NGL Energy Partners LP
Form S-1/A
May 04, 2011

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As filed with the Securities and Exchange Commission on May 4, 2011

Registration No. 333-172186

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4
to

FORM S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

NGL Energy Partners LP

(Exact name of registrant as specified in its charter)

Delaware	5900	27-3427920
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

6120 South Yale Avenue
Suite 805
Tulsa, Oklahoma 74136
(918) 481-1119
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

H. Michael Krimbill
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Suite 805
Tulsa, Oklahoma 74136
(918) 481-1119
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Houston, Texas 77002
(713) 546-5400

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (check one)

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

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

SUBJECT TO COMPLETION, DATED MAY 4, 2011

NGL Energy Partners LP

3,500,000 Common Units
Representing Limited Partner Interests

This is the initial public offering of common units of NGL Energy Partners LP. We are offering 3,500,000 common units. We currently estimate that the initial public offering price of our common units will be between $19.00 and $21.00 per common unit.

Prior to this offering, there has been no public market for our common units. We have applied to list our common units on the New York Stock Exchange under the symbol "NGL."

Investing in our common units involves risks. See "Risk Factors" beginning on page 14.

These risks include the following:

- We may not have sufficient cash to enable us to pay the minimum quarterly distribution to our unitholders following the establishment of cash reserves by our general partner and the payment of costs and expenses, including reimbursement of expenses to our general partner.

- Our retail propane operations are concentrated in the Midwest and Southeast, and localized warmer weather and/or economic downturns may adversely affect demand for propane in those regions, thereby affecting our financial condition and results of operations.

- If we do not successfully identify acquisition candidates, complete accretive acquisitions on economically acceptable terms or adequately integrate the acquired operations into our existing operations, our future financial performance may be adversely affected and our growth may be limited.

- Our general partner and its affiliates have conflicts of interest with us and limited fiduciary duties to our unitholders, and they may favor their own interests to the detriment of us and our unitholders.

- Even if our unitholders are dissatisfied, they have limited voting rights and are not entitled to elect our general partner or its directors.

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

	Per Common Unit	Total
Initial price to public	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to NGL Energy Partners LP	$	$

(1) Excludes a structuring fee equal to 0.5% of the gross proceeds from this offering payable to Wells Fargo Securities, LLC.

We have granted the underwriters a 30-day option to purchase up to an additional 525,000 common units from us at the initial public offering price less the underwriting discount if the underwriters sell more than 3,500,000 common units in this offering. The net proceeds from the issuance and sale of any common units in excess of 350,000 common units pursuant to the underwriters' option will be used to redeem common units from the NGL Energy LP Investor Group. Members of the NGL Energy LP Investor Group will be deemed to be underwriters with respect to any common units so redeemed.

None of the Securities and Exchange Commission, any state securities commission, or any other regulatory body 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 underwriters expect to deliver the common units on or about , 2011.

Wells Fargo Securities **RBC Capital Markets**

SunTrust Robinson Humphrey **BMO Capital Markets**

Baird **Janney Montgomery Scott** **BOSC, Inc.**

Prospectus dated , 2011.

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. We and the underwriters are offering to sell, and seeking offers to buy, our common units only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common units.

Through and including , 2011 (25 days after the commencement of this offering), all dealers that effect transactions in our common units, whether or not participating in this offering, may be required to deliver a prospectus. This delivery is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. See "Risk Factors" beginning on page 14 and "Forward-Looking Statements" beginning on page 194.

Industry and Market Data

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Some data are also based on our good faith estimates. Although we believe these third-party sources are reliable and that the information is accurate and complete, we have not independently verified the information.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because this summary provides only a brief overview of the key aspects of the offering, it does not contain all of the information that you should consider before investing in our common units. You should read the entire prospectus carefully, including "Risk Factors" beginning on page 14 and the consolidated historical and pro forma financial statements and the related notes, before making an investment decision. The information presented in this prospectus assumes (i) an initial public offering price of $20.00 per common unit and (ii) unless otherwise indicated, that the underwriters do not exercise their option to purchase additional common units from us.

