we issue and any guarantees issued by the subsidiary guarantors will be structurally subordinated to the claims of the creditors of any of our operating subsidiaries who are not guarantors of the debt securities. Holders of the debt securities will not be creditors of our operating subsidiaries who have not guaranteed the debt securities. The claims to the assets of these non-guarantor operating subsidiaries derive from our own ownership interests in those operating subsidiaries. Claims of our non-guarantor operating subsidiaries' creditors will generally have priority as to the assets of such operating subsidiaries over our own ownership interest claims and will therefore have priority over the holders of our debt, including the debt securities. Our non-guarantor operating subsidiaries' creditors may include:

general creditors;

trade creditors;

secured creditors;

taxing authorities; and

creditors holding guarantees.

## **Table of Contents**

*Cost reimbursements due our general partner may be substantial and will reduce our cash available for distribution to you.*

Prior to making any distribution on the common units, we will reimburse the general partner and its affiliates, including officers and directors of our general partner, for expenses they incur on our behalf. The reimbursement of expenses could adversely affect our ability to pay cash distributions to you. Our general partner has sole discretion to determine the amount of these expenses, subject to an annual limit. In addition, our general partner and its affiliates may provide us other services for which we will be charged fees as determined by our general partner.

*Our general partner and its affiliates may have conflicts with our partnership.*

The directors and officers of our general partner and its affiliates have duties to manage the general partner in a manner that is beneficial to its members. At the same time, the general partner has duties to manage us in a manner that is beneficial to us. Therefore, the general partner's duties to us may conflict with the duties of its officers and directors to its members.

Such conflicts may include, among others, the following:

decisions of our general partner regarding the amount and timing of cash expenditures, borrowings and issuances of additional limited partnership units or other securities can affect the amount of incentive compensation payments we make to our general partner;

under our partnership agreement we reimburse the general partner for the costs of managing and operating us; and

under our partnership agreement, it is not a breach of our general partner's fiduciary duties for affiliates of our general partner to engage in activities that compete with us.

*Unitholders have limited voting rights and control of management.*

Our general partner manages and controls our activities and the activities of our operating partnerships. Unitholders have no right to elect the general partner or the directors of the general partner on an annual or other ongoing basis. However, if the general partner resigns or is removed, its successor may be elected by holders of a majority of the limited partnership units. Unitholders may remove the general partner only by a vote of the holders of at least 66<sup>2</sup>/3% of the common units. As a result, unitholders will have limited influence on matters affecting our operations, and third parties may find it difficult to gain control of us or influence our actions.

*Our general partner's absolute discretion in determining the level of cash reserves may adversely affect our ability to make cash distributions to our unitholders.*

Our partnership agreement requires our general partner to deduct from operating surplus cash reserves that in its reasonable discretion are necessary to fund our future operating expenditures. In addition, the partnership agreement permits our general partner to reduce available cash

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by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements to which we are a party or to provide funds for future distributions to partners. These cash reserves will affect the amount of cash available for distribution to our unitholders.

*We may issue additional common units without your approval, which would dilute your existing ownership interests.*

During the subordination period, our general partner may cause us to issue up to 2,839,847 additional common units without your approval. Our general partner may also cause us to issue an unlimited number of additional common units, without your approval, in a number of circumstances, such as:

the issuance of common units in connection with acquisitions that increase cash flow from operations per unit on a pro forma basis;

**Table of Contents**

the conversion of subordinated units into common units;

the conversion of the general partner interest and the incentive distribution rights into common units as a result of the withdrawal of our general partner;

issuances of common units under our long-term incentive plan; or

issuances of common units to repay up to \$40.0 million in indebtedness.

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

your proportionate ownership interest in Williams Energy Partners will decrease;

the amount of cash available for distribution on each unit may decrease;

since a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by the common unitholders will increase;

the relative voting strength of each previously outstanding unit may be diminished; and

the market price of the common units may decline.

After the end of the subordination period, we may issue an unlimited number of limited partner interests of any type without the approval of the unitholders. Our partnership agreement does not give the unitholders the right to approve our issuance of equity securities ranking junior to the common units.

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

If at any time our general partner and its affiliates own 80% or more 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 remaining common units held by unaffiliated persons at a price not less than their then current market price. As a result, you may be required to sell your common units at an undesirable time or price and may therefore not receive any return on your investment. You may also incur a tax liability upon a sale of your units.

***You may not have limited liability if a court finds that unitholder actions constitute control of our business.***

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Under Delaware law, you could be held liable for our obligations to the same extent as a general partner if a court determined that the right of unitholders to remove our general partner or to take other action under the partnership agreement constituted participation in the control of our business.

The general partner generally has unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner.

In addition, Section 17-607 of the Delaware Revised Uniform Limited Partnership Act provides that, under some circumstances, a unitholder may be liable to us for the amount of a distribution for a period of three years from the date of the distribution.

### **Tax Risks to Common Unitholders**

You should read **Material Tax Consequences** for a more complete discussion of the expected federal income tax consequences related to owning and disposing of common units.

## **Table of Contents**

*The IRS could treat us as a corporation for tax purposes, which would substantially reduce the cash available for distribution to you.*

The anticipated after-tax benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us.

If we were classified as a corporation for federal income tax purposes, we would pay federal income tax on our income at the corporate tax rate, which is currently a maximum of 35%. Distributions to you would generally be taxed again to you as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, the cash available for distribution to you would be substantially reduced. Treatment of us as a corporation would result in a material reduction in the after-tax return to you, likely causing a substantial reduction in the value of the common units.

