

NGL Energy Partners LP  
Form S-1/A  
April 15, 2011

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As filed with the Securities and Exchange Commission on April 15, 2011

Registration No. 333-172186

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Amendment No. 2  
to  
FORM S-1  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933**

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**NGL Energy Partners LP**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**5900**  
(Primary Standard Industrial  
Classification Code Number)  
**6120 South Yale Avenue**  
**Suite 805**  
**Tulsa, Oklahoma 74136**  
**(918) 481-1119**

**27-3427920**  
(IRS Employer  
Identification Number)

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

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**H. Michael Krimbill**  
**6120 South Yale Avenue**  
**Suite 805**  
**Tulsa, Oklahoma 74136**  
**(918) 481-1119**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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(713) 220-5881

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

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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.

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.

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.

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.

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a  
smaller reporting company)

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**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 APRIL 15, 2011**

**NGL Energy Partners LP**  
**Common Units**  
**Representing Limited Partner Interests**

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This is the initial public offering of common units of NGL Energy Partners LP. We are offering \_\_\_\_\_ common units. We currently estimate that the initial public offering price of our common units will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per common unit.

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

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**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	\$	\$
Proceeds, before expenses, to NGL Energy Partners LP	\$	\$
We have granted the underwriters a 30-day option to purchase up to an additional common units from us at the initial public offering price less the underwriting discount if the underwriters sell more than common units in this offering.		

**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.

*Joint Book-Running Managers*

**Wells Fargo Securities**

**RBC Capital Markets**

*Lead Managers*

**SunTrust Robinson Humphrey**

**BMO Capital Markets**

*Co-Managers*

**Baird**

**BOSC, Inc.**

**Janney Montgomery Scott**

**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 192.

### **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 \$ \_\_\_\_\_ 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 56,000 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. In February 2011, we increased the committed amount under the acquisition facility to \$130 million, which increased our total revolving credit facility capacity to \$180 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 common units and common units held by the NGL Energy LP Investor Group will be converted on a pro rata basis into subordinated units. The following table sets forth our organization and ownership based on the total number of our common units outstanding after the completion of this offering.

		<b>Ownership Interest</b>
Common units	public	%
Common units	NGL	
Energy LP Investor Group		%
Subordinated units	NGL	
Energy LP Investor Group		%
General partner interest		0.1%
<b>Total</b>		<b>100.00%</b>

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. We expect our website to be located at [www.nglenergypartners.com](http://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**

common units.

common units, if the underwriters exercise their option to purchase additional common units from us in full.

**Units outstanding after this offering**

common units and subordinated units, each representing a % and % limited partner interest in us, respectively ( common units and subordinated units, each representing a % and % 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 \$ million, after deducting underwriting discounts and commissions and offering expenses (or approximately \$ 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 any exercise of the underwriters' option to purchase additional common units from us, to repay amounts outstanding under our revolving credit facility (approximately \$ 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.

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 \$ per unit (\$ 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.

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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 \$ , 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 \$ ; and

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

If cash distributions to our unitholders exceed \$ 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."

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 the full minimum quarterly distribution of \$ per unit per quarter (\$ per unit on an annualized basis) on all of our common units and a cash distribution of \$ per unit per quarter (\$ per unit on an annualized basis), or approximately % of the minimum quarterly distribution, on all 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 the full minimum quarterly distribution on all of our common units and a cash distribution of \$ per unit per quarter (\$ per unit on an annualized basis), or approximately % of the minimum quarterly distribution, on all of our subordinated units for such period. Please read "Our Cash Distribution Policy and Restrictions on Distributions."

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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 \$        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        common units held by the NGL Energy LP Investor Group into        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.

**Conversion of subordinated units**

The subordination period will end on the first business day after we have earned and paid at least (i) \$        (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) \$        (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."

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**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."

**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<sup>2</sup>/<sub>3</sub>% 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, our general partner and its affiliates will own an aggregate of % of our common and subordinated units ( % if the underwriters exercise their option to purchase additional common units from us in full). This will give our general partner the ability to prevent the involuntary removal of our general partner. Please read "The Partnership Agreement - Voting Rights."

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**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. At the end of the subordination period (which could occur as early as June 30, 2012), assuming no additional issuances of common units (other than upon the conversion of the subordinated units), our general partner and its affiliates will own an aggregate of approximately % of our outstanding common units, enabling the general partner to exercise the limited call right at such time. 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 intend to apply 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 common units;

the conversion of common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into subordinated units; 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 common units;

the conversion of common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into subordinated units; and

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

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.

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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

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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	
	Years Ended March 31,	Years Ended March 31,	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)									
<b>Income Statement Data(1)</b>									
Total operating revenues	\$ 735,506	\$ 734,991	\$ 834,257	\$ 311,137	\$ 237,497	\$ 316,943	\$ 198,327	\$ 809,633	\$ 648,708
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	2,426	1,820
Net income (loss) attributable to parent entity	3,636	4,949	1,613	6,056	4,214	(2,515)	(1,049)	7,850	(1,145)
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					
Diluted earnings per common unit				2.06					
<b>Other Financial Data</b>									
EBITDA	\$ 9,563	\$ 12,315	\$ 5,326	\$ 9,066	\$ 7,627	\$ (2,171)	\$	\$ 17,030	\$ 5,660
Adjusted EBITDA	\$ 8,989	\$ 12,279	\$ 5,557	\$ 9,097	\$ 7,666	\$ (2,095)	\$	\$ 16,456	\$ 5,767
<b>Cash Flows Data(1)</b>									
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		3,837	3,216
Expansion(3)	3,113	3,532	6,237	17,128	(242)	121	2,550		
Total	3,695	4,109	6,733	17,799	214	401	2,550	3,837	3,216
<b>Balance Sheet Data Period End</b>									
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		6,061
Redeemable preferred stock	3,000	3,000	3,000		3,000		3,000		
Equity	46,403	42,691	38,133	40,997	48,956	36,811	44,760		102,997
<b>Volume Information (in thousand gallons)</b>									
Retail propane sales volumes	15,514	14,033	9,114	14,676	4,830	3,747	3,795	54,024	25,637
Wholesale volumes	623,510	510,255	506,909	191,833	187,594	226,330	211,368	623,510	418,163

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propane(4)										
Wholesale										
volumes	other									
NGLs		53,878	58,523	88,808	26,421	17,711	32,100	25,583	53,878	58,521
Midstream										
terminal										
throughput										
volumes		170,621	136,818	130,348	50,451	62,658	43,704	45,869	170,621	94,155

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- (1) The acquisition of retail propane businesses by NGL Supply in fiscal years 2008 through 2010 and by NGL Energy Partners LP in October 2010 affects the comparability of this information.
  - (2) Cash expenditures to maintain, including over the long-term, operating capacity and/or income.
  - (3) Cash expenditures for acquisitions or capital improvements made to increase, over the long-term, operating capacity or operating income.
  - (4) Includes intercompany volumes sold to our retail propane segment.

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**Non-GAAP Financial Measures**

We define EBITDA as net income (loss) attributable to parent entity plus income taxes, interest expense and depreciation and amortization expense. Management believes it is appropriate to exclude certain items from EBITDA because management believes these items affect the comparability of operating results. We define Adjusted EBITDA as EBITDA excluding the unrealized gain or loss on derivative contracts, the gain or loss on the disposal of assets and share-based compensation expenses. EBITDA and Adjusted EBITDA are non-GAAP financial measures that management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

our operating performance as compared to other publicly traded partnerships in the propane industry, without regard to capital structure, historical cost basis or financing methods;

our ability to incur and service debt and fund capital expenditures;

the ability of our assets to generate sufficient cash flow to make distributions to our unitholders; and

the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentation of EBITDA and Adjusted EBITDA in this prospectus provides information useful to investors in assessing our financial condition and results of operations. The GAAP measure most directly comparable to EBITDA and Adjusted EBITDA is net income. Our non-GAAP financial measures of EBITDA and Adjusted EBITDA should not be considered as an alternative to GAAP net income. EBITDA and Adjusted EBITDA have important limitations as analytical tools because they exclude some but not all items that affect net income. You should not consider EBITDA and Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following table presents a reconciliation of the non-GAAP financial measures of EBITDA and Adjusted EBITDA to the GAAP financial measure of net income on a historical and pro forma basis:

	NGL Supply			NGL Energy Partners LP		NGL Supply		NGL Energy Partners LP	
	Year 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
Net income (loss) attributable to parent entity	\$ 3,636	\$ 4,949	\$ 1,613	\$ 6,056	\$ 4,214	\$ (2,515)	\$ (1,049)	\$ 7,850	\$ (1,145)
Provision (benefit) for income taxes	2,478	3,255	948		2,479	(1,417)	(605)		
Interest expense	668	1,621	1,061	1,314	190	372	220	2,426	1,820
Depreciation and amortization	2,781	2,490	1,704	1,696	744	1,389	1,442	6,754	4,985
<b>EBITDA</b>	<b>\$ 9,563</b>	<b>\$ 12,315</b>	<b>\$ 5,326</b>	<b>\$ 9,066</b>	<b>\$ 7,627</b>	<b>\$ (2,171)</b>	<b>\$ 8</b>	<b>\$ 17,030</b>	<b>\$ 5,660</b>
Unrealized (gain) loss on derivative contracts	(563)	17	36	31	39	200	282	(563)	231
Loss (gain) on sale of assets	(11)	(150)	1			(124)		(11)	(124)
Share-based compensation expense		97	194						

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Adjusted EBITDA	\$ 8,989	\$ 12,279	\$ 5,557	\$ 9,097	\$ 7,666	\$ (2,095)	\$ 290	\$ 16,456	\$ 5,767
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**RISK FACTORS**

*Limited partner units 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 similar businesses. We urge you to consider carefully the following risk factors together with all of the other information included in this prospectus in evaluating an investment in our common units.*

*If any of the following risks were to occur, our business, financial condition or results of operations could be materially adversely affected. In that case, we might be unable to pay the minimum quarterly distribution on our common units, the trading price of our common units could decline and you could lose all or part of your investment in us.*

**Risks Related to Our Business**

***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.***

We may not have sufficient cash each quarter to enable us to pay the minimum quarterly distribution. The amount of cash we can distribute on our common and subordinated units principally depends on the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

weather conditions in our operating areas;

the cost of propane that we buy for resale and whether we are able to pass along cost increases to our customers;

the volume of propane throughput in our terminals;

disruptions in the availability of propane supply;

the level of competition from other propane companies and other energy providers; and

prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution also depends on other factors, some of which are beyond our control, including:

the level of capital expenditures we make;

the cost of acquisitions, if any;

restrictions contained in our revolving credit facility and other debt service requirements;

fluctuations in working capital needs;

our ability to borrow funds and access capital markets;

the amount, if any, of cash reserves established by our general partner; and

other business risks discussed in this prospectus that potentially affect our cash levels.

Because of all these factors, we may not have sufficient available cash each quarter to be able to pay the minimum quarterly distribution.

For a description of additional restrictions and factors that may affect our ability to make cash distributions, please read "Our Cash Distribution Policy and Restrictions On Distributions."

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***The amount of cash we have available for distribution to our unitholders depends primarily on our cash flow rather than on our profitability, which may prevent us from making distributions, even during periods in which we realize net income.***

The amount of cash we have available for distribution depends primarily on our cash flow and not solely on profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record net losses for financial accounting purposes and may not make cash distributions during periods when we record net income for financial accounting purposes.

***On a pro forma basis we would not have had sufficient cash available for distribution to pay the full minimum quarterly distribution on all subordinated units for the fiscal year ended March 31, 2010 or the twelve months ended December 31, 2010.***

The amount of pro forma cash available for distribution generated during the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010 would have been sufficient to allow us to pay the full minimum quarterly distribution on all of our common units, but only approximately % and %, respectively, of the full minimum quarterly distribution on our subordinated units during those periods. For a calculation of our ability to make cash distributions to our unitholders based on our pro forma results for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, please read "Our Cash Distribution Policy and Restrictions on Distributions."

***The assumptions that we make in the computation of our forecast of cash available for distribution included in "Our Cash Distribution Policy and Restrictions on Distributions" are inherently uncertain and are subject to significant business, economic, financial, regulatory and competitive risks and uncertainties, including weather conditions, that could cause actual results to differ materially from our forecasted results.***

The forecast of cash available for distribution in "Our Cash Distribution Policy and Restrictions on Distributions" includes our forecasted results of operations, Adjusted EBITDA and cash available for distribution for the twelve months ending March 31, 2012. We prepared the financial forecast, and we have not received an opinion or report on such forecast from our or any other independent auditor. The assumptions underlying the forecast are inherently uncertain and are subject to significant business, economic, financial, regulatory and competitive risks and uncertainties, including weather conditions, that could cause actual results to differ materially from those forecasted. If we do not achieve the forecasted results, we may be unable to pay the full minimum quarterly distribution or any amount on our common units or subordinated units, in which event the market price of our common units may decline materially.

***Current conditions in the global capital and credit markets, and general economic pressures, may adversely affect our financial position and results of operations.***

Our business and operating results are materially affected by worldwide economic conditions. Current conditions in the global capital and credit markets and general economic pressures have led to declining consumer and business confidence, increased market volatility and widespread reduction of business activity generally. As a result of this turmoil, coupled with increasing energy prices, our customers may experience cash flow shortages which may lead to delayed or cancelled plans to purchase our products, and affect the ability of our customers to pay for our products. In addition, disruptions in the U.S. residential mortgage market, increases in mortgage foreclosure rates and failures of lending institutions may adversely affect retail customer demand for our products (in particular, products used for home heating and home comfort equipment) and our business and results of operations.

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***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.***

A substantial portion of our retail propane sales are to residential customers located in the Midwest and Southeast who rely heavily on propane for heating purposes. On a combined pro forma basis for the fiscal year ended March 31, 2010, approximately 79% of our retail propane volume was attributable to sales during the peak heating season of October through March. Warmer weather may result in reduced sales volumes that could adversely impact our operating results and financial condition. In addition, adverse economic conditions in areas where our retail propane operations are concentrated may cause our residential customers to reduce their use of propane regardless of weather conditions. Localized warmer weather and/or economic downturns may have a significantly greater impact on our operating results and financial condition than if our retail propane business were less concentrated.

***Widely fluctuating propane prices could adversely affect our ability to finance our working capital needs.***

The price for propane is subject to wide fluctuations and depends on numerous factors beyond our control. If propane prices were to increase substantially, our working capital needs would increase to the extent that we are required to maintain propane inventory that has not been pre-sold and our ability to finance our working capital could be adversely affected. If propane prices were to decline significantly for a prolonged period, the decreased value of our propane inventory could potentially result in a reduction of the borrowing base under our working capital facility and we could be required to liquidate propane inventory that we have already pre-sold.

***We have certain agreements with ConocoPhillips related to the operation and maintenance of two of our propane terminals, our propane supply, the lease of a propane storage facility in Borger, Texas and the right to utilize ConocoPhillips' capacity as a shipper on the Blue Line pipeline. The termination of, or significant modification to, these agreements could have a negative impact on our financial condition and results of operations.***

In connection with the purchase by NGL Supply of the propane terminals of ConocoPhillips, we executed several agreements in November 2002, including the following:

an operating and maintenance agreement for the propane terminals and common facilities located in Missouri and Illinois;

a propane supply agreement under which we are able to purchase, exchange and deliver specified gallons of propane per week and access the ConocoPhillips Blue Line pipeline to ship propane from Borger, Texas and the Conway, Kansas storage hubs to our propane terminal locations in Missouri and Illinois, including the right to utilize ConocoPhillips' capacity as a shipper on the Blue Line pipeline from September 15 through March 15 each year; and

a propane storage lease agreement under which we have leased storage space of approximately 36 million gallons in Borger, Texas.

The operating and maintenance agreement and the propane supply agreement each expire in November 2012 and provide for a five-year extension period at our option followed by a year-to-year continuation. The propane storage lease agreement expires in March 2012, and we are in discussions with ConocoPhillips regarding the extension of this agreement. Significant changes to such agreements or our inability to extend such agreements could have a negative effect on our financial condition and results of operations.

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*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.*

The propane industry is a mature industry. We anticipate only limited growth in total national demand for propane in the near future. Increased competition from alternative energy sources has limited growth in the propane industry, and year-to-year industry volumes are primarily impacted by fluctuations in weather and economic conditions. In addition, our retail propane business concentrates on sales to residential customers, but because of longstanding customer relationships that are typical in the retail residential propane industry, the inconvenience of switching tanks and suppliers and propane's generally higher cost as compared to certain other energy sources, we may have difficulty in increasing our retail customer base other than through acquisitions. Therefore, while our business strategy includes expanding our existing operations through internal growth, our ability to grow within the industry will depend principally on acquisitions.

There can be no assurance that we will identify attractive acquisition candidates in the future, that we will be able to acquire such businesses on economically acceptable terms, that any acquisitions will not be dilutive to earnings and distributions or that any additional debt that we incur to finance an acquisition will not affect our ability to make distributions to unitholders. Covenants in our revolving credit facility may also limit the amount and types of indebtedness that we may incur to finance acquisitions and any new debt we incur to finance acquisitions may adversely affect our ability to make distributions to our unitholders.

In addition, we may be unable to grow as rapidly as we expect through acquiring additional businesses after the completion of this offering for various reasons, including the following:

We will use our cash from operations primarily for reinvestment in our business and distributions to unitholders. The extent to which we are unable to use cash or access capital to pay for additional acquisitions may limit our growth and impair operating results.

Due to the consolidation that has occurred in the retail propane industry, competition for acquisitions has intensified, making it more difficult to acquire businesses on economically acceptable terms.

Although we intend to use common units as an acquisition currency, some prospective sellers may be unwilling to accept units as consideration and their issuance in some circumstances may be dilutive to our existing unitholders.