References in this prospectus to (i) "NGL Energy Partners LP," "we," "our," "us" or similar terms refer to NGL Energy Partners LP and its operating subsidiaries after giving effect to the formation transactions described in "   Formation Transactions and Partnership Structure," (ii) "NGL Energy Holdings LLC" or "general partner" refers to NGL Energy Holdings LLC, our general partner, (iii) "Silverthorne Operating LLC" or "operating company" refers to Silverthorne Operating LLC, the direct operating subsidiary of NGL Energy Partners LP, (iv) "NGL Supply, Inc." or "NGL Supply" refers to NGL Supply, Inc., (v) "Hicksgas" refers to the combined assets and operations of Hicksgas Gifford, Inc., which we refer to as Gifford, and Hicksgas, LLC, which we refer to as Hicks LLC, (vi) the "NGL Energy GP Investor Group" refers to, collectively, the individuals and entities that own all of the outstanding membership interests in our general partner, as listed on page 113, (vii) the "NGL Energy LP Investor Group" refers to, collectively, the individuals and entities that own all of our outstanding common units, as listed on page 114, and (viii) the "NGL Energy Investor Group" refers to, collectively, the NGL Energy GP Investor Group and the NGL Energy LP Investor Group.

Our Company

Overview

We are a Delaware limited partnership formed in September 2010 to own and operate a vertically-integrated propane business with three operating segments: retail propane; wholesale supply and marketing; and midstream.

Our Assets and Areas of Operation

Retail Propane. Our retail propane business consists of the retail marketing, sale and distribution of propane, including the sale and lease of propane tanks, equipment and supplies, to more than 54,000 residential, agricultural, commercial and industrial customers. Based on industry statistics from *LPGas* magazine, we believe that we are the 12th largest domestic retail propane distribution company by volume.

We market retail propane primarily in Georgia, Illinois, Indiana and Kansas through our customer service locations. We own or lease 44 customer service locations and 37 satellite distribution locations, with aggregate above-ground propane storage capacity of approximately four million gallons. We also own a fleet of bulk delivery trucks and service vehicles.

Wholesale Supply and Marketing. Our wholesale supply and marketing business provides propane procurement, storage, transportation and supply services to customers through assets owned by us and by third parties. Our wholesale supply and marketing business also obtains the majority of the propane supply for our retail propane business.

We procure propane from refiners, gas processing plants, producers and other resellers for delivery to leased storage, common carrier pipelines, rail car terminals and direct to certain customers. We lease approximately 68 million gallons of propane storage space in various strategic locations to accommodate the supply requirements and contractual needs of our retail and wholesale customers.

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During the typical heating season from September 15 through March 15, we have the right to utilize ConocoPhillips' capacity as a shipper on the Blue Line pipeline, which runs from Borger, Texas to our propane terminals in East St. Louis, Illinois and Jefferson City, Missouri. Since ConocoPhillips is currently the only shipper on the Blue Line pipeline, we are effectively able to use 100% of the capacity on the Blue Line pipeline during this period each year. We do not believe any other shippers will meet the requirements to utilize the Blue Line pipeline under the applicable FERC tariff during the term of our agreement with ConocoPhillips.

Midstream. Our midstream business, which currently consists of our propane terminaling business, takes delivery of propane from a pipeline or truck at our propane terminals and transfers the propane to third party trucks for delivery to propane retailers, wholesalers or other customers. Our midstream assets consist of our three state-of-the-art propane terminals in East St. Louis, Illinois; Jefferson City, Missouri; and St. Catharines, Ontario. We are the exclusive service provider at each of our terminals, which have a combined annual throughput in excess of 170 million gallons of propane.

Our Business Strategies

Our principal business objective is to increase the quarterly distributions that we pay to our unitholders over time while ensuring the ongoing stability of our business. We expect to achieve this objective by executing the following strategies:

- grow through strategic acquisitions;
- pursue organic growth;
- focus on consistent annual cash flows; and
- maintain a disciplined capital structure.

Our Competitive Strengths

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

- our experienced management team with extensive acquisition and integration experience;
- cash flows from our vertically integrated and diversified operations;
- our high percentage of retail sales to residential customers;
- our wholesale supply and marketing business; and
- our propane terminals and capacity on the Blue Line pipeline.

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Formation Transactions and Partnership Structure

We own and operate the propane and other natural gas liquids businesses that historically were owned and operated by NGL Supply and Hicksgas. In October 2010, the following transactions, which we refer to as the formation transactions, occurred:

- Hicks Oils & Hicksgas, Incorporated, or HOH, formed a wholly owned subsidiary, Hicks LLC, and contributed to it all of HOH's propane and propane-related assets. The shareholders of Gifford contributed all of their shares of stock in Gifford to a newly formed holding company, Gifford Holdings, Inc.

