MAGELLAN MIDSTREAM PARTNERS LP
Form 424B3
May 17, 2004

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Registration No. 333-109732

Subject to Completion, dated May 17, 2004

We will amend and complete the information in this prospectus supplement. This preliminary prospectus supplement and the prospectuses are part of effective registration statements filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the prospectuses are not offers to sell nor solicitations of offers to buy these securities in any jurisdiction where such offer or sale is not permitted.

PROSPECTUS SUPPLEMENT
(To Prospectuses dated May 16, 2002 and November 3, 2003)

3,000,000 Common Units

Representing Limited Partner Interests

We are selling 1,000,000 common units and Magellan Midstream Holdings, L.P., the selling unitholder, is selling 2,000,000 common units with this prospectus supplement and the accompanying prospectuses dated May 16, 2002 and November 3, 2003. 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 May 14, 2004 was $50.03 per common unit.

Investing in the common units involves risk. See "Risk Factors" beginning on page S-11 of this prospectus supplement and on page 2 of each of the accompanying prospectuses.

	Per Common Unit	**Total**
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us (before expenses)	$	$
Proceeds to the selling unitholder (before expenses)	$	$

The selling unitholder has granted the underwriters a 30-day option to purchase up to 450,000 common units on the same terms and conditions as set forth above to cover over-allotments of common units.

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 prospectuses 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 May , 2004.

Joint Book-Running Managers

LEHMAN BROTHERS **GOLDMAN, SACHS & CO.**

CITIGROUP

MORGAN STANLEY

UBS INVESTMENT BANK

WACHOVIA SECURITIES

May , 2004

This document is in three parts. The first part is this prospectus supplement, which describes the terms of this common unit offering. The second and third parts are the accompanying prospectuses, which give more general information, some of which may not apply to this common unit offering. The prospectus dated May 16, 2002 relates to the common units offered by us and the prospectus dated November 3, 2003 relates to the common units offered by Magellan Midstream Holdings, L.P., which we refer to as the selling unitholder.

If the information about the offering varies between this prospectus supplement and the accompanying prospectuses, 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 prospectuses. 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 prospectuses 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.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectuses. You should read the entire prospectus supplement, the accompanying prospectuses, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. You should read "Risk Factors" beginning on page S-11 of this prospectus supplement and page 2 of each of the accompanying prospectuses 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 we will consummate the senior notes offering described below in " Overview of Our Refinancing Plan" and that the underwriters do not exercise their over-allotment option. As used in this prospectus supplement and the accompanying prospectuses, 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 and ammonia. 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 three months ended March 31, 2004, we had revenues of $133.1 million, EBITDA of $44.1 million and net income of $25.8 million. For a reconciliation of EBITDA to net income and a discussion of EBITDA as a performance measure, please see " 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 12 consecutive quarters, resulting in an aggregate increase of approximately 62% from $0.525 per unit, or $2.10 per unit on an annualized basis, to $0.85 per unit, or $3.40 per unit on an annualized basis. Since February 2001, we have completed eight acquisitions for an aggregate purchase price of approximately $1.1 billion, and we intend to continue pursuing an asset acquisition strategy.

Our asset portfolio currently consists of:

- a 6,700-mile petroleum products pipeline system, including 39 petroleum products terminals, serving the mid-continent region of the United States;
- five petroleum products terminal facilities located along the Gulf Coast and near the New York harbor, referred to as "marine terminal facilities";
- 29 petroleum products terminals (three of which we partially own) located principally in the southeastern United States, referred to as "inland terminals"; and
- an 1,100-mile ammonia pipeline system, including six ammonia terminals, serving the mid-continent region of the United States.

Our 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 and Illinois. This system generates revenues principally from tariffs regulated by the Federal Energy Regulatory Commission, or FERC, based on the volumes transported and also from storage and other ancillary fees. Through direct refinery connections and interconnections with other pipelines, our petroleum products pipeline 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 three months ended March 31, 2004, our petroleum products pipeline system generated approximately 80% of our total revenues.

Our marine terminal facilities and inland terminals store and distribute gasoline and other petroleum products throughout 11 states. Our inland terminals are part of a distribution network throughout the southeastern United States 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 Gulf Coast and near the New York harbor. Our marine terminal facilities and inland terminals generate revenues principally from volume-based fees charged for storage and delivery of the gasoline and other petroleum products handled by these facilities. For each of the year ended December 31, 2003 and the three months ended March 31, 2004, our marine terminal facilities and inland terminals generated approximately 17% 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 transportation of ammonia on the pipeline system. For each of the year ended December 31, 2003 and the three months ended March 31, 2004, our ammonia pipeline system generated approximately 3% 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 with additional borrowing capacity and cash reserves available for making acquisitions and completing expansion projects; and
- our senior management has extensive industry experience.