Moreover, acquisitions involve potential risks, including:

the inability to integrate the operations of recently acquired businesses;

the assumption of unknown liabilities;

limitations on rights to indemnity from the seller;

mistaken assumptions about the overall costs of equity or debt or synergies;

unforeseen difficulties operating in new geographic areas;

the diversion of management's and employees' attention from other business concerns;

customer or key employee loss from the acquired businesses; and

a significant increase in our indebtedness and related interest expense.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and unitholders will not have the opportunity to evaluate the economic, financial and other

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relevant information that we will consider in determining the application of these funds and other resources.

***Part of our growth strategy includes acquiring businesses with operations that may be distinct and separate from our existing operations, which could subject us to additional business and operating risks.***

We may expand our operations into businesses that differ from our existing operations, such as the natural gas midstream business (including, but not limited to, natural gas gathering, processing and transportation). Integration of new businesses is a complex, costly and time-consuming process and may involve assets with which we have limited operating experience. Failure to timely and successfully integrate acquired businesses into our existing operations may have a material adverse effect on our business, financial condition or results of operations. The difficulties of integrating new businesses into our existing operations include, among other things: operating distinct businesses that require different operating strategies and different managerial expertise; the necessity of coordinating organizations, systems and facilities in different locations; integrating personnel with diverse business backgrounds and organizational cultures; and consolidating corporate and administrative functions. In addition, the diversion of our attention and any delays or difficulties encountered in connection with the integration of the new businesses, such as unanticipated liabilities or costs, could harm our existing business, results of operations, financial condition or prospects. Furthermore, new businesses will subject us to additional business and operating risks such as the acquisitions not being accretive to our unitholders as a result of decreased profitability, increased interest expense related to debt we incur to make such acquisitions or an inability to successfully integrate those operations into our overall business operation. The realization of any of these risks could have a material adverse effect on our financial condition or results of operations.

***Debt we incur in the future may limit our flexibility to obtain financing and to pursue other business opportunities.***

Our future level of debt could have important consequences to us, including the following:

our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;

our funds available for operations, future business opportunities and distributions to unitholders will be reduced by that portion of our cash flow required to make principal and interest payments on our debt;

we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and

our flexibility in responding to changing business and economic conditions may be limited.

Our ability to service our debt will depend on, among other things, our future financial and operating performance, which will be affected by prevailing economic and weather conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets or seeking additional equity capital. We may be unable to effect any of these actions on satisfactory terms or at all.

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***Restrictions in our revolving credit facility could adversely affect our business, financial condition, results of operations, ability to make distributions to unitholders and the value of our common units.***

Our revolving credit facility limits our ability to, among other things:

incur additional debt or letters of credit;

redeem or repurchase units;

make certain loans, investments and acquisitions;

incur certain liens or permit them to exist;

engage in sale and leaseback transactions;

prepay, redeem or purchase certain indebtedness;

enter into certain types of transactions with affiliates;

enter into agreements limiting subsidiary distributions;

change the nature of our business or enter into a substantially different business;

merge or consolidate with another company; and

transfer or otherwise dispose of assets.

After the completion of this offering, we are permitted to make distributions to our unitholders under our revolving credit facility so long as no default or event of default exists both immediately before and after giving effect to the declaration and payment of the distribution and the distribution does not exceed available cash for such quarterly period. Our revolving credit facility also contains covenants requiring us to maintain certain financial ratios. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Sources of Capital and Capital Resource Activities."

The provisions of our revolving credit facility may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with the provisions of our revolving credit facility could result in a covenant violation, default or an event of default that could enable our lenders, subject to the terms and conditions of our revolving credit facility, to declare the outstanding principal of that debt, together with accrued and unpaid interest, to be immediately due and payable. If we were unable to repay the accelerated amounts, our lenders could proceed against the collateral we granted them to secure our debts. If the payment of our debt is accelerated, defaults under our other debt instruments, if any then exist, may be triggered, and our assets may be insufficient to repay such debt in full, and our unitholders could experience a partial or total loss of their investment.

***Increases in interest rates could adversely impact our unit price, our ability to issue equity or incur debt for acquisitions or other purposes, and our ability to make cash distributions at our intended levels.***

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Interest rates may increase in the future. As a result, interest rates on our existing and future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. As with other yield-oriented securities, our unit price will be impacted by our level of cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our units, and a rising interest rate environment could have an adverse impact on our unit price and our ability to issue equity or incur debt for acquisitions or other purposes and to make cash distributions at our intended levels.

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***Our results of operations could be negatively impacted by price and inventory risk related to our business and management of these risks.***

Generally, we attempt to maintain an inventory position that is substantially balanced between our purchases and sales, including our future delivery obligations. We attempt to obtain a certain gross margin for our propane purchases by selling our propane to our wholesale and retail market customers which include third-party consumers, other wholesalers and retailers, and others. Our strategy may be ineffective in limiting our price and inventory risks if, for example, market, weather or other conditions prevent or allocate the delivery of physical product during periods of peak demand. If the market price falls below the cost at which we made such purchases, it could adversely affect our profits. Any event that disrupts our expected supply of propane could expose us to a risk of loss through price changes if we were required to obtain supply at increased prices that cannot be passed through to our customers. While we attempt to balance our inventory position through our normal risk management policies and practices, it is not possible to eliminate all price risks.

***Our risk management policies cannot eliminate all risks. In addition, any non-compliance with our risk management policies could result in significant financial losses.***

Although we have risk management policies and systems that are intended to quantify and manage risk, some degree of exposure to unforeseen fluctuations in market conditions remains. In addition, our wholesale operations involve a level of risk from non-compliance with our stated risk management policies. We monitor processes and procedures to prevent unauthorized trading and to maintain substantial balance between purchases and future sales and delivery obligations. However, we cannot assure you that our processes will detect and prevent all violations of our risk management policies, particularly if such violation involves deception or other intentional misconduct. There is no assurance that our risk management procedures will prevent losses that would negatively affect our business, financial condition and results of operations.

***The counterparties to our commodity derivative and physical purchase and sale contracts may not be able to perform their obligations to us, which could materially affect our cash flows and results of operations.***

We encounter risk of counterparty non-performance primarily in our wholesale supply and marketing business. Disruptions in the supply of propane and in the oil and gas commodities sector overall for an extended or near term period of time could result in counterparty defaults on our derivative and physical purchase and sale contracts. This could impair our ability to obtain supply to fulfill our sales delivery commitments or obtain supply at reasonable prices, which could result in decreased gross margins and profitability, thereby impairing our ability to make distributions to our unitholders.

***Our use of derivative financial instruments could have an adverse effect on our results of operations.***

We have used derivative financial instruments as a means to protect against commodity price risk or interest rate risk and expect to continue to do so. We may, as a component of our overall business strategy, increase or decrease from time to time our use of such derivative financial instruments in the future. Our use of such derivative financial instruments could cause us to forego the economic benefits we would otherwise realize if commodity prices or interest rates were to change in our favor. In addition, although we monitor such activities in our risk management processes and procedures, such activities could result in losses, which could adversely affect our results of operations and impair our ability to make distributions to our unitholders.

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***If the price of propane increases suddenly and sharply, we may be unable to pass on the increase to our retail customers and our retail customers may conserve their propane use or convert to alternative energy sources, thereby adversely affecting our profit margins.***

The propane industry is a "margin-based" business in which our realized gross margins depend on the differential of sales prices over our total supply costs. Our profitability is therefore sensitive to changes in the wholesale prices of propane caused by changes in supply or other market conditions. The timing of cost increases by our propane suppliers can significantly affect our gross margins because we may be unable to immediately pass through rapid increases in the wholesale costs of propane to our retail customers, if at all. We have no control over supply or market conditions. In general, product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major storage points. Sudden and extended wholesale price increases could reduce our gross margins and could, if continued over an extended period of time, reduce demand by encouraging our retail customers to conserve or convert to alternative energy sources.

***If we fail to design or maintain an effective system of internal controls, including internal controls over financial reporting, we may be unable to report our financial results accurately or prevent fraud, which would likely have a negative impact on the market price of our common units.***

Prior to this offering, we have not been required to file reports with the SEC. Upon the completion of this offering, we will become subject to the public reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We prepare our consolidated financial statements in accordance with GAAP, but our internal accounting controls may not currently meet all standards applicable to companies with publicly traded securities. Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and to operate successfully as a publicly traded partnership. Our efforts to develop and maintain our internal controls may be unsuccessful, and we may be unable to maintain effective controls over financial reporting, including our disclosure controls, in the future or to comply with our reporting obligations under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404. For example, Section 404 will require us, among other things, to annually review and report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal controls over financial reporting. We must comply with Section 404 for our fiscal year ending March 31, 2012. We will also be required to perform quarterly evaluations of our disclosure controls beginning the first quarter after we become public and will be required to report the results of each such evaluation in our Form 10-Q each quarter.

Any failure to develop, implement or maintain effective internal controls over financial reporting and disclosure controls or to improve our internal controls, in particular any identified material weaknesses in such controls, could harm our operating results or cause us to fail to meet our reporting obligations. Given the difficulties inherent in the design and operation of internal controls over financial reporting, we can provide no assurance as to our, or our independent registered public accounting firm's, conclusions about the effectiveness of our internal controls, and we may incur significant costs in our efforts to comply with Section 404. Ineffective internal controls will subject us to regulatory scrutiny and a loss of confidence in our reported financial information, which could have an adverse effect on our business and would likely have a negative effect on the trading price of our common units.

***Material weaknesses were previously identified in the internal control over financial reporting of certain of the businesses that were conveyed to us in the formation transactions. If we fail to establish and maintain effective internal control over financial reporting, our ability to accurately report our financial results could be adversely affected.***

In connection with its audits of the consolidated financial statements of certain of the businesses contributed to us in the formation transactions, Grant Thornton LLP, independent registered public accountants, identified material weaknesses in the internal controls over financial reporting of these acquired businesses. A "material weakness" is a deficiency, or a combination of deficiencies, in internal

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control, such that there is a reasonable possibility that a material misstatement in financial statements would not be prevented, or detected on a timely basis. If the measures we have taken to address the material weaknesses relating to these acquired businesses are not effective or we are unable to maintain any other necessary controls we may implement in the future, our management might not be able to certify, and our independent registered public accounting firm might not be able to report on, the adequacy of our internal controls over financial reporting when required to do so by the Sarbanes-Oxley Act of 2002 and the rules adopted by the SEC thereunder. If we fail to maintain adequate internal controls in the future or otherwise experience material weaknesses in our internal controls over financial reporting, such event could adversely affect our ability to accurately report our financial results, cause investors to lose confidence in our financial reporting and cause the trading price of our common units to decline.

***Natural disasters, such as hurricanes, could have an adverse effect on our business, financial condition and results of operations.***

Hurricanes and other natural disasters could cause serious damage or destruction to homes, business structures and the operations of our retail and wholesale customers. For example, any such disaster that occurred in the Gulf Coast region could seriously disrupt the supply of propane and cause serious shortages in various areas, including the areas in which we operate. Such disruptions could potentially have a material adverse impact on our business, financial condition, results of operations and cash flows, which could impair our ability to make distributions to our unitholders.

***An impairment of goodwill and intangible assets could reduce our earnings.***

On a combined pro forma basis, as of December 31, 2010, we had reported goodwill and intangible assets of approximately \$24.5 million. Such assets are subject to impairment reviews on an annual basis or earlier if information indicates that such asset values have been impaired. Any impairment we would be required to record under GAAP would result in a charge to our income, which would reduce our earnings.

***The highly competitive nature of the retail propane business could cause us to lose customers, affect our ability to acquire new customers in our existing locations, thereby reducing our revenues or impairing our ability to expand our operations.***

We encounter competition with other retail propane companies who are larger and have substantially greater financial resources than we do, which may provide them with certain advantages. Also, because of relatively low barriers to entry into the retail propane business, numerous small retail propane distributors, as well as companies not engaged in retail propane distribution, may enter our markets and compete with our retail business. Some rural electric cooperatives and fuel oil distributors have expanded their businesses to include propane distribution. As a result, we are subject to the risk of additional competition in the future. The principal factors influencing competition with other retail propane businesses are:

price;

reliability and quality of service;

responsiveness to customer needs;

safety standards and compliance with such standards;

long-standing customer relationships;

the inconvenience of switching tanks and suppliers; and

the lack of growth in the industry.



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We can make no assurances that we will be able to compete successfully on the basis of these factors. If a competitor attempts to increase market share by reducing prices, we may lose customers, which would reduce our revenues.

***If we are unable to purchase propane from our principal suppliers, our results of operations would be adversely affected.***

During the fiscal year ended March 31, 2010, three of our suppliers accounted for approximately 51% of our volume of propane purchases on a combined pro forma basis. If we are unable to purchase propane from significant suppliers, our failure to obtain alternate sources of supply at competitive prices and on a timely basis would adversely affect our ability to satisfy customer demand, reduce our revenues and adversely affect our results of operations.

***Our business requires extensive credit risk management that may not be adequate to protect against customer nonpayment.***

The risk of nonpayment by customers is a concern in all of our operating segments, and our procedures may not fully eliminate this risk. We manage our credit risk exposure through credit analysis, credit approvals, establishing credit limits, requiring prepayments (partially or wholly), requiring propane deliveries over defined time periods and credit monitoring. While we believe our procedures are effective, we can provide no assurance that bad debt write-offs in the future may not be significant and any such non-payment problems could impact our results of operations and potentially limit our ability to make distributions to our unitholders.

***Our business would be adversely affected if service at our principal storage facilities or on the common carrier pipelines we use is interrupted.***

Historically, a substantial portion of our propane supply has originated from storage facilities at Borger, Texas; Conway and Bushton Kansas; Mt. Belvieu, Texas; and Sarnia, Ontario Canada and has been shipped to us or by us to our service areas through seven common carrier pipelines. Any significant interruption in the service at these storage facilities or on the common carrier pipelines we use would adversely affect our ability to obtain propane.

***We could be required to provide linefill on certain of the pipelines on which we ship product. This could require the use of our working capital, which could potentially impact our ability to borrow additional amounts under our working capital facility to conduct our operations or to make distributions to our unitholders.***

We have not historically been required to provide the linefill for certain pipelines on which we transport propane and other natural gas liquids. "Linefill" is the pre-determined minimum level of propane a common carrier could require us to maintain in its pipeline and storage in order to facilitate the lifting of product by our customers. If we were required to provide any portion of the linefill, we would have to purchase propane that would have to remain in the pipeline for an extended period of time. Such a requirement would expose us to inventory and price risk and could negatively impact our working capital position, our liquidity, our availability under our working capital facility and our ability to make distributions to our unitholders.

***Our propane terminaling operations depend on neighboring pipelines to transport propane.***

We own propane terminals in Jefferson City, Missouri; East St. Louis, Illinois; and St. Catharines, Ontario. These facilities depend on pipeline and storage systems that are owned and operated by third parties. Any interruption of service on the pipeline or lateral connections or adverse change in the terms and conditions of service could have a material adverse effect on our ability, and the ability of our customers, to transport propane to and from our facilities and have a corresponding material adverse

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effect on our terminaling revenues. In addition, the rates charged by the interconnected pipelines for transportation to and from our facilities affect the utilization and value of our terminaling services. We have historically been able to pass through the costs of pipeline transportation to our customers. However, if competing pipelines do not have similar annual tariff increases or service fee adjustments, such increases could affect our ability to compete, thereby adversely affecting our terminaling revenues.

***Our financial results are seasonal and generally lower in the first and second quarters of our fiscal year, which may require us to borrow money to make distributions to our unitholders during these quarters.***

The inventory we have pre-sold to customers is highest during summer months, and our cash receipts are lowest during summer months. As a result, our cash available for distribution for the summer is much lower than for the winter. With lower cash flow during the first and second fiscal quarters, we may be required to borrow money to pay distributions to our unitholders during these quarters. Any restrictions on our ability to borrow money could restrict our ability to pay the minimum quarterly distributions to our unitholders.

***We are subject to operating and litigation risks that could adversely affect our operating results to the extent not covered by insurance.***

Our operations are subject to all operating hazards and risks incident to handling, storing, transporting and providing customers with combustible liquids such as propane. As a result, we may be a defendant in various legal proceedings and litigation arising in the ordinary course of business. We are self-insured for non catastrophic occurrences, but not for all risks inherent in our business. We may be unable to maintain or obtain insurance of the type and amount we desire at reasonable rates in the future. As a result of market conditions, premiums and deductibles for certain of our insurance policies may substantially increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. We carry limited environmental insurance, thus, losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not covered in full or in part by insurance could have a material adverse impact on our business activities, financial condition and results of operations.

***Our results of operations and financial condition may be adversely affected by governmental regulation and associated environmental, health, and safety costs.***

The propane business is subject to a wide range of federal, state and local laws and regulations related to environmental, health, and safety matters. These laws and regulations may impose numerous obligations that are applicable to our operations, including obtaining, maintaining and complying with permits to conduct regulated activities, incurring capital or operating expenditures to limit or prevent releases of materials from our facilities, and imposing substantial liabilities and remedial obligations relating to, among other things, emissions into the air and water, habitat and endangered species degradation and the release and disposal of hazardous substances, that may result from our operations. Numerous governmental authorities, such as the U.S. Environmental Protection Agency, or the EPA, and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, oftentimes requiring difficult and costly actions. Failure to comply with these laws, regulations and permits may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, the suspension or revocation of necessary permits, licenses and authorizations, the requirement that additional pollution controls be installed and the issuance of injunctions limiting or preventing some or all of our operations. In addition, we may experience a delay in obtaining or be unable to obtain required permits, which may cause us to lose potential and current customers, interrupt our operations and limit our growth and revenues.