- Each of the NGL Supply Parties, the Coady Parties and the IEP Parties, as those terms are defined by the listings in the table on page 113, made capital contributions to our general partner in exchange for membership interests in our general partner in the aggregate amounts of 36.47%, 31.00% and 32.53%, respectively.

- Our general partner made a cash capital contribution of approximately $58,800 to us in exchange for the continuation of its 0.1% general partner interest in us and incentive distribution rights and the IEP Parties made a cash capital contribution to us in the aggregate amount of approximately $11.0 million in exchange for an aggregate 18.67% limited partner interest in us.

- NGL Supply and Gifford each converted into a limited liability company and the members of NGL Supply, Hicks LLC and Gifford contributed 100% of their respective membership interests in those entities to us as capital contributions in exchange for (i) in the case of NGL Supply, a 43.27% limited partner interest in us, a cash distribution of approximately $40.0 million and our agreement to pay or cause to be paid approximately $27.9 million of existing indebtedness of NGL Supply, (ii) in the case of Hicks LLC, a 37.96% limited partner interest in us, a cash distribution of approximately $1.6 million and our agreement to pay or cause to be paid approximately $6.5 million of existing indebtedness of Hicks LLC and (iii) in the case of Gifford, a cash payment of approximately $15.5 million.

- We made a capital contribution of 100% of the membership interests of each of NGL Supply, Hicks LLC and Gifford to our wholly owned operating subsidiary, Silverthorne Operating LLC.

For accounting purposes, NGL Supply is considered to be the acquirer of Hicksgas.

On October 14, 2010, we entered into a $150 million revolving credit facility, consisting of a $50 million working capital facility and a $100 million acquisition facility, with a group of lenders. Through April 2011, we have increased the committed amount under the acquisition facility to $150 million, which increased our total revolving credit facility capacity to $200 million.

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Ownership and Organizational Structure

Immediately prior to the completion of this offering, each common unit held by the members of the NGL Energy LP Investor Group will split into 3.7219 common units and 5,919,346 common units held by the NGL Energy LP Investor Group will be converted on a pro rata basis into 5,919,346 subordinated units. The following table sets forth our organization and ownership based on the total number of our units outstanding after the completion of this offering. In addition, our general partner will contribute approximately $70,000 to us to maintain its 0.1% general partner interest.

	Ownership Interest
Common units public	24.2%
Common units NGL Energy LP Investor Group	34.7%
Subordinated units NGL Energy LP Investor Group	41.0%
General partner interest	0.1%
Total	**100.00%**

As is common with publicly traded partnerships, in order to maintain operational flexibility we will conduct our operations through subsidiaries. Our one direct subsidiary, Silverthorne Operating LLC, is a Delaware limited liability company that will conduct business itself and through its subsidiaries. The following diagram depicts our organizational and ownership structure after the completion of this offering.

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Our Management

Our general partner has sole responsibility for conducting our business and for managing our operations and will be owned and controlled by the NGL Energy GP Investor Group. Our general partner will make decisions on our behalf through its board of directors and executive officers, which executive officers are also officers of our operating company. We will reimburse our general partner and its affiliates for all expenses they incur or payments they make on our behalf. Our partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us.

Upon the completion of this offering, the board of directors of our general partner will have four members. Our general partner intends to increase the size of the board to six members within 12 months following the completion of this offering. Neither our general partner nor its board of directors will be elected by our unitholders. The NGL Energy GP Investor Group will have the right to appoint our general partner's entire board of directors, including the independent directors.

Summary of Conflicts of Interest and Fiduciary Duties

Our general partner has a legal duty to manage us in a manner beneficial to our partners. This legal duty originates in statutes and judicial decisions and is commonly referred to as a "fiduciary duty." At the same time, the officers and directors of our general partner also have fiduciary duties to manage our general partner in a manner beneficial to its owners. As a result, conflicts of interest may arise in the future between us and the holders of our common units, on the one hand, and our general partner and its affiliates on the other hand. For example, our general partner will be entitled to make determinations that affect the amount of cash distributions we make to the holders of common and subordinated units, which in turn has an effect on whether our general partner receives incentive distributions, as described in " The Offering."