Overview of Our Refinancing Plan

This offering is one component of a refinancing plan that we are undertaking in an effort to improve our credit profile and increase our financial flexibility by removing all of the secured debt from our capital structure. We will fund this refinancing plan through:

- the issuance of 1.0 million common units by us in this offering with expected net proceeds of approximately $48.7 million (based upon the last reported sales price of our common units on the New York Stock Exchange on May 14, 2004 of $50.03 per common units), including our general partner's related capital contribution; and

- our proposed $250.0 million senior notes offering.

The combined net proceeds to us from our common unit and proposed senior notes offerings are expected to be approximately $296.2 million (after deducting underwriting discounts and estimated offering expenses), and we will use them principally to:

- repay $178.0 million of Series A notes of our Magellan Pipeline Company, LLC subsidiary, plus the related prepayment premium; and
- repay the $90.0 million outstanding principal balance of the term loan under our existing credit facility.

Concurrently with the repayment of the Series A notes and the term loan, we will:

- replace our existing $85.0 million secured revolving credit facility with a new five year, $125.0 million unsecured revolving credit facility; and
- amend the terms of the Series B notes of Magellan Pipeline Company to release the collateral securing those notes.

Our common unit offering is not conditioned upon the consummation of our proposed senior notes offering. If we do not consummate our proposed senior notes offering, we will use the net proceeds from our common unit offering to replenish cash used to fund recent acquisitions or repay a portion of the amount outstanding under our term loan. For more information about our refinancing plan, please read "Use of Proceeds," "Capitalization" and "Our Refinancing Plan" on page S-12, S-13 and S-15, respectively.

Although not part of our refinancing plan, the selling unitholder is selling 2.0 million common units together with our offering of 1.0 million common units. We will not receive any proceeds from the selling unitholder's sale of common units.

Recent Developments

Distribution Increase. On April 22, 2004, the board of directors of our general partner declared a quarterly cash distribution of $0.85 per common and subordinated unit for the period of January 1 through March 31, 2004. This first quarter distribution represents a 13% increase over the first quarter of 2003 distribution of $0.75 per unit and an approximate 62% increase since our initial public offering in February 2001. The distribution was paid on May 14, 2004 to unitholders of record at the close of business on May 3, 2004.

Acquisition of 50% Interest in Osage Pipeline. On March 2, 2004, we acquired a 50% ownership interest in Osage Pipe Line Company, LLC for $25.0 million from National Cooperative Refinery Association, or NCRA. Osage Pipe Line Company, which owns the Osage pipeline, is in the process of obtaining record title to the Osage pipeline assets. The 135-mile Osage pipeline is regulated by FERC and transports crude oil from Cushing, Oklahoma to El Dorado, Kansas and has connections to the NCRA refinery in McPherson, Kansas and the Frontier refinery in El Dorado, Kansas. The remaining 50% interest in Osage Pipe Line Company continues to be owned by NCRA. We operate the Osage pipeline.

Conversion of Subordinated Units. On February 7, 2004, pursuant to our partnership agreement, 1,419,923 of the 5,679,694 subordinated units held by the selling unitholder converted into an equal number of common units.

Acquisition of Petroleum Terminals. On January 29, 2004, we acquired ownership interests in 14 inland terminals located in the southeastern United States for $24.8 million and the assumption of $3.8 million of environmental liabilities. We previously owned an approximate 79% interest in eight of these terminals and acquired the remaining 21% ownership interest in these eight terminals from

Murphy Oil USA, Inc. In addition, we acquired sole ownership of six terminals that were previously jointly owned by Murphy Oil USA, Inc. and Colonial Pipeline Company.

Partnership Structure and Management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Upon consummation of this offering of our common units:

- There will be 20,775,000 publicly held common units outstanding, representing a 71.7% limited partner interest in us;

- Magellan Midstream Holdings will own 3,355,541 common units and 4,259,771 subordinated units, representing an aggregate 26.3% 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.

In June 2003, The Williams Companies, Inc., or Williams, sold its membership interest in our general partner and the common and subordinated units it owned to a new entity owned by affiliates of Madison Dearborn Partners, LLC and Carlyle/Riverstone Global Energy and Power Fund II, L.P. In September 2003, we changed our name to Magellan Midstream Partners, L.P. from Williams Energy Partners L.P.

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.

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.