Under certain environmental laws that impose strict, joint and several liability, we may be required to remediate our contaminated properties regardless of whether such contamination resulted from the

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conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons, property or natural resources may result from environmental and other impacts of our operations. Moreover, new or modified environmental, health or safety laws, regulations or enforcement policies could be more stringent and impose unforeseen liabilities or significantly increase compliance costs. Therefore, the costs to comply with environmental, health, or safety laws or regulations or the liabilities incurred in connection with them could significantly and adversely affect our business, financial condition or results of operations.

The United States continues to move towards regulation of "greenhouse gases," including methane, a primary component of natural gas, and carbon dioxide, a byproduct of burning natural gas and oil, and over one-third of the states have already adopted some legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap-and-trade programs. There were bills pending before the 111th Congress proposing various forms of greenhouse gas regulation, including the American Clean Energy Security, or ACES, Act that, among other things, would have established a cap-and-trade system to regulate greenhouse gas emissions and would have required an 80% reduction in "greenhouse gas" emissions from sources within the United States between 2012 and 2050. Although the ACES Act did not pass the Senate and was not enacted by the 111th Congress, the United States Congress is likely to again consider a climate change bill in the future.

In December 2009, the EPA issued an "endangerment finding" under the federal Clean Air Act, which allowed the agency to adopt and implement greenhouse gas regulations. In 2010, the EPA adopted and proposed regulations requiring certain mandatory reporting of greenhouse gas emissions, including from upstream oil and gas facilities and large stationary sources of air emissions. Broader regulation is in early stages of development in the United States, and, thus, we are currently unable to determine the impact of potential greenhouse gas emission control requirements. Mandatory greenhouse gas emissions reductions may impose increased costs on our business and could adversely impact some of our operations. It is possible that broader national or regional greenhouse gas reduction requirements, including on our suppliers, may have direct or indirect adverse impacts on the propane industry. Please read "Business Government Regulation."

***Competition from alternative energy sources may cause us to lose customers, thereby negatively impacting our financial condition and results of operations.***

Propane competes with other sources of energy, some of which are less costly for equivalent energy value. We compete for customers against suppliers of electricity, natural gas and fuel oil. Competition from alternative energy sources, including electricity and natural gas, has increased as a result of reduced regulation of many utilities, including electricity and natural gas. Electricity is a major competitor of propane, but propane has historically enjoyed a competitive price advantage over electricity. Except for some industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas pipelines already exist because such pipelines generally make it possible for the delivered cost of natural gas to be less expensive than the bulk delivery of propane. The expansion of natural gas into traditional propane markets has historically been inhibited by the capital cost required to expand distribution and pipeline systems; however, the gradual expansion of the nation's natural gas distribution systems has resulted in natural gas being available in areas that previously depended on propane, which could cause us to lose customers, thereby reducing our revenues. Although propane is similar to fuel oil in some applications and market demand, propane and fuel oil compete to a lesser extent primarily because of the cost of converting from one to the other and due to the fact that both fuel oil and propane have generally developed their own distinct geographic markets. We cannot predict the effect that development of alternative energy sources may have on our operations.

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***Energy efficiency and new technology may reduce the demand for propane and adversely affect our operating results.***

The national trend toward increased conservation and technological advances, such as installation of improved insulation and the development of more efficient furnaces and other heating devices, has adversely affected the demand for propane by retail customers. Future conservation measures or technological advances in heating, conservation, energy generation or other devices may reduce demand for propane. In addition, if the price of propane increases, some of our customers may increase their conservation efforts and thereby decrease their consumption of propane.

***A significant increase in motor fuel prices may adversely affect our profits.***

Motor fuel is a significant operating expense for us in connection with the delivery of propane to our customers. A significant increase in motor fuel prices will result in increased transportation costs to us. The price and supply of motor fuel is unpredictable and fluctuates based on events we cannot control, such as geopolitical developments, supply and demand for oil and gas, actions by oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and weather concerns. As a result, any increases in these prices may adversely affect our profitability and competitiveness.

***The risk of terrorism and political unrest in various energy producing regions may adversely affect the economy and the supply of crude oil and the price and availability of propane, fuel oil and other refined fuels and natural gas.***

An act of terror in any of the major energy producing regions of the world could potentially result in disruptions in the supply of crude oil and natural gas, the major sources of propane, which could have a material impact on the availability and price of propane. Terrorist attacks in the areas of our operations could negatively impact our ability to transport propane to our locations. These risks could potentially negatively impact our results of operations.

***The recent adoption of derivatives legislation by the U.S. Congress could have an adverse effect on our ability to hedge risks associated with our business.***

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was signed into law. The Dodd-Frank Act regulates derivative transactions, which include certain instruments used in our risk management activities. The Dodd-Frank Act contemplates that most swaps will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While we may ultimately be eligible for such exceptions, the scope of these exceptions is currently uncertain at this time, pending further definition through rulemaking proceedings. Among the other provisions of the Dodd-Frank Act that may affect derivative transactions are those relating to establishment of capital and margin requirements for certain derivative participants; establishment of business conduct standards, recordkeeping and reporting requirements; and imposition of position limits. Although the Dodd-Frank Act includes significant new provisions regarding the regulation of derivatives, the impact of those requirements will not be known definitely until regulations have been adopted by the SEC and the Commodities Futures Trading Commission. The new legislation and any new regulations could increase the operational and transactional cost of derivatives contracts and affect the number and/or creditworthiness of available counterparties to us.

***We depend on the leadership and involvement of key personnel for the success of our businesses.***

We have certain key individuals in our senior management who we believe are critical to the success of our business. The loss of leadership and involvement of those key management personnel

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could potentially have a material adverse impact on our business and possibly on the market value of our units.

**Risks Inherent in an Investment in Us**

*Our partnership agreement limits the fiduciary duties of our general partner to our unitholders and restricts the remedies available to our unitholders for actions taken by our general partner that might otherwise be breaches of fiduciary duty.*

Fiduciary duties owed to our unitholders by our general partner are prescribed by law and our partnership agreement. The Delaware Revised Uniform Limited Partnership Act, or the Delaware LP Act, provides that Delaware limited partnerships may, in their partnership agreements, restrict the fiduciary duties owed by the general partner to limited partners and the partnership. Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement:

limits the liability and reduces the fiduciary duties of our general partner, while also restricting the remedies available to our unitholders for actions that, without these limitations, might constitute breaches of fiduciary duty. As a result of purchasing common units, our unitholders consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law;

permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, its voting rights with respect to the units it owns and its determination whether or not to consent to any merger or consolidation of the partnership;

provides that our general partner shall not have any liability to us or our unitholders for decisions made in its capacity as general partner so long as it acted in good faith, meaning our general partner subjectively believed that the decision was in, or not opposed to, the best interests of the partnership;

generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee and not involving a vote of our unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be "fair and reasonable" to us and that, in determining whether a transaction or resolution is "fair and reasonable," our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us; and

provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct.

By purchasing a common unit, a common unitholder will become bound by the provisions of our partnership agreement, including the provisions described above. Please read "Description of the Common Units" and "Transfer of Common Units."

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***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.***

Following completion of the offering, the NGL Energy LP Investor Group will own a % limited partner interest in us (or a % limited partner interest in us if the underwriters exercise their option to purchase additional common units from us in full), and the NGL Energy GP Investor Group will own and control our general partner and its 0.1% general partner interest in us. Although our general partner has certain fiduciary duties to manage us in a manner beneficial to us and our unitholders, the executive officers and directors of our general partner have a fiduciary duty to manage our general partner in a manner beneficial to its owners. Furthermore, since certain executive officers and directors of our general partner are executive officers or directors of affiliates of our general partner, conflicts of interest may arise between the NGL Energy GP Investor Group and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. Please read " Our partnership agreement limits the fiduciary duties of our general partner to our unitholders and restricts the remedies available to our unitholders for actions taken by our general partner that might otherwise be breaches of fiduciary duty." The risk to our unitholders due to such conflicts may arise because of the following factors, among others:

our general partner is allowed to take into account the interests of parties other than us, such as members of the NGL Energy GP Investor Group, in resolving conflicts of interest;

neither our partnership agreement nor any other agreement requires owners of our general partner to pursue a business strategy that favors us;

except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval;

our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities and the creation, reduction or increase of reserves, each of which can affect the amount of cash that is distributed to our unitholders;

our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders and to our general partner and the ability of the subordinated units to convert to common units;

our general partner determines which costs incurred by it are reimbursable by us;

our general partner may cause us to borrow funds to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make a distribution on the subordinated units, to make incentive distributions or to accelerate the expiration of the subordination period;

our partnership agreement permits us to classify up to \$ million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This cash may be used to fund distributions on our subordinated units or to our general partner in respect of the general partner interest or the incentive distribution rights;

our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;

our general partner intends to limit its liability regarding our contractual and other obligations;

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our general partner may exercise its right to call and purchase all of the common units not owned by it and its affiliates if they own more than 80% of the common units;

our general partner controls the enforcement of the obligations that it and its affiliates owe to us;

our general partner decides whether to retain separate counsel, accountants or others to perform services for us; and

our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to our general partner's incentive distribution rights without the approval of the conflicts committee of the board of directors of our general partner or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.

In addition, certain members of the NGL Energy GP Investor Group and their affiliates currently hold interests in other companies in the energy and natural resource sectors, including the propane industry. Our partnership agreement provides that our general partner will be restricted from engaging in any business activities other than acting as our general partner and those activities incidental to its ownership interest in us. However, members of the NGL Energy GP Investor Group are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us. As a result, they could potentially compete with us for acquisition opportunities and for new business or extensions of the existing services provided by us.

Pursuant to the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our general partner or any of its affiliates, including its executive officers, directors and owners. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our general partner and result in less than favorable treatment of us and our unitholders. Please read "Conflicts of Interest and Fiduciary Duties."

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

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders will have no right on an annual or ongoing basis to elect our general partner or its board of directors. The board of directors of our general partner is chosen entirely by its members and not by our unitholders. Unlike publicly traded corporations, we will not conduct annual meetings of our unitholders to elect directors or conduct other matters routinely conducted at annual meetings of stockholders of corporations. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they will have limited ability to remove our general partner. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

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***Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units.***

Unitholders' voting rights are further restricted by a provision of our partnership agreement providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their direct transferees and their indirect transferees approved by our general partner (which approval may be granted in its sole discretion) and persons who acquired such units with the prior approval of our general partner, cannot vote on any matter.

***Our general partner interest or the control of our general partner may be transferred to a third party without the consent of our unitholders.***

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, our partnership agreement does not restrict the ability of the members of the NGL Energy GP Investor Group to transfer all or a portion of its ownership interest in our general partner to a third party. The new owner of our general partner would then be in a position to replace the board of directors and officers of our general partner with its own designees and thereby exert significant control over the decisions made by the board of directors and officers.

***The incentive distribution rights of our general partner may be transferred to a third party.***

Prior to the first day of the first quarter beginning after the tenth anniversary of the closing date of this offering, a transfer of incentive distribution rights by our general partner requires (except in certain limited circumstances) the consent of a majority of our outstanding common units (excluding common units held by our general partner and its affiliates). However, after the expiration of this period, our general partner may transfer its incentive distribution rights to a third party at any time without the consent of our unitholders. If our general partner transfers its incentive distribution rights to a third party but retains its general partner interest, our general partner may not have the same incentive to grow our partnership and increase quarterly distributions to unitholders over time as it would if it had retained ownership of its incentive distribution rights.

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

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price that is not less than their then-current market price, as calculated pursuant to the terms of our partnership agreement. As a result, our unitholders may be required to sell their common units at an undesirable time or price and may not receive any return or a negative return on their investment. Our unitholders may also incur a tax liability upon a sale of their units.

***Cost reimbursements to our general partner may be substantial and could reduce our cash available to make quarterly distributions to our unitholders.***

Prior to making any distribution on the common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf, which will be determined by our general partner in its sole discretion in accordance with the terms of our partnership agreement. In determining the costs and expenses allocable to us, our general partner is subject to its fiduciary duty, as modified by our partnership agreement, to the limited partners, which requires it to act in good faith. These expenses will include all costs incurred by our general partner and its affiliates in managing and operating us. We are managed and operated by executive officers and directors of our general partner. Please read "Our Cash Distribution Policy and Restrictions on Distributions," "Certain Relationships and Related Party Transactions" and "Conflicts of Interest and Fiduciary Duties - Conflicts of Interest." The reimbursement of expenses and payment of fees, if any, to our general partner and its affiliates will reduce the amount of cash available for distribution to our unitholders.

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***Our partnership agreement requires that we distribute all of our available cash, which could limit our ability to grow and make acquisitions.***

We expect that we will distribute all of our available cash to our unitholders and will rely primarily on external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, as well as reserves we have established to fund our acquisitions and expansion capital expenditures. As a result, to the extent we are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow.

In addition, because we distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement or our revolving credit facility on our ability to issue additional units, including units ranking senior to the common units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which, in turn, may impact the available cash that we have to distribute to our unitholders.

***We may issue additional units without the approval of our unitholders, which would dilute the interests of existing unitholders.***

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

our existing unitholders' proportionate ownership interest in us will decrease;

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

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

the ratio of taxable income to distributions may increase;

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

the market price of the common units may decline.

***Our general partner, without the approval of our unitholders, may elect to cause us to issue common units while also maintaining its general partner interest in connection with a resetting of the target distribution levels related to its incentive distribution rights. This could result in lower distributions to our unitholders.***

Our general partner has the right, at any time when there are no subordinated units outstanding and it has received distributions on its incentive distribution rights 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 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 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. The number of common units to be issued to our general partner will be equal to that number of common units that would have entitled their 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. We anticipate that our general partner would exercise this reset right to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per common unit without such conversion. It is possible, however, that our general partner could exercise this reset election at a time when it is



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experiencing, or expects to experience, declines in the cash distributions it receives related to its incentive distribution rights and may, therefore, desire to be issued common units rather than retain the right to receive distributions on its incentive distribution rights based on the initial target distribution levels. As a result, a reset election may cause our common unitholders to experience a reduction in the amount of cash distributions that our common unitholders would have otherwise received had we not issued new common units and general partner interests to our general partner in connection with resetting the target distribution levels.

***You will experience immediate and substantial dilution in pro forma net tangible book value of \$                      per common unit.***

The estimated initial public offering price of \$                      per common unit exceeds our pro forma net tangible book value of \$                      per common unit. Based on the estimated initial public offering price of \$                      per common unit (the midpoint of the price range set forth on the cover of this prospectus), you will incur immediate and substantial dilution of \$                      per common unit. This dilution results primarily because some of the assets contributed by our general partner and its affiliates are recorded at their historical cost, in accordance with GAAP, and not their fair value. Please read "Dilution."

***There is no existing market for our common units, and a trading market that will provide you with adequate liquidity may not develop. The price of our common units may fluctuate significantly, and our unitholders could lose all or part of their investment.***

Prior to this offering, there has been no public market for our common units. After the completion of this offering, there will be only                      publicly traded common units (or                      publicly traded common units if the underwriters exercise their option to purchase additional common units from us in full). The NGL Energy LP Investor Group will own an aggregate of                      common and                      subordinated units, representing an aggregate                      % limited partner interest in us. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. Our unitholders may be unable to resell their common units at or above the initial public offering price. Additionally, the lack of liquidity may result in wide bid-ask spreads, contribute to significant fluctuations in the market price of the common units and limit the number of investors who are able to buy the common units.

The initial public offering price for the common units was determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of the common units that will prevail in the trading market. The market price of our common units may decline below the initial public offering price. The market price of our common units may also be influenced by many factors, some of which are beyond our control, including:

our quarterly distributions;

our quarterly or annual earnings or those of other companies in our industry;

announcements by us or our competitors of significant contracts or acquisitions;

changes in accounting standards, policies, guidance, interpretations or principles;

general economic conditions;

fluctuations in interest rates;

the failure of securities analysts to cover our common units after this offering or changes in financial estimates by analysts;

future sales of our common units; and

other factors described in these "Risk Factors."

***We will incur increased costs as a result of being a publicly traded partnership.***

We have no history operating as a publicly traded partnership. As a publicly traded partnership, we will incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002

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and related rules subsequently implemented by the SEC and the NYSE, have required changes in the corporate governance practices of publicly traded companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make activities more time-consuming and costly. For example, as a result of becoming a publicly traded partnership, we are required to have at least three independent directors, create an audit committee and adopt policies regarding internal controls and disclosure controls and procedures, including the preparation of reports on internal controls over financial reporting. In addition, we will incur additional costs associated with our publicly traded partnership reporting requirements. We also expect these new rules and regulations to make it more difficult and more expensive for our general partner to obtain director and officer liability insurance and to possibly result in our general partner having to accept reduced policy limits and coverage. As a result, it may be more difficult for our general partner to attract and retain qualified persons to serve on its board of directors or as executive officers. We have included approximately \$1.0 million of estimated incremental annual administrative expenses that we expect to incur as a result of being a publicly traded partnership in our financial forecast included elsewhere in this prospectus. However, it is possible that our actual incremental costs of being a publicly traded partnership will be higher than we currently estimate.

***Our unitholders' liability may not be limited if a court finds that unitholder action constitutes control of our business.***

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. You could be liable for any and all of our obligations as if you were a general partner if a court or government agency were to determine that:

we were conducting business in a state but had not complied with that particular state's partnership statute; or

a unitholder's right to act with other unitholders to remove or replace our general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute "control" of our business.

For a discussion of the implications of the limitations of liability on a unitholder, please read "The Partnership Agreement - Limited Liability."

***Our unitholders may have liability to repay distributions that were wrongfully distributed to them.***

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware LP Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Substituted limited partners are liable both for the obligations of the assignor to make contributions to the partnership that were known to the substituted limited partner at the time it became a limited partner and for those obligations that were unknown if the liabilities could have been determined from the partnership agreement. Neither liabilities to partners on account of their partnership interests nor liabilities that are non-recourse to the partnership are counted for purposes of determining whether a distribution is permitted. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware LP Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability.

