

NGL Energy Partners LP
Form S-1/A
March 22, 2011

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As filed with the Securities and Exchange Commission on March 22, 2011

Registration No. 333-172186

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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

NGL Energy Partners LP

(Exact name of registrant as specified in its charter)

Delaware
(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)

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)

Copies to:

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Shar Ahmed
Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street, 44th Floor
Houston, Texas 77002

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(713) 220-5881

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

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

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)

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.

SUBJECT TO COMPLETION, DATED MARCH 22, 2011

PROSPECTUS

NGL Energy Partners LP
Common Units
Representing Limited Partner Interests

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."

Investing in our common units involves risks. See "Risk Factors" beginning on page 16.

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 Southwest, 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.

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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.

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 16 and "Forward-Looking Statements" beginning on page 184.

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 16 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., our predecessor for accounting purposes, (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 and (vi) the "NGL Energy Investor Group" refers to, collectively, the NGL Energy GP Investor Group and the NGL Energy LP Investor Group, as defined on pages 4 and 5.

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 67 million gallons of propane storage space in various strategic locations to accommodate the supply requirements and contractual needs of our retail and wholesale customers.

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

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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 below, 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.

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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As of February 28, 2011, the following 15 individuals and entities, which we collectively refer to as the NGL Energy GP Investor Group, owned all of the outstanding membership interests in our general partner in the percentages set forth below:

	Ownership Interest
NGL Holdings, Inc	23.12%
Stanley A. Bugh	0.93%
Robert R. Foster	1.04%
Brian K. Pauling	4.67%
Stanley D. Perry	0.93%
Stephen D. Tuttle	4.67%
Craig S. Jones	0.35%
Daniel Post	0.18%
Mark McGinty	0.31%
Sharra Straight	0.27%
NGL Supply Parties Total	36.47%
Coady Enterprises, LLC(1)	15.50%
Thorndike, LLC(2)	15.50%
Coady Parties Total	31.00%
KrimGP2010, LLC(3)	14.64%
Infrastructure Capital Management, LLC(4)	8.13%
Atkinson Investors, LLC(5)	9.76%
IEP Parties Total	32.53%
Total	100.00%

-
- (1) Shawn W. Coady, our Co-President and Chief Operating Officer, Retail Division and a member of the board of directors of our general partner, owns 100% of the membership interests in Coady Enterprises, LLC.
- (2) Todd M. Coady, our Co-President, Retail Division, owns 100% of Thorndike, LLC.
- (3) H. Michael Krimbill, our Chief Executive Officer and a member of the board of directors of our general partner, owns 100% of KrimGP2010, LLC.
- (4) Jay D. Hatfield owns 100% of Infrastructure Capital Management, LLC.
- (5) Bradley K. Atkinson Family Investments owns 100% of Atkinson Investors, LLC. Bradley K. Atkinson Family Investments is owned 69% by Bradley K. Atkinson, our Vice President, Business Development, and Cheryl Atkinson, 15% by Jennifer Lynn Atkinson Trust, 15% by Michael Steven Atkinson Trust, and 1% by its general partner, Bradley K. Atkinson Family Management LLC.

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As of February 28, 2011, the following 14 individuals and entities, which we collectively refer to as the NGL Energy LP Investor Group, owned all of our outstanding common units in the percentages set forth below:

	Ownership Interest
NGL Holdings, Inc.	27.46%
Stanley A. Bugh	1.11%
Robert R. Foster	1.23%
Brian K. Pauling	5.54%
Stanley D. Perry	1.11%
Stephen D. Tuttle	5.54%
Craig S. Jones	0.42%
Daniel Post	0.21%
Mark McGinty	0.37%
Sharra Straight	0.32%
Hicks Oils & Hicksgas, Incorporated(1)	38.00%
Krim2010, LLC(2)	8.41%
Infrastructure Capital Management, LLC(3)	4.67%
Atkinson Investors, LLC(4)	5.61%
Total	100.00%

-
- (1) Shawn W. Coady, our Co-President and Chief Operating Officer, Retail Division and a member of the board of directors of our general partner, owns 50.03% of Hicks Oil & Hicksgas, Incorporated. Todd M. Coady, our Co-President, Retail Division, owns 49.97% of Hicks Oil & Hicksgas, Incorporated.
- (2) Krimbill Enterprises LP, H. Michael Krimbill, our Chief Executive Officer and a member of the board of directors of our general partner, and James E. Krimbill own 90.89%, 4.05%, and 5.06% of Krim2010, LLC, respectively.
- (3) Jay D. Hatfield owns 100% of Infrastructure Capital Management, LLC.
- (4) Bradley K. Atkinson Family Investments owns 100% of Atkinson Investors, LLC. Bradley K. Atkinson Family Investments is owned 69.00% by Bradley K. Atkinson, our Vice President, Business Development, and Cheryl Atkinson, 15.00% by Jennifer Lynn Atkinson Trust, 15.00% by Michael Steven Atkinson Trust, and 1.0% by its general partner, Bradley K. Atkinson Family Management LLC.

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.

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Ownership and Organizational Structure

The following table sets forth our organization and ownership based on total units outstanding after the completion of this offering, the split of each common unit held by the members of the NGL Energy LP Investor Group into common units and the conversion of common units held by the NGL Energy LP Investor Group into subordinated units.

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

As is common with publicly traded partnerships, in order to maintain operational flexibility we will conduct our operations through subsidiaries. Our one direct subsidiary, Silverthorne Operating LLC, is a Delaware limited liability company that will conduct business itself and through its subsidiaries. The following diagram depicts our organizational and ownership structure after the completion of this offering, the split of each common unit held by the members of the NGL Energy LP Investor Group into common units and the conversion of common units held by the NGL Energy LP Investor Group into subordinated units.

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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 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 June 30, 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.

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."

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.

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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 $66\frac{2}{3}\%$ of the outstanding units voting together as a single class, including any units owned by our general partner and its affiliates. After the completion of this offering, 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 % or less of the cash distributed to you with respect to that period. For example, if you receive an annual distribution of \$ per unit, we estimate that your average allocable federal taxable income per year will be no more than \$ 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, our predecessor for accounting purposes, 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 the nine 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."

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

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

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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.

	Predecessor		NGL Energy Partners LP			Predecessor		NGL Energy Partners LP	
	Year Ended March 31,		Three Months Ended	Six Months Ended	Nine Months Ended	Year Ended	Nine Months Ended		
	2010	2009	December 31	September 30	December 31	March 31,	December 31,		
	2010	2009	2008	2010	2010	2009	2010	2010	
	(in thousands, except per unit or share data)								
Income Statement Data(1)									
Total operating revenues	\$ 735,506	\$ 734,991	\$ 834,257	\$ 311,137	\$ 316,943	\$ 435,824	\$ 809,633	\$ 648,708	
Gross margin	27,291	28,573	16,236	19,664	6,035	17,649	57,484	34,479	
Operating income (loss)	6,661	9,431	3,162	7,221	(3,795)	5,325	9,766	195	
Interest expense	668	1,621	1,061	1,314	372	410	2,426	1,820	
Net income (loss) attributable to parent entity	3,636	4,949	1,613	6,056	(2,515)	3,165	7,850	(1,145)	
Basic earnings per common share	\$ 178.75	\$ 242.82	\$ 69.17		\$ (128.45)	\$ 158.04			
Diluted earnings per common share	\$ 176.61	\$ 239.92	\$ 68.35		\$ (128.45)	\$ 156.15			
Basic earnings per common unit			\$ 2.06			\$	\$		
Diluted earnings per common unit			\$ 2.06			\$	\$		
Other Financial Data									
EBITDA	\$ 9,563	\$ 12,315	\$ 5,326	\$ 9,066	\$ (2,171)	\$ 7,635	\$ 17,030	\$ 5,660	
Adjusted EBITDA	\$ 8,989	\$ 12,279	\$ 5,557	\$ 9,097	\$ (2,095)	\$ 7,956	\$ 16,456	\$ 5,767	
Cash Flows Data(1)									
Cash flows from operating activity	\$ 7,480	\$ 22,459	\$ (10,931)	\$ 143	\$ (30,886)	\$ (10,822)			
Cash distributions per common share					357.09				
Cash distributions per common unit						\$	\$		
Capital Expenditures:									
Maintenance(2)	582	577	496	671	280	456	3,837	3,216	
Expansion(3)	3,113	3,532	6,237	17,128	121	2,308			
Balance Sheet Data									
Total assets	\$ 111,580	\$ 103,434	\$ 111,520	\$ 233,403	\$ 148,596	\$ 142,568	\$ 232,403		
Total long-term obligations	8,851	9,245	7,830	69,061	18,940	8,927	6,061		
Redeemable preferred stock	3,000	3,000	3,000			3,000			
Equity	46,403	42,691	38,133	40,997	36,811	48,956	102,997		
Volume Information (in thousand gallons)									
Retail propane sales volumes	15,514	14,033	9,114	14,676	3,747	8,625	54,024	25,637	
Wholesale volumes	623,510	510,255	506,909	191,833	226,330	398,962	623,510	418,163	

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propane(4)									
Wholesale									
volumes									
other									
NGLs	53,878	58,523	88,808	26,421	32,100	43,294	53,878	58,521	
Midstream terminal									
throughput									
volumes	170,621	136,818	130,348	50,451	43,704	108,527	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 or operating 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:

	Predecessor			Predecessor			NGL Energy Partners LP	
	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2008	Three Months Ended December 31, 2010	Six Months Ended September 30, 2010	Nine Months Ended December 31, 2009	Year Ended March 31, 2010	Nine Months Ended December 31, 2010
Net income (loss) attributable to parent entity	\$ 3,636	\$ 4,949	\$ 1,613	\$ 6,056	\$ (2,515)	\$ 3,165	\$ 7,850	\$ (1,145)
Provision (benefit) for income taxes	2,478	3,255	948		(1,417)	1,874		
Interest expense	668	1,621	1,061	1,314	372	410	2,426	1,820
Depreciation and amortization	2,781	2,490	1,704	1,696	1,389	2,186	6,754	4,985
EBITDA	\$ 9,563	\$ 12,315	\$ 5,326	\$ 9,066	\$ (2,171)	\$ 7,635	\$ 17,030	\$ 5,660
Unrealized (gain) loss on derivative contracts	(563)	17	36	31	200	321	(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	\$ (2,095)	\$ 7,956	\$ 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 June 30, 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.

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.

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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.

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.

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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 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

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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 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,

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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.

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.

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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 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;

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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."

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;

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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;

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,

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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.

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.

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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.

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;

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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 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

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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 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.

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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.

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

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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.

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

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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 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.

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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 methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible

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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 February 28, 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 February 28, 2011, the amounts outstanding under our revolving credit facility have a weighted average interest rate of 3.76%. 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 _____ and _____ 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."

Table of Contents**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."

	As of December 31, 2010	
	Partnership	
	Pro	
	Historical	Forma(1)
	(in thousands)	
Cash and cash equivalents	\$ 5,771	\$
Total long-term debt (including current maturities)	\$ 88,316	\$
Partners' equity:		
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	
Total partners' equity	40,997	
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		%		%		%		%
Total		100.0%	\$	100.0%		100.0%	\$	100.0%

(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) cash on hand resulting from working capital borrowings made after the end of the 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

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% 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."

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

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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.

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						
Total		\$	\$		\$	\$

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.

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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 from prior quarters. Please read the "Provisions of our Partnership Agreement Relating to Cash Distributions

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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 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 June 30, 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

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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;

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 June 30, 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 \$10.3 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 \$10.0 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

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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 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

	Pro Forma	
	Fiscal Year Ended March 31, 2010	Twelve Months Ended December 31, 2010
	(dollars in thousands, except per unit data)	
Pro Forma Net Income	\$ 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
Adjusted EBITDA(2)	\$ 16,456	\$ 16,141
Less:		
Cash interest paid(1)	(1,351)	(1,351)
Maintenance capital expenditures	(3,837)	(3,786)
Estimated incremental general and administrative expenses(3)	(1,000)	(1,000)
Unaudited pro forma cash available for distribution(4)(5)	\$ 10,268	\$ 10,004
Pro Forma Cash Distributions:		
Annualized minimum quarterly distributions per unit	\$	\$
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 distributions	\$	\$
Excess (Deficiency)	\$	\$
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

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amortization of debt issuance costs. 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."
- (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 not 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 June 30, 2012

To fund the aggregate minimum quarterly distribution on all units for the twelve months ending June 30, 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 \$23.3 million for the twelve months ending June 30, 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 June 30, 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 June 30, 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 June 30, 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.

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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, 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 June 30, 2012. Please read below under "Forecast Assumptions and Considerations" for further information as to the assumptions we have made for the financial forecast.