Our partnership agreement limits the liability of and reduces the fiduciary duties owed by our general partner to holders of our common units. Our partnership agreement also restricts the remedies available to holders of our common units for actions that might otherwise constitute a breach of our general partner's fiduciary duties. By purchasing a common unit, the purchaser agrees to be bound by the terms of our partnership agreement, and pursuant to the terms of our partnership agreement each holder of common units consents to various actions and potential conflicts of interest contemplated in the partnership agreement that might otherwise be considered a breach of fiduciary or other duties under applicable state law.

For a more detailed description of the conflicts of interest and the fiduciary duties of our general partner, please read "Conflicts of Interest and Fiduciary Duties."

Principal Executive Offices and Internet Address

Our principal executive offices are located at 6120 South Yale Avenue, Suite 805, Tulsa, Oklahoma 74136. Our telephone number is (918) 481-1119. Our website will be located at www.nglenergypartners.com following the completion of this offering. We expect to make available our periodic reports and other information filed with or furnished to the SEC free of charge through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

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The Offering

Common units offered to the public	3,500,000 common units. 4,025,000 common units, if the underwriters exercise their option to purchase additional common units from us in full.
Units outstanding after this offering	8,514,222 common units and 5,919,346 subordinated units, each representing a 58.9% and 41.0% limited partner interest in us, respectively (8,864,222 common units and 5,919,346 subordinated units, each representing a 59.9% and 40.0% limited partner interest in us, respectively, if the underwriters exercise their option to purchase additional common units from us in full). Our general partner will own a 0.1% general partner interest in us.
Use of proceeds	We expect to receive net proceeds from the issuance and sale of common units offered by this prospectus of approximately $62.0 million, after deducting underwriting discounts and commissions, a structuring fee and offering expenses (or approximately $71.8 million if the underwriters exercise their option to purchase additional common units from us in full). We intend to use the net proceeds, including the net proceeds from the issuance and sale of any of the first 350,000 common units pursuant to an exercise of the underwriters' option to purchase additional common units from us, to repay amounts outstanding under our revolving credit facility (approximately $65.0 million) and, to the extent that net proceeds remain after all amounts outstanding under our revolving credit facility are repaid, for working capital and general partnership purposes, which may include the acquisition of propane and midstream related businesses. We intend to use the net proceeds from any exercise by the underwriters of their option to purchase additional common units from us as follows: (i) the net proceeds from the issuance and sale of any of the first 350,000 common units (approximately $6.5 million) will be used with the other net proceeds of this offering as described above after deducting underwriting discounts and commissions and a structuring fee and (ii) the net proceeds from the issuance and sale of any of the remaining 175,000 common units (approximately $3.3 million) will be used to redeem from the NGL Energy LP Investor Group on a pro rata basis a number of common units equal to the number of common units issued upon exercise of that portion of the option at a price per common unit equal to the proceeds per common unit before expenses but after deducting underwriting discounts and commissions and a structuring fee. We will cancel the common units redeemed from the NGL Energy LP Investor Group so that they will no longer be outstanding. Members of the NGL Energy LP Investor Group will be deemed to be underwriters with respect to any common units so redeemed.

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Affiliates of certain of the underwriters are lenders under our revolving credit facility and will receive their proportionate share of the repayment of borrowings outstanding under our revolving credit facility by us in connection with this offering. Please read "Underwriting."

Cash distributions

We intend to pay a minimum quarterly distribution of $0.3375 per unit ($1.35 per unit on an annualized basis) to the extent we have sufficient cash from operations after establishment of cash reserves at the discretion of our general partner and payment of fees and expenses, including payments to our general partner and its affiliates. We refer to this cash as "available cash," and it is defined in our partnership agreement included in this prospectus as Appendix A.

Our ability to pay the minimum quarterly distribution is subject to various restrictions and other factors described in more detail in "Our Cash Distribution Policy and Restrictions on Distributions." For the first quarter that our common units are publicly traded, we will pay our unitholders a prorated distribution covering the period from the date of the completion of this offering through June 30, 2011, based on the actual number of days in that period.

Our partnership agreement requires that we distribute all of our available cash each quarter in the following manner:

first, 99.9% to the holders of common units and 0.1% to our general partner, until each common unit has received the minimum quarterly distribution of $0.3375, plus any arrearages from prior quarters;

second, 99.9% to the holders of subordinated units and 0.1% to our general partner, until each subordinated unit has received the minimum quarterly distribution of $0.3375; and

third, 99.9% to all unitholders, pro rata, and 0.1% to our general partner, until each unit has received a distribution of $0.388125.