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**Tax Risks to Common Unitholders**

In addition to reading the following risk factors, you should read "Material Tax Consequences" for a more complete discussion of the expected material federal income tax consequences of owning and disposing of common units.

***Our tax treatment depends on our status as a partnership for federal income tax purposes. If the IRS were to treat us as a corporation for federal income tax purposes, our cash available for distribution to our unitholders would be substantially reduced.***

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

Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. Although we do not believe based on our current operations that we are or will be so treated, a change in our business (or a change in current law) could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to our unitholders would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

***If we were subjected to a material amount of additional entity-level taxation by individual states, it would reduce our cash available for distribution to our unitholders.***

Changes in current state law may subject us to additional entity-level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. Imposition of any such taxes may substantially reduce the cash available for distribution to our unitholders. Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to entity-level taxation, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

***The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.***

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. Recently, members of Congress have considered substantive changes to the existing federal income tax laws that affect certain publicly traded partnerships. Any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Although we are unable to predict whether any of these changes, or other proposals, will ultimately be enacted, any such changes could negatively impact the value of an investment in our common units.

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***If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our cash available for distribution to our unitholders.***

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel expressed in this prospectus or from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel's conclusions or the positions we take and such positions may not ultimately be sustained. A court may not agree with some or all of our counsel's conclusions or positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

***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.***

Because our unitholders will be treated as partners to whom we will allocate taxable income which could be different in amount than the cash we distribute, you will be required to pay any federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you receive no cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability that results from that income.

***Tax gain or loss on the disposition of our common units could be more or less than expected.***

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our net taxable income decrease your tax basis in your common units, the amount, if any, of such prior excess distributions with respect to the units you sell will, in effect, become taxable income to you if you sell such units at a price greater than your tax basis in those units, even if the price you receive is less than your original cost. Furthermore, a substantial portion of the amount realized on any sale of your common units, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale. Please read "Material Tax Consequences – Disposition of Common Units – Recognition of Gain or Loss" for a further discussion of the foregoing.

***Tax-exempt entities and non-U.S. persons face unique tax issues from owning our common units that may result in adverse tax consequences to them.***

Investment in common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file U.S. federal income tax returns and pay tax on their share of our taxable income. If you are a tax exempt entity or a non-U.S. person, you should consult your tax advisor before investing in our common units.

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

Because we cannot match transferors and transferees of common units and because of other reasons, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the

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amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns. Please read "Material Tax Consequences Tax Consequences of Unit Ownership Section 754 Election" for a further discussion of the effect of the depreciation and amortization positions we adopted.

***We prorate our items of income, gain, loss and deduction for U.S. federal income tax purposes between transferors and transferees of our units each month based on the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.***

We will prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based on the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations. Recently, however, the U.S. Treasury Department issued proposed Treasury Regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. Nonetheless, the proposed regulations do not specifically authorize the use of the proration method we have adopted. If the IRS were to challenge our proration method or new Treasury Regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders. Akin Gump Strauss Hauer & Feld LLP has not rendered an opinion with respect to whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations. Please read "Material Tax Consequences Disposition of Common Units Allocations Between Transferors and Transferees."

***A unitholder whose units are loaned to a "short seller" to effect a short sale of units may be considered as having disposed of those common units. If so, such unitholder would no longer be treated for federal income tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.***

Because a unitholder whose units are loaned to a "short seller" to effect a short sale of units may be considered as having disposed of the loaned units, he may no longer be treated for tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Akin Gump Strauss Hauer & Feld LLP has not rendered an opinion regarding the treatment of a unitholder where common units are loaned to a short seller to effect a short sale of common units; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

***We will adopt certain valuation methodologies and monthly conventions for U.S. federal income tax purposes that may result in a shift of income, gain, loss and deduction between our general partner and our unitholders. The IRS may challenge this treatment, which could adversely affect the value of our common units.***

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

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methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of taxable income, gain, loss and deduction between the general partner and certain of our unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of taxable gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions. Akin Gump Strauss Hauer & Feld LLP has not rendered an opinion with respect to whether our method for depreciating Section 743 adjustments is sustainable in certain cases.

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

We will be considered to have technically terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same unit will be counted only once. While we would continue our existence as a Delaware limited partnership, our technical termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two Schedules K-1 if relief was not available, as described below) for one fiscal year and could result in a significant deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. A technical termination would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a technical termination occurred. The IRS has recently announced a relief procedure whereby if a publicly traded partnership that has technically terminated requests and the IRS grants special relief, among other things, the partnership will be required to provide only a single Schedule K-1 to unitholders for the tax years in which the termination occurs. Please read "Material Tax Consequences – Disposition of Common Units – Constructive Termination" for a discussion of the consequences of our termination for federal income tax purposes.

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

In addition to federal income taxes, you will likely be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own or control property now or in the future, even if you do not live in any of those jurisdictions. You will likely be required to file foreign, state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We will own assets and conduct business in a number of jurisdictions, including Georgia, Illinois, Indiana, Kansas, Mississippi, Missouri, Oklahoma and Texas. Each of these states, other than Texas, currently imposes a personal income tax on individuals. Most of these states also impose an income tax on corporations and other entities. As we make acquisitions or expand our business, we may own or control assets or conduct business in additional states that impose a personal income tax. It is your responsibility to file all U.S. federal, foreign, state and local tax returns. Akin Gump Strauss Hauer & Feld LLP has not rendered an opinion on the state or local tax consequences of an investment in our common units.

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**USE OF PROCEEDS**

We expect to receive net proceeds from the issuance and sale of \_\_\_\_\_ common units offered by this prospectus of approximately \$ \_\_\_\_\_ million after deducting underwriting discounts and commissions and offering expenses (or approximately \$ \_\_\_\_\_ 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 any exercise of the underwriters' option to purchase additional common units from us, to repay amounts outstanding under our revolving credit facility (approximately \$ \_\_\_\_\_ 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. There are no agreements, understandings or commitments with respect to any such acquisition at this time.

Our \$180.0 million revolving credit facility, which matures on October 10, 2014, consists of a \$50.0 million working capital facility and a \$130.0 million acquisition facility. As of March 31, 2011, we had \$65.0 million outstanding under our revolving credit facility, with no amounts outstanding under our working capital facility and \$65.0 million outstanding under our acquisition facility. As of March 31, 2011, the amounts outstanding under our revolving credit facility have a weighted average interest rate of 3.96%. Substantially all of the amounts outstanding under our acquisition facility are remaining from the \$81.5 million we borrowed at the closing of our formation transactions to (i) make cash distributions to NGL Supply and Hicks LLC (approximately \$41.6 million), (ii) repay assumed indebtedness of NGL Supply and Hicks LLC (approximately \$34.4 million), (iii) pay a portion of the purchase price for Gifford (\$5.0 million) and (iv) pay related transactions costs (approximately \$0.5 million).

Our estimates assume an initial public offering price of \$ \_\_\_\_\_ per common unit (the midpoint of the price range set forth on the cover of this prospectus). An increase or decrease in the initial public offering price of \$1.00 per common unit would cause the net proceeds from the offering, after deducting underwriting discounts and commissions and offering expenses, to increase or decrease by \$ \_\_\_\_\_ million. If the net proceeds increase due to a higher initial public offering price, we will use the additional proceeds to repay any remaining amounts outstanding under our revolving credit facility 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. If the net proceeds decrease due to a lower initial public offering price, we will decrease our repayment of amounts outstanding under our revolving credit facility, or if we are still able to repay all amounts outstanding under our revolving credit facility, we will have less funds available for working capital or general partnership purposes.

The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of business. Affiliates of Wells Fargo Securities, LLC, RBC Capital Markets, LLC and SunTrust Robinson Humphrey, Inc. are lenders under our revolving credit facility and will receive their proportionate share of the repayment of amounts outstanding under our revolving credit facility by us in connection with this offering. Please read "Underwriting."

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**CAPITALIZATION**

The following table shows:

our cash and cash equivalents and capitalization as of December 31, 2010; and

our pro forma cash and cash equivalents and capitalization as of December 31, 2010, adjusted to give effect to (i) the issuance and sale of common units offered by this prospectus at an assumed initial public offering price of \$ per common unit (the midpoint of the price range set forth on the cover of this prospectus), (ii) the split of each common unit held by the members of the NGL Energy LP Investor Group into common units, (iii) the conversion of common units held by the NGL Energy LP Investor Group into subordinated units and (iv) the application of the net proceeds from this offering as described in "Use of Proceeds."

This table does not reflect the issuance of up to common units that may be sold to the underwriters upon exercise of their option to purchase additional common units from us. We derived this table from, and it should be read in conjunction with and is qualified in its entirety by reference to, the historical and pro forma financial statements and the related notes included elsewhere in this prospectus. You should also read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	<b>As of December 31, 2010</b>	
	<b>Historical</b>	<b>Partnership Pro Forma(1)</b>
	<b>(in thousands)</b>	
Cash and cash equivalents	\$ 5,771	\$
Total long-term debt (including current maturities)	\$ 88,316	\$
<b>Partners' equity:</b>		
Common units public(2)(3)		
Common units NGL Energy LP Investor Group	40,900	
Subordinated units NGL Energy LP Investor Group		
General partner interest	65	
Accumulated other comprehensive income	32	
<b>Total partners' equity</b>	<b>40,997</b>	
Total capitalization	\$ 129,313	\$

(1) On a pro forma as adjusted basis, as of December 31, 2010, the public would have held common units, the NGL Energy LP Investor Group would have held an aggregate of common units and subordinated units and our general partner would have held a 0.1% general partner interest in us.

(2) An increase or decrease in the initial public offering price of \$1.00 per common unit would cause the public common unitholders' capital to increase or decrease by \$ million.

(3) A 1,000,000 unit increase in the number of common units issued to the public would result in a \$ million increase in the public common unitholders' capital.

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**DILUTION**

Dilution is the amount by which the offering price paid by the purchasers of common units sold in this offering will exceed the pro forma net tangible book value per unit after the offering. Net tangible book value is our total tangible assets less total liabilities. Assuming an initial offering price of \$ \_\_\_\_\_ per common unit (the midpoint of the price range set forth on the cover of this prospectus) and that the underwriters do not exercise their option to purchase additional common units from us, on a pro forma basis as of December 31, 2010, as adjusted to give effect to the issuance and sale of \_\_\_\_\_ common units offered by this prospectus and the application of the net proceeds from this offering as described in "Use of Proceeds," our net tangible book value was approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per unit. Purchasers of common units in this offering will experience substantial and immediate dilution in net tangible book value per common unit for financial accounting purposes, as illustrated in the following table:

Assumed initial public offering price per common unit	\$
Net tangible book value per common unit before the offering(1)(4)	\$
Increase in net tangible book value per common unit attributable to purchasers in the offering	

Less: Pro forma net tangible book value per common unit after the offering(2)

Immediate dilution in net tangible book value per common unit to purchasers in the offering(3)(4)	\$
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- (1) Determined by dividing the net tangible book value of our assets and liabilities by the total number of units ( \_\_\_\_\_ common units, \_\_\_\_\_ subordinated units and the 0.1% general partner interest, which has a dilutive effect equivalent to approximately \_\_\_\_\_ units) held by our general partner and its affiliates. The number of units notionally represented by the 0.1% general partner interest is determined by multiplying the total number of units deemed to be outstanding (i.e., the total number of common and subordinated units outstanding divided by 99.9%) by the 0.1% general partner interest.
- (2) Determined by dividing the pro forma net tangible book value of our assets and liabilities after giving effect to the application of the expected net proceeds from this offering by the total number of units ( \_\_\_\_\_ common units, \_\_\_\_\_ subordinated units and the 0.1% general partner interest, which has a dilutive effect equivalent to approximately \_\_\_\_\_ units) to be outstanding after the offering.
- (3) If the initial public offering price were to increase or decrease by \$1.00 per common unit, then dilution in net tangible book value per common unit would equal \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively.
- (4) Assumes no exercise of the underwriters' option to purchase additional common units from us. After giving effect to the full exercise of the underwriter's option to purchase \_\_\_\_\_ additional common units from us, the net tangible book value per common unit before the offering would be \$ \_\_\_\_\_, and the pro forma net tangible book value per common unit after the offering would be \$ \_\_\_\_\_, resulting in an immediate dilution in net tangible book value to purchasers in the offering of \$ \_\_\_\_\_ per common unit.

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The following table sets forth the number of units that we issued and the total consideration contributed to us by our general partner and its affiliates as described under "Summary Formation Transactions and Partnership Structure" and the number of units that we will issue and the total consideration that will be contributed to us by the purchasers of common units in this offering:

	No Exercise of Underwriters' Option to Purchase Additional Common Units From Us				Full Exercise of Underwriters' Option to Purchase Additional Common Units From Us			
	Units Acquired		Total Consideration		Units Acquired		Total Consideration	
	Number	Percent	Amount (in thousands)	Percent	Number	Percent	Amount (in thousands)	Percent
General partner and affiliates(1)(2)		%	\$	%		%	\$	%
Purchasers in the offering		%		%		%		%
<b>Total</b>		100.0%	\$	100.0%		100.0%	\$	100.0%

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(1) The units acquired by our general partner and its affiliates consist of \_\_\_\_\_ common units, \_\_\_\_\_ subordinated units and the 0.1% general partner interest, which has a dilutive effect equivalent to approximately \_\_\_\_\_ units.

(2) Our general partner and its affiliates contributed to us (i) the net assets of NGL Supply, which were recorded at historical cost of \$1.5 million in accordance with GAAP (ii) the net assets of Hicksgas, which were recorded at fair value of \$39.4 million, as determined by management and (iii) \$11.0 million in cash. See Note 1 to the Notes to Unaudited Pro Forma Financial Statements.

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**OUR CASH DISTRIBUTION POLICY AND RESTRICTIONS ON DISTRIBUTIONS**

*You should read the following discussion of our cash distribution policy in conjunction with the factors and assumptions included in this section. In addition, please read "Forward-Looking Statements" and "Risk Factors" for information regarding statements that do not relate strictly to historical or current facts and certain risks inherent in our business. For additional information regarding our historical and pro forma operating results, you should refer to our historical financial statements and pro forma financial statements and the related notes included elsewhere in this prospectus.*

**General**

***Rationale for Our Cash Distribution Policy***

Our partnership agreement requires us to distribute all of our available cash quarterly. Our cash distribution policy reflects a judgment that our unitholders will be better served by our distributing rather than retaining our available cash. Generally, our available cash is our (i) cash on hand at the end of a quarter after the payment of our expenses and the establishment of cash reserves and (ii) if our general partner so determines, cash on hand on the date of determination of available cash for a quarter. Because we are not subject to an entity-level federal income tax, we have more cash to distribute to our unitholders than would be the case were we subject to federal income tax.

***Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy***

There is no guarantee that our unitholders will receive quarterly distributions from us. We do not have a legal obligation to pay the minimum quarterly distribution or any other distribution except as provided in our partnership agreement. Our cash distribution policy may be changed at any time and is subject to certain restrictions, including the following:

Our cash distribution policy will be subject to restrictions on distributions under our revolving credit facility and may be subject to similar restrictions in other debt agreements entered into in the future. After the completion of this offering, we are permitted to make distributions to our unitholders under our revolving credit facility so long as no default or event of default exists both immediately before and after giving effect to the declaration and payment of the distribution and the distribution does not exceed available cash for such quarterly period. Should we be unable to satisfy these restrictions, we would be prohibited from making cash distributions to you notwithstanding our stated cash distribution policy. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity, Sources of Capital and Capital Resource Activities."

Our general partner will have the authority to establish reserves for the prudent conduct of our business and for future cash distributions to our unitholders, and the establishment or increase of those reserves could result in a reduction in cash distributions to you from the levels we currently anticipate pursuant to our stated cash distribution policy. Any decision to establish cash reserves made by our general partner in good faith will be binding on our unitholders.

Although our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including the provisions requiring us to make cash distributions contained therein, may be amended. Our partnership agreement generally may not be amended during the subordination period without the approval of our public common unitholders other than in certain limited circumstances where no unitholder approval is required. However, after the subordination period has ended, our partnership agreement may be amended with the consent of our general partner and the approval of a majority of the outstanding common units (including common units held by our general partner and its affiliates). At the completion of this offering, the NGL Energy Investor Group will own our general partner and will own an aggregate of approximately % of our outstanding common and subordinated units (or % of our outstanding common and subordinated units if the underwriters exercise their option to purchase additional common units from us in full). Please read "The Partnership Agreement – Amendment of the Partnership Agreement."

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Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement.

Under Section 17-607 of the Delaware LP Act, we may not make a distribution if the distribution would cause our liabilities to exceed the fair value of our assets.

We may lack sufficient cash to pay distributions to our unitholders due to cash flow shortfalls attributable to a number of operational, commercial or other factors as well as increases in our operating or general and administrative expense, principal and interest payments on our debt, tax expenses, working capital requirements and anticipated cash needs. Our cash available for distribution to unitholders is directly impacted by our cash expenses necessary to run our business and will be reduced dollar-for-dollar to the extent such uses of cash increase. 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. Please read "Provisions of Our Partnership Agreement Relating to Cash Distributions Distributions of Available Cash."

If and to the extent our cash available for distribution materially declines, we may elect to reduce our quarterly distribution in order to service or repay our debt or fund expansion capital expenditures.

If we make distributions out of capital surplus, as opposed to operating surplus, any such distributions would constitute a return of capital and would result in a reduction in the minimum quarterly distribution and the target distribution levels. Please read "Provisions of Our Partnership Agreement Relating to Cash Distributions Distributions from Capital Surplus." We do not anticipate that we will make any distributions from capital surplus.

Our ability to make distributions to our unitholders depends on the performance of our subsidiaries and their ability to distribute cash to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, the provisions of future indebtedness, applicable state partnership and limited liability company laws and other laws and regulations.