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	Twelve Months Ending June 30, 2012 (in thousands)
Revenues	\$ 834,923
Costs and Expenses:	
Cost of sales	776,297
Operating and administrative costs(1)	35,364
Depreciation and amortization expense	6,495
Total costs and expenses	818,156
Operating income	16,767
Interest expense	1,250
Net income	15,517
Plus:	
Interest expense	1,250
Depreciation and amortization expense	6,495
Estimated Adjusted EBITDA(2)	23,262
Adjustments to reconcile Estimated Adjusted EBITDA to estimated cash available for distribution:	
Less:	
Cash interest paid	750
Maintenance capital expenditures	1,750
Estimated cash available for distribution(3)	\$ 20,762
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)

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In the computation of the estimated cash available for distribution, we have not 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.

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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 \$835 million for the forecast period, as compared to pro forma revenues of \$810 million and \$1,008 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 similar to propane prices for the fiscal year ended March 31, 2010 period because we believe the pricing during such period is more consistent with historical pricing. 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 \$776 million for the forecast period, as compared to pro forma costs of sales of \$752 million and \$948 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 fiscal year ended March 31, 2010 period because we believe the prices we paid for propane during that period are more consistent with historical prices for propane and because our forecasted revenues have also assumed pricing similar to the fiscal year ended March 31, 2010.

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 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

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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 \$6.5 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 \$1.8 million as compared to the pro forma capital expenditures of \$3.8 million and \$3.8 million for the fiscal year ended March 31, 2010 and the twelve months ended December 31, 2010, respectively. All of these costs are maintenance capital expenditures and primarily consist of repairs to customer service centers and vehicle replacement costs for our service fleet. 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 capital expenditure 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. 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 does not include any estimates for expansion capital expenditures because management cannot predict when or if we will make any acquisitions during the forecast period. However, 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.

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 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

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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 June 30, 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, all cash on hand on the date of determination of available cash for the quarter resulting from cash distributions received after the end of such quarter from our or our subsidiaries' equity interest in any person (other than any of our subsidiaries), which distributions are paid by such person in respect of operations conducted during such quarter;

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 resulting from working capital borrowings made after the end of 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 from working capital borrowings made 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. 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.

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.

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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 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 to maintain its 0.1% general partner interest.

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 (as described below); 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 on the closing date of this offering, to finance all or a portion of the construction, acquisition, development or improvement of a capital improvement or replacement of a capital asset (such as equipment or facilities) in respect of the period beginning on the date that we enter into a binding obligation to commence the construction, acquisition, development 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

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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

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

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.

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 \$ million 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 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 quarter ending June 30, 2014, 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. If our general partner and its affiliates are not the holders of a majority of the incentive distribution rights at the time an election is made to reset the minimum quarterly distribution amount and the target distribution levels, then the proposed reset shall be subject to the prior written concurrence of the general partner that the conditions described above have been satisfied. 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;

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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.

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 \$

	Quarterly Distribution per Unit Prior to Reset		Marginal Percentage Interest in Distribution		Quarterly Distribution per Unit following Hypothetical 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 \$						

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Third target distribution	above \$	up to \$							
Thereafter	\$	above							
			\$	\$	\$	\$	\$	\$	\$

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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 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%	Incentive Distribution Rights Total Distributions
						General Partner Interest	
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 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

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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 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

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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 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:

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- (i) 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

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- (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 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, our predecessor for accounting purposes, 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 December 31, 2009 and for the six months ended September 30, 2010 and the nine 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.

	Predecessor					NGL Energy Partners LP			NGL Energy Partners LP	
	2010	2009	2008	2007	2006	Three Months Ended December 31, 2010	Six Months Ended September 30, 2010	Nine Months Ended December 31, 2009	Year Ended March 31, 2010	Nine Months Ended December 31, 2010
(in thousands, except per unit or share data)										
Income Statement Data(1)										
Total operating revenues	\$ 735,506	\$ 734,991	\$ 834,257	\$ 691,434	\$ 742,661	\$ 311,137	\$ 316,943	\$ 435,824	\$ 809,633	\$ 648,708
Gross margin	27,291	28,573	16,236	10,533	7,541	19,664	6,035	17,649	57,484	34,479
Operating income (loss)	6,661	9,431	3,162	1,684	(130)	7,221	(3,795)	5,325	9,766	195
Interest expense	668	1,621	1,061	241	487	1,314	372	410	2,426	1,820
Net income (loss) attributable to parent entity	3,636	4,949	1,613	490	(293)	6,056	(2,515)	3,165	7,850	(1,145)
Basic earnings per common share	\$ 178.75	\$ 242.82	\$ 69.17	\$ 10.66	\$ (26.17)		\$ (128.45)	\$ 158.04		
Diluted earnings per common share	\$ 176.61	\$ 239.92	\$ 68.35	\$ 10.53	\$ (26.17)		\$ (128.45)	\$ 156.15		
Basic earnings per common unit						2.06			\$	\$
Diluted earnings per common unit						2.06			\$	\$
Cash Flows Data(1)										
Cash flows from operating activity	\$ 7,480	\$ 22,459	\$ (10,931)	\$ 8,517	\$ 1,193	\$ 143	\$ (30,886)	\$ (10,822)		
Cash distributions per common share							357.09			
Cash distributions per common unit									\$	\$
Capital expenditures:										
Maintenance(2)	582	577	496	558	812	671	280	456	3,837	3,216
Expansion(3)	3,113	3,532	6,237	1,661		17,128	121	2,308		
Balance Sheet Data Period End										
Total assets	\$ 111,580	\$ 103,434	\$ 111,520	\$ 92,112	\$ 88,673	\$ 233,403	\$ 148,596	\$ 142,568		\$ 232,403
Total long-term obligations	8,851	9,245	7,830			69,061	18,940	8,928		6,061
Redeemable preferred stock	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	36,811	48,956		102,997
Volume Information (in thousand gallons)										
Retail propane sales volumes	15,514	14,033	9,114			14,676	3,747	8,625	54,024	25,637
Wholesale propane(4)	623,510	510,255	506,909	499,320	525,682	191,833	226,330	398,962	623,510	418,163
Wholesale volumes other NGLs	53,878	58,523	88,808	159,752	203,794	26,421	32,100	43,294	53,878	58,521
	170,621	136,818	130,348	128,168	116,134	50,451	43,704	108,527	170,621	94,155

Midstream
terminal
throughput
volumes

- (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 or operating 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	
For the Year Ended			
March 31,			
2010	\$ 0.5563	\$ 1.4475	\$ 1.0625
2009	0.5988	1.8794	0.6475
2008	1.0269	1.8800	1.4588
For the Nine			
Months Ended			
December 31,			
2010	0.8812	1.2887	1.2775
2009	0.5563	1.3612	1.3350

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:

	Hicks LLC	Gifford
	(in thousands)	
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.

Table of Contents**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 the nine months ended December 31, 2009, and our historical consolidated statement of operations for the three months ended December 31, 2010:

	Predecessor			NGL Energy Partners LP	Predecessor	
	Year Ended March 31,			Three Months Ended December 31,	Six Months Ended September 30,	Nine Months Ended December 31,
	2010	2009	2008	2010	2010	2009
(in thousands)						
Operating revenues	\$ 735,506	\$ 734,991	\$ 834,257	\$ 311,137	\$ 316,943	\$ 435,824
Cost of sales	708,215	706,418	818,021	291,473	310,908	418,175
Gross margin	27,291	28,573	16,236	19,664	6,035	17,649
Operating and general and administrative expenses	17,849	16,652	11,370	10,747	8,441	10,138
Depreciation and amortization	2,781	2,490	1,704	1,696	1,389	2,186
Operating income (loss)	6,661	9,431	3,162	7,221	(3,795)	5,325
Interest expense	(668)	(1,621)	(1,061)	(1,314)	(372)	(410)
Interest and other income	115	314	431	149	190	113
Income (loss) before income taxes	6,108	8,124	2,532	6,056	(3,977)	5,028
Provision (benefit) for income taxes	2,478	3,255	948		(1,417)	1,874
Net income (loss)	3,630	4,869	1,584	6,056	(2,560)	3,154
Net loss attributable to non-controlling interests	6	80	29		45	11
Net income (loss) attributable to Parent Equity	\$ 3,636	\$ 4,949	\$ 1,613	\$ 6,056	\$ (2,515)	\$ 3,165

See the detailed discussion of revenues, cost of sales, gross margin, operating expenses, general and administrative expenses, depreciation and amortization and operating income by operating segment below.

Set forth below is a discussion of significant changes in the non-segment related corporate other income and expenses during the respective periods.

Interest Expense

Our interest expense consists of interest on borrowings under a revolving credit facility, letter of credit fees and amortization of debt issuance costs. See Note 9 to the March 31, 2010 consolidated financial statements of NGL Supply and Note 7 to our unaudited consolidated financial statements as of December 31, 2010 for additional information on our long-term debt. The change in interest expense during the periods presented is due primarily to fluctuations of the average outstanding debt balance

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and the average interest rate. During the periods indicated, our average outstanding principal balance and average interest rates were as follows:

	Average Balance Outstanding (in thousands)	Average Interest Rate
Year Ended March 31,		
2010	\$ 10,642	3.64%
2009	26,785	4.56%
2008	12,483	7.09%
Three Months Ended December 31,		
2010	76,232	5.46%
Six Months Ended September 30,		
2010	\$ 14,571	2.13%
Nine Months Ended December 31,		
2009	11,235	3.25%

The increased levels of debt outstanding during fiscal 2009, fiscal 2008 and the three months ended December 31, 2010 are due to borrowings to finance our acquisitions of retail propane businesses.

Interest and other Income

Our non-operating other income consists of the following:

	Year Ended March 31,			Three Months Ended December 31,	Six Months Ended September 30,	Nine Months Ended December 31,
	2010	2009	2008	2010	2010	2009
	(in thousands)					
Interest income	\$ 120	\$ 162	\$ 361	\$ 93	\$ 66	\$ 79
Gain (loss) on sale of assets	11	150	(1)		124	
Other	(16)	2	71	56		34
	\$ 115	\$ 314	\$ 431	\$ 149	\$ 190	\$ 113

Interest income for fiscal 2010 and fiscal 2009 is less than interest income for fiscal 2008 due to the decline in interest rates earned on our cash deposits during fiscal 2010 and fiscal 2009.

The gain on sale of assets in fiscal 2009 and during the six months ended September 30, 2010 represents the proceeds from sale of certain salvaged propane tanks, vehicles and other miscellaneous equipment. No such sales occurred in the other periods presented.

Income Tax Provision

The income tax provision of NGL Supply fluctuates based on the level of realized pretax income. As a percentage of pretax income, the variance from the expected or statutory rate of 35% is due to the effects of state income taxes and a valuation allowance recorded each year related to the losses incurred by the propane terminal in St. Catharines, Ontario, which we refer to as Gateway, which NGL Supply owned 70% through September 30, 2010. See Note 10 to the March 31, 2010 consolidated financial statements of NGL Supply for additional discussion of the income tax provisions.

We expect to qualify as a partnership for U.S. federal income taxes. Accordingly, there is no provision for U.S. federal and state income taxes for periods subsequent to September 30, 2010.

Table of Contents**Non-Controlling Interests**

Our non-controlling interests represent the 30% of Gateway we did not own through September 30, 2010. The operations of Gateway have historically resulted in net losses. We purchased the additional 30% interest in October 2010. See our discussion of our midstream segment below that includes the operations of Gateway.

Non-GAAP Financial Measures

The following table reconciles net income (loss) attributable to parent to our EBITDA and Adjusted EBITDA, each of which are non-GAAP financial measures, for the periods indicated:

	Year Ended March 31,			Three Months Ended December 31,	Six Months Ended September 30,	Nine Months Ended December 31,
	2010	2009	2008	2010	2010	2009
	(in thousands)					
Net income (loss) attributable to parent	\$ 3,636	\$ 4,949	\$ 1,613	\$ 6,056	\$ (2,515)	\$ 3,165
Provision (benefit) for income taxes	2,478	3,255	948		(1,417)	1,874
Interest expense	668	1,621	1,061	1,314	372	410
Depreciation and amortization	2,781	2,490	1,704	1,696	1,389	2,186
EBITDA	\$ 9,563	\$ 12,315	\$ 5,326	\$ 9,066	\$ (2,171)	\$ 7,635
Unrealized (gain) loss on derivative contracts	(563)	17	36	31	200	321
Loss (gain) on sale of assets	(11)	(150)	1		(124)	
Share-based compensation expense		97	194			
Adjusted EBITDA	\$ 8,989	\$ 12,279	\$ 5,557	\$ 9,097	\$ (2,095)	\$ 7,956

We define EBITDA as net income (loss) attributable to parent entity, plus income taxes, interest expense and depreciation and amortization expense. 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 should not be considered an alternative to net income, income before income taxes, cash flows from operating activities, or any other measure of financial performance calculated in accordance with GAAP as those items are used to measure operating performance, liquidity or the ability to service debt obligations. We believe that EBITDA provides additional information for evaluating our ability to make quarterly distributions to our unitholders and is presented solely as a supplemental measure. We believe that Adjusted EBITDA provides additional information for evaluating our financial performance without regard to our financing methods, capital structure and historical cost basis. Further, EBITDA and Adjusted EBITDA, as we define them, may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other entities.