The Offering

Common units offered by us	1,000,000 common units.
Common units offered by the selling unitholder	2,000,000 common units; 2,450,000 common units if the underwriters exercise their over-allotment option in full.
Units outstanding after this offering	24,130,541 common units and 4,259,771 subordinated units.
Use of proceeds	We will use the net proceeds from the common units we are offering and our general partner's related capital contribution, together with the net proceeds from our proposed senior notes offering, to:
	repay all of the outstanding \$178.0 million principal amount of Series A senior notes issued by Magellan Pipeline Company and pay the related prepayment premium of approximately \$12.7 million;
	repay the \$90.0 million outstanding principal balance of the term loan under our existing credit facility;
	pay \$1.9 million to Magellan Pipeline Company's Series B noteholders to release the collateral held by them;
	replenish cash used to fund our recent acquisitions; and
	pay various fees and expenses in connection with our refinancing plan.
	We will not receive any proceeds from the common units sold by the selling unitholder or any exercise of the underwriters' over-allotment option.
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 first quarter of 2004 of \$0.85 per common and subordinated unit, or \$3.40 on an annualized basis. We paid this cash distribution on May 14, 2004 to unitholders of record at the close of business on May 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 each of the accompanying prospectuses.
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.

	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 ending on December 31, 2003 for the early conversion of a portion of our subordinated units. As a result, on February 7, 2004, 25%, or 1,419,923, 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

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 three months ended March 31, 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. You should read these notes for additional information regarding the acquisition of our general partner and certain of our common, Class B common and subordinated units in June 2003. All other amounts have been prepared from our financial records. Information concerning significant trends in the financial condition and results of operations is contained in our Quarterly Report on Form 10-Q for the quarter ended March 31, 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 fees amortization, 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 that management does not consider when evaluating the core profitability of an operation such as depreciation and amortization and general and administrative expenses. Our management believes that operating margin is an important performance measure of the economic success of our core operations and individual asset locations. This measure forms the basis of our internal financial reporting and is used by management in deciding how to allocate capital resources between segments.

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
	($ in thousands, except per unit amounts)				
Income Statement Data:					
Transportation and terminals revenues	$ 339,412	$ 363,740	$ 372,848	$ 87,714	$ 88,930
Product sales revenues	108,169	70,527	112,312	32,001	44,214
Affiliate construction and management fee revenues	1,018	210			
Total revenues	448,599	434,477	485,160	119,715	133,144
Operating expenses including environmental expenses net of indemnifications	160,880	155,146	166,883	33,970	37,790
Product purchases	95,268	63,982	99,907	27,818	38,499
Equity earnings(a)					(120)
Operating margin	192,451	215,349	218,370	57,927	56,975
Depreciation and amortization	35,767	35,096	36,081	9,379	9,522
General and administrative	47,365	43,182	56,846	10,438	12,887
Operating profit	109,319	137,071	125,443	38,110	34,566
Interest expense, net	12,113	21,758	34,536	8,505	8,069
Debt placement fees amortization	253	9,950	2,830	547	682
Other income, net	(431)	(2,112)	(92)		
Income before income taxes	97,384	107,475	88,169	29,058	25,815
Provision for income taxes(b)	29,512	8,322			
Net income	$ 67,872	$ 99,153	$ 88,169	$ 29,058	$ 25,815
Basic net income per limited partner unit	$ 1.87	$ 3.68	$ 3.32	$ 0.99	$ 0.87
Diluted net income per limited partner unit	$ 1.87	$ 3.67	$ 3.31	$ 0.99	$ 0.87
Balance Sheet Data:					
Working capital (deficit)	$ (2,211)	$ 47,328	$ 77,438	$ (30,479)	$ 32,160
Total assets	1,104,559	1,120,359	1,194,930	1,132,549	1,209,433
Total debt	139,500	570,000	570,000	570,000	570,000
Affiliate long-term note payable(c)	138,172				
Partners' capital	589,682	451,757	498,149	464,040	497,778
Cash Flow Data:					
Cash distributions declared per unit(d)	$ 2.02	$ 2.71	$ 3.17	$ 0.75	$ 0.85
Other Data:					
Operating margin:					
Petroleum products pipeline system	$ 143,711	$ 163,233	$ 162,494	$ 41,202	$ 40,326
Petroleum products terminals	38,240	43,844	46,909	16,167	13,381
Ammonia pipeline system	10,500	8,272	8,094	558	2,613
Allocated partnership depreciation costs			873		655
Operating margin	$ 192,451	$ 215,349	$ 218,370	$ 57,927	$ 56,975

EBITDA:

	Year Ended December 31,			Three Months Ended March 31,	
Net income	$ 67,872	$ 99,153	$ 88,169	$ 29,058	$ 25,815
Income taxes(b)	29,512	8,322			
Debt placement fee amortization	253	9,950	2,830	547	682
Interest expense, net	12,113	21,758	34,536	8,505	8,069
Depreciation and amortization	35,767	35,096	36,081	9,379	9,522
EBITDA(e)	$ 145,517	$ 174,279	$ 161,616	$ 47,489	$ 44,088
Operating Statistics:					
Petroleum products pipeline system:					
Transportation revenues per barrel shipped (cents per barrel)	90.8	94.9	96.4	98.0	97.2
Transportation barrels shipped (millions)	236.1	234.6	237.6	52.7	52.8
Barrel miles (billions)	70.5	71.0	70.5	15.8	14.9
Petroleum products terminals:					
Marine terminal average storage capacity utilized per month (million barrels)	15.7	16.2	15.2	15.8	15.5
Marine terminal throughput (million barrels)(f)	11.5	20.5	22.2	5.3	5.5
Inland terminal throughput (million barrels)	56.7	57.3	61.2	12.6	20.5
Ammonia pipeline system:					
Volume shipped (thousand tons)	763	712	614	47	219

Footnotes on following page.

(a) Represents a partial quarter of equity earnings related to our 50% ownership interest in Osage Pipe Line Company.

(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 "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 time of our initial public offering, the affiliate note payable associated with the petroleum products terminals operations was contributed to us as a capital contribution by an affiliate of Williams. 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 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 \$1.1 million of reimbursable general and administrative expenses and \$10.8 million and \$0.6 million of transition costs for the year ended December 31, 2003 and the three months ended March 31, 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 at the Gibson facility (2.2 million barrels), which was acquired in October 2001.

RISK FACTORS

An investment in our common units involves a high degree of 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 each of the accompanying prospectuses, and those risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference.

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.

The common units offered by the selling unitholder in this offering, excluding any common units sold upon exercise of the underwriters' over-allotment option, represent an approximate 7% interest in our capital and profits for tax purposes. In late December 2003 and early January 2004, the selling unitholder also sold 4,975,000 common units, which represented an approximate 18% 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 the selling unitholder, together with all common units sold within a 12-month period, which includes this offering, 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 Dispositions of Common Units Constructive Termination" in the accompanying prospectuses.

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 distribution 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. For example, an affiliate of our general partner also owns the general partner of another publicly traded limited partnership that engages in businesses similar to ours and may compete with us in the future to acquire assets that we may also wish to acquire.

USE OF PROCEEDS

We expect to receive net proceeds of approximately $48.7 million from the sale of the 1,000,000 common units we are offering (based upon the last reported sales price of our common units on the New York Stock Exchange on May 14, 2004 of $50.03 per common unit) and our general partner's related capital contribution, after deducting underwriting discounts and the estimated offering expenses payable by us. We expect the net proceeds of our proposed senior notes offering to be approximately $247.5 million, after deducting underwriting discounts and the estimated offering expenses. We will not receive any proceeds from the sale of common units by the selling unitholder or any exercise of the underwriters' over-allotment option.

We intend to use the net proceeds from this offering and our general partner's related capital contribution, together with the net proceeds from our proposed senior notes offering, to:

- repay all of the outstanding $178.0 million principal amount of Series A senior notes issued by Magellan Pipeline Company and pay the related prepayment premium of approximately $12.7 million;
- repay the $90.0 million outstanding principal balance of the term loan under our existing credit facility;
- pay $1.9 million to Magellan Pipeline Company's Series B noteholders to release the collateral held by them;
- replenish cash used to fund our recent acquisitions; and
- pay various fees and expenses in connection with our refinancing plan.

As of March 31, 2004, the term loan under our existing credit facility had an interest rate of 3.1% and matures on August 6, 2008. We used borrowings under our term loan to refinance outstanding indebtedness under a former credit facility. As of March 31, 2004, the Series A notes had an interest rate of 5.4% and mature on October 7, 2007.

Our common unit offering is not conditioned upon the consummation of our proposed senior notes offering. If we do not consummate our proposed senior notes offering, we will use the net proceeds from our common unit offering of approximately $48.7 million, including our general partner's related capital contribution, to replenish cash used to fund recent acquisitions or to repay a portion of the amount outstanding under our term loan. As a result, we would not be able to complete all of the transactions related to our refinancing plan concurrently with the closing of our common unit offering.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2004:

on a historical basis;

as adjusted to give effect to the sale of common units offered by us, our general partner's related capital contribution and the application of the net proceeds therefrom in the manner described under "Use of Proceeds"; and

as further adjusted to give effect to our proposed senior notes offering and the application of the net proceeds therefrom.