***Our Ability to Grow is Dependent on Our Ability to Access External Expansion Capital***

Our partnership agreement requires us to distribute all of our available cash to our unitholders on a quarterly basis. As a result, we expect that we will rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities as well as reserves that we have established, to fund any future acquisitions and expansion capital expenditures. To the extent we are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow. In addition, because we distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. Our revolving credit facility will also restrict our ability to incur additional debt, including through the issuance of debt securities. To the extent we issue additional units in connection with any acquisitions or other expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement or our revolving credit facility on our ability to issue additional units, including units ranking senior to the common units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which in turn may impact the available cash that we have to distribute to our unitholders.

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**Our Minimum Quarterly Distribution**

Upon completion of this offering, our partnership agreement will provide for a minimum quarterly distribution of \$ \_\_\_\_\_ per unit per complete quarter, or \$ \_\_\_\_\_ per unit on an annualized basis. Quarterly distributions, if any, will be paid within 45 days after the end of each quarter beginning with the quarter ending June 30, 2011. We will adjust the quarterly distribution for 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. We must generate approximately \$ \_\_\_\_\_ million (or an average of \$ \_\_\_\_\_ million per quarter) of available cash to pay the minimum quarterly distribution for four quarters on all of our common units, subordinated units and general partner interest that will be outstanding immediately after the completion of this offering. If the underwriters exercise their option to purchase additional common units from us in full, then \_\_\_\_\_ additional common units will be outstanding and we must generate approximately \$ \_\_\_\_\_ million (or an average of \$ \_\_\_\_\_ million per quarter) of available cash to pay the minimum quarterly distribution for four quarters on all of our common units, subordinated units and general partner interest. Our ability to make cash distributions equal to the minimum quarterly distribution will be subject to the factors described above under the caption " General Limitations on Cash Distributions and Our Ability to Change Our Distribution Policy."

The table below sets forth the assumed number of outstanding common units (assuming no exercise and full exercise of the underwriters' option to purchase additional common units from us) and subordinated units upon the completion of this offering and the number of unit equivalents represented by the 0.1% general partner interest and the aggregate distribution amounts payable on such units during the year following the completion of this offering at our minimum quarterly distribution rate of \$ \_\_\_\_\_ per unit per quarter (\$ \_\_\_\_\_ per unit on an annualized basis).

	No Exercise of Underwriters' Option to Purchase Additional Common Units From Us			Full Exercise of Underwriters' Option to Purchase Additional Common Units From Us		
	Number of Units	One Quarter	Annualized	Number of Units	One Quarter	Annualized
Common units public		\$	\$		\$	\$
Common units NGL Energy LP Investor Group						
Subordinated units NGL Energy LP Investor Group						
General partner interest						
<b>Total</b>		\$	\$		\$	\$

Initially, our general partner will be entitled to 0.1% of all distributions that we make prior to our liquidation. In the future, our general partner's initial 0.1% general partner interest in these distributions may be reduced if we issue additional units and our general partner does not contribute a proportionate amount of capital to us to maintain its initial 0.1% general partner interest. Our general partner will also hold the incentive distribution rights, which entitle the holder to increasing percentages, up to a maximum of 48.0%, of the cash we distribute in excess of \$ \_\_\_\_\_ per unit per quarter.

During the subordination period, before we make any quarterly distributions to our subordinated unitholders, our common unitholders are entitled to receive payment of the full minimum quarterly distribution plus any arrearages in distributions of the minimum quarterly distribution

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from prior quarters. Please read the "Provisions of our Partnership Agreement Relating to Cash Distributions Subordination Period." We cannot guarantee, however, that we will pay the minimum quarterly distribution on the common units in any quarter.

We do not have a legal obligation to pay distributions at our minimum quarterly distribution rate or at any other rate except as provided in our partnership agreement. Our partnership agreement

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requires that we distribute all of our available cash quarterly. Under our partnership agreement, available cash is generally defined to mean, for each quarter, cash generated from our business in excess of the amount of cash reserves established by our general partner to provide for the conduct of our business, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our unitholders and general partner for any one or more of the next four quarters. Our available cash may also include, if our general partner so determines, all or any portion of the cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter.

If we do not pay the minimum quarterly distribution on our common units, our common unitholders will not be entitled to receive such payments in the future except during the subordination period. To the extent we have available cash in any future quarter during the subordination period in excess of the amount necessary to pay the minimum quarterly distribution to holders of our common units, we will use this excess available cash to pay any distribution arrearages related to prior quarters before any cash distribution is made to holders of subordinated units. Our subordinated units will not accrue arrearages for unpaid quarterly distributions or quarterly distributions less than the minimum quarterly distribution. Please read "Provisions of our Partnership Agreement Relating to Cash Distributions - Subordination Period."

Although holders of our common units may pursue judicial action to enforce provisions of our partnership agreement, including those related to requirements to make cash distributions as described above, our partnership agreement provides that any determination made by our general partner in its capacity as our general partner must be made in good faith and that any such determination will not be subject to any other standard imposed by the Delaware LP Act or any other law, rule or regulation or at equity. Our partnership agreement provides that, in order for a determination by our general partner to be made in "good faith," our general partner must believe that the determination is in, or not opposed to, our best interest. Please read "Conflicts of Interest and Fiduciary Duties."

Our cash distribution policy, as expressed in our partnership agreement, may not be modified or repealed without amending our partnership agreement. However, the actual amount of our cash distributions for any quarter is subject to fluctuations based on the amount of cash we generate from our business and the amount of reserves our general partner establishes in accordance with our partnership agreement as described above.

We will pay our distributions on or about the 15th of each of February, May, August and November to holders of record on or about the 1st of each such month. If the distribution date does not fall on a business day, we will make the distribution on the business day immediately preceding the indicated distribution date.

**Historical Pro Forma and Forecasted Results of Operations and Cash Available for Distribution**

In the sections that follow, we present in detail the basis for our belief that we will be able to pay the minimum quarterly distribution on all of our common units and subordinated units and make the corresponding distribution on our general partner's 0.1% general partner interest for the twelve months ending March 31, 2012. In those sections, we present two tables, consisting of:

"Partnership Unaudited Pro Forma Cash Available for Distribution," in which we present the amount of cash we would have had available for distribution on a pro forma basis for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, after giving effect to:

the formation transactions;

the split of each common unit held by the members of the NGL Energy LP Investor Group into common units;

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the conversion of common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into subordinated units;

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

the entry into our revolving credit facility,

all as further described in our unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus.

"Partnership Statement of Forecasted Estimated Adjusted EBITDA," in which we demonstrate our ability to generate the minimum estimated Adjusted EBITDA necessary for us to pay the minimum quarterly distribution on all units for the twelve months ending March 31, 2012.

**Unaudited Pro Forma Cash Available for Distribution for the Fiscal Year Ended March 31, 2010 and the Twelve Months Ended December 31, 2010**

If we had completed the transactions described above in " Historical Pro Forma and Forecasted Results of Operations and Cash Available for Distribution" on April 1, 2009 our unaudited pro forma cash available for distribution for the fiscal year ended March 31, 2010 would have been approximately \$10.1 million. This amount would have been sufficient to allow us to pay the full minimum quarterly distribution of \$ per unit per quarter (or \$ per unit on an annualized basis) on all of our common units and a distribution of \$ per unit per quarter (or \$ per unit on an annualized basis) on our subordinated units for the fiscal year ended March 31, 2010.

If we had completed the transactions described above in " Historical Pro Forma and Forecasted Results of Operations and Cash Available for Distribution" on January 1, 2010 our unaudited pro forma cash available for distribution for the twelve months ended December 31, 2010 would have been approximately \$9.0 million. This amount would have been sufficient to allow us to pay the full minimum quarterly distribution of \$ per unit per quarter (or \$ per unit on an annualized basis) on all of our common units and a distribution of \$ per unit per quarter (or \$ per unit on an annualized basis) on our subordinated units for the twelve months ended December 31, 2010.

We have included in our computation of unaudited pro forma cash available for distribution an estimate of the incremental general and administrative expenses that we expect we will incur as a publicly traded partnership in excess of our historical general and administrative expenses, including expenses associated with SEC reporting requirements, annual and quarterly reports to unitholders, tax return and Schedule K-1 preparation and distribution, independent auditor fees, investor relations activities, registrar and transfer agent fees, incremental director and officer liability insurance costs and director compensation. We estimate that these incremental general and administrative expenses initially will be approximately \$1.0 million per year.

We based the pro forma adjustments upon currently available information and specific estimates and assumptions. The pro forma amounts shown below do not purport to present our actual results of operations had the transactions described above actually been completed as of April 1, 2009 or January 1, 2010. Furthermore, cash available for distribution is a cash accounting concept, while our unaudited pro forma financial data have been prepared on an accrual basis. We computed the estimate of pro forma cash available for distribution in the manner described in the table below. As a result, the amount of pro forma cash available for distribution should only be viewed as a general indication of the amount of cash available for distribution that we might have generated had we been formed and completed the transactions described above in " Historical Pro Forma and Forecasted Results of Operations and Cash Available for Distribution" in earlier periods.

The following table illustrates, on a pro forma basis for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, our estimated cash available for distribution, assuming that

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the transactions described above in " Historical Pro Forma and Forecasted Results of Operations and Cash Available for Distribution" had been completed on April 1, 2009 and January 1, 2010, respectively. Please read the footnotes to the table for further information about the computation and the pro forma adjustments.

**Partnership Unaudited Pro Forma Cash Available for Distribution**

	<b>Pro Forma</b>	
	<b>Fiscal Year Ended</b>	<b>Twelve Months Ended</b>
	<b>March 31, 2010</b>	<b>December 31, 2010</b>
	<b>(dollars in thousands, except per unit data)</b>	
<b>Pro Forma Net Income</b>	\$ 7,850	\$ 7,107
Add (deduct):		
Interest expense(1)	2,426	2,426
Depreciation and amortization	6,754	6,400
Unrealized (gain) loss on derivatives	(563)	200
(Gain) loss on sale of assets	(11)	8
<b>Adjusted EBITDA(2)</b>	<b>\$ 16,456</b>	<b>\$ 16,141</b>
Less:		
Cash interest paid(1)	(1,530)	(2,389)
Plus: Estimated incremental general and administrative expenses(3)	(1,000)	(1,000)
Maintenance capital expenditures	(3,837)	(3,786)
Expansion capital expenditures(5)	(3,113)	(18,054)
Borrowings to fund expansion expenditures(5)	3,113	18,054
<b>Unaudited pro forma cash available for distribution(4)</b>	<b>\$ 10,089</b>	<b>\$ 8,966</b>
<b>Pro Forma Cash Distributions:</b>		
<b>Annualized minimum quarterly distributions per unit</b>	\$	\$
Distributions to public common unitholders	\$	\$
Distributions to NGL Energy LP Investor Group common units		
Distributions to NGL Energy LP Investor Group subordinated units		
Distributions to our general partner		
<b>Total distributions</b>	<b>\$</b>	<b>\$</b>
<b>Excess (Deficiency)</b>	<b>\$</b>	<b>\$</b>
Percent of minimum quarterly distribution payable to common unitholders	%	%
Percent of minimum quarterly distribution payable to subordinated unitholders	%	%

(1) Pro forma interest expense represents the interest expense related to estimated borrowings from our revolving credit facility after giving effect to the formation transactions and the completion of this offering plus amortization of debt issuance costs. Cash interest paid excludes the effect of the amortization of debt issuance costs and includes interest related to the estimated amounts borrowed to fund the expansion capital expenditures. If interest rates were to change by 0.125%, cash interest expense and pro forma interest expense would change by approximately \$29,000.

(2) Adjusted EBITDA is defined in "Summary Non-GAAP Financial Measures."



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- (3) Reflects an adjustment to our Adjusted EBITDA for approximately \$1.0 million of estimated incremental annual administrative expenses we expect to incur as a result of being a publicly traded partnership.
- (4) Our revolving credit facility prohibits us from making distributions to our unitholders if (a) any default or event of default exists both immediately before and after giving effect to the declaration and payment of the distribution or (b) the distribution exceeds available cash for such quarterly period.
- (5) In the computation of the unaudited pro forma cash available for distribution, we have included those capital expenditures that we believe represent expansion capital expenditures. Historically, those capital expenditures have been funded, and will continue to be funded in the future, with advances from our acquisition facility. Expansion capital expenditures involve acquisitions of assets and businesses that are believed to be accretive to our cash flow both before and after interest payments required on the debt incurred to finance those acquisitions.

**Forecasted Estimated Adjusted EBITDA for Twelve Months Ending March 31, 2012**

To fund the aggregate minimum quarterly distribution on all units for the twelve months ending March 31, 2012 totaling \$            million we will need to generate Adjusted EBITDA of at least \$            million (assuming the underwriters do not exercise their option to purchase additional common units from us). Based on the assumptions described below under " Forecast Assumptions and Considerations," we believe we will generate the minimum estimated Adjusted EBITDA of \$23.2 million for the twelve months ending March 31, 2012. This minimum estimated Adjusted EBITDA should not be viewed as management's projection of the actual amount of Adjusted EBITDA that we will generate during the twelve months ending March 31, 2012. Furthermore, there is a risk that we will not generate the minimum estimated Adjusted EBITDA for such period. If we fail to generate the minimum estimated Adjusted EBITDA, we would not expect to be able to pay the minimum quarterly distribution on all of our units for the forecast period.

We have not historically made public projections as to future operations, earnings or other results. However, we have prepared the minimum estimated Adjusted EBITDA and related assumptions set forth below to substantiate our belief that we will have sufficient cash available to pay the minimum quarterly distribution to all our unitholders for each quarter in the twelve months ending March 31, 2012. This forecast is a forward-looking statement and should be read together with the historical financial statements and pro forma financial statements and the related notes included elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The accompanying prospective financial information was not prepared with a view toward complying with the published guidelines of the SEC or guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of our management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the assumptions on which we base our belief that we can generate the minimum estimated Adjusted EBITDA necessary for us to have sufficient cash available for distribution to pay the minimum quarterly distribution to all unitholders for each quarter in the twelve months ending March 31, 2012. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and you are cautioned not to place undue reliance on the prospective financial information.

**Neither our independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with,**

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**such prospective financial information. We do not intend to update or otherwise revise such information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even if any or all of the underlying assumptions are shown to be in error. Furthermore, we do not intend to update or revise the prospective financial information to reflect changes in general economic or industry conditions. Therefore, you are cautioned not to place undue reliance on this information.**

When considering our financial forecast, you should keep in mind the risk factors and other cautionary statements under "Risk Factors." Any of the risks discussed in this prospectus, to the extent they are realized, could cause our actual results of operations to vary significantly from those which would enable us to generate the minimum estimated Adjusted EBITDA.

We are providing the minimum estimated Adjusted EBITDA calculation to supplement our unaudited pro forma financial statements and historical consolidated financial statements in support of our belief that we will have sufficient cash available to pay the minimum quarterly distribution on all of our outstanding common and subordinated units for the twelve months ending March 31, 2012. Please read below under "Forecast Assumptions and Considerations" for further information as to the assumptions we have made for the financial forecast.

Table of Contents**Partnership Statement of Forecasted Estimated Adjusted EBITDA**

	<b>Twelve Months Ending March 31, 2012 (in thousands)</b>
Revenues	\$ 883,688
Costs and Expenses:	
Cost of sales	825,888
Operating and administrative costs(1)	34,600
Depreciation and amortization expense	7,110
Total costs and expenses	867,598
Operating income	16,090
Interest expense	2,886
Net income	13,204
Plus:	
Interest expense	2,886
Depreciation and amortization expense	7,110
<b>Estimated Adjusted EBITDA(2)</b>	<b>23,200</b>
Adjustments to reconcile Estimated Adjusted EBITDA to estimated cash available for distribution:	
Less:	
Cash interest paid	1,811
Maintenance capital expenditures	1,750
Expansion capital expenditures	8,000
Plus:	
Borrowings to fund expansion expenditures	8,000
<b>Estimated cash available for distribution(3)</b>	<b>\$ 19,639</b>
Distributions to public common unitholders	\$
Distributions to NGL Energy LP Investor Group common units	
Distributions to NGL Energy LP Investor Group subordinated units	
Distributions to our general partner	
Total annualized minimum quarterly distributions	\$
Excess of cash available for distribution over aggregate annualized minimum quarterly distributions	
Calculation of minimum estimated Adjusted EBITDA necessary to pay aggregate annualized minimum quarterly distributions:	
Estimated Adjusted EBITDA	
Excess of cash available for distribution over aggregate annualized minimum quarterly distributions	
Minimum estimated Adjusted EBITDA necessary to pay aggregate annualized minimum quarterly distributions	\$

(1) Includes approximately \$1.0 million of estimated incremental annual administrative expenses that we expect to incur as a result of being a publicly traded partnership.

(2) Adjusted EBITDA is defined in "Summary Non-GAAP Financial Measures."

(3) In the computation of the estimated cash available for distribution, we have included an estimate of those capital expenditures that we believe represent expansion capital expenditures. Historically, those capital expenditures have been funded, and will continue to be funded in the future, with

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advances from our acquisition facility. Expansion capital expenditures involve acquisitions of assets and businesses that are believed to be accretive to our cash flow both before and after interest payments required on the debt incurred to finance those acquisitions. For this presentation, we have not estimated any additional Adjusted EBITDA we may realize from these acquisitions. We have included additional interest expense related to the borrowings to fund the capital expenditures.

**Forecast Assumptions and Considerations**

Set forth below are the material assumptions that we have made in order to demonstrate our ability to generate the minimum estimated Adjusted EBITDA for the forecast period.

***General Considerations***

Our forecast assumes that our margins during the forecast period will be consistent with our historical margins and our margins generated during the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010. Our strategy includes maintaining consistent margins by passing cost increases on to our retail propane and wholesale marketing and supply customers and by generating fee-based revenues from our midstream customers. We expect to use the same strategy to maintain our margins in the forecast period.