Table of Contents**Segment Operating Results****Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009*****Volumes Sold or Throughput***

The following table summarizes the volume of gallons sold by our retail propane and wholesale supply and marketing segments and the throughput volume for our midstream segment for the fiscal years ended March 31, 2010, and 2009, respectively:

Segment	Year Ended March 31,		Change	
	2010	2009	In Units	Percent
	(gallons in thousands)			
Retail propane	15,514	14,033	1,481	10.6%
Wholesale supply and marketing	677,388	568,778	108,610	19.1%
Midstream	170,621	136,818	33,803	24.7%
Total	863,523	719,629	143,894	20.0%

During fiscal 2010, we sold 15.5 million retail gallons of propane, an increase of 1.5 million gallons, or 10.6%, from the 14.0 million retail gallons of propane sold during fiscal 2009. Gallons sold during fiscal 2010 increased compared to fiscal 2009 as a result of our acquisition of Reliance Energy Partners, L.L.C., or Reliance, in August 2009 which added 2 million gallons of sales in fiscal 2010 primarily in Kansas. The increase from the Reliance volumes was partially offset by lower volumes in Georgia. Our Georgia volumes decreased 0.5 million gallons as a result of customer conservation from, we believe, the overall weak U.S. economic environment and, to a lesser extent, the lingering effects of higher propane costs, and an abrupt end to the 2009/2010 winter heating season. Weather conditions have a significant impact on our volumes. Average temperatures during fiscal 2010, as measured in heating degree days (as reported by the National Oceanic and Atmospheric Administration), were approximately 14.8% colder than fiscal 2009 in Kansas, and approximately 25.2% warmer in Georgia as compared to fiscal 2009.

Wholesale supply and marketing gallons overall increased 108.6 million gallons, or 19.1%, to 677.4 million gallons in fiscal 2010 from 568.8 million gallons in fiscal 2009. The increase was due primarily to greater volumes sold to agricultural markets for crop drying and colder weather in the Mid-Continent region of the United States, plus the increased volumes sold to our retail propane segment as a result of the Reliance acquisition.

Our midstream throughput in fiscal 2010 increased 24.7%, or approximately 33.8 million gallons, over the fiscal 2009 throughput of approximately 136.8 million gallons. This increase in volume is due primarily to the same factors that resulted in an increase in our wholesale supply and marketing volumes.

Table of Contents**Operating Income by Segment**

Our operating income by segment is as follows:

Segment	Year Ended March 31,		
	2010	2009	Change
	(in thousands)		
Retail propane	\$ 1,391	\$ 525	\$ 866
Wholesale supply and marketing	6,912	10,531	(3,619)
Midstream	2,695	1,652	1,043
Corporate general and administrative expenses	(4,337)	(3,277)	(1,060)
Total	\$ 6,661	\$ 9,431	\$ (2,770)

The increased corporate general and administrative expense of \$1.06 million in fiscal 2010 over fiscal 2009 is due primarily to increased bonus payments to our corporate management of approximately \$764,000 over the 2009 bonus payments, an increase in corporate management compensation of approximately \$60,000 and an increase in legal and accounting fees of approximately \$221,000.

Retail Propane

The following table compares the operating results of our retail propane segment for the periods indicated:

	Year Ended March 31,		
	2010	2009	Change
	(in thousands)		
Propane sales	\$ 25,076	\$ 28,518	\$ (3,442)
Service and rental income	1,269	1,143	126
Parts and fittings sales	622	587	35
Cost of sales	(15,603)	(21,612)	6,009
Gross margin	11,364	8,636	2,728
Operating expenses	7,140	5,664	1,476
General and administrative expenses	1,107	994	113
Depreciation and amortization	1,726	1,453	273
Segment operating income	\$ 1,391	\$ 525	\$ 866

During fiscal 2010, we had one retail propane acquisition (our acquisition of Reliance) that closed in August 2009. The fiscal 2010 sales volumes from this acquisition totaled approximately 2 million gallons. In addition, the propane acquisitions we made during fiscal 2009 benefited our results of operations for a full 12 months in fiscal 2010 versus only approximately 10 months during fiscal 2009.

Revenues. Revenues from retail propane sales were \$25.1 million for fiscal 2010, a decrease of \$3.4 million, or 12.1%, compared to \$28.5 million for fiscal 2009. The decrease in propane sales was the net effect of a volume increase and an average sale price decrease. For fiscal 2010, our average sale price decreased to \$1.62 per gallon, compared to \$2.03 in fiscal 2009, resulting in a revenue decrease of approximately \$5.8 million. However, our sales volume increases resulted in increased revenue of approximately \$2.4 million, resulting in a net decrease in revenue of \$3.4 million. The average sale price decrease is due to the decline in the propane prices overall during fiscal 2010. The volume increase is due primarily to the acquisition of Reliance during fiscal 2010 and colder weather in our Kansas region partially offset by the effects of warmer weather in Georgia as compared to fiscal 2009.

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Service and rental income increased approximately \$126,000 in fiscal 2010 compared to fiscal 2009 revenues of \$1.1 million, due primarily to revenues from our Reliance acquisition.

Cost of Sales. Cost of sales in fiscal 2010 decreased \$6.0 million from the fiscal 2009 level of \$21.6 million. This decrease is due primarily to the decreased cost of propane sales of approximately \$6.1 million, offset by an increased cost of sales from our sales of parts and fittings. The overall decrease in cost of propane sales in fiscal 2010 is the net effect of an increased cost of sales of \$2.2 million resulting from the increased volume of propane sales and a decreased cost of sales of \$8.3 million resulting from a decline in our per gallon average propane cost.

Gross Margin. Our gross margin increased \$2.7 million during fiscal 2010 over the fiscal 2009 gross margin of \$8.6 million, due primarily to an increased gross margin from propane sales of \$2.7 million and the increase in service and rental income. Our margin per gallon on propane sales during fiscal 2010 was \$0.64, compared to the margin per gallon in fiscal 2009 of \$0.52 resulting from our ability to improve our propane margin per gallon during periods of declining propane prices. The higher gross margin on propane sales of \$2.7 million consisted of an increase of \$768,000 from the increased sales volume and an increase of \$1.9 million from the \$0.12 per gallon margin increase over fiscal 2009.

Operating Expenses. Our propane operating expenses increased by \$1.5 million during fiscal 2010 as compared to the fiscal 2009 operating expenses of \$5.7 million. The principal reason for the cost increases is the effect of the Reliance acquisition during fiscal 2010 and the full year of expenses from our fiscal 2009 acquisitions compared to having those operations for approximately 10 months in fiscal 2009. In addition, we paid bonuses of approximately \$285,000 to our propane employees during fiscal 2010 as compared to no bonuses in the prior years. Bonus payments in the future will be dependent on the results of operations of the retail propane segment. Other significant individual cost increases were compensation cost increases of approximately \$535,000, general and medical insurance costs of \$332,000 and vehicle operating costs of \$55,000, all primarily related to increases in personnel and vehicles resulting from acquisitions in fiscal 2010 and fiscal 2009.

General and Administrative Expenses. General and administrative expenses increased by \$113,000 in fiscal 2010 compared to the fiscal 2009 expenses of \$1.0 million. This increase is due primarily to the impact of our fiscal 2010 and fiscal 2009 acquisitions. The principal cost increases were for office expenses, including rents, of \$26,000 and an increase in other office expenses of approximately \$27,000.

Depreciation and Amortization. The increased depreciation and amortization expense of \$273,000 over fiscal 2009 depreciation and amortization of \$1.5 million is due to the depreciation and amortization of property and equipment and intangibles in the 2010 Reliance acquisition and a full year of depreciation and amortization expense during fiscal 2010 on the fiscal 2009 acquisitions, compared to approximately 10 months of expense in fiscal 2009.

Operating Income. Overall, operating income from our retail propane segment for fiscal 2010 increased \$866,000 from the fiscal 2009 operating income of \$525,000. This increase is due to the improved margins we realized on propane sales resulting from our sales volume increases and our ability to improve our cents per gallon margin during periods of declining propane prices in excess of the increased operating, administrative and depreciation and amortization costs we incurred as a result of our acquisitions during fiscal 2010 and fiscal 2009.

Table of Contents**Wholesale Supply and Marketing**

The following table compares the operating results of our wholesale supply and marketing segment for the periods indicated:

	Year Ended March 31,		
	2010	2009	Change
	(in thousands)		
Wholesale supply sales	\$ 727,008	\$ 730,474	\$ (3,466)
Storage revenues	2,368	1,741	627
Cost of sales	(717,085)	(715,114)	(1,971)
Gross margin	12,291	17,101	(4,810)
Operating expenses	4,314	5,343	(1,029)
General and administrative expenses	844	1,027	(183)
Depreciation and amortization	221	200	21
Segment operating income	\$ 6,912	\$ 10,531	\$ (3,619)

Revenues. Our wholesale supply and marketing segment generates revenues from the sale of propane and other natural gas liquids and from storage of propane for third parties. Our average selling price and gross margins per gallon for our wholesale supply and marketing segment are less than we realize in our retail propane segment. Revenues from wholesale sales of propane and other natural gas liquids sales were \$727.0 million in fiscal 2010, a decrease of \$3.5 million, or 0.5%, from \$730.5 million in fiscal 2009. The decrease in sales revenue of \$3.5 million in fiscal 2010 is due to the net effect of increased volumes and a reduced average sales price. Our volume increase of 108.6 million gallons resulted in an increased revenue of approximately \$116.6 million. However, our average per gallon selling price declined from \$1.28 in fiscal 2009 to \$1.06 in fiscal 2010. The impact on our total revenues as a result of this price decline is a decrease in revenue of approximately \$120.0 million. Propane prices fluctuated significantly during our fiscal years 2008 through 2010, and the average propane prices on the spot market reflected an overall decline in fiscal 2009 and fiscal 2010 from the levels reached during our fiscal 2008. Our volume increased during fiscal 2010 due to an increase in volumes sold for crop drying in the Mid-Continent region, colder weather and the increased volumes sold to our retail operation during fiscal 2010 due to the impact of acquisitions in fiscal 2009.

Our storage revenues increased \$627,000 in fiscal 2010 compared to storage revenues of \$1.7 million in fiscal 2009. The principal reason for the increased storage revenues is an increased level of propane presales to our wholesale supply and marketing customers that resulted from the propane spot price declines and the impact of colder weather in fiscal 2010 as compared to fiscal 2009. This resulted in an increase in the volume of propane our customers stored in our facilities in fiscal 2010 as compared to fiscal 2009.

Cost of Sales. The cost of sales in fiscal 2010 for our wholesale supply and marketing segment increased \$2.0 million over the fiscal 2009 cost of sales of \$715.1 million, due primarily to the effect of the increased volumes. The impact on cost of sales from the increased volumes is an increase of \$115.0 million. However, our cost per gallon sold declined from \$1.26 in fiscal 2009 to \$1.06 in fiscal 2010, which resulted in a decrease to cost of sales of \$113.0 million. The decrease in our per gallon cost reflects the price changes that occurred in the propane spot market during fiscal 2010 and the effect of a writedown of propane inventory of approximately \$5.3 million in fiscal 2009.

Gross Margin. On an overall basis, the gross margins we realize in our wholesale supply and marketing segment, both as a percentage of our revenues and on a per gallon sold basis, are lower than the margins we realize from our retail propane operation. We attempt to maintain our margins period to

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period through our cost-plus pricing strategy. However, in periods of significant decreases in the propane spot price, such as occurred during fiscal 2009 as compared to fiscal 2008, we may be able to increase our per gallon margin. In periods where prices are relatively stable or fluctuate in a somewhat more normal level (such as occurred during fiscal 2010), our margins could decline. That is what we experienced during fiscal 2010. Our margin per gallon was \$0.0146 in fiscal 2010, compared to \$0.0270 during fiscal 2009. However, our margin per gallon improved over the levels we realized during fiscal 2008 when spot market prices fluctuated significantly during the year.

Operating Expenses. Our wholesale supply and marketing segment operating expenses decreased \$1.0 million in fiscal 2010 from the fiscal 2009 level of \$5.3 million. This decrease is due principally to a reduction in personnel in our wholesale supply and marketing segment. During fiscal 2010, compensation and commission expense decreased approximately \$798,000, employee insurance decreased approximately \$142,000 and consultant fee expense decreased approximately \$36,000.