We expect the net proceeds from the common units offered by us and our general partner's related capital contribution to be approximately $48.7 million (based on the last reported sales price of our common units on the New York Stock Exchange on May 14, 2004 of $50.03 per common unit), after deducting the underwriting discount and estimated offering expenses payable by us. We expect the proceeds from our proposed senior notes offering to be approximately $247.5 million, after deducting the underwriting discount and estimated offering expenses payable by us. Please read "Use of Proceeds."

	As of March 31, 2004		
	Historical	As Adjusted for this Offering(a)	As Further Adjusted for Our Proposed Senior Notes Offering(b)
		(unaudited) ($ in thousands)	
Cash and cash equivalents	$ 43,891	$ 43,891	$ 56,768
Debt:			
Credit facility	$ 90,000	$ 41,315	$
Magellan Pipeline Company Series A senior notes	178,000	178,000	
Magellan Pipeline Company Series B senior notes	302,000	302,000	302,000
% Senior Notes due 2014			250,000
Total debt	$ 570,000	$ 521,315	$ 552,000
Total partners' capital	497,778	546,463	528,764
Total capitalization	$ 1,067,778	$ 1,067,778	$ 1,080,764

(a) This table assumes that we will use the net proceeds from our common unit offering and our general partner's related capital contribution to repay approximately $48.7 million of the $90.0 million outstanding principal balance under our existing term loan. We will repay the remaining outstanding indebtedness under our existing term loan using the proceeds from our proposed senior notes offering. If we do not consummate our proposed senior notes offering, we will use net proceeds from our common unit offering to replenish cash used to fund recent acquisitions or repay a portion of the amount outstanding under our term loan.

(b) Total partners' capital was reduced to reflect the prepayment of the Series A senior notes and certain write-offs associated with prepaid debt fees.

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PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

As of May 14, 2004, there were 23,130,541 common units outstanding, held by approximately 25,000 holders, including common units held in street name and units held by the selling unitholder. Our common units are traded on the New York Stock Exchange under the symbol "MMP."

As of May 14, 2004, 4,259,771 subordinated units were outstanding. These subordinated units are held by the selling unitholder 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 May 14, 2004 was $50.03 per common unit.

	Price Ranges		
	High	Low	Cash Distributions Per Unit(a)
2004			
Second Quarter (through May 14, 2004)	$ 55.50	$ 47.85	N/A(b)
First Quarter	55.35	50.05	$ 0.8500
2003			
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
2002			
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
2001			
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 for the second quarter of 2004 within 45 days following the end of the quarter.

OUR REFINANCING PLAN

This offering is one component of a refinancing plan that we are undertaking in an effort to improve our credit profile and increase our financial flexibility by removing all of the secured debt from our capital structure. We will fund this refinancing plan through:

- the issuance of 1.0 million common units by us in this offering with expected net proceeds of approximately $48.7 million, including our general partner's related capital contribution; and
- our proposed $250.0 million senior notes offering.

The combined net proceeds from our common unit and senior notes offerings are expected to be approximately $296.2 million (after deducting underwriting discounts and estimated offering expenses), and we will use them principally to:

- repay $178.0 million of Series A notes of Magellan Pipeline Company, plus the related prepayment premium; and
- repay the $90.0 million outstanding principal balance of the term loan under our existing credit facility.

Concurrently with the repayment of the Series A notes and the term loan, we will:

- replace our existing $85.0 million secured revolving credit facility with a new five year, $125.0 million unsecured revolving credit facility; and
- amend the terms of the Series B notes of Magellan Pipeline Company to release the collateral securing those notes.

Our common unit offering is not conditioned upon the consummation of our proposed senior notes offering. If we do not consummate our proposed senior notes offering, we will use the net proceeds from our common unit offering of approximately $48.7 million and our general partner's related capital contribution to replenish cash used to fund recent acquisitions or to repay a portion of the amount outstanding under our term loan. As a result, we would not be able to complete all of the transactions related to our refinancing plan concurrently with the closing of this offering.

Although not part of our refinancing plan, the selling unitholder is selling 2.0 million common units together with our offering of 1.0 million common units. We will not receive any proceeds from the selling unitholder's sale of common units.

Our Senior Notes Offering

In connection with the repayment of our existing credit facility and the repayment of the Magellan Pipeline Company senior notes, we are offering in a separate registered public offering up to $250.0 million in aggregate principal amount of senior notes due 2014.

The notes will be our senior unsecured obligations and will rank equally with all our other existing and future senior indebtedness, including indebtedness under our revolving credit facility.

We will cause any of our existing and future subsidiaries that guarantees or becomes a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes.