If cash distributions to our unitholders exceed $0.388125 per unit in any quarter, our general partner will receive, in addition to distributions on its 0.1% general partner interest, increasing percentages, up to 48.0%, of the cash we distribute in excess of that amount. We refer to these distributions as "incentive distributions." Please read "Provisions of Our Partnership Agreement Relating to Cash Distributions General Partner Interest and Incentive Distribution Rights."

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Prior to making distributions, we will reimburse our general partner for general and administrative expenses it incurs for services that it provides to us, including compensation, travel and entertainment expenses for the non-employee directors serving on the board of directors of our general partner and the cost of director and officer liability insurance. We estimate that we will reimburse our general partner for approximately $250,000 in expenses annually.

The amount of pro forma available cash generated during the fiscal year ended March 31, 2010 would have been sufficient to allow us to pay a cash distribution of approximately $0.323 per unit per quarter ($1.29 per unit on an annualized basis), or approximately 95.7% of the minimum quarterly distribution, on all of our common units and no cash distribution on any of our subordinated units for such period. The amount of pro forma available cash generated during the twelve months ended December 31, 2010 would have been sufficient to allow us to pay a cash distribution of approximately $0.267 per unit per quarter ($1.07 per unit on an annualized basis), or approximately 79.0% of the minimum quarterly distribution, on all of our common units and no cash distribution on any of our subordinated units for such period. Please read "Our Cash Distribution Policy and Restrictions on Distributions."

We believe that, based on the Partnership Statement of Forecasted Estimated Adjusted EBITDA included in "Our Cash Distribution Policy and Restrictions on Distributions," we will have sufficient cash available for distribution to pay the minimum quarterly distribution of $0.3375 per unit on all of our common and subordinated units and the corresponding distributions on our general partner's 0.1% general partner interest for the twelve months ending March 31, 2012. Please read "Risk Factors" and "Our Cash Distribution Policy and Restrictions on Distributions."

Subordinated units

The NGL Energy LP Investor Group will initially own all of our subordinated units. The principal difference between our common and subordinated units is that in any quarter during the subordination period, holders of the subordinated units are not entitled to receive any distribution until the common units have received the minimum quarterly distribution of available cash plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. Subordinated units will not accrue arrearages. The conversion of 5,919,346 common units held by the NGL Energy LP Investor Group into 5,919,346 subordinated units immediately prior to the completion of this offering provides additional distribution support to our common units by subordinating a portion of the units held by the NGL Energy LP Investor Group to the distributions on the common units.

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Conversion of subordinated units	The subordination period will end on the first business day after we have earned and paid at least (i) $1.35 (the minimum quarterly distribution on an annualized basis) on each outstanding unit and the corresponding distributions on our general partner's 0.1% general partner interest for each of three consecutive, non-overlapping four-quarter periods ending on or after June 30, 2014 or (ii) $2.025 (150.0% of the minimum quarterly distribution on an annualized basis) on each outstanding unit and the corresponding distribution on our general partner's 0.1% general partner interest and the related distribution on the incentive distribution rights for the four-quarter period immediately preceding that date. When the subordination period ends, all subordinated units will convert into common units on a one-for-one basis and all common units thereafter will no longer be entitled to arrearages. For a description of the subordination period, please read "Provisions of Our Partnership Agreement Relating to Cash Distributions Subordination Period."
General partner's right to reset the target distribution levels	Our general partner has the right, at any time when there are no subordinated units outstanding and it has received incentive distributions at the highest level to which it is entitled (48.0%) for each of the prior four consecutive fiscal quarters, to reset the initial target distribution levels at higher levels based on our cash distributions at the time of the exercise of the reset election. Following a reset election by our general partner, the minimum quarterly distribution will be adjusted to equal the reset minimum quarterly distribution, and the target distribution levels will be reset to correspondingly higher levels based on the same percentage increases above the reset minimum quarterly distribution. If our general partner elects to reset the target distribution levels, it will be entitled to receive a number of common units equal to the number of common units that would have entitled the holder to an average aggregate quarterly cash distribution in the prior two quarters equal to the average of the distributions to our general partner on the incentive distribution rights in the prior two quarters. Our general partner's general partner interest in us will be maintained at the percentage immediately prior to the reset election. Please read "Provisions of our Partnership Agreement Relating to Cash Distributions General Partner's Right to Reset Incentive Distribution Levels."
Issuance of additional units	We can issue an unlimited number of units without the consent of our unitholders. Please read "Units Eligible for Future Sale" and "The Partnership Agreement Issuance of Additional Partnership Interests."