General and Administrative Expenses. General and administrative expenses for our wholesale supply and marketing segment decreased \$183,000 over fiscal 2009 expense of \$1.0 million. This decrease is due primarily to a reduction of bad debt expense in fiscal 2010 of \$269,000 due to improving economic conditions.

Operating Income. Operating income for our wholesale supply and marketing segment decreased \$3.6 million in fiscal 2010 from fiscal 2009 operating income of \$10.5 million. The decreased operating income in fiscal 2010 is due to the \$4.8 million decline in our gross margin, which exceeded the overall reduction of our operating and general and administrative expenses.

Midstream

The following table compares the operating results of our midstream segment for the periods indicated:

	Year Ended March 31,		
	2010	2009	Change
	(in thousands)		
Operating revenues	\$ 4,103	\$ 3,259	\$ 844
Cost of sales	(467)	(423)	(44)
Gross margin	3,636	2,836	800
Other operating expenses	69	67	2
General and administrative expenses	37	280	(243)
Depreciation and amortization	835	837	(2)
Segment operating income	\$ 2,695	\$ 1,652	\$ 1,043

Revenues. Our midstream segment operating revenues historically consist of fees earned on throughput at our propane terminals in Missouri, Illinois and Canada. Our revenue is fee-based which will vary primarily by the terminal throughput. We did not change our fee structure during fiscal 2010. Therefore, the increased revenue of \$844,000 during fiscal 2010 is due exclusively to an increase in the throughput volume in our Missouri and Illinois terminals. The increased revenues in Canada were insignificant. The volume increased during fiscal 2010 due primarily to the improved agricultural market for crop-drying purposes and the colder weather experienced in the Mid-Continent region. In fiscal 2010, our revenues by geographic region were \$3.9 million in the United States, and \$242,000 in Canada. In fiscal 2009, our operating revenues were \$3.0 million in the United States and \$242,000 in Canada.

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Cost of Sales. We include in cost of sales the cost of mercaptan (the odorant added to propane) and the charges we incur in the operation of our terminal facilities. The \$44,000 increase in fiscal 2010 cost of sales over fiscal 2009 cost of sales of \$423,000 is due to increases in the cost of mercaptan during fiscal 2010 resulting from the increased throughput.

Gross Margin. Our midstream gross margin in fiscal 2010 increased \$800,000 over the gross margin of \$2.8 million we realized in fiscal 2009. This increase is due primarily to increased throughput volumes in our U.S. terminals.

General and Administrative Expenses. The decreased general and administrative expenses for our midstream segment of \$243,000 over fiscal 2009 expense of \$280,000 is due to the benefit we realized from Canadian dollar exchange rate changes during fiscal 2010. During fiscal 2010, the impact of Canadian exchange rate transaction gains and losses (which we record in general and administrative expenses of our midstream segment) was an overall gain of \$132,000, compared to exchange rate transaction losses of \$128,000 during fiscal 2009, an improvement of \$260,000.

Operating Income. Our midstream segment operating income increased \$1.0 million during fiscal 2010 over the operating income we realized in fiscal 2009 of \$1.7 million. This increased operating income is due to an \$800,000 increase in our gross margin, resulting from increased throughput volumes, and a decreased total operating and general and administrative expenses of \$241,000. During both fiscal 2010 and fiscal 2009, all of our three propane terminals were operated by third parties under operating and maintenance agreements with specified service charges. This provides us with an ability to operate these facilities at a relatively fixed cost structure. Our principal variable costs are limited primarily to the cost of utilities and mercaptan, which fluctuate with changes in our throughput volume. Thus, as our throughput increases, our operating income tends to increase because of the limited effect such throughput increases have on our overall cost structure.

Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008

Volumes Sold or Throughput

The following table summarizes the volume of gallons sold by our retail propane and wholesale supply and marketing segments and the throughput volume for our midstream segment for the fiscal years ended March 31, 2009 and 2008, respectively:

Segment	Year Ended March 31,		Change	
	2009	2008	In Units	Percent
	(gallons in thousands)			
Retail propane	14,033	9,114	4,919	54.0%
Wholesale supply and marketing	568,778	595,717	(26,939)	(4.5)%
Midstream	136,818	130,348	6,470	5.0%
Total	719,629	735,179	(15,550)	(2.1)%

During fiscal 2009, our retail propane volumes increased 4.9 million gallons, or 54%, over the gallons sold during fiscal 2008. This increase is due primarily to the impact of acquisitions in both fiscal 2008 and fiscal 2009. NGL Supply began retail propane operations during fiscal 2008 with the acquisition of Propane Central LLC, or Propane Central, and four other propane acquisitions. These acquisitions were included in our operations for approximately nine months during fiscal 2008 as compared to a full year in fiscal 2009. In addition, we made three additional acquisitions during fiscal 2009 which added a total of approximately 3.3 million gallons in fiscal 2009 over fiscal 2008. Weather in our service areas also impacts our volumes. Fiscal 2009 was 4% warmer in Kansas and 20% colder in Georgia, both as compared to fiscal 2008.

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Our wholesale supply and marketing volumes declined during fiscal 2009 by approximately 26.9 million gallons, or 4.5%, from the 595.7 million gallons sold during fiscal 2008. This decline was primarily due to the non-renewal of a term purchase contract we had with one of our wholesale suppliers in fiscal 2009 under which we had purchased for sale approximately 150,000 barrels per month in fiscal 2008.

Our midstream volumes increased 6.5 million gallons in fiscal 2009, or 5%, over the 130.3 million gallons throughput for fiscal 2008. This increase in volume is due to increased activity in our U.S. terminals due to the effect of increased supply and pre-sale agreements with our wholesale and retail customers.

Operating Income by Segment

Our operating income by segment is as follows:

Segment	Year Ended March 31,		Change
	2009	2008	
	(in thousands)		
Retail propane	\$ 525	\$ 825	\$ (300)
Wholesale supply and marketing	10,531	2,852	7,679
Midstream	1,652	1,649	3
Corporate general and administrative expenses	(3,277)	(2,164)	(1,113)
Total	\$ 9,431	\$ 3,162	\$ 6,269

The increase in corporate general and administrative expenses of \$1.1 million in fiscal 2009 as compared to fiscal 2008 is due primarily to an increase in bonuses to corporate management of approximately \$1.3 million offset by a decrease in legal and professional fees of approximately \$139,000.

Retail Propane

During fiscal 2009, we acquired three propane companies that were included in our fiscal 2009 operations for approximately 10 months. Our acquisition of Capital City Oil, Inc. added approximately 2.369 million gallons to our sales volume for fiscal 2009, while our acquisitions of Douglas Propane Gas Company, Inc. and Morris Propane Service Inc. added approximately 0.9 million gallons to our sales volume for fiscal 2009. These acquisitions were not included in our fiscal 2008 operations. In addition, we began our retail propane operation through our acquisition of Propane Central in July 2007 and made four other propane acquisitions during fiscal 2008. These acquisitions benefited our operation for all of fiscal 2009, while being included in fiscal 2008 operations for less than 12 months. The most significant fiscal 2008 acquisition was Propane Central which was included in our fiscal 2008 operation for nine months.

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The following table compares the operating results of our retail propane segment for the periods indicated:

	Year Ended March 31,		
	2009	2008	Change
	(in thousands)		
Propane sales	\$ 28,518	\$ 17,065	\$ 11,453
Service and rental income	1,143	592	551
Parts and fittings sales	587	382	205
Cost of sales	(21,612)	(12,970)	(8,642)
Gross margin	8,636	5,069	3,567
Operating expenses	5,664	3,025	2,639
General and administrative expenses	994	556	438
Depreciation and amortization	1,453	663	790
Segment operating income	\$ 525	\$ 825	\$ (300)

Revenues. Revenues from retail propane sales were \$28.5 million for fiscal 2009, an increase of \$11.5 million, or 67.1%, compared to \$17.0 million for fiscal 2008. The increased sales resulted from the effect of both a volume increase and an average sale price increase. The increased propane volumes were primarily due to the effect of fiscal 2008 and fiscal 2009 acquisitions. For fiscal 2009, our average sale price was \$2.03 per gallon, compared to \$1.87 in fiscal 2008, resulting in a revenue increase of approximately \$1.5 million. Our sales volume increases resulted in increased revenue of approximately \$10.0 million, resulting in an increase of \$11.5 million. The average sale price increase is due to our ability to maintain our prices during the period of declining spot propane prices during fiscal 2009.

The increases in our service revenues and parts and fittings sales are due primarily to revenues from the acquisitions during fiscal 2009 and fiscal 2008.

Cost of Sales. Our retail propane segment cost of sales increased \$8.6 million during fiscal 2009 as compared to cost of sales of \$13.0 million during fiscal 2008. This increase is due primarily to an increased cost of propane sales of \$8.5 million in fiscal 2009. The increased total cost of propane sales is due to the impact of volume increases, approximately \$7.4 million, and the effect of an increased product cost of \$0.12 per gallon, approximately \$1.1 million.

Gross Margin. The realized gross margin of our retail propane segment increased \$3.6 million in fiscal 2009 over the realized margin of \$5.1 million during fiscal 2008. This increase is due primarily to the impact of fiscal 2009 acquisitions and the effect of a full year of operations in fiscal 2009 from the fiscal 2008 acquisitions, compared to approximately nine months in fiscal 2008. During fiscal 2009, our per-gallon gross margin on propane sales increased \$0.04, from \$0.48 in fiscal 2008 to \$0.52 in fiscal 2009. Propane prices increased significantly, with significant fluctuation, during our fiscal 2008 as compared to fiscal 2009. As a result, we were able to pass on our increased costs to our customers without having to reduce our sales prices as quickly when prices declined in fiscal 2009, resulting in an overall increased margin both in terms of dollars and on a per gallon basis.

Operating Expenses. Operating expenses of the retail propane segment increased by \$2.6 million in fiscal 2009 as compared to the fiscal 2008 level of \$3.0 million. This increase is due primarily to the impact of the fiscal 2009 and fiscal 2008 acquisitions. The principal cost increases were increased compensation expense of \$1.5 million, increased insurance costs of \$477,000 and increased vehicle expenses of \$483,000, all of which are due to the increased number of personnel and vehicles as a result of the acquisitions.

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General and Administrative Expenses. Our retail propane segment general and administrative expenses increased \$438,000 from fiscal 2008 expenses of \$556,000. This increase is also due to the effect of the fiscal 2009 and fiscal 2008 acquisitions. The principal cost increases were \$284,000 for office rental and expenses, \$43,000 for data processing costs and \$75,000 for taxes other than income, all of which relate to the increased number of customer service locations added as a result of our acquisitions.

Depreciation and Amortization. Depreciation and amortization expense of the retail propane segment in fiscal 2010 increased \$790,000 over the total depreciation and amortization expense of \$663,000 in fiscal 2008. This increase is due to the increased costs of property, equipment and intangible assets as a result of our fiscal 2009 acquisitions, plus the effect of a full year of depreciation and amortization in fiscal 2009 from our fiscal 2008 acquisitions, as compared to approximately nine months in fiscal 2008.

Operating Income. Our operating income from the retail propane segment was \$525,000 in fiscal 2009 as compared to \$825,000 in fiscal 2008, a decrease of \$300,000. The overall decrease in operating income is due to our operating and general and administrative cost increases exceeding our increased gross margin from increased volumes and increased average sale prices in excess of our increased per gallon product costs.

Wholesale Supply and Marketing

The following table compares the operating results of our wholesale supply and marketing segment for the periods indicated:

	Year Ended March 31,		
	2009	2008	Change
	(in thousands)		
Wholesale supply sales	\$ 730,474	\$ 853,488	\$ (123,014)
Storage revenues	1,741	723	1,018
Cost of sales	(715,114)	(845,702)	130,588
Gross margin	17,101	8,509	8,592
Operating expenses	5,343	4,503	840
General and administrative expenses	1,027	966	61
Depreciation and amortization	200	188	12
Segment operating income	\$ 10,531	\$ 2,852	\$ 7,679

Revenues. Revenues from wholesale propane and other natural gas liquids sales were \$730.5 million in fiscal 2009, a decrease of \$123.0 million, or 14.4%, from \$853.5 million in fiscal 2008. The decrease in revenues from the sale of propane and other natural gas liquids was due to both a decrease in our average sales price and a decrease in volumes. During fiscal 2009, our average sales price for propane and other liquids was \$1.28 per gallon as compared to \$1.43 per gallon during fiscal 2008. This decline was due to the significant decrease in the propane spot price during fiscal 2009 from the levels reached during fiscal 2008. The decline in the average sale price resulted in a decrease of \$34.6 million in our sales revenues. The volume decrease resulted in decreased revenue of \$88.4 million.