We will issue the notes under an indenture with SunTrust Bank, as trustee. The indenture does not limit the amount of unsecured debt we may incur. The indenture will contain limitations on, among other things, our ability to:

- incur indebtedness secured by certain liens;
- engage in certain sale-leaseback transactions; and

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- consolidate, merge or transfer all or substantially all of our assets.

The indenture will provide for certain events of default, including default on certain other indebtedness.

We may redeem some or all of the notes at any time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date.

For a description of the use of proceeds from both our proposed senior notes offering and this offering, please read "Use of Proceeds" on page S-12 of this prospectus supplement.

Our New Credit Facility

As part of our refinancing plan, we expect to enter into a new five-year, $125.0 million revolving credit facility with a syndicate of banks. Up to $50.0 million of the revolving credit facility will be available for the issuance of letters of credit. Borrowings under the revolving credit facility will be unsecured.

Borrowings under the revolving credit facility will bear interest, at our election, at an annual rate equal to:

- the highest of (1) the rate of interest publicly announced by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City; (2) the secondary market rate for three-month certificates of deposit plus 1.0%; and (3) the federal funds effective rate plus 0.5%; or

- LIBOR, as adjusted for statutory reserve requirements for eurocurrency liabilities, plus a spread ranging from 0.625% to 1.500%, based upon our credit rating.

The revolving credit facility will require that we maintain specified ratios of:

- consolidated debt to EBITDA of no greater than 4.50 to 1.00; and

- consolidated EBITDA to interest expense of at least 2.50 to 1.00.

In addition, the revolving credit facility will contain covenants that limit our ability to, among other things:

- incur additional indebtedness or modify our other debt instruments;

- encumber our assets;

- make debt or equity investments;

- make loans or advances;

- engage in certain transactions with affiliates;

- engage in sale and leaseback transactions;

- merge, consolidate, liquidate or dissolve;

- sell or lease all or substantially all of our assets; and

- change the nature of our business.

Magellan Pipeline Company Senior Notes

In connection with the long-term financing of our April 2002 acquisition of Magellan Pipeline Company, we and our subsidiary, Magellan Pipeline Company, entered into a note purchase agreement on October 1, 2002. Magellan Pipeline Company issued two series of notes under the note purchase agreement consisting of $178.0 million of Series A notes that bear interest at a floating rate based on the six-month Eurodollar rate plus 4.25% and $302.0 million of Series B notes that bear interest at a weighted average fixed rate of 7.77%.

The note purchase agreement requires that we and Magellan Pipeline Company maintain specified ratios of:

- consolidated debt to EBITDA of no greater than 4.50 to 1.00; and
- consolidated EBITDA to interest expense of at least 2.50 to 1.00.

In addition, the note purchase agreement contains additional covenants that limit Magellan Pipeline Company's ability to, among other things:

- incur additional indebtedness;
- encumber its assets;
- make debt or equity investments;
- make loans or advances;
- engage in transactions with affiliates;
- merge, consolidate, liquidate or dissolve;
- sell or lease a material portion of its assets;
- engage in sale and leaseback transactions; and
- change the nature of its business.

In connection with our repaying the $178.0 million in outstanding Series A senior notes from the proceeds of this offering and our proposed senior notes offering, we expect to amend the note purchase agreement to release the collateral held by the Series B noteholders and change certain other covenants, including decreasing the debt to EBITDA ratio for Magellan Pipeline Company to 3.50 to 1.00.

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 seven directors divided into three classes serving staggered three-year terms.

Name	Age	Position with General Partner
Don R. Wellendorf	51	Chairman of the Board, President and Chief Executive Officer
John D. Chandler	34	Chief Financial Officer and Treasurer
Michael N. Mears	41	Vice President, Transportation
Richard A. Olson	46	Vice President, Pipeline Operations
Brett C. Riley	34	Vice President, Business Development
Lonny E. Townsend	47	General Counsel
Jay A. Wiese	48	Vice President, Terminal Services and Development
Patrick C. Eilers	37	Director
Justin S. Huscher	50	Director
Pierre F. Lapeyre, Jr.	41	Director
James R. Montague	56	Director
George A. O'Brien, Jr.	55	Director
Mark G. Papa	57	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. 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 Vice President of Strategic Development and Planning for Williams Energy Services, LLC. Prior to Williams' merger with MAPCO Inc. in 1998, he was Vice President and Treasurer for MAPCO from 1995 to 1998. From 1994 to 1995, he served in various management positions including Vice President, Treasurer and Corporate Controller for MAPCO.