***Revenue***

We estimate that we will generate revenue of \$884 million for the forecast period, as compared to pro forma revenues of \$810 million and \$1,000 million for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, respectively. Our revenues for the twelve months ended December 31, 2010 were higher than they were for the fiscal year ended March 31, 2010 due to higher propane prices, although the actual volumes sold remained relatively consistent over both time periods.

For purposes of our forecast, we have assumed that we will have volumes comparable to the twelve months ended December 31, 2010 since it is the most recent historical period and also because those volumes are consistent with the volumes sold during the fiscal year ended March 31, 2010. We have also assumed that propane prices for the forecast period will be comparable to propane prices for the quarter ended March 31, 2011. To the extent that propane prices fluctuate and we are able to maintain margins consistent with our historical margins, we would expect any related changes in revenues to be offset by related changes in cost of sales, thereby minimizing the impact that price fluctuations may have on our cash available for distribution.

***Costs and Expenses***

*Cost of sales.* We estimate that we will incur cost of sales of \$826 million for the forecast period, as compared to pro forma costs of sales of \$752 million and \$941 million for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, respectively. Due to higher propane prices during the twelve months ended December 31, 2010, our costs of sales were higher than they were for the fiscal year ended March 30, 2010. For purposes of our forecast, we have assumed that costs of sales during the forecast period will be similar to costs of sales for the quarter ended March 31, 2011.

*Operating and administrative costs.* We estimate that we will incur operating and administrative costs of \$35 million for the forecast period, as compared to pro forma operating and administrative costs of \$41 million and \$44 million for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, respectively. For purposes of our forecast, we have used our operating and administrative costs for the fiscal year ended March 31, 2010 as a baseline estimate instead of the twelve months ended December 31, 2010 that includes transaction costs we incurred in connection with our formation

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transactions. We have assumed that the operating and administrative costs for the forecast period will be less than for the fiscal year ended March 31, 2010 because:

operating expenses in that period included \$4 million in discretionary executive cash bonuses, which we do not expect to pay unless and to the extent we meet and exceed our forecasted estimated Adjusted EBITDA, in which event the payment of bonuses, if any, would be offset by increased Adjusted EBITDA; and

as a larger company, we anticipate savings of approximately \$2 million through the procurement of more cost effective business insurance and health insurance and the elimination or consolidation of certain duplicative expenses, including payroll and 401(k) plan administration.

Our operating and administrative costs will primarily consist of direct expenses incurred by us, including approximately \$1.0 million of estimated incremental annual administrative expenses we expect to incur as a result of becoming a publicly traded partnership. Expenses related to being a publicly-traded partnership include expenses associated with annual and quarterly reporting; tax return and Schedule K-1 preparation and distribution expenses; Sarbanes-Oxley compliance expenses; expenses associated with listing on the NYSE; independent auditor fees; legal fees; investor relations expenses; registrar and transfer agent fees; director and officer liability insurance costs and director compensation.

*Depreciation and amortization expense.* We estimate that depreciation and amortization expense for the forecast period will be \$7.1 million as compared to pro forma depreciation and amortization expense of \$6.7 million and \$6.4 million for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, respectively. Estimated depreciation and amortization expense reflects management's estimates, which are based on consistent average depreciable asset lives and depreciation methodologies and a preliminary estimate of the fair value of assets acquired from Hicksgas.

***Capital Expenditures***

We estimate that total capital expenditures for the forecast period will be \$9.8 million as compared to the pro forma capital expenditures of \$6.9 million and \$21.8 million for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, respectively. These prior period costs consist of \$3.8 million and \$3.8 million, respectively, of maintenance capital expenditures, primarily repairs to customer service centers and vehicle replacement costs for our service fleet and \$3.1 million and \$18.1 million, respectively, of expansion capital expenditures. The capital expenditures for the fiscal year ended March 31, 2010 were primarily related to the normal course of business. A large portion of the maintenance capital expenditures for the twelve months ended December 31, 2010 were due to the construction of a new customer service center and the acquisition of a water softening business in Indiana. Maintenance capital expenditures for the forecast period are expected to decline compared to both pro forma historical periods because we do not plan to build additional customer service centers during the forecast period.

Our forecast includes an estimate for expansion capital expenditures based on the average expansion capital expenditures during the previous three years and through December 31, 2010. We expect that any acquisitions we do make would be accretive. Although our revenues and expenses would increase as a result of such acquisitions, we expect that our Adjusted EBITDA would also increase. However, for this presentation, we have not included an estimate of any additional Adjusted EBITDA.

***Financing***

*Cash and Indebtedness.* Upon the completion of this offering and after using the net proceeds of this offering to repay amounts outstanding under our revolving credit facility as described in "Use of Proceeds," we expect to have no outstanding indebtedness under our revolving credit facility, with available capacity of approximately \$50 million under our working capital facility and approximately \$130 million under our acquisition facility. We believe cash flow will be sufficient to fund our anticipated

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maintenance capital expenditures during the forecast period. The average borrowing under our working capital facility is expected to be approximately \$10 million for the forecast period.

Our forecast does not include any debt principal payments related to our working capital facility due to the nature of such arrangement. As of December 31, 2010, we had approximately \$18.5 million outstanding under our working capital facility. Pursuant to the terms of our revolving credit facility, once a year between March 31 and September 30, we are required to prepay the outstanding working capital revolving loans in order to reduce the total working capital borrowings to less than \$10.0 million for 30 consecutive days. After such 30-day period, we are able to borrow under the working capital facility based on our working capital position at that time.

Our forecast also does not include any debt principal payments related to our acquisition facility as no principal payments are anticipated until maturity in October 2014. However, as discussed further in "Management's Discussion and Analysis - Liquidity, Sources of Capital and Capital Resource Activities - Revolving Credit Facility," until such time as this offering is complete on or before October 14 of each year, we must repay outstanding principal amounts under our acquisition facility by at least \$7.5 million.

***Regulatory, Industry and Economic Factors***

Our forecast for the twelve months ending March 31, 2012 is based on the following significant assumptions related to regulatory, industry and economic factors:

There will not be any new federal, state or local regulation of the propane industry, or any new interpretation of existing regulations, that will be materially adverse to our business.

There will not be any major adverse change in the propane industry or in market, insurance or general economic conditions.

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**PROVISIONS OF OUR PARTNERSHIP AGREEMENT RELATING TO CASH DISTRIBUTIONS**

Set forth below is a summary of the significant provisions of our partnership agreement that relate to cash distributions.

**Distributions of Available Cash**

*General.* Our partnership agreement requires that, within 45 days after the end of each quarter, beginning with the quarter ending June 30, 2011, we distribute all of our available cash to unitholders of record on the applicable record date. We will adjust the minimum quarterly distribution for the period from the completion of this offering through June 30, 2011 based on the actual number of days in that period.

*Definition of Available Cash.* Available cash, for any quarter, consists of all cash on hand at the end of that quarter:

less, the amount of cash reserves established by our general partner at the date of determination of available cash for the quarter to:

provide for the proper conduct of our business;

comply with applicable law, any of our debt instruments or other agreements; and

provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters (unless our general partner determines that the establishment of cash reserves for such purpose will prevent us from distributing the minimum quarterly distribution on all common units and any cumulative arrearages for the next four quarters);

plus, if our general partner so determines, all or a portion of cash on hand on the date of determination of available cash for the quarter.

The purpose and effect of the last bullet point above is to allow our general partner, if it so decides, to use cash on hand after the end of the quarter but on or before the date of determination of available cash for that quarter to pay distributions to unitholders.

*Intent to Distribute the Minimum Quarterly Distribution.* We intend to distribute to the holders of common and subordinated units on a quarterly basis at least the minimum quarterly distribution of \$ \_\_\_\_\_ per unit, or \$ \_\_\_\_\_ on an annualized basis, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner and its affiliates. However, there is no guarantee that we will pay the minimum quarterly distribution or any amount on our units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement.

*General Partner Interest and Incentive Distribution Rights.* Initially, our general partner will be entitled to 0.1% of all quarterly distributions that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. Our general partner's initial 0.1% interest in our distributions may be reduced if we issue additional limited partner interests in the future (other than the issuance of common units upon the subdivision of common units held by the members of the NGL Energy LP Investor Group, the issuance of subordinated units upon conversion of common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into subordinated units or the issuance of common units upon a reset of the incentive distribution rights) and our general partner does not contribute a proportionate amount of capital to us to maintain its 0.1% general partner interest.

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Our general partner also currently holds incentive distribution rights, which represent a potentially material variable interest in our distributions. Incentive distribution rights entitle our general partner to receive increasing percentages, up to a maximum of 48.1%, of the cash we distribute from operating surplus (as defined below) in excess of \$ \_\_\_\_\_ per unit per quarter. The maximum distribution of 48.1% includes distributions paid to our general partner on its 0.1% general partner interest and assumes that our general partner maintains its general partner interest at 0.1%. The maximum distribution of 48.1% does not include any distributions that our general partner may receive on common units or subordinated units that it owns. Please read " General Partner Interest and Incentive Distribution Rights" for additional information.

**Operating Surplus and Capital Surplus**

*General.* All cash distributed will be characterized as either being paid from "operating surplus" or "capital surplus." Our partnership agreement requires that we distribute available cash from operating surplus differently than available cash from capital surplus.

*Operating Surplus.* Operating surplus for any period consists of:

\$ \_\_\_\_\_ million; plus

all of our cash receipts after the completion of this offering, excluding cash from interim capital transactions, which include the following:

\_\_\_\_\_ borrowings, refinancing or refundings (including sales of debt securities) that are not working capital borrowings;

\_\_\_\_\_ sales of equity interests;

\_\_\_\_\_ sales or other dispositions of assets outside the ordinary course of business; and

\_\_\_\_\_ capital contributions received;

provided that cash receipts from the termination of commodity hedges or interest rate hedges prior to their specified termination date shall be included in operating surplus in equal quarterly installments over the remaining scheduled life of such commodity hedge or interest rate hedge; plus

\_\_\_\_\_ working capital borrowings made after the end of the period but on or before the date of determination of operating surplus for the period; plus

\_\_\_\_\_ cash distributions paid on equity issued (including incremental distributions on incentive distribution rights), other than equity issued in this offering, to finance all or a portion of the construction, acquisition or improvement of a capital improvement or replacement of a capital asset (such as equipment or facilities) and paid in respect of the period beginning on the date that we enter into a binding obligation to commence the construction, acquisition or improvement of a capital improvement or replacement of a capital asset and ending on the earlier to occur of the date the capital improvement or replacement capital asset commences commercial service and the date that it is abandoned or disposed of; plus

\_\_\_\_\_ cash distributions paid on equity issued (including incremental distributions on incentive distribution rights) to pay the construction period interest on debt incurred, or to pay construction period distributions on equity issued, to finance the capital improvements or capital assets referred to above; less

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all of our operating expenditures (as defined below) after the completion of this offering; less

the amount of cash reserves established by our general partner to provide funds for future operating expenditures; less

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all working capital borrowings not repaid within twelve months after having been incurred or repaid within such twelve-month period with the proceeds from additional working capital borrowings; less

any loss realized in disposition of an investment capital expenditure.

Under our partnership agreement, working capital borrowings are borrowings that are made under a credit facility, commercial paper facility or similar financing arrangement, and in all cases are used solely for working capital purposes or to pay distributions to partners and with the intent of the borrower to repay such borrowings within twelve months from sources other than additional working capital borrowings.

As described above, operating surplus does not reflect actual cash on hand that is available for distribution to our unitholders and is not limited to cash generated by our operations. For example, it includes a basket of an amount equal to the product of four times the minimum quarterly distribution and the number of common units outstanding on the closing date of this offering that will enable us, if we choose, to distribute as operating surplus cash we receive in the future from non-operating sources such as asset sales, issuances of securities and long-term borrowings that would otherwise be distributed as capital surplus. In addition, the effect of including, as described above, certain cash distributions on equity interests in operating surplus will be to increase operating surplus by the amount of any such cash distributions and to permit the distribution as operating surplus of additional amounts of cash that we receive from non-operating sources.

The proceeds of working capital borrowings increase operating surplus and repayments of working capital borrowings are generally operating expenditures, as described below, and thus reduce operating surplus when made. However, if a working capital borrowing is not repaid during the twelve-month period following the borrowing, it will be deemed repaid at the end of such period, thus decreasing operating surplus at such time. When such working capital borrowing is in fact repaid, it will be excluded from operating expenditures because operating surplus will have been previously reduced by the deemed repayment.

We define operating expenditures as all of our cash expenditures, including, but not limited to, taxes, reimbursement of expenses to our general partner and its affiliates, payments made in the ordinary course of business under interest rate hedge agreements or commodity hedge contracts (provided that (i) with respect to amounts paid in connection with the initial purchase of an interest rate hedge contract or a commodity hedge contract, such amounts will be amortized over the life of the applicable interest rate hedge contract or commodity hedge contract and (ii) payments made in connection with the termination of any interest rate hedge contract or commodity hedge contract prior to the expiration of its stipulated settlement or termination date will be included in operating expenditures in equal quarterly installments over the remaining scheduled life of such interest rate hedge contract or commodity hedge contract), officer and other employee compensation, repayment of working capital borrowings, debt service payments and maintenance capital expenditures (as discussed in further detail below), provided that operating expenditures will not include:

repayment of working capital borrowings deducted from operating surplus pursuant to the next to the last bullet point of the definition of operating surplus above when such repayment actually occurs;

payments (including prepayments and prepayment penalties) of principal of and premium on indebtedness, other than working capital borrowings;

expansion capital expenditures;

investment capital expenditures;

payment of transaction expenses (including taxes) relating to interim capital transactions;

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distributions to our partners (including distributions in respect of our incentive distribution rights); or

repurchases of partnership interests except to fund obligations under employee benefit plans.

*Capital Surplus.* We define capital surplus as any distribution of available cash in excess of our cumulative operating surplus. A distribution from capital surplus would potentially be generated by a distribution of cash from:

borrowings other than working capital borrowings;

issuances of our equity and debt securities; and

sales or other dispositions of assets for cash, other than inventory, accounts receivable and other assets sold in the ordinary course of business or as part of normal retirement or replacement of assets.

*Characterization of Cash Distributions.* Our partnership agreement requires that we treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since the completion of this offering equals the operating surplus from the completion of this offering through the end of the quarter immediately preceding that distribution. Our partnership agreement requires that we treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. We do not anticipate that we will make any distributions from capital surplus.

**Capital Expenditures**

Maintenance capital expenditures are cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets or for the acquisition of existing, or the construction or development of new, capital assets) made to maintain, including over the long term, our operating capacity or operating income. Maintenance capital expenditures primarily include expenditures for the repair and replacement of propane delivery trucks and service vehicles. Our partnership agreement provides that maintenance capital expenditures will also include interest (and related fees) on debt incurred and distributions on equity issued (including incremental distributions on incentive distribution rights) to finance all or any portion of the construction or development of a replacement asset that is paid in respect of the period that begins when we enter into a binding obligation to commence constructing or developing a replacement asset and ending on the earlier to occur of the date that any such replacement asset commences commercial service and the date that it is abandoned or disposed of.

Expansion capital expenditures are cash expenditures incurred for acquisitions or capital improvements and do not include maintenance capital expenditures or investment capital expenditures. Expansion capital expenditures are those capital expenditures that we expect will increase our operating capacity or operating income over the long term. Examples of expansion capital expenditures include the acquisition of retail propane operations, propane distribution assets, including propane terminals, and natural gas midstream businesses, including natural gas transportation pipelines and gathering and processing assets, to the extent such capital expenditures are expected to expand our long-term operating capacity or operating income. Our partnership agreement provides that expansion capital expenditures will also include interest payments (and related fees) on debt incurred and distributions on equity issued (including incremental incentive distribution rights in respect of newly issued equity) to finance all or any portion of the construction of a capital improvement in respect of the period that commences when we enter into a binding obligation to commence construction of the capital improvement and ending on the earlier to occur of the date any such capital improvement commences commercial service and the date that it is abandoned or disposed of.

Investment capital expenditures are those capital expenditures that are neither maintenance capital expenditures nor expansion capital expenditures. Investment capital expenditures largely will consist of capital expenditures made for investment purposes. Examples of investment capital expenditures include

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traditional capital expenditures for investment purposes, such as purchases of securities, as well as other capital expenditures that might be made in lieu of such traditional investment capital expenditures, such as the acquisition of a capital asset for investment purposes or development of facilities that are in excess of the maintenance of our existing operating capacity or operating income, but which are not expected to expand, for more than the short term, our operating capacity or operating income.

Neither investment capital expenditures nor expansion capital expenditures will be included in operating expenditures, and thus will not reduce operating surplus. Because expansion capital expenditures include interest payments (and related fees) on debt incurred to finance all or a portion of the construction, replacement or improvement of a capital asset in respect of the period that begins when we enter into a binding obligation to commence construction of the capital asset and ending on the earlier to occur of the date the capital asset commences commercial service or the date that it is abandoned or disposed of, such interest payments are also not subtracted from operating surplus. Losses on disposition of an investment capital expenditure will reduce operating surplus when realized and cash receipts from an investment capital expenditure will be treated as a cash receipt for purposes of calculating operating surplus only to the extent the cash receipt is a return on principal.

Capital expenditures that are made in part for maintenance capital purposes, investment capital purposes and/or expansion capital purposes will be allocated as maintenance capital expenditures, investment capital expenditures or expansion capital expenditure by our general partner.