Due to the increased volume of pre-sale arrangements, our storage revenues increased during fiscal 2009. We also increased our storage fee per gallon during fiscal 2009 because of storage fee increases by our competitors at Conway and other locations. The impact of these actions was an increase of our storage revenues of \$1.0 million in fiscal 2009 over the storage revenues we realized in fiscal 2008 of \$723,000.

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Cost of Sales. The cost of sales for our wholesale supply and marketing segment decreased \$130.6 million during fiscal 2009 from fiscal 2008 cost of sales of \$845.7 million. This decrease in cost of sales is due to both a reduction in volumes sold and a decline in our average cost of propane. The volume reduction resulted in a decrease of \$33.9 million in cost of sales. Our average per gallon cost of propane and other natural gas liquids decreased to \$1.26 in fiscal 2009 from \$1.42 in fiscal 2008. The decrease in cost per gallon is reflective of the changes that occurred in the spot propane market in fiscal 2009 as compared to fiscal 2008. The decrease in our propane cost resulting from the decline in the spot price of propane was partially offset by an increased cost of sales due to a writedown we recorded for our year end propane inventory valuation of approximately \$5.3 million. This writedown was required due to the significant reduction in the price of propane at March 31, 2009 as compared to the prices we paid for wholesale inventories during fiscal 2008 and fiscal 2009. The propane spot price at March 31, 2009 for Conway, Kansas, for example, was \$0.6475 per gallon, as compared to the year end price of \$1.4588 for fiscal 2008. Our accounting policy is to value our wholesale supply and marketing segment propane inventories at lower of cost or market, and at year end (or at an interim date if we believe prices will not recover by year end), we will record a charge to cost of sales if our inventory cost exceeds the market price. No such writedowns were required during fiscal 2008.

Gross Margin. Gross margins in our wholesale supply and marketing segment improved significantly during fiscal 2009 over our margins in fiscal 2008, both in total and on a per gallon basis. Overall, our gross margin increased \$8.6 million, due to an increase in storage revenues of \$1.0 million and an increased margin on sales of propane and other natural gas liquids of \$7.6 million. The margin increase on product sales resulted from our ability to pass on more of our cost to our wholesale customers during fiscal 2009 than we did in fiscal 2008. This was due in large part to the pre-sale agreements we were able to execute. During fiscal 2009, our margin per gallon sold was \$0.027, compared to \$0.013 during fiscal 2008. Fiscal 2009 was an extraordinary period during which we were able to expand our margins as a result of the significant price fluctuations experienced in fiscal 2008, followed by the significant reductions in fiscal 2009, particularly when compared to more historical price trends.

Operating Expenses. Operating expenses in fiscal 2009 of our wholesale supply and marketing segment increased \$840,000 over the \$4.5 million of operating expenses in fiscal 2008. This increase is due entirely to an increase in the bonuses paid to our wholesale employee group of \$1.0 million over the fiscal 2008 bonuses of \$432,000. The increased bonuses were the result of the significant pre-bonus operating income of the wholesale supply and marketing segment. The increase resulting from the increased bonus payment was reduced by the impact of a decrease in compensation expense resulting from a reduction in our employee headcount in the wholesale supply and marketing segment during fiscal 2009.

General and Administrative Expenses. The increase in general and administrative expense of the wholesale supply and marketing segment of \$61,000 in fiscal 2009 over the expense of \$1.0 million in fiscal 2008 is due primarily to an increase in taxes other than income.

Operating Income. The operating income we realized in the wholesale supply and marketing segment during fiscal 2009 was \$7.7 million greater than the \$2.8 million operating income we realized during fiscal 2008. The increase was due to the impact of a significant increase in our gross margin in excess of the increased segment operating and general and administrative expenses. Fiscal 2009 was unusual due to the sudden and dramatic changes in propane prices that occurred during fiscal 2008 and fiscal 2009. Spot propane prices increased suddenly and significantly to record-setting levels during fiscal 2008, then just as suddenly and dramatically declined during fiscal 2009, particularly during the last quarter of fiscal 2009. As a result, we were able to successfully improve our per gallon margins during fiscal 2009. We would expect our margins in the future, however, to be similar to the per gallon margins we realized during fiscal 2008.

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The following table compares the operating results of our midstream segment for the periods indicated:

	Year Ended March 31,		
	2009	2008	Change
	(in thousands)		
Operating revenues	\$ 3,259	\$ 3,055	\$ 204
Cost of sales	(423)	(397)	(26)
Gross margin	2,836	2,658	178
Other operating expenses	67	80	(13)
General and administrative expenses	280	76	204
Depreciation and amortization	837	853	(16)
Segment operating income	\$ 1,652	\$ 1,649	\$ 3

Revenues. Our midstream segment operating revenues increased \$204,000 during fiscal 2009 over fiscal 2008 operating revenues of \$3.1 million. During fiscal 2009 and fiscal 2008, we did not adjust the fee structure we use for our terminal operations. Therefore, the increased revenue is due entirely to an increase in throughput at our terminals. Our U.S. terminals generated revenues of \$3.0 million in fiscal 2009, compared to \$2.8 million in fiscal 2008, while revenues in our Canada terminal were \$242,000 in fiscal 2009 compared to \$237,000 in fiscal 2008.

Cost of Sales. Our midstream segment cost of sales increased \$26,000 in fiscal 2009 over the \$397,000 cost of sales for fiscal 2008. This increase is due to increased charges under our operating and maintenance agreement of our U.S. terminals with a third party. That contract is subject to an annual escalation factor during the ten-year primary term of approximately 2.5%.

Gross Margin. The midstream segment gross margin in fiscal 2009 increased by \$178,000 over the \$2.7 million margin we realized during fiscal 2008. The increase is due to the effect of increased revenues from increased throughput exceeding the increased costs under the third party operating agreement for the U.S. terminal facilities.

General and Administrative Expenses. The general and administrative expenses of our midstream segment increased \$204,000 during fiscal 2009 as compared to fiscal 2008 expenses of \$76,000. This increase is due to the impact of foreign currency transaction exchange gains and losses for our Canadian operation where the Canadian dollar is the functional currency. During fiscal 2008, we realized net currency exchange gains of \$75,000, compared to exchange losses during fiscal 2009 of \$128,000, a net effect of \$203,000.

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Nine Months Ended December 31, 2010 Compared to Nine Months Ended December 31, 2009

Items Impacting the Comparability of Our Financial Results

Our current and future results of operations may not be comparable to the historical results of operations of NGL Supply, our predecessor for accounting purposes, for the periods presented due to the following reasons:

At December 31, 2010, and for the three month period then ended, our retail propane operations included the retail propane operations that we acquired from Hicksgas in the formation transactions as described above under "Summary Formation Transactions and Partnership Structure." The historical results of operations for NGL Supply do not include these acquired operations.

NGL Supply's historical consolidated financial statements include U.S. federal and state income tax expense. Because we have elected to be treated as a partnership for tax purposes, we are not subject to U.S. federal income tax and certain state income taxes.

After completion of this offering, we anticipate incurring incremental general and administrative expenses of approximately \$1.0 million annually that are attributable to operating as a publicly traded partnership. These expenses will include 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. These incremental general and administrative expenses are not reflected in the historical consolidated financial statements of NGL Supply.

After we completed the formation transactions, and in accordance with GAAP, the financial statements of NGL Supply became our financial statements for all periods prior to October 1, 2010, the net equity (net book value) of NGL Supply became our equity and the net book value of all of the assets and liabilities of NGL Supply became the accounting basis for our assets and liabilities. We did not record any adjustments to the carryover basis of the assets and liabilities that we acquired from NGL Supply. Consequently, we believe that, other than the impact of the acquisition of Hicksgas (as discussed in the following paragraph), our operations for periods prior to October 1, 2010 would have been comparable to the historical results of operations of NGL Supply.

In connection with our formation transactions, we also acquired the retail propane operations of Hicksgas. This acquisition was accounted for as a business combination, and the assets acquired and liabilities assumed were recorded in our consolidated financial statements at acquisition date fair value. Please see our unaudited pro forma condensed consolidated financial statements, including the unaudited pro forma condensed consolidated statement of operations for the nine months ended December 31, 2010, included elsewhere in this prospectus for additional information related to the acquisition of Hicksgas. In connection with the pro forma presentation of our acquisition of Hicksgas, we made adjustments to the historical results of operations for Hicksgas that consisted primarily of additional depreciation and amortization expense to reflect the increased valuation of the assets that we acquired from Hicksgas. However, we did not make any similar asset or liability basis pro forma adjustments for the formation transactions involving NGL Supply.

In order to present the most meaningful and complete discussion of our results of operations for the nine months ended December 31, 2010, we present our results of operations for the three months ended December 31, 2010 and the results of NGL Supply for the six months ended September 30, 2010 as compared to the results of operations of NGL Supply for the nine months ended December 31, 2009. For our retail propane segment results of operations, our presentation also separately identifies the amount of the change between these periods that is attributable to our acquisition of Hicksgas, which is included in our results of operations for the three months ended December 31, 2010 but not in the historical results of operations of NGL Supply, and the amount of the change that is attributable to the

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rest of our retail propane operations. We believe that this presentation allows for a reasonable comparison of our continuing results of operations versus the historical results of operations of NGL Supply.

Volumes Sold or Throughput

The following table summarizes the volume of gallons sold by our retail propane and wholesale supply and marketing segments and the throughput volume for our midstream segment for the periods indicated:

Segment	NGL Energy Partners LP Three Months Ended December 31, 2010	Predecessor Six Months Ended September 30, 2010	Predecessor Nine Months Ended December 31, 2009	Changes Resulting From		
				Acquisition of Hicksgas	Change in Pre-Existing Business Volume Percentage	
(gallons in thousands)						
Retail propane	14,676	3,747	8,625	10,795	(997)	(11.6)%
Wholesale supply and marketing	218,254	258,430	442,256		34,428	7.8%
Midstream	50,451	43,704	108,527		(14,372)	(13.2)%
Total	283,381	305,881	559,408	10,795	19,059	3.4%

The decrease of 1.0 million gallons of retail propane sales is due to a decrease in demand for propane to be used for tobacco drying and other agricultural purposes and the effects of conservation resulting from propane price increases. In addition, on a heating degree day basis, it was 39% colder in Georgia and 17% warmer in Kansas during the nine months ended December 31, 2010 as compared to the comparable period in 2009 which, because our sales volumes are greater in Kansas than in Georgia, resulted in an overall decrease in volumes sold during the period.

The increase of 34.4 million gallons of wholesale sales is due to additional term supply contracts during the nine months ended December 31, 2010 which generated more sales in storage as compared to the same time period in 2009.

The decrease of 14.4 million gallons of terminal throughput is due to a decrease in demand for use in crop drying as there was a significant decrease in crop drying during the period ended December 31, 2010 as compared to the comparable period in 2009.

Operating Income by Segment

Our operating income (loss) by segment is as follows for the periods indicated:

Segment	NGL Energy Partners LP		Predecessor	
	Three Months Ended December 31, 2010	Six Months Ended September 30, 2010	Six Months Ended September 30, 2010	Nine Months Ended December 31, 2009
(in thousands)				
Retail propane	\$ 1,517	\$ (2,569)	\$ (2,569)	\$ (1,088)
Wholesale supply and marketing	6,443	567	567	6,118
Midstream	794	298	298	1,628
Corporate general and administrative expenses	(1,533)	(2,091)	(2,091)	(1,333)

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Total	\$	7,221	\$	(3,795)	\$	5,325
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Corporate general and administrative expenses during the periods ended December 31, 2010 and September 30, 2010 are impacted by costs of \$2.1 million related to the combination transactions including the acquisition of Hicksgas. GAAP requires that all costs of this nature are expensed as incurred.

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The following table compares the operating results of our retail propane segment for the periods indicated:

	NGL Energy Partners LP		Predecessor		Changes Resulting From	
	Three Months Ended December 31, 2010	Six Months Ended September 30, 2010	Nine Months Ended December 31, 2009	Acquisition of Hicksgas	Change in Pre-Existing Business	
	(in thousands)					
Propane sales	\$ 27,810	\$ 6,128	\$ 13,262	\$ 20,863	\$ (187)	
Service and rental income	1,504	484	898	1,110	(20)	
Parts and fittings sales	2,348	256	462	2,148	(6)	
Cost of sales	(20,697)	(4,749)	(8,553)	(15,567)	(1,326)	
Gross margin	10,965	2,119	6,069	8,554	(1,539)	
Operating expenses	7,363	3,330	5,054	5,603	36	
General and administrative expenses	650	488	799	371	(32)	
Depreciation and amortization	1,435	870	1,304	998	3	
Segment operating income	\$ 1,517	\$ (2,569)	\$ (1,088)	\$ 1,582	\$ (1,546)	

Revenues. For the combined nine months ended December 31, 2010, propane sales increased a total of \$20.7 million as compared to total propane sales of \$13.3 million for the nine months ended December 31, 2009 due to the impact of the acquisition of Hicksgas. Hicksgas had total propane sales of \$20.9 million for the three months ended December 31, 2010 through sales of 10.8 million gallons at an average sales price of \$1.71 per gallon. Excluding the impact of the operations of Hicksgas, total propane sales for the nine months ended December 31, 2010 decreased approximately \$0.2 million as compared to the same period in 2009. This decrease is due to a decrease of approximately 1.0 million gallons offset by an increase in the average sales price from \$1.71 in the nine months ended December 31, 2010 compared to \$1.54 for the same period in 2009. The \$0.2 million decrease in propane sales consisted of a decrease from reduced volumes of \$1.7 million offset by an increase from the increase in price of \$1.5 million.