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Limited voting rights	Our general partner will manage and operate us. Unlike the holders of common stock in a corporation, our unitholders will have only limited voting rights on matters affecting our business. Our unitholders will have no right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by a vote of the holders of at least $66^{2}/_{3}$% of the outstanding units voting together as a single class, including any units owned by our general partner and its affiliates. After the completion of this offering, the NGL Energy LP Investor Group will own an aggregate of 75.8% of our common and subordinated units (72.8% if the underwriters exercise their option to purchase additional common units from us in full). This will give the NGL Energy LP Investor Group the ability to prevent the involuntary removal of our general partner. Please read "The Partnership Agreement Voting Rights."
Limited call right	If at any time our general partner and its affiliates own more than 80% of the outstanding common units, our general partner has the right, but not the obligation, to purchase all of the remaining common units at a price equal to the greater of (i) the highest per-unit price paid by our general partner or any of its affiliates for common units during the 90 days preceding the date notice of exercise of the call right is first mailed and (ii) the average of the daily closing price of our common units over the 20 consecutive trading days preceding the date that is three days before such notice is first mailed. For additional information about this right, please read "The Partnership Agreement Limited Call Right."
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 distributions for the period ending December 31, 2013, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 10% or less of the cash distributed to you with respect to that period. For example, if you receive an annual distribution of $1.00 per unit, we estimate that your average allocable federal taxable income per year will be no more than $0.10 per unit. Please read "Material Tax Consequences Tax Consequences of Unit Ownership Ratio of Taxable Income to Distributions."
Material tax consequences	For a discussion of the material federal income tax consequences that may be relevant to prospective holders of our common units who are individual citizens or residents of the United States, please read "Material Tax Consequences."
Exchange listing	We have applied to list our common units on the New York Stock Exchange under the symbol "NGL."

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Summary Historical and Unaudited Pro Forma Financial and Operating Data

We were formed on September 8, 2010, and we do not have our own historical financial statements for periods prior to our formation. The following table shows summary historical financial and operating data for NGL Supply and pro forma financial and operating data for NGL Energy Partners LP for the periods and as of the dates indicated. The following table should be read in conjunction with "Selected Historical and Unaudited Pro Forma Financial and Operating Data" and the financial statements and related notes included elsewhere in this prospectus.

The summary historical financial data as of March 31, 2010 and 2009 and for the fiscal years ended March 31, 2010, 2009 and 2008 are derived from the audited historical consolidated financial statements of NGL Supply included elsewhere in this prospectus. The summary historical financial data as of September 30, 2010 and December 31, 2009 and for the six months ended September 30, 2010 and 2009 and the three months ended December 31, 2009 are derived from the unaudited historical consolidated financial statements of NGL Supply included elsewhere in this prospectus and NGL Supply's financial records. The selected historical financial data as of December 31, 2010 and for the three months ended December 31, 2010 are derived from our unaudited historical consolidated financial statements included elsewhere in this prospectus. The results of operations for the interim periods are not necessarily indicative of operating results for the entire year or any future period.

Our summary unaudited pro forma financial data as of December 31, 2010 and for the fiscal year ended March 31, 2010 and the nine months ended December 31, 2010 are derived from the unaudited pro forma financial statements of NGL Energy Partners LP included elsewhere in this prospectus. In the case of the unaudited pro forma balance sheet, the pro forma adjustments have been prepared as if the following transactions had taken place on December 31, 2010:

- the split of each common unit held by the members of the NGL Energy LP Investor Group into 3.7219 common units;
- the conversion of 5,919,346 common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into 5,919,346 subordinated units;
- a contribution of approximately $70,000 by our general partner to maintain its 0.1% general partner interest;
- the declaration of a distribution of approximately $3.9 million to be paid prior to the completion of this offering using cash on hand to the members of the NGL Energy LP Investor Group for taxable income allocated to our existing limited partners; and
- the application of the net proceeds from this offering as described in "Use of Proceeds."