**Subordination Period**

*General.* Our partnership agreement provides that, during the subordination period (which we describe below), our common units will have the right to receive distributions of available cash from operating surplus each quarter in an amount equal to \$ \_\_\_\_\_ per common unit, which amount is defined in our partnership agreement as the minimum quarterly distribution, plus any arrearages in the payment of the minimum quarterly distribution on our common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. These units are deemed "subordinated" because for a period of time, referred to as the subordination period, our subordinated units will not be entitled to receive any distributions until our common units have received the minimum quarterly distribution plus any arrearages from prior quarters. Furthermore, no arrearages will be paid on our subordinated units. The practical effect of our subordinated units is to increase the likelihood that during the subordination period there will be available cash to be distributed on our common units.

*Subordination Period.* Except as described below, the subordination period will begin on the closing date of this offering and will extend until the first business day after the distribution to unitholders in respect of any quarter, beginning with the first quarter after the third anniversary of the closing date of this offering, that each of the following tests are met:

distributions of available cash from operating surplus on each of the outstanding common and subordinated units and the related distribution on the general partner interest equaled or exceeded the minimum quarterly distribution for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

the "adjusted operating surplus" (as defined below) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common and subordinated units and the related distribution on the general partner interest, in each case on a fully diluted weighted average basis during those periods; and

there are no arrearages in payment of the minimum quarterly distribution on the common units.

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*Early Termination of Subordination Period.* Notwithstanding the foregoing, the subordination period will automatically terminate on the first business day after the distribution to unitholders in respect of any quarter, if each of the following has occurred:

distributions of available cash from operating surplus on each of the outstanding common and subordinated units and the related distribution on the general partner interest equaled or exceeded \$ (150.0% of the annualized minimum quarterly distribution) for the four-quarter period immediately preceding that date; and

the "adjusted operating surplus" (as defined below) generated during the four-quarter period immediately preceding that date equaled or exceeded the sum of \$ (150.0% of the annualized minimum quarterly distribution) on each of the outstanding common and subordinated units and the related distribution on the general partner interest and the incentive distribution rights, in each case on a fully diluted weighted average basis.

*Expiration Upon Removal of the General Partner.* In addition, if the unitholders remove our general partner other than for cause and no units held by our general partner and its affiliates are voted in favor of such removal:

the subordination period will end and the subordinated units held by any person will immediately and automatically convert into common units on a one-for-one basis;

all cumulative common unit arrearages on the common units will be extinguished; and

our general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of the interests at the time.

*Expiration of the Subordination Period.* When the subordination period ends, each outstanding subordinated unit will convert into one common unit and will then participate pro-rata with the other common units in distributions of available cash.

*Adjusted Operating Surplus.* Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes net increases in working capital borrowings and net drawdowns of reserves of cash generated in prior periods. Adjusted operating surplus for any period consists of:

operating surplus generated with respect to that period (excluding any amounts attributable to the items described in the first bullet point under " Operating Surplus and Capital Surplus Operating Surplus" above); less

any net increase in working capital borrowings with respect to that period; less

any net decrease in cash reserves for operating expenditures with respect to that period not relating to an operating expenditure made with respect to that period; plus

any net decrease in working capital borrowings with respect to that period; plus

any net increase in cash reserves for operating expenditures with respect to that period required by any debt instrument for the repayment of principal, interest or premium; plus

any net decrease made in subsequent periods to cash reserves for operating expenditures initially established with respect to such period to the extent such decrease results in a reduction in adjusted operating surplus in subsequent periods pursuant to the third bullet point above.



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**Distributions of Available Cash From Operating Surplus During the Subordination Period**

Our partnership agreement requires that we make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

*first*, 99.9% to the common unitholders, pro rata, and 0.1% to our general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;

*second*, 99.9% to the common unitholders, pro rata, and 0.1% to our general partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on our common units for any prior quarters during the subordination period;

*third*, 99.9% to the subordinated unitholders, pro rata, and 0.1% to our general partner, until we distribute for each outstanding subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and

*thereafter*, in the manner described in " General Partner Interest and Incentive Distribution Rights" below.

The preceding discussion assumes that our general partner maintains its 0.1% general partner interest and that we do not issue additional classes of equity interests.

**Distributions of Available Cash From Operating Surplus After the Subordination Period**

Our partnership agreement requires that we make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

*first*, 99.9% to all unitholders, pro rata, and 0.1% to our general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and

*thereafter*, in the manner described in " General Partner Interest and Incentive Distribution Rights" below.

The preceding discussion assumes that our general partner maintains its 0.1% general partner interest and that we do not issue additional classes of equity interests.

**General Partner Interest and Incentive Distribution Rights**

Our partnership agreement provides that our general partner initially will be entitled to 0.1% of all distributions that we make prior to our liquidation. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its 0.1% general partner interest if we issue additional units. Our general partner's 0.1% general partner interest, and the percentage of our cash distributions to which it is entitled from its general partner interest, will be proportionately reduced if we issue additional units in the future (other than the issuance of common units upon conversion of outstanding subordinated units or the issuance of common units upon a reset of the incentive distribution rights) and our general partner does not contribute a proportionate amount of capital to us in order to maintain its 0.1% general partner interest. Our partnership agreement does not require that the general partner fund its capital contribution with cash and our general partner may fund its capital contribution by the contribution to us of common units or other property.

Incentive distribution rights represent a potentially material variable interest in our distributions. The holder of the incentive distribution rights has the right to receive an increasing percentage (13.0%, 23.0% and 48.0%) of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds the

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incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement that apply prior to the first day of the first quarter beginning after the tenth anniversary of the closing date of this offering unless the consent of a majority of our outstanding common units (excluding common units held by our general partner or its affiliates) is obtained first.

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The following discussion assumes that our general partner maintains its 0.1% general partner interest, that there are no arrearages on common units and that our general partner continues to own all of the incentive distribution rights.

If for any quarter:

we have distributed available cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution to the common unitholders;

then, our partnership agreement requires that we distribute any additional available cash from operating surplus for that quarter among the unitholders and the general partner in the following manner:

*first*, 99.9% to all unitholders, pro rata, and 0.1% to our general partner, until each unitholder receives a total of \$ \_\_\_\_\_ per unit for that quarter (the "first target distribution");

*second*, 86.9% to all unitholders, pro rata, and 13.1% to our general partner, until each unitholder receives a total of \$ \_\_\_\_\_ per unit for that quarter (the "second target distribution");

*third*, 76.9% to all unitholders, pro rata, and 23.1% to our general partner, until each unitholder receives a total of \$ \_\_\_\_\_ per unit for that quarter (the "third target distribution"); and

*thereafter*, 51.9% to all unitholders, pro rata, and 48.1% to our general partner.

### **Percentage Allocations of Available Cash From Operating Surplus**

The following table illustrates the percentage allocations of available cash from operating surplus between the unitholders and our general partner based on the specified target distribution levels. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of our general partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column "Total Quarterly Distribution per Unit." The percentage interests shown for our unitholders and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 0.1% general partner interest, assume our general partner has contributed any additional capital necessary to maintain its 0.1% general partner interest and has not transferred its incentive distribution rights and there are no arrearages on common units.

	Total Quarterly Distribution per Unit	Marginal Percentage Interest in Distributions	
		Unitholders	General Partner
Minimum quarterly distribution	\$ _____	99.9%	0.1%
First target distribution	up to \$ _____	99.9%	0.1%
Second target distribution	above \$ _____ up to \$ _____	86.9%	13.1%
Third target distribution	above \$ _____ up to \$ _____	76.9%	23.1%
Thereafter	above \$ _____	51.9%	48.1%

### **General Partner's Right to Reset Incentive Distribution Levels**

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Our general partner, as the initial holder of our incentive distribution rights, has the right under our partnership agreement to elect to relinquish the right to receive incentive distribution payments based on the initial target distribution levels and to reset, at higher levels, the minimum quarterly distribution amount and target distribution levels upon which the incentive distribution payments to our

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general partner would be set. If our general partner transfers all or a portion of our incentive distribution rights in the future, then the holder or holders of a majority of our incentive distribution rights will be entitled to exercise this right. The following discussion assumes that our general partner holds all of the incentive distribution rights at the time that a reset election is made. Our general partner's right to reset the minimum quarterly distribution amount and the target distribution levels upon which the incentive distributions payable to our general partner are based may be exercised, without approval of our unitholders or the conflicts committee, at any time when there are no subordinated units outstanding and we have made cash distributions to the holders of the incentive distribution rights at the highest level of incentive distribution for each of the prior four consecutive fiscal quarters. The reset minimum quarterly distribution amount and target distribution levels will be higher than the minimum quarterly distribution amount and the target distribution levels prior to the reset such there will be no incentive distributions paid under the reset target distribution levels until cash distributions per unit following this event increase as described below. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would otherwise not be sufficiently accretive to cash distributions per common unit, taking into account the existing levels of incentive distribution payments being made to our general partner.

In connection with the resetting of the minimum quarterly distribution amount and the target distribution levels and the corresponding relinquishment by our general partner of incentive distribution payments based on the target distribution levels prior to the reset, our general partner will be entitled to receive a number of newly issued common units based on a predetermined formula described below that takes into account the "cash parity" value of the average cash distributions related to the incentive distribution rights received by our general partner for the two quarters prior to the reset event as compared to the average cash distributions per common unit during this period. Our general partner's general partner interest in us (currently 0.1%) will be maintained at the percentage interest immediately prior to the reset election.

The number of common units that our general partner would be entitled to receive from us in connection with a resetting of the minimum quarterly distribution amount and the target distribution levels then in effect would be equal to the quotient determined by dividing (x) the average aggregate amount of cash distributions received by our general partner in respect of its incentive distribution rights during the two consecutive fiscal quarters ended immediately prior to the date of such reset election by (y) the average of the amount of cash distributed per common unit during each of these two quarters.

Following a reset election, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per unit for the two fiscal quarters immediately preceding the reset election (which amount we refer to as the "reset minimum quarterly distribution") and the target distribution levels will be reset to be correspondingly higher such that we would distribute all of our available cash from operating surplus for each quarter thereafter as follows:

*first*, 99.9% to all unitholders, pro rata, and 0.1% to our general partner, until each unitholder receives an amount per unit equal to 115.0% of the reset minimum quarterly distribution for that quarter;

*second*, 86.9% to all unitholders, pro rata, and 13.1% to our general partner, until each unitholder receives an amount per unit equal to 125.0% of the reset minimum quarterly distribution for the quarter;

*third*, 76.9% to all unitholders, pro rata, and 23.1% to our general partner, until each unitholder receives an amount per unit equal to 150.0% of the reset minimum quarterly distribution for the quarter; and

*thereafter*, 51.9% to all unitholders, pro rata, and 48.1% to our general partner.

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The following table illustrates the percentage allocation of available cash from operating surplus between the unitholders and our general partner at various cash distribution levels (i) pursuant to the cash distribution provisions of our partnership agreement in effect at the completion of this offering, as well as (ii) following a hypothetical reset of the minimum quarterly distribution and target distribution levels based on the assumption that the average quarterly cash distribution amount per common unit during the two fiscal quarters immediately preceding the reset election was \$ .

	Marginal Percentage Interest in Distribution			Quarterly Distribution per Unit following Hypothetical Reset
	Quarterly Distribution per Unit Prior to Reset	Unitholders	General Partner	
Minimum quarterly distribution	\$	99.9%	0.1%	\$
First target distribution	up to \$	99.9%	0.1%	up to \$ (1)
Second target distribution	above \$ up to \$	86.9%	13.1%	above \$ (1) up to \$ (2)
Third target distribution	above \$ up to \$	76.9%	23.1%	above \$ (2) up to \$ (3)
Thereafter	above \$	51.9%	48.1%	above \$ (3)

- (1) This amount is 115.0% of the hypothetical reset minimum quarterly distribution.
- (2) This amount is 125.0% of the hypothetical reset minimum quarterly distribution.
- (3) This amount is 150.0% of the hypothetical reset minimum quarterly distribution.

The following table illustrates the total amount of available cash from operating surplus that would be distributed to the unitholders and our general partner, including in respect of incentive distribution rights, based on an average of the amounts distributed each quarter for the two quarters immediately prior to the reset. The table assumes that immediately prior to the reset there would be common units outstanding, our general partner has maintained its 0.1% general partner interest, and the average distribution to each common unit would be \$ for the two quarters prior to the reset.

	Cash Distributions to General Partner Prior to Reset						
	Quarterly Distribution per Unit Prior to Reset	Cash Distributions to Common Unitholders Prior to Reset	Common Units	0.1% General Partner Interest	Incentive Distribution Rights	Total	Total Distributions
Minimum quarterly distribution	\$	\$	\$	\$	\$	\$	\$
First target distribution	above \$ up to \$	\$					
Second target distribution	above \$ up to \$	\$					
Third target distribution	above \$ up to \$	\$					
Thereafter	\$	\$					
		\$	\$	\$	\$	\$	\$

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The following table illustrates the total amount of available cash from operating surplus that would be distributed to the unitholders and our general partner, including in respect of incentive distribution rights, with respect to the quarter in which the reset occurs. The table reflects that as a result of the

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reset there would be \_\_\_\_\_ common units outstanding, our general partner's 0.1% general partner interest has been maintained, and the average distribution to each common unit would be \$ \_\_\_\_\_. The number of common units to be issued to our general partner upon the reset was calculated by dividing (i) the average of the amounts received by our general partner in respect of its incentive distribution rights for the two quarters prior to the reset as shown in the table above, or \$ \_\_\_\_\_, by (ii) the average available cash distributed on each common unit for the two quarters prior to the reset as shown in the table above, or \$ \_\_\_\_\_.

	Cash Distributions to General Partner After Reset						
	Quarterly Distribution per Unit After Reset	Cash Distributions to Existing Common Unitholder After Reset	Common Units Issued in Connection With Reset	0.1% General Partner Interest	Incentive Distribution Rights	Total	Total Distributions
Minimum quarterly distribution	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
First target distribution	up to \$ _____						
Second target distribution	above \$ _____ up to \$ _____						
Third target distribution	above \$ _____ up to \$ _____						
Thereafter	above \$ _____						
		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Our general partner will be entitled to cause the minimum quarterly distribution amount and the target distribution levels to be reset on more than one occasion, provided that it may not make a reset election except at a time when it has received incentive distributions for the prior four consecutive fiscal quarters based on the highest level of incentive distributions that it is entitled to receive under our partnership agreement.

**Distributions From Capital Surplus**

*How Distributions from Capital Surplus Will Be Made.* Our partnership agreement requires that we make distributions of available cash from capital surplus, if any, in the following manner:

*first*, 99.9% to all unitholders, pro rata, and 0.1% to our general partner, until we distribute for each common unit that was issued in this offering, an amount of available cash from capital surplus equal to the initial public offering price in this offering;

*second*, 99.9% to the common unitholders, pro rata, and 0.1% to our general partner, until we distribute for each common unit, an amount of available cash from capital surplus equal to any unpaid arrearages in payment of the minimum quarterly distribution on the outstanding common units; and

*thereafter*, as if they were from operating surplus.

The preceding paragraph assumes that our general partner maintains its 0.1% general partner interest and that we do not issue additional classes of equity interests.

*Effect of a Distribution from Capital Surplus.* Our partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from this initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the "unrecovered initial unit price." Each time a distribution of capital surplus is made, the minimum quarterly

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distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the minimum quarterly distribution and target distribution levels after any of these distributions are made, it may be easier for our general partner to receive incentive distributions and for the subordinated units to convert into common units. However, any distribution of capital surplus before

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the unrecovered initial unit price is reduced to zero cannot be applied to the payment of the minimum quarterly distribution or any arrearages.

Once we distribute capital surplus on a common unit issued in this offering in an amount equal to the initial unit price, we will reduce the minimum quarterly distribution and the target distribution levels to zero. We will then make all future distributions from operating surplus, with 51.9% being paid to the unitholders, pro rata, and 48.1% to our general partner. The percentage interests shown for our general partner include its 0.1% general partner interest and assume our general partner has not transferred the incentive distribution rights.

**Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels**

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, our partnership agreement specifies that the following items will be proportionately adjusted:

the minimum quarterly distribution;

the target distribution levels;

the unrecovered initial unit price as described below; and

the per unit amount of any outstanding arrearages in payment of the minimum quarterly distribution.

For example, if a two-for-one split of the units should occur, the minimum quarterly distribution, the target distribution levels and the unrecovered initial unit price would each be reduced to 50.0% of its initial level. If we combine our common units into a lesser number of units or subdivide our common units into a greater number of units, we will combine or subdivide our subordinated units using the same ratio applied to the common units. Our partnership agreement provides that we do not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if as a result of a change in law or interpretation thereof, we or any of our subsidiaries is treated as an association taxable as a corporation or is otherwise subject to additional taxation as an entity for U.S. federal, state, local or non-U.S. income or withholding tax purposes, our general partner may, in its sole discretion, reduce the minimum quarterly distribution and the target distribution levels for each quarter by multiplying the minimum quarterly distribution and each target distribution level by a fraction, the numerator of which is available cash for that quarter (after deducting our general partner's estimate of our additional aggregate liability for the quarter for such income and withholdings taxes payable by reason of such change in law or interpretation thereof) and the denominator of which is the sum of (i) available cash for that quarter, plus (ii) our general partner's estimate of our additional aggregate liability for the quarter for such income and withholding taxes payable by reason of such change in law or interpretation thereof. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in distributions with respect to subsequent quarters.

**Distributions of Cash Upon Liquidation**

*General.* If we dissolve in accordance with our partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders and our general partner, in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

The allocations of gain and loss upon liquidation are intended, to the extent possible, to entitle the holders of units to the payment of the initial value of their units, which we refer to as the "initial unit price" for each unit. The initial unit price for a common unit will be the price paid by a hypothetical purchaser of a common unit issued in this offering. The allocations of gain and loss upon liquidation



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are also intended, to the extent possible, to entitle the holders of outstanding common units to a preference over the holders of outstanding subordinated units upon our liquidation, to the extent required to permit common unitholders to receive their unrecovered initial unit price plus the minimum quarterly distribution for the quarter during which liquidation occurs plus any unpaid arrearages in payment of the minimum quarterly distribution on our common units. However, there may not be sufficient gain upon our liquidation to enable the holders of common units to fully recover all of these amounts, even though there may be cash available for distribution to the holders of subordinated units. Any further net gain recognized upon liquidation will be allocated in a manner that takes into account the incentive distribution rights of our general partner.