The increase in other retail propane segment revenues during the nine months ended December 31, 2010 as compared to the same period in 2009 is due to the impact of the acquisition of Hicksgas.

Cost of Sales. Cost of sales of the retail propane segment increased \$16.9 million during the nine months ended December 31, 2010 as compared to total cost of sales of \$8.6 million during the same period in 2009. This increase is due primarily to an increase in the cost of propane sales of \$15.0 million during the nine months ended December 31, 2010 as compared to the same period in 2009. This increase in cost of propane sales is due primarily to the impact of the acquisition of Hicksgas. Hicksgas had total cost of propane sales of \$13.7 million during the three months ended December 31, 2010 resulting from sales of 10.8 million gallons at an average cost of \$1.27 per gallon. Excluding the impact of the operations of Hicksgas, total propane cost of sales increased \$1.2 million during the nine months ended December 31, 2010 as compared to the same period in 2009. This increase is due to the increased cost of propane sales of \$2.5 million resulting from an increase in the average cost of propane per gallon offset by a decrease in cost of propane sales of \$1.3 million resulting from the decrease in sales of 1.0 million gallons. The average cost of propane sales per gallon, excluding the impact of the Hicksgas acquisition, increased to \$1.24 per gallon during the nine months ended December 31, 2010 as compared to \$0.96 per gallon during the same period in 2009. This increase is due to the overall increase in the spot price of propane during the period.

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Cost of sales from other retail propane segment operations increased \$1.9 million during the nine months ended December 31, 2010 as compared to the same period in 2009 due to the impact of the acquisition of the operations of Hicksgas.

Gross Margin. The retail propane segment gross margin increased \$7.0 million during the nine months ended December 31, 2010 as compared to total gross margin of \$6.1 million during the nine months ended December 31, 2009. This increase is due to an increase in gross margin of \$8.6 million during the three months ended December 31, 2010 resulting from the acquisition of Hicksgas. Excluding the impact resulting from the Hicksgas acquisition, retail propane segment gross margin decreased \$1.5 million during the nine months ended December 31, 2010 as compared to the same period in 2009, primarily due to a decrease in gross margin from propane sales of \$1.4 million during the period. During the nine months ended December 31, 2010, gross margin per gallon of propane sold, excluding the impact of Hicksgas, decreased to \$0.47 per gallon, as compared to \$0.58 per gallon during the same period in 2009. This decrease in gross margin per gallon resulted in a decrease in gross margin from propane sales of \$0.9 million. The decrease in volumes sold resulted in a decrease in gross margin of \$0.5 million. The decrease in gross margin per gallon was due primarily to an inability to pass on fully the propane cost increases during the period due to competitive market pressures.

Operating Income. The change in the pre-existing retail propane segment operations was a segment operating loss of \$1.5 million resulting from the decrease in the gross margin from propane sales as discussed above.

Wholesale Supply and Marketing

The following table compares the operating results of our wholesale supply and marketing segment for the periods indicated:

	NGL Energy Partners LP		Predecessor		Change in Pre-Existing Business
	Three Months Ended December 31, 2010	Six Months Ended September 30, 2010	Nine Months Ended December 31, 2009	Change in Pre-Existing Business	
	(in thousands)				
Wholesale supply sales	\$ 285,508	\$ 315,364	\$ 430,098	\$ 170,774	
Storage revenues	722	959	1,978	(297)	
Cost of sales	(278,589)	(313,259)	(422,802)	(169,046)	
Gross margin	7,641	3,064	9,274	1,431	
Operating expenses	931	1,859	2,170	620	
General and administrative expenses	217	540	729	28	
Depreciation and amortization	50	98	257	(109)	
Segment operating income	\$ 6,443	\$ 567	\$ 6,118	\$ 892	

Revenues. Wholesale supply and marketing sales revenues for the combined nine months ended December 31, 2010 increased \$170.8 million as compared to total sales of \$430.1 million during the same period in 2009. This increase is due to an increase of \$43.4 million resulting from the increase in wholesale sales volumes of 34.4 million gallons and an increase of \$127.4 million resulting from an increase in average wholesale sales prices to \$1.26 per gallon during the nine months ended December 31, 2010 as compared to \$0.97 per gallon during the same period in 2009. The increase in average sales prices is due to the overall increase in the spot price of propane during the period.

Storage revenues decreased \$0.3 million during the nine months ended December 31, 2010 as compared to storage revenues of \$2.0 million during the nine months ended December 31, 2009. This

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decrease in storage revenues is due to a decrease in volumes stored by certain of our regional cooperative customers.

Cost of Sales. The wholesale cost of sales during the combined nine months ended December 31, 2010 increased \$169.0 million as compared to wholesale cost of sales of \$422.8 million during the nine months ended December 31, 2009. This increase is due to an increase of \$42.7 million resulting from the increase in volumes sold during the nine months ended December 31, 2010 as compared to the same period in 2009 and an increase of \$126.3 million resulting from an increase in the average cost of propane during the period. During the nine months ended December 31, 2010, the average cost of propane per gallon sold was \$1.24 per gallon compared to \$0.96 per gallon during the nine months ended December 31, 2009. The increase cost is due to the overall increase in the spot price of propane during the period.

Gross Margin. Our wholesale supply and marketing segment gross margin during the combined nine months ended December 31, 2010 increased \$1.4 million as compared to the gross margin of \$9.3 million during the nine months ended December 31, 2009. This increase was due to an increase in gross margin of \$1.7 million resulting from the increase in volumes sold during the period, offset by a reduction of \$0.3 million from the decrease in storage revenues during the period. Our gross margin on wholesale sales of propane and other natural gas liquids averaged \$0.02 per gallon during both the nine months ended December 31, 2010 and the comparable period in 2009.

Operating Expenses. Operating expenses of the wholesale supply and marketing segment during the combined nine months ended December 31, 2010 increased \$0.6 million as compared to operating expenses of \$2.2 million during the nine months ended December 31, 2009. This increase is due primarily to an increase in employee compensation and insurance costs resulting from an increase in number of employees and an increase in the utilization of consultants. In addition, our storage costs increased as a result of storage rate increases.

Depreciation and Amortization. Depreciation expense of the wholesale supply and marketing segment during the combined nine months ended December 31, 2010 decreased \$0.1 million as compared to depreciation expense of \$0.3 million during the nine months ended December 31, 2009. This decrease is due primarily to the impact of an insignificant change in estimate recorded during the nine months ended December 31, 2009.

Operating Income. Segment operating income of the wholesale supply and marketing segment for the combined nine months ended December 31, 2010 increased \$0.9 million as compared to segment operating income of \$6.1 million for the nine months ended December 31, 2009. This increase is due to the increased gross margin from wholesale sales of propane and other natural gas liquids of \$1.7 million during the nine months ended December 31, 2010 as compared to the same period in 2009, offset by the increase in operating expenses of \$0.6 million during the period.

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The following table compares the operating results of our midstream segment for the periods indicated:

	NGL Energy Partners LP		Predecessor		
	Three Months Ended December 31, 2010	Six Months Ended September 30, 2010	Nine Months Ended December 31, 2009		Change in Pre-Existing Business
	(in thousands)				
Operating revenues	\$ 1,211	\$ 1,046	\$ 2,623		\$ (366)
Cost of sales	(153)	(194)	(317)		(30)
Gross margin	1,058	852	2,306		(396)
Other operating expenses	36	42	51		27
General and administrative expenses	17	91	2		106
Depreciation and amortization	211	421	625		7
Segment operating income	\$ 794	\$ 298	\$ 1,628		\$ (536)

Revenues. Operating revenues of the midstream segment for the combined nine months ended December 31, 2010 decreased \$0.4 million as compared to operating revenues of \$2.6 million during the nine months ended December 31, 2009. This decrease in operating revenues is due to the reduced volume of throughput at our terminals of 14.4 million gallons during the nine months ended December 31, 2010 as compared to the same period in 2009.

Gross Margin. Our midstream segment gross margin for the combined nine months ended December 31, 2010 decreased \$0.4 million as compared to gross margin of \$2.3 million during the nine months ended December 31, 2009. This decrease is due to the decrease in operating revenues during the period resulting from a decrease in throughput volume as discussed above.

General and Administrative Expenses. General and administrative expenses of the midstream segment for the combined nine months ended December 31, 2010 increased \$0.1 million as compared to general and administrative expenses of \$2,000 during the nine months ended December 31, 2009. This decrease is due to a decrease in foreign currency transaction gains related to our Gateway terminal operations of approximately \$74,000.

Operating Income. Our midstream segment operating income decreased \$0.5 million during the combined nine months ended December 31, 2010 as compared to segment operating income of \$1.6 million during the nine months ended December 31, 2009. This decrease in segment operating income is due to the combined effect of the decrease in gross margin of \$0.4 million resulting from the reduction in throughput volumes and the increase of \$0.1 million in general and administrative expenses.

Seasonality

Seasonality impacts all of our segments, but the most significant impact is on our retail propane segment. A large portion of our retail propane operation is in the residential market where propane is used primarily for heating. During the three-year period ended March 31, 2010, approximately 75% of our retail propane volume was sold during the peak heating season from October through March. Consequently, sales, operating profits and positive operating cash flows are generated mostly in the third and fourth quarters of each fiscal year. We have historically realized operating losses and negative operating cash flows during our first and second fiscal quarters. See "Liquidity, Sources of Capital and Capital Resource Activities - Cash Flows."

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Liquidity, Sources of Capital and Capital Resource Activities

Our principal sources of liquidity and capital are the cash flows from our operations and borrowings under our revolving credit facility. Our cash flows from operations are discussed below.

Our borrowing needs vary significantly during the year due to the seasonal nature of our business. Our greatest borrowing needs occur during the period of April through September, the periods when the cash flows from our retail and wholesale propane operations are reduced. Our needs also increase during those periods when we are building our physical propane inventories in anticipation of the heating season and to help us establish a fixed margin for a percentage of our wholesale and retail sales under fixed price sales agreements. Our borrowing needs decline during the period of October through March when the cash flows from our retail and wholesale propane operations are the greatest.

Under our partnership agreement, we are required to make distributions in an amount equal to all of our available cash, if any, no more than 45 days after the end of each fiscal quarter to holders of record on the applicable record dates. Available cash generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by our general partner in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of our business, debt principal and interest payments and for distributions to our unitholders during the next four quarters. Our general partner reviews the level of available cash on a quarterly basis based upon information provided by management.

Following this offering, we believe that our anticipated cash flows from operations and the borrowing capacity under our revolving credit facility will be sufficient to meet our liquidity needs for the next 12 months. If our plans or assumptions change or are inaccurate, or if we make acquisitions, we may need to raise additional capital. While global financial markets and economic conditions have been disrupted and volatile in the past, the conditions have improved recently. However, we cannot give any assurances that we can raise additional capital to meet these needs. Commitments or expenditures, if any, we may make toward any acquisition projects are at our discretion.

Revolving Credit Facility

On October 14, 2010, we and our subsidiaries entered into a \$180.0 million revolving credit facility. 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 borrowing base is determined in part by reference to certain trade position reports and mark-to-market reports delivered to the administrative agent and is subject to immediate adjustment for reductions in certain components of those reports. A reduction to the borrowing base could require us to repay indebtedness in excess of the 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.

Our revolving credit facility has a final maturity on October 14, 2014. In addition to customary mandatory prepayment restrictions, we must (i) once a year, between March 31 and September 30, prepay the outstanding working capital revolving loans and collateralize outstanding letters of credit in order to reduce the total working capital borrowings to less than \$10.0 million for 30 consecutive days and (ii) until this offering is complete, on or before October 14 each year, we must repay outstanding principal amounts of the acquisition revolving loans by at least \$7.5 million.

Borrowings under our revolving credit facility bear interest at designated interest rates depending on the computed "leverage ratio," which is the ratio of total indebtedness (as defined) at any determination date to consolidated EBITDA for the period of the four fiscal quarters most recently ended. Interest is payable quarterly. The initial interest rates vary at LIBOR plus 3% to 3.75% for any LIBOR borrowings and the bank's prime rate plus 2% to 2.75% for any base rate borrowings, in each case depending upon the leverage ratio. The interest rate increments will be adjusted upward by 0.25% in the event we have not completed a public or private equity offering of at least \$50.0 million prior to April 15, 2011.