John D. Chandler has served 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 was Director of Financial Planning and Analysis for Williams Energy Services from September 2000 to July 2002. He also served as Director of Strategic Development for Williams Energy Services from 1999 to 2000 and served as Manager of Strategic Analysis from 1998 to 1999. Prior to Williams' merger with MAPCO Inc. in 1998, he was Manager of Business Development for MAPCO. He began his career in 1992 as an accountant with MAPCO in a professional development rotational program and 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 served as Vice President of Williams Petroleum Services, LLC from March 2002 until June 17, 2003. Mr. Mears served as Vice President of Transportation and Terminals for Williams Pipe Line Company from 1998 to 2002. He also served as Vice President, Petroleum Development for Williams Energy Services from 1996 to 1998. Prior to 1996, Mr. Mears served as Director of Operations Control and Business Development for Williams Pipe Line Company from 1993 to 1996. From 1985 to 1993, he worked in various engineering, project analysis and operations control positions for Williams Pipe Line Company.

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 Vice President of Mid Continent Operations for Williams Energy Services from 1996 to 2002. Mr. Olson was Vice President of Operations and Terminal Marketing for Williams Pipe Line Company from 1996 to 1998, Director of Southern Operations from 1992 to 1996, Director of Product Movements from 1991 to 1992 and Central Division Manager from 1990 to 1991. From 1981 to 1990, Mr. Olson held various positions with Williams Pipe Line Company.

Brett C. Riley has served as the Vice President, Business Development of our general partner since June 17, 2003. Mr. Riley served as Director of Mergers & Acquisitions for Williams Energy Marketing & Trading Company from September 2000 until June 2003. He also served as Director of Financial Planning and Analysis for Williams Energy Services from 1998 to 2000. Prior to Williams' merger with MAPCO Inc. in 1998, he was a Business Development Analyst with MAPCO's Natural Gas Liquids division beginning in 1996. He began his career in 1992 as a Planning Analyst with Williams Pipe Line Company and held various finance and business development positions with Williams from 1992 to 1996.

Lonny E. Townsend has served as the General Counsel of our general partner 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. From 1991 to 1995, he worked in various positions as an attorney for Williams. Prior to joining Williams, Mr. Townsend was an associate in the law firm of Davis Wright Tremaine LLP in Seattle, Washington from 1986 to 1991.

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 was Managing Director, Terminal Services and Commercial Development for Williams Energy Services from 2000 to January 2001. From 1995 to 2000, he served as Director, Terminal Services and Commercial Development of Williams Energy Services' terminal distribution business. Prior to 1995, Mr. Wiese held various operations, marketing and business development positions with Williams Pipe Line Company, Williams Energy Ventures, Inc. and Williams Energy Services. He joined Williams Pipe Line Company in 1982.

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. 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 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.

Pierre F. Lapeyre, Jr. has served as a director of our general partner since June 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.

James R. Montague has served as a director of our general partner since November 21, 2003. He is also a director of the general partner of Penn Virginia Resource Partners. 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.

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 Products for International Paper Company and is responsible for its forestry and wood products businesses. His responsibilities during his 16-year tenure at International Paper have included corporate development, chief financial officer of its New Zealand subsidiary and operations management. Prior to joining International Paper in 1988, he was an investment banker in the energy divisions of Smith Barney and E.F. Hutton. Mr. O'Brien has also served in senior-level financial management positions, including vice president and treasurer of Transco Energy Company.

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. In 1981, Mr. Papa joined Belco Petroleum Corporation, predecessor company to EOG Resources.

SELLING UNITHOLDER

The following table sets forth information concerning the ownership of our common units by the selling unitholder. As of May 14, 2004, there were 23,130,541 of our common units outstanding. The percentages indicated below represent the selling unitholder's ownership of our common units.

	Common Units owned immediately prior to this offering			Common Units owned immediately after this offering	
Name and Address of Selling Unitholder	**Common Units**	**Percent**	**Common Units to be offered(a)**	**Common Units**	**Percent**
Magellan Midstream Holdings, L.P. P. O. Box 22186 Tulsa, Oklahoma 74121-2186	5,355,541	23.2%	2,000,000	3,355,541	13.9%

(a) A total of 2,450,000 common units will be sold by the selling unitholder if the underwriters exercise their over-allotment option in full.

The selling unitholder also owns all 4,259,771 of our subordinated units which, together with the 3,355,541 common units held by the selling unitholder, represent a 26.3% limited partner interest after giving effect to this offering. The number of subordinated units owned by the selling unitholder will not be affected by this offering. For more information about our relationship with the selling unitholder, please see our Form 10-K for the year ended December 31, 2003 which was filed with the SEC on March 10, 2004 and which is incorporated by reference. In addition, for a discussion of our ownership, please see "Summary Partnership Structure and Management."