*Manner of Adjustments for Gain.* The manner of the adjustment for gain is set forth in our partnership agreement. If our liquidation occurs before the end of the subordination period, we will allocate any gain to our partners in the following manner:

*first*, to our general partner and the holders of units who have negative balances in their capital accounts to the extent of and in proportion to those negative balances;

*second*, 99.9% to the common unitholders, pro rata, and 0.1% to our general partner, until the capital account for each common unit is equal to the sum of:

- (i) the unrecovered initial unit price;
- (ii) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs; and
- (iii) any unpaid arrearages in payment of the minimum quarterly distribution;

*third*, 99.9% to the subordinated unitholders, pro rata, and 0.1% to our general partner, until the capital account for each subordinated unit is equal to the sum of:

- (i) the unrecovered initial unit price; and
- (ii) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs;

*fourth*, 99.9% to all unitholders, pro rata, and 0.1% to our general partner, until we allocate under this paragraph an amount per unit equal to:

- (i) the sum of the excess of the first target distribution per unit over the minimum quarterly distribution per unit for each quarter of our existence; less
- (ii) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the minimum quarterly distribution per unit that we distributed 99.9% to the unitholders, pro rata, and 0.1% to our general partner, for each quarter of our existence;

*fifth*, 86.9% to all unitholders, pro rata, and 13.1% to our general partner, until we allocate under this paragraph an amount per unit equal to:

- (i)

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the sum of the excess of the second target distribution per unit over the first target distribution per unit for each quarter of our existence; less

(ii)

the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the first target distribution per unit that we distributed 86.9% to the unitholders, pro rata, and 13.1% to our general partner for each quarter of our existence;

*sixth*, 76.9% to all unitholders, pro rata, and 23.1% to our general partner, until we allocate under this paragraph an amount per unit equal to:

(i)

the sum of the excess of the third target distribution per unit over the second target distribution per unit for each quarter of our existence; less

(ii)

the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the second target distribution per unit that we distributed 76.9% to

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the unitholders, pro rata, and 23.1% to our general partner for each quarter of our existence; and

*thereafter*, 51.9% to all unitholders, pro rata, and 48.1% to our general partner.

The percentages set forth above for our general partner include its 0.1% general partner interest and assume our general partner has not transferred the incentive distribution rights and that we have not issued additional classes of equity interests.

If the liquidation occurs after the end of the subordination period, the distinction between common and subordinated units will disappear, so that clause (iii) of the second bullet point above and all of the third bullet point above will no longer be applicable.

*Manner of Adjustments for Losses.* If our liquidation occurs before the end of the subordination period, after making allocations of loss to the general partner and the unitholders in a manner intended to offset in reverse order the allocations of gains that have previously been allocated, we will generally allocate any loss to our general partner and our unitholders in the following manner:

*first*, 99.9% to holders of subordinated units in proportion to the positive balances in their capital accounts and 0.1% to our general partner, until the capital accounts of the subordinated unitholders have been reduced to zero;

*second*, 99.9% to the holders of common units in proportion to the positive balances in their capital accounts and 0.1% to our general partner, until the capital accounts of the common unitholders have been reduced to zero; and

*thereafter*, 100.0% to our general partner.

If the liquidation occurs after the end of the subordination period, the distinction between common and subordinated units will disappear, so that all of the first bullet point above will no longer be applicable.

### **Adjustments to Capital Accounts**

Our partnership agreement requires that we make adjustments to capital accounts upon the issuance of additional units. In this regard, our partnership agreement specifies that we allocate any unrealized and, for tax purposes, unrecognized gain resulting from the adjustments to the unitholders and the general partner in the same manner as we allocate gain upon liquidation. If we make positive adjustments to the capital accounts upon the issuance of additional units as a result of such gain, our partnership agreement requires that we generally allocate any later negative adjustments to the capital accounts resulting from the issuance of additional units or upon our liquidation in a manner that results, to the extent possible, in the partners' capital account balances equaling the amount that they would have been if no earlier positive adjustments to the capital accounts had been made. By contrast to the allocations of gain, and except as provided above, we generally will allocate any unrealized and unrecognized loss resulting from the adjustments to capital accounts upon the issuance of additional units to the unitholders and our general partner based on their respective percentage ownership of us. In this manner, prior to the end of the subordination period, we generally will allocate any such loss equally with respect to our common and subordinated units. In the event we make negative adjustments to the capital accounts as a result of such loss, future positive adjustments resulting from the issuance of additional units will be allocated in a manner designed to reverse the prior negative adjustments, and special allocations will be made upon liquidation in a manner designed to result, to the extent possible, in our unitholders' capital account balances equaling the amounts they would have been if no earlier adjustments for loss had been made.

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**SELECTED 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 selected 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 the financial statements and related notes included elsewhere in this prospectus.

The selected 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 selected historical financial data as of March 31, 2008, 2007 and 2006 and for the fiscal years ended March 31, 2007 and 2006 are derived from our or NGL Supply's financial records. The selected consolidated historical financial data as of September 30, 2010 and 2009 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 from NGL Supply's financial records. The selected consolidated 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 selected 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 common units;
- the conversion of common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into subordinated units; 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 common units;
- the conversion of common units held by the members of the NGL Energy LP Investor Group on a pro rata basis into subordinated units; and
- the application of the net proceeds from this offering as described in "Use of Proceeds."

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.

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You should read the following table in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the historical consolidated financial statements of NGL Supply and the unaudited pro forma financial statements of NGL Energy Partners LP included elsewhere in this prospectus. Among other things, those historical and unaudited

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pro forma financial statements include more detailed information regarding the basis of presentation for the following information.

	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	2007	2006	2010	2009	2010	2009	2010	2010	
(in thousands, except per unit or share data)												
<b>Income Statement Data(1)</b>												
Total operating revenues	\$ 735,506	\$ 734,991	\$ 834,257	\$ 691,434	\$ 742,661	\$ 311,137	\$ 237,497	\$ 316,943	\$ 198,327	\$ 809,633	\$ 648,708	
Gross margin	27,291	28,573	16,236	10,533	7,541	19,664	11,393	6,035	6,256	57,484	34,479	
Operating income (loss)	6,661	9,431	3,162	1,684	(130)	7,221	6,853	(3,795)	(1,528)	9,766	195	
Interest expense	668	1,621	1,061	241	487	1,314	190	372	220	2,426	1,820	
Net income (loss) attributable to parent entity	3,636	4,949	1,613	490	(293)	6,056	4,214	(2,515)	(1,049)	7,850	(1,145)	
Basic earnings per common share	178.75	242.82	69.17	10.66	(26.17)		213.28	(128.45)	(55.25)			
Diluted earnings per common share	176.61	239.92	68.35	10.53	(26.17)		210.74	(128.45)	(55.25)			
Basic earnings per common unit						2.06						
Diluted earnings per common unit						2.06						
<b>Cash Flows Data(1)</b>												
Cash flows from operating activity	\$ 7,480	\$ 22,459	\$ (10,931)	\$ 8,517	\$ 1,193	\$ 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	558	812	671	456	280		3,837	3,216	
Expansion(3)	3,113	3,532	6,237	1,661		17,128	(242)	121	2,550			
<b>Balance Sheet Data Period End</b>												
Total assets	\$ 111,580	\$ 103,434	\$ 111,520	\$ 92,112	\$ 88,673	\$ 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		6,061	
Redeemable preferred stock	3,000	3,000	3,000	3,000	3,000		3,000		3,000			
Equity	46,403	42,691	38,133	36,477	36,120	40,997	48,956	36,811	44,760		102,997	
<b>Volume Information (in thousand gallons)</b>												
Retail propane sales volumes	15,514	14,033	9,114			14,676	4,830	3,747	3,795	54,024	25,637	
Wholesale propane(4)	623,510	510,255	506,909	499,320	525,682	191,833	187,594	226,330	211,368	623,510	418,163	
Wholesale volumes other NGLs	53,878	58,523	88,808	159,752	203,794	26,421	17,711	32,100	25,583	53,878	58,521	

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Midstream terminal throughput volumes	170,621	136,818	130,348	128,168	116,134	50,451	62,658	43,704	45,869	170,621	94,155
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- (1) The acquisition of retail propane businesses by NGL Supply in fiscal years 2008 through 2010 and by NGL Energy Partners LP in October 2010 affects the comparability of this information.
- (2) Cash expenditures to maintain, including over the long-term, operating capacity and/or income.
- (3) Cash expenditures for acquisitions or capital improvements made to increase, over the long-term, operating capacity or operating income.
- (4) Includes intercompany volumes sold to our retail propane segment.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

**Overview**

We are a Delaware limited partnership formed in September 2010. As part of our formation, we acquired and combined the assets and operations of NGL Supply, primarily a wholesale propane and terminaling business founded in 1967, and Hicksgas, primarily a retail propane business founded in 1940. We own and, through our subsidiaries, operate a vertically-integrated propane business with three operating segments: retail propane; wholesale supply and marketing; and midstream. We engage in the following activities through our operating segments:

our retail propane business sells propane to end users consisting of residential, agricultural, commercial and industrial customers;

our wholesale supply and marketing business supplies propane and other natural gas liquids and provides related storage to retailers, wholesalers and refiners; and

our midstream business, which currently consists of our propane terminaling business, takes delivery of propane from pipelines and trucks at our propane terminals and transfers the propane to third-party transport trucks for delivery to retailers, wholesalers and other customers.

We serve more than 56,000 retail propane customers in Georgia, Illinois, Indiana and Kansas. We serve approximately 500 wholesale supply and marketing customers in 30 states and approximately 120 midstream customers in Illinois, Missouri and New York.

Our businesses represent a combination of "margin-based," "cost-plus" and "fee-based" revenue generating operations. Our retail propane business generates margin-based revenues, meaning our gross margin depends on the difference between our propane sales price and our total propane supply cost. Our wholesale supply and marketing business generates cost-plus revenues. Cost-plus represents our aggregate total propane supply cost plus a margin to cover our replacement cost consisting of cost of capital, storage, transportation, fuel surcharges and an appropriate competitive margin. Our midstream business generates fee-based revenues derived from a cents-per-gallon charge for the transfer of propane volumes, or throughput, at our propane terminals.

Historically, the principal factors affecting our businesses have been demand and our cost of supply, as well as our ability to maintain or expand our realized margin from our margin-based and cost-plus operations. In particular, fluctuations in the price of propane have a direct impact on our reported revenues and may affect our margins depending on our success of passing cost increases on to our retail propane and wholesale supply and marketing customers.

***Retail Propane***

A significant factor affecting the profitability of our retail propane segment is our ability to maintain or increase our realized gross margin on a cents per gallon basis. Gross margin is the differential between our sales prices and our total product costs, including transportation and storage. Propane prices continued to be volatile during our fiscal years 2008 through 2010 and thereafter. At Conway,

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Kansas, one of our main pricing hubs, the range of low and high-spot propane prices per gallon for the periods indicated and the prices as of period end were as follows:

	Range of Conway, Kansas Spot Price Per Gallon		Spot Price Per Gallon At Period End
	Low	High	
<b>For the Year Ended</b>			
<b>March 31,</b>			
2010	\$ 0.5563	\$ 1.4475	\$ 1.0625
2009	0.5988	1.8794	0.6475
2008	1.0269	1.8800	1.4588
<b>For the Three</b>			
<b>Months Ended</b>			
<b>December 31,</b>			
2010	1.1175	1.28875	1.2775
2009	0.8575	1.36125	1.3350
<b>For the Six Months</b>			
<b>Ended September</b>			
<b>30,</b>			
2010	0.8813	1.1625	1.1625
2009	0.5563	0.9063	0.8750

Historically, we have been successful in passing on price increases to our customers. We monitor propane prices daily and adjust our retail prices to maintain expected margins by passing on the wholesale costs to our customers. We believe that volatility in commodity prices will continue, and our ability to adjust to and manage this volatility may impact our financial results.

In periods of significant propane price increases we have experienced, and expect to continue to experience conservation of propane used by our customers that could result in a decline in our sales volumes, revenues and gross margins. In periods of decreasing costs, we have experienced an increase in our gross margin.

The retail propane business is weather-sensitive. Our retail propane business is also subject to seasonal volume variations due to propane's primary use as a heating source in residential and commercial buildings and for agricultural purposes. As a result, operating revenues are generally highest from October through March.

We believe that the recent economic downturn has caused certain of our retail propane customers to conserve and thereby purchase less propane. Although we believe the economic downturn has not currently had a material impact on our cash collections, it is possible that a prolonged economic downturn could have a negative impact on our future cash collections.

**Wholesale Supply and Marketing**

Through our wholesale supply and marketing segment, we distribute propane and other natural gas liquids to our retail operation and other propane retailers, refiners, wholesalers and other related businesses. Our wholesale business is a "cost-plus" business that is affected both by price fluctuations and volume variations. We establish our selling price based on a pass through of our product supply, transportation, handling, storage and capital costs plus an acceptable margin. The margins we realize in our wholesale business are substantially less as a percentage of revenues or on a per gallon basis than our retail propane business. We attempt to reduce our exposure to the impact of price fluctuations by using "back-to-back" contractual agreements and "pre-sale" agreements which essentially allow us to lock in a margin on a percentage of our winter volumes.

We also have used price swaps in the forward market to lock in the cost of supply without having to purchase physical volumes until needed for our delivery obligations. We have not accounted for these derivatives as hedges. Therefore, changes in the fair value of the derivatives are reflected in our statement of operations, classified as cost of sales of our wholesale supply and marketing segment.

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***Midstream***

Our midstream operation is a fee-based business that is impacted primarily by throughput volumes at our three propane terminals. Throughput volumes are impacted by weather, agricultural uses and general economic conditions, all of which are out of our control. We somewhat mitigate the potential decline in throughput volumes by preselling volumes to customers at our terminals in advance of the demand period through our wholesale supply and marketing segment.

**Recent Developments**

The following significant transactions occurred during the nine months ended December 31, 2010:

***Acquisition of Hicks LLC and Gifford***

On October 14, 2010, we purchased the propane-related assets and assumed certain related obligations from Hicks LLC and Gifford, which we collectively refer to as Hicksgas, for a combination of our limited partner interests and payment of approximately \$17.1 million, a total consideration, including assumed liabilities, of approximately \$62.8 million. Hicksgas was founded in 1940 as a retail propane operation and significantly increased its retail propane volumes through acquisitions. During the period since 2007, Hicksgas completed six acquisitions, adding approximately 5.4 million gallons annually of retail propane sales to its business.

For each of their most recently completed fiscal years (June 30, 2010 for Hicks LLC and December 31, 2009 for Gifford), the revenues, gross margin and operating income related to the assets we acquired from Hicks LLC and Gifford were as follows:

	<b>Hicks LLC</b>	<b>Gifford</b>
	<b>(in thousands)</b>	
Revenues	\$ 72,311	\$ 19,777
Gross margin	22,642	7,551
Income before income taxes	2,069	2,268

The historical audited financial statements for the businesses acquired from Hicks LLC and Gifford for their prior three fiscal years and unaudited interim periods are contained elsewhere in this prospectus and should be read in connection with this discussion.

***New Revolving Credit Facility***

On October 14, 2010, we entered into a revolving credit facility with a group of lenders. The revolving credit facility, as amended in February 2011, provides for a total credit facility of \$180.0 million, represented by a \$50.0 million working capital facility and a \$130.0 million acquisition facility. Borrowings under the working capital facility are subject to a defined borrowing base. The working capital facility allows for letter of credit advances of up to \$50.0 million and swingline loans of up to \$5.0 million. See "Liquidity, Sources of Capital and Capital Resource Activities" for further discussion.

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**Consolidated Results of Operations**

The following table summarizes the historical consolidated statements of operations of NGL Supply for the fiscal years ended March 31, 2010, 2009 and 2008, the six months ended September 30, 2010 and 2009 and the three months ended December 31, 2009, and our historical consolidated statement of operations for the three months ended December 31, 2010:

	NGL Supply			NGL Energy Partners LP	NGL Supply		
	Year Ended March 31,			Three Months Ended December 31,	Three Months Ended December 31,	Six Months Ended September 30,	Six Months Ended September 30,
	2010	2009	2008	2010	2009	2010	2009
	(in thousands)						
Operating revenues	\$ 735,506	\$ 734,991	\$ 834,257	\$ 311,137	\$ 237,497	\$ 316,943	\$ 198,327
Cost of sales	708,215	706,418	818,021	291,473	226,104	310,908	192,071
Gross margin	27,291	28,573	16,236	19,664	11,393	6,035	6,256
Operating and general and administrative expenses	17,849	16,652	11,370	10,747	3,796	8,441	6,342
Depreciation and amortization	2,781	2,490	1,704	1,696	744	1,389	1,442
Operating income (loss)	6,661	9,431	3,162	7,221	6,853	(3,795)	(1,528)
Interest expense	(668)	(1,621)	(1,061)	(1,314)	(190)	(372)	(220)
Interest and other income	115	314	431	149	26	190	87
Income (loss) before income taxes	6,108	8,124	2,532	6,056	6,689	(3,977)	(1,661)
Provision (benefit) for income taxes	2,478	3,255	948		2,479	(1,417)	(605)
Net income (loss)	3,630	4,869	1,584	6,056	4,210	(2,560)	(1,056)
Net loss attributable to non-controlling interests	6	80	29		4	45	7
Net income (loss) attributable to Parent Equity	\$ 3,636	\$ 4,949	\$ 1,613	\$ 6,056	\$ 4,214	\$ (2,515)	