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Our revolving credit facility contains various covenants limiting our ability to (subject to certain exceptions), among other things:

incur other indebtedness (other than permitted debt as defined in the credit facility);

grant or incur liens on our property;

create or incur any contingent obligations;

make investments, loans and acquisitions;

enter into a merger, consolidation or sale of assets;

change the nature of our business or change the name or place of our business;

pay dividends or make distributions if we are in default under the revolving credit facility or in excess of available cash; and

prepay, redeem, defease or otherwise acquire any permitted subordinated debt or make certain amendments to permitted subordinated debt.

Our revolving credit facility further indicates that our "leverage ratio" cannot exceed 4.25 to 1.0 at any quarter end. This limit will vary based on whether we complete a public or private equity offering. At December 31, 2010, our ratio of total funded debt to consolidated EBITDA was 3.15 to 1.0.

Our revolving credit facility includes customary events of default. At December 31, 2010, we were in compliance with all debt covenants to our credit facilities.

Cash Flows

The following summarizes the sources of our cash flows for the periods indicated:

	Predecessor			NGL Energy Partners LP		
	For the Year Ended			For the	Predecessor	
	2010	2009	2008	Three Months Ended	For the Six Months Ended	For the Nine Months Ended
Cash Flows Provided by (Used In):	2010	2009	2008	December 31,	September 30,	December 31,
	(in thousands)					
Operating activities, before changes in operating assets and liabilities	\$ 9,036	\$ 16,598	\$ 4,840	\$ 7,648	\$ (3,116)	\$ 6,430
Changes in operating assets and liabilities	(1,556)	5,861	(15,771)	(7,505)	(27,770)	(17,252)
Operating activities	\$ 7,480	\$ 22,459	\$ (10,931)	\$ 143	\$ (30,886)	\$ (10,822)
Investing activities						

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	(2,833)	(3,281)	(6,242)	(17,240)	174	(1,980)
Financing activities	(834)	(7,117)	12,283	18,885	10,457	(289)

Operating Activities. The seasonality of our retail propane business, and to an extent, our wholesale supply and marketing business, has a significant effect on our cash flows from operating activities. The changes in our operating assets and liabilities caused by the seasonality of our retail and wholesale propane business also have a significant impact on our net cash flows from operating activities, as is demonstrated in the table above. Increases in propane prices will tend to result in reduced operating cash flows due to the need to use more cash to fund increases in propane inventories, and propane price decreases tend to increase our operating cash flow due to lower cash requirements to fund increases in propane inventories.

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In general, our operating cash flows are greatest during our third and fourth fiscal quarters when our operating income levels are highest and customers pay for propane consumed during the heating season months. Conversely, our operating cash flows are generally at their lowest levels during our first and second fiscal quarters, or the six months ending September 30, when we are building our inventory levels for the upcoming heating season. We will generally borrow under our revolving credit facility to supplement our operating cash flows as necessary during our first and second quarters. The table above reflects the general trend in each of the periods with the exception of fiscal 2008. During that fiscal year, we experienced a decline in our operating cash flows that was due in a large part to the impact of the significant, and rapid, increase in propane prices during the period of October 2007 through February 2008, which resulted in a build-up of our receivables and inventory levels. Propane prices declined significantly during the period of August 2008 to December 2009, which resulted in a substantial improvement in our operating cash flows as a result of less cash requirements to fund changes in working capital, primarily accounts receivable and inventories. This resulted in a significant increase in our operating cash flows for fiscal 2009 and an improvement in our cash flows from operating activities during the nine months ended December 31, 2009 as compared to the combined operating cash flows during the nine months ended December 31, 2010.

Investing Activities. Our cash flows from investing activities are primarily impacted by our capital expenditures. In periods where we are engaged in significant acquisitions, such as during each of our fiscal years 2008 through 2010, the nine months ended December 31, 2009, and the three months ended December 31, 2010, we will generally realize negative cash flows in investing activities, which, depending on our cash flows from operating activities, may require us to increase the borrowings under our revolving credit facility, such as during fiscal 2008 and during the three months ended December 31, 2010 and the six months ended September 30, 2010. However, we were able to reduce our net borrowings during fiscal 2009 because of the significant increase in our operating cash flows.

Financing Activities. Changes in our cash flow from financing activities historically have been due to advances from and repayments of our revolving credit facility, either to fund our operating or investing requirements. In periods where our cash flows from operating activities are reduced (such as during our first and second quarters), we fund the cash flow deficits through our revolving credit facility. Cash flows required by our investing activities in excess of cash available through our operating activities have historically been funded by our acquisition credit facility. In the table above, we had positive cash flows from financing activities due to the increase in our debt levels to fund our negative cash flows from operating activities during fiscal 2008 and during the three months ended December 31, 2010 and the six months ended September 30, 2010. We were able to reduce our debt levels during fiscal 2009 due to the substantial increase in our operating cash flows.

With the exception of the six months ended September 30, 2010 and the three months ended December 31, 2010, our financing cash flows to fund distributions to our shareholders were not substantial. We made distributions to our preferred stockholder each year as required. We made a \$7.0 million distribution to the owners of our common stock during the six months ended September 30, 2010 in advance of our formation transactions. We made a distribution of \$40.0 million to the shareholders of NGL Supply during the three months ended December 31, 2010. Such distributions and the negative cash flows realized from our operating activities for such time period required us to increase our borrowings under our revolving credit facility. We expect our distributions to owners to increase in future periods under the terms of our partnership agreement. To the extent our cash flows from operating activities are not sufficient to finance our required distributions, we may be required to increase the borrowings under our revolving credit facility.

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Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2010 for the remainder of our fiscal year ending March 31, 2011 and our fiscal years ending thereafter:

	Total	For the Years Ending March 31,				After March 31, 2014
		2011	2012	2013	2014	
(in thousands)						
Debt principal payments						
Acquisition advances(1)	\$ 68,000	\$	\$	\$	\$	\$ 68,000
Working capital advances(2)	8,500		8,500			
Other long-term debt	1,372		830	452	90	
Scheduled interest payments on acquisition facility(1)						
Capital lease obligations	14,818	978	3,910	3,910	3,910	2,110
Standby letters of credit(3)	551	32	129	130	130	130
Future estimated payments under terminal operating agreements	14,704	14,704				
Storage leases	2,340	132	368	368	368	1,104
Future minimum lease payments under other noncancelable operating leases	541	108	433			
Fixed price commodity purchase commitments(4)	2,073	168	654	654	597	
Index priced commodity purchase commitments(4)(5)	55,626	42,950	12,676			
	122,449	63,779	58,670			
Total contractual obligations	\$ 290,974	\$ 122,851	\$ 86,170	\$ 5,514	\$ 5,095	\$ 71,344
Gallons under fixed-price commitments	46,071	34,731	11,340			
Gallons under index-price commitments	97,755	46,744	51,011			

- (1) The scheduled estimated principal and interest payments on our revolving credit facility are based on the terms of the agreement and on our average interest rate of 5.75% at December 31, 2010. Under the terms of our revolving credit facility, if we have not completed an equity offering prior thereto, beginning in October 2011, we will be required to make annual payments of \$7.5 million on our acquisition facility borrowings and will be subject to an increase in interest rates. See Note 7 to our unaudited condensed consolidated financial statements as of December 31, 2010 included elsewhere herein.
- (2) Once each year, between March 31 and September 30, we are required to prepay borrowings under our working capital facility to reduce the outstanding borrowings to less than \$10.0 million for 30 consecutive days. At December 31, 2010, we had working capital borrowings of \$18.5 million at an interest rate of 5.75%.
- (3) Includes \$14.0 million of letters of credit which settled in January 2011.
- (4) At December 31, 2010, we had fixed priced and index priced sales contracts for approximately 72.6 million and 4.3 million gallons of propane, respectively.
- (5) Index prices are based on a forward price curve as of December 31, 2010. A theoretical change of \$0.10 per gallon in the underlying commodity price at December 31, 2010 would result in a change of approximately \$9.8 million in the value of our index-based purchase commitments.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are expected to have an impact on our financial condition or results of operations other than the operating leases we have executed.

Environmental Legislation

Please see "Business Government Regulation Greenhouse Gas Regulation" for a discussion of proposed environmental legislation and regulations that, if enacted, could result in increased compliance and operating costs. However, at this time we cannot predict the structure or outcome of any future legislation or regulations or the eventual cost we could incur in compliance.

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Recent Accounting Pronouncements

FASB Accounting Standards Codification Subtopic 260-10, or ASC 260-10, originally issued as FSP EITF Issue No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities," was ratified in June 2008 and applies to the calculation of earnings per share. ASC 260-10 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. We adopted ASC 260-10 in our fiscal year 2010. The adoption of ASC 260-10 did not have a significant impact on our earnings per share calculation since we did not have any share-based compensation awards that represented "participating securities."

Critical Accounting Policies

The preparation of financial statements and related disclosures in compliance with GAAP requires the selection and application of appropriate accounting principles to the relevant facts and circumstances of the Partnership's operations and the use of estimates made by management. We have identified the following critical accounting policies that are most important to the portrayal of our financial condition and results of operations. Changes in these policies could have a material effect on the financial statements. The application of these accounting policies necessarily requires our most subjective or complex judgments regarding estimates and projected outcomes of future events which could have a material impact on the financial statements.

Revenue Recognition

Sales of propane and other natural gas liquids in our retail propane and wholesale supply and marketing operations are recognized at the time product is shipped or delivered to the customer. Revenue from the sale of propane fittings and parts is recognized at the later of the time of sale or installation. Propane service revenues are recognized upon completion of the service. Tank rental revenues are recognized over the period of the rental. Storage revenue is recognized during the period in which storage services are provided. Terminal operating revenues are recorded at the point of product throughput.

Impairment of Goodwill and Long-Lived Assets

Goodwill is subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so.

We perform our annual assessment of impairment during the fourth quarter of our fiscal year, and more frequently if circumstances warrant. We completed the valuation of each of our reporting units and determined no impairment existed as of March 31, 2010. The valuation of our reporting units requires us to make certain assumptions as relates to future operations. When evaluating operating performance, various factors are considered such as current and changing economic conditions and the commodity price environment, among others. If the growth assumptions embodied in the current year impairment testing prove inaccurate, we could incur an impairment charge. A 57% decrease in the estimated future cash flows and a 12% increase in the discount rate used in our impairment analysis would not have indicated a potential impairment of any of our intangible assets. To date, we have not recognized any impairment on assets we have acquired.

Asset Retirement Obligation

We are required to recognize the fair value of a liability for an asset retirement obligation when it is incurred (generally in the period in which we acquire, construct or install an asset) if a reasonable estimate of fair value can be made. If a reasonable estimate cannot be made in the period the asset

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retirement obligation is incurred, the liability should be recognized when a reasonable estimate of fair value can be made.

In order to determine fair value of such liability, we must make certain estimates and assumptions including, among other things, projected cash flows, a credit-adjusted risk-free interest rate and an assessment of market conditions that could significantly impact the estimated fair value of the asset retirement obligation. These estimates and assumptions are very subjective and can vary over time.

We have determined that we are obligated by contractual or regulatory requirements to remove certain of our assets or perform other remediation of the sites where such assets are located upon the retirement of those assets. However, the fair value of our asset retirement obligation cannot currently be reasonably estimated because the settlement dates are indeterminate. We will record an asset retirement obligation in the periods in which we can reasonably determine the settlement dates.

Depreciation Methods and Estimated Useful Lives of Property, Plant and Equipment

Depreciation expense represents the systematic and rational write-off of the cost of our property and equipment, net of residual or salvage value (if any), to the results of operations for the quarterly and annual periods the assets are used. We depreciate the majority of our property and equipment using the straight-line method, which results in our recording depreciation expense evenly over the estimated life of the individual asset. The estimate of depreciation expense requires us to make assumptions regarding the useful economic lives and residual values of our assets. At the time we acquire and place our property and equipment in service, we develop assumptions about such lives and residual values that we believe are reasonable; however, circumstances may develop that could require us to change these assumptions in future periods, which would change our depreciation expense amounts prospectively. Examples of such circumstances include changes in laws and regulations that limit the estimated economic life of an asset; changes in technology that render an asset obsolete; or changes in expected salvage values.

The net book value of NGL Supply's property, plant and equipment was \$28.7 million and \$27.8 million at March 31, 2010 and 2009, respectively, and \$27.9 million at September 30, 2010. The net book value of our property, plant and equipment was \$63.0 million at December 31, 2010. We recorded depreciation expense of \$2.2 million, \$1.8 million and \$1.4 million for the years ended March 31, 2010, 2009 and 2008, respectively, \$1.4 million for the three months ended December 31, 2010, \$1.0 million for the six months ended September 30, 2010 and \$1.6 million for the nine months ended December 31, 2009.