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 prospectuses. You are urged to consult with your own tax advisor about the federal, state and local tax consequences peculiar 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 $0.85 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. See "Material Tax Consequences" in the accompanying prospectuses.

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 prospectuses.

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 prospectuses, 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 income tax rate for individuals is currently 35%. In general, net capital gains of an individual are subject to a maximum 15% 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.

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 and the selling unitholder. Each underwriter is obligated to purchase the respective number of common units indicated in the following table:

Underwriters	Number of Common Units
Lehman Brothers Inc.	
Goldman, Sachs & Co.	
Citigroup Global Markets Inc.	
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Wachovia Capital Markets, LLC	
Total	3,000,000

The underwriting agreement provides that the underwriters are obligated to purchase, subject to certain conditions, all of the common units from us and the selling unitholder 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 and the selling unitholder to the underwriters are true;
- there has been no material adverse change in our condition or in the financial markets; and
- we and the selling unitholder deliver the customary closing documents to the underwriters.

Over-Allotment Option

The selling unitholder has granted the underwriters a 30-day option to purchase, in whole or part, up to an aggregate of 450,000 additional common units at the public offering price less the underwriting discount and commissions. This option will be exercised to cover over-allotments 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 initial underwriting commitment in the offering as indicated in the preceding table and the selling unitholder will be obligated, pursuant to the option, to sell these units to the underwriters.

Commission and Expenses

We and the selling unitholder 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 $ per unit. The underwriters may allow, and the selected dealers may reallow, a discount from the concession not in excess of $ 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 and the selling unitholder will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase 450,000 additional common units from

the selling unitholder. The underwriting fee is the difference between the public offering price and the amount the underwriters pay us and the selling unitholder for the common units.

	No Exercise	Full Exercise
Paid by us per unit	$	$
Paid by the selling unitholder per unit	$	$
Total	$	$

We estimate that the total expenses for this common unit offering, excluding underwriting discounts and commissions, will be approximately $0.3 million. We have agreed to pay all of the expenses incurred in connection with the offering, other than the selling unitholder's proportionate share of any underwriting discounts or commissions.

Lock-up Agreements

We, the selling unitholder 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, 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 Goldman, Sachs & Co. The restrictions described in this paragraph do not apply to the sale of common units by us and the selling unitholder to the underwriters. This agreement does not apply to any existing employee benefit plans.

Lehman Brothers Inc. and Goldman, Sachs & Co., 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 Goldman, Sachs & Co. will consider, among other factors, 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 and the selling unitholder 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.

- 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 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 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 the 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.

Neither we, the selling unitholder, 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 the common units. In addition, neither we, the selling unitholder, nor any of the underwriters make representation that the representatives 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 and the selling unitholder and its 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 and the selling unitholder and its affiliates in the ordinary course of business.

Affiliates of Lehman Brothers Inc. are lenders under the selling unitholder's term loan and will receive a portion of any repayment by the selling unitholder of the amount outstanding under such loan from the selling unitholder's proceeds from this offering. Affiliates of Lehman Brothers Inc. are lenders under the revolving portion of our 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 the selling unitholder's term loan or our credit facility and such lenders had no involvement in determining whether the underwriters participated in this offering or the terms of this offering.

Electronic Distribution

A 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 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 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 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. Investor suitability with respect to the common units should be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

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, 2003 and 2002 and the related consolidated statements of income, cash flows and partners' capital for each of the years ended December 31, 2003, 2002 and 2001 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, 2003 and 2002 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 auditors, 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.

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 the negative of those terms or other variations of them or by 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 or cash flow 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. 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 FERC and the United States Surface Transportation Board;
- 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;
- 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 tax and state tax withholding issues, 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 have other adverse consequences;
- the condition of the capital markets and equity markets in the United States;
- the ability to raise capital in a cost-effective way;
- the effect of changes in accounting policies;
- the ability to manage rapid growth;
- Williams' and the selling unitholder's ability to perform on its environmental and right-of-way indemnifications to us;
- 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 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 prospectuses 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 filed with the SEC. The information we incorporate by reference is part of this prospectus and later information that we file with the SEC (excluding any information furnished pursuant to Item 9 or Item 12 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 Report on Form 10-Q for the quarter ended March 31, 2004;

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

Current Reports on Form 8-K filed on May 5, 2004 and May 17, 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.

PROSPECTUS

$1,800,000,000

WILLIAMS ENERGY PARTNERS L.P.

Common Units
Debt Securities

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.

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 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.

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.

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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.

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.

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;

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.

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, 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.

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.

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 2/3% 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