Current law may change so as to cause us to be taxed as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. The partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, then the minimum quarterly distribution and the target distribution levels will be decreased to reflect that impact on us.

*A successful IRS contest of the federal income tax positions we take may adversely impact the market for common units, and the costs of any contests will be borne by our unitholders and our general partner.*

We have not requested a ruling from the IRS with respect to any matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel expressed in this prospectus or from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain our counsel's conclusions or the positions we take. A court may not concur with our counsel's conclusions or the positions we take. Any contest with the IRS may materially and adversely impact the market for common units and the price at which they trade. In addition, the costs of any contest with the IRS, principally legal, accounting and related fees, will be borne indirectly by our unitholders and our general partner.

*You may be required to pay taxes even if you do not receive any cash distributions.*

You will be required to pay federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you do not receive any cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability that results from your share of our taxable income.

*Tax gain or loss on disposition of common units could be different than expected.*

If you sell your common units, you will recognize gain or loss equal to the difference between the amount realized and your tax basis in those common units. Prior distributions in excess of the total net taxable income you were allocated for a common unit, which decreased your tax basis in that common unit, will, in effect, become taxable income to you if the common unit is sold at a price greater than your tax basis in that



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common unit, even if the price you receive is less than your original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to you. Should the IRS successfully contest some positions we take, you could recognize more gain on the sale of units than would be the case under those positions, without the benefit of decreased income in prior years. Also, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

*Tax-exempt entities, regulated investment companies, and foreign persons face unique tax issues from owning common units that may result in adverse tax consequences to them.*

Investment in common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), regulated investment companies (known as mutual funds) and foreign persons raises issues unique to

## **Table of Contents**

them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Very little of our income will be qualifying income to a regulated investment company or mutual fund. Distributions to foreign persons will be reduced by withholding taxes at the highest effective U.S. federal income tax rate for individuals, and foreign persons will be required to file federal income tax returns and pay tax on their share of our taxable income.

***We are registered as a tax shelter. this may increase the risk of an IRS audit of us or a unitholder.***

We are registered with the IRS as a tax shelter. Our tax shelter registration number is 01036000014. The IRS requires that some types of entities, including some partnerships, register as tax shelters in response to the perception that they claim tax benefits that the IRS may believe to be unwarranted. As a result, we may be audited by the IRS and tax adjustments could be made. Any unitholder owning less than a 1% profits interest in us has very limited rights to participate in the income tax audit process. Further, any adjustments in our tax returns will lead to adjustments in our unitholders' tax returns and may lead to audits of unitholders' tax returns and adjustments of items unrelated to us. You will bear the cost of any expense incurred in connection with an examination of your personal tax return.

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

Because we cannot match transferors and transferees of common units, we adopt depreciation and amortization positions that do not conform with all aspects of final Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to your tax returns. Please read Material Tax Consequences Uniformity of Units for a further discussion of the effect of the depreciation and amortization positions we adopt.

***You will likely be subject to state and local taxes in states where you do not live as a result of an investment in our common units.***

In addition to federal income taxes, you will likely be subject to other taxes, including state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property and in which you do not reside. You may be required to file state and local income tax returns and pay state and local income taxes in many or all of the jurisdictions in which we do business or own property. Further, you may be subject to penalties for failure to comply with those requirements. It is your responsibility to file all United States federal, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in the common units.

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

Williams Energy Partners files annual, quarterly and other reports and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on their public reference room. Our SEC filings are also available at the SEC's web site at <http://www.sec.gov>. You can also obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows Williams Energy Partners to incorporate by reference the information it has filed with the SEC. This means that Williams Energy Partners can disclose important information to you without actually including the specific information in this prospectus by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Information that Williams Energy Partners files later with the SEC will automatically update and may replace information in this prospectus and information previously filed with the SEC. The documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 are incorporated by reference in this prospectus until the termination of each offering under this prospectus.

Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2001.

Current Report on Form 8-K filed January 3, 2002.

Amended Current Report on Form 8-K/A filed January 14, 2002.

Current Report on Form 8-K filed January 30, 2002.

Current Report on Form 8-K filed March 8, 2002.

Current Report on Form 8-K filed April 11, 2002.

Current Report on Form 8-K filed April 19, 2002.

Current Report on Form 8-K filed April 29, 2002.

Current Report on Form 8-K filed May 3, 2002.

Amended Current Report on Form 8-K/A filed May 9, 2002.

Quarterly Report on Form 10-Q filed May 10, 2002.

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Current Report on Form 8-K filed May 15, 2002.

The description of the limited partnership units contained in the Registration Statement on Form 8-A, initially filed February 2, 2001, and any subsequent amendment thereto filed for the purpose of updating such description.

You may request a copy of any document incorporated by reference in this prospectus, at no cost, by writing or calling us at the following address:

Investor Relations Department  
Williams Energy Partners L.P.  
One Williams Center  
Tulsa, Oklahoma 74172  
(918) 573-2000

**Table of Contents**

**FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS**

Some of the information included in this prospectus, the accompanying prospectus supplement and the documents we incorporate by reference contain forward-looking statements. These statements use forward-looking words such as may, will, anticipate, believe, expect, project or similar words. These statements discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition or state other forward-looking information. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus, any prospectus supplement and the documents we have incorporated by reference. These statements reflect Williams Energy Partners' current views with respect to future events and are subject to various risks, uncertainties and assumptions including, but not limited to, the following:

Price trends and ove