For additional information regarding our property and equipment, see Notes 2 and 6 of the Notes to Consolidated Financial Statements for our March 31, 2010 consolidated financial statements and Note 5 of our December 31, 2010 consolidated financial statements included elsewhere in this prospectus.

Business Combinations

We have made in the past, and expect to make in the future, acquisitions of other businesses. In accordance with generally accepted accounting principles for business combinations, we recorded business combinations using a method known as the "acquisition method" in which the various assets acquired and liabilities assumed are recorded at their estimated fair value. Fair values of assets acquired and liabilities assumed are based upon available information and may involve us engaging an independent third party to perform an appraisal. Estimating fair values can be complex and subject to significant business judgment. We must also identify and include in the allocation all tangible and intangible assets acquired that meet certain criteria, including assets that were not previously recorded by the acquired entity. The estimates most commonly involve property and equipment and intangible assets, including those with indefinite lives. The excess of purchase price over the fair value of acquired assets is recorded as goodwill which is not amortized but reviewed annually for impairment. Generally, we

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have, if necessary, up to one year from the acquisition date to finalize the purchase price allocation. The impact of subsequent changes to the identification of assets and liabilities may require a retroactive adjustment to previously reported financial position and results of operations.

Inventory

Our inventory consists primarily of propane inventory we hold in storage facilities or in various common carrier pipelines. We value our inventory at the lower of cost or market, and our cost is determined based on the weighted average cost method. There may be periods during our fiscal year where the market price for propane on a per gallon basis would be less than our average cost. However, the accounting guidelines do not require us to record a writedown of our inventory at an interim period if we believe that the market values will recover by our year end of March 31. Propane prices fluctuate year to year, and during the interim periods within a year. Historically, the market prices as of March 31 have been in excess of our average cost. At March 31, 2009, however, due to the significant volatility of the propane market during fiscal 2008 and 2009, the market price per gallon was substantially less than the recorded average cost per gallon. As a result, we were required to record a writedown of our inventory, and such writedown was approximately \$5.4 million, compared to a writedown we recorded at March 31, 2010 of \$321,000. We are unable to control changes in the market value of propane and are unable to determine whether writedowns will be required in future periods. In addition, writedowns at interim periods could be required if we cannot conclude that market values will recover sufficiently by our year end.

Product Exchanges

In our wholesale supply and marketing business, we frequently have exchange transactions with suppliers or customers in which we will deliver product volumes to them, or receive product volumes from them to be delivered back to us or from us in future periods, generally in the short-term (referred to as "product exchanges"). The settlements of exchange volumes are generally done through in-kind arrangements whereby settlement volumes are delivered at no cost, with the exception of location differentials. Such in-kind deliveries are ongoing and can take place over several months. We estimate the value of our current product exchange assets and liabilities using period end spot market prices plus or minus location differentials, which we believe represents the value of the exchange volumes at such date. Changes in product prices could impact our estimates.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

As of December 31, 2010, substantially all of our long-term debt is variable-rate debt. Changes in interest rates impact the interest payments of our variable-rate debt but generally do not impact the fair value of the liability. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows.

Our revolving credit facility is variable-rate debt with interest rates that are generally indexed to bank prime or LIBOR interest rates. As of December 31, 2010, we have outstanding borrowings of approximately \$68.0 million of acquisition advances under our revolving credit facility at an average interest rate of 5.75%, and \$18.5 million of working capital advances at an average interest rate of 5.75%. A change in interest rates of 0.125% would result in an increase or decrease of our annual interest expense of approximately \$108,000.

We have entered into two interest rate swap agreements to hedge the risk of interest rate fluctuations on our long term debt. These agreements convert a portion of our revolving credit facility floating rate debt into fixed rate debt on notional amounts of \$4.0 million and \$8.5 million and end on March 14, 2011 and June 30, 2013, respectively. The notional amounts of derivative instruments do not represent actual amounts exchanged between the parties, but instead represent amounts on which the contracts

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are based. The floating interest rate payments under these swaps are based on three-month LIBOR rates. We do not account for these agreements as hedges. At December 31, 2010, the fair value of these hedges was a liability of approximately \$0.4 million and is recorded as accrued liabilities in our consolidated balance sheet.

Commodity Price and Credit Risk

Our operations are subject to certain business risks, including commodity price risk and credit risk. Commodity price risk is the risk that the market value of propane and other natural gas liquids will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers or financial counterparties to a contract.

We take an active role in managing and controlling commodity price and credit risks and have established control procedures, which we review on an ongoing basis. We monitor commodity price risk through a variety of techniques, including daily reporting of price changes to senior management. We attempt to minimize credit risk exposure through credit policies and periodic monitoring procedures as well as through customer deposits, restrictions on propane liftings, letters of credit and entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate. The principal counterparties associated with our operations as of March 31, 2010 and 2009 and December 31, 2010 were propane retailers, resellers, energy marketers, producers, refiners and dealers.

The propane industry is a "margin-based" and "cost-plus" business in which gross profits depend on the differential of sales prices over supply costs. As a result, our profitability will be sensitive to changes in wholesale prices of propane caused by changes in supply or other market conditions. When there are sudden and sharp increases in the wholesale cost of propane, we may not be able to pass on these increases to our customers through retail or wholesale prices. Propane is a commodity and the price we pay for it can fluctuate significantly in response to supply or other market conditions. We have no control over supply or market conditions. In addition, the timing of cost increases can significantly affect our realized margins. 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.

We have engaged in derivative financial and other risk management transactions in the past, including various types of forward contracts, options, swaps and future contracts, to reduce the effect of price volatility on our product costs, protect the value of our inventory positions and to help ensure the availability of propane during periods of short supply. We attempt to balance our contractual portfolio by purchasing volumes when we have a matching purchase commitment from our wholesale and retail customers. We may experience net unbalanced positions from time to time which we believe to be immaterial in amount. In addition to our ongoing policy to maintain a balanced position, for accounting purposes we are required, on an ongoing basis, to track and report the market value of our derivative portfolio.

Although we use derivative commodity instruments to reduce the market price risk associated with forecasted transactions, we have not accounted for such derivative commodity instruments as hedges. In addition, we do not use such derivative commodity instruments for speculative or trading purposes. As of December 31, 2010, the fair value of our unsettled commodity derivative instruments was a liability of approximately \$20,000. A hypothetical change of 10% in the market price of propane would result in a decrease in the fair value of such derivative commodity instruments of approximately \$200,000. We record the changes in fair value of these derivative commodity instruments as cost of sales of our wholesale supply and marketing segment.

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Fair Value

The fair value of our open financial derivative contracts related to commodity price risk as of March 31, 2010, was an asset of \$576,000 included in other current assets. The values of our open derivative commodity instruments and interest rate swap contracts at December 31, 2010 was a liability of \$20,000 and \$0.4 million, respectively. See Note 11 to our unaudited condensed financial statements as of December 31, 2010 included elsewhere in this prospectus for additional information.

We use observable market values for determining the fair value of our trading instruments. In cases where actively quoted prices are not available, other external sources are used which incorporate information about commodity prices in actively quoted markets, quoted prices in less active markets and other market fundamental analysis.

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INDUSTRY

Propane is a clean-burning energy source recognized for its transportability and ease of use relative to alternative stand-alone energy sources. Propane competes primarily with natural gas, electricity and fuel oil as an energy source principally on the basis of price, availability and portability.

Propane can be either a liquid or a gas, depending on temperature and pressure. At normal atmospheric pressure and temperature, propane is a non-toxic, colorless and odorless gas. Under moderate pressure, propane becomes a liquid that vaporizes into a clean-burning gas when released from storage. An odorant, most often ethyl mercaptan, is added to commercial grade propane so that it can be readily detected in the event of a leak.

Production

Propane is extracted from natural gas or oil wellhead gas at processing plants, separated from natural gas liquids at fractionation facilities or separated from crude oil during the refining process. About 90% of the propane that is consumed in the United States is produced at processing plants, fractionation facilities and refineries located in the United States. The remainder is imported, primarily from Canada via pipeline and rail car and from the North Sea, East Africa and the Middle East via ocean-going tanker.

Transportation and Storage

Propane is transported from processing plants, fractionation facilities and refineries by pipeline, rail car, truck or ship to terminals and storage facilities. The primary mode of transporting propane within the United States is through approximately 70,000 miles of interstate pipelines. The pipeline system is most developed along the East Coast and the corridors between producing areas and petrochemical consumers along the Gulf Coast and the agricultural and industrial consumers in the Midwest. The upper Midwest is also served by two pipelines from Canada. Other modes of transportation include approximately 22,000 rail cars, 6,000 bulk highway transport trucks, 18,000 local bulk delivery trucks, 60 inland waterway barges, and several ocean-going tankers. Propane is usually transported and stored in a liquid state under moderate pressure or refrigeration for ease of handling in shipping and distribution.

Terminal operators and wholesalers own, lease or have access to propane storage facilities that receive supplies via pipeline, rail car, truck or ship. Generally, propane storage inventories increase during the spring and summer months for delivery to customers during the fall and winter heating season when propane demand is typically at its peak.

There are three basic categories of storage for propane inventories: primary, secondary and tertiary. Primary storage consists of refinery, gas plant, pipeline and bulk terminal inventories held in propane storage facilities generally located near the major natural gas liquids production, processing and transportation hubs. These facilities usually consist of above-ground storage tanks, pressurized mines and underground salt caverns and are located primarily in Conway, Kansas and Mont Belvieu, Texas. Primary propane storage facilities are typically connected directly to major natural gas liquids pipelines and are capable of maintaining high delivery rates during peak demand periods.

Secondary storage consists primarily of large above-ground tanks with propane storage capacity ranging from 6,000 to 30,000 gallons located at propane retailers across the United States. Tertiary storage consists of small above-ground tanks that typically have propane storage capacity ranging from 100 to 1,000 gallons located mostly at the point of consumption at residences, commercial establishments and other end user locations.

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Distribution

Propane is supplied by wholesalers to retailers to be sold to various end users. At the direction of wholesalers, propane is transferred from a pipeline, rail car or marine terminal to customers' transport trucks or is stored in tanks located at propane terminals or in off-site storage facilities for future delivery to customers. Most propane terminals and storage facilities have a transport truck loading facility. Typically, retailers rely on independent trucking companies to pick up propane at the loading facility and transport it to secondary storage at the retailer's location. The capacity of transport trucks generally ranges from 9,500 to 12,500 gallons of propane.

Locally, propane retailers fill their bulk delivery trucks from their secondary storage. The capacity of bulk delivery trucks generally ranges from 2,400 to 3,500 gallons of propane. The bulk delivery trucks then deliver propane to above-ground storage tanks at customer residences, commercial establishments and other end user locations. Retail customers who use only small amounts of propane each year, such as for outdoor grills, bring small portable tanks to convenience and hardware stores to be filled or to be exchanged for full ones. Propane used for forklift motor fuel is stored in small portable tanks that can either be filled at the end-user's site or exchanged for full tanks at the retailer's facility.

The retail propane distribution industry is characterized by a large number of relatively small, independently owned and operated local retailers. Each year a significant number of these retailers sell their businesses for reasons that include, among others, retirement and estate planning. In addition, many small independent retailers choose to sell their companies rather than face the increasing governmental regulations and escalating capital requirements needed to replace fleet vehicles and acquire advanced, customer-oriented technologies used for routing, delivery forecasting and remote tank monitoring. Primarily as a result of these factors, as well as the fact that the retail propane industry is mature and overall demand for propane is not expected to grow, the industry is undergoing consolidation.

Demand and Seasonality

According to the U.S. Energy Information Administration, propane accounts for approximately 4% of energy consumption in the United States, a level that has remained relatively constant for the past two decades.

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Petrochemical Industry. The petrochemical industry uses propane as a raw material to make products such as plastic and nylon. However, because petrochemical industry consumers can use other raw materials in addition to propane to make these products, they usually switch to other commodities when the price of propane becomes uneconomical for their operations. As a result, propane usage by the petrochemical industry tends to rise during the summer when the price of propane is generally lower and tends to fall during the winter heating months when the price of propane is generally higher. Petrochemical demand for propane is also regional due to the high concentration of petrochemical plants in the Gulf Coast region.

Residential. Residential customers use propane primarily for space heating, water heating, cooking and operating propane-fueled appliances. Because many residential propane customers rely on propane as their primary heating fuel, residential propane usage is highly seasonal with the highest demand in the fall and winter months.

Agricultural. Agricultural customers use propane primarily for crop drying, tobacco curing, poultry brooding, heating livestock buildings