In the case of the unaudited pro forma statement of operations, the pro forma adjustments have been prepared as if the following transactions had taken place as of April 1, 2009:

- the formation transactions;
- the entry into our revolving credit facility;
- the split of each common unit held by the members of the NGL Energy LP Investor Group into 3.7219 common units;
- the conversion of 5,919,346 common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into 5,919,346 subordinated units;

a contribution of approximately $70,000 by our general partner to maintain its 0.1% general partner interest; and

the application of the net proceeds from this offering as described in "Use of Proceeds."

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The pro forma financial and operating data does not give effect to approximately $1.0 million of estimated incremental annual administration expenses we expect to incur as a result of being a publicly traded partnership.

The following table includes historical EBITDA and Adjusted EBITDA for NGL Supply, our historical EBITDA and Adjusted EBITDA and our pro forma EBITDA and Adjusted EBITDA, which have not been prepared in accordance with generally accepted accounting principles, or GAAP. These measures are presented because they are helpful to management, industry analysts, investors, lenders and rating agencies and may be used to assess the financial performance and operating results of our fundamental business activities. For definitions of EBITDA and Adjusted EBITDA and a reconciliation of EBITDA and Adjusted EBITDA to their most directly comparable financial measure calculated and presented in accordance with GAAP, please read "   Non-GAAP Financial Measures" below.

	NGL Supply			NGL Energy Partners LP	NGL Supply			NGL Energy Partners LP Unaudited Pro Forma	
	Years Ended March 31,			Three Months Ended December 31,	Three Months Ended December 31,	Six Months Ended September 30,	Six Months Ended September 30,	Year Ended March 31,	Nine Months Ended December 31,
	2010	2009	2008	2010	2009	2010	2009	2010	2010
	(in thousands, except per unit or share data)								
Income Statement Data(1)									
Total operating revenues	$735,506	$734,991	$834,257	$ 311,137	$ 237,497	$ 316,943	$ 198,327	$ 809,633	$ 648,058
Gross margin	27,291	28,573	16,236	19,664	11,393	6,035	6,256	57,484	34,479
Operating income (loss)	6,661	9,431	3,162	7,221	6,853	(3,795)	(1,528)	9,766	195
Interest expense	668	1,621	1,061	1,314	190	372	220	2,422	1,817
Net income (loss) attributable to parent entity	3,636	4,949	1,613	6,056	4,214	(2,515)	(1,049)	7,854	(1,142)
Basic earnings per common share	178.75	242.82	69.17		213.28	(128.45)	(55.25)		
Diluted earnings per common share	176.61	239.92	68.35		210.74	(128.45)	(55.25)		
Basic earnings per common unit				2.06				0.54	(0.08)
Diluted earnings per common unit				2.06				0.54	(0.08)
Other Financial Data									
EBITDA	$ 10,534	$ 13,115	$ 6,120	$ 9,266	$ 7,827	$ (1,771)	$ 408	$ 17,830	$ 6,260
Adjusted EBITDA	$ 9,982	$ 13,079	$ 6,351	$ 9,297	$ 7,866	$ (1,695)	$ 690	$ 17,350	$ 6,311
Cash Flows Data(1)									
Cash flows from operating activity	$ 7,480	$ 22,459	$ (10,931)	$ 143	$ 9,279	$ (30,886)	$ (20,101)		
Cash distributions per common share						357.09			
Cash distributions per common unit								$	$
Capital Expenditures:									
Maintenance(2)	582	577	496	671	456	280		3,804	3,216
Expansion(3)	3,113	3,532	6,237	17,128	(242)	121	2,550	3,113	121
Total	3,695	4,109	6,733	17,799	214	401	2,550	6,917	3,337
Balance Sheet Data Period End									
Total assets	$111,580	$103,434	$111,520	$ 233,403	$ 142,568	$ 148,596	$ 136,488		$ 232,403
Total long-term obligations	8,851	9,245	7,830	69,061	8,928	18,940	15,927		5,991
Redeemable preferred stock	3,000	3,000	3,000		3,000		3,000		

Equity	46,403	42,691	38,133	40,997	45,956	36,811	44,760		99,217
Volume Information (in thousand gallons)									
Retail propane sales volumes	15,514	14,033	10,239	14,676	4,830	3,747	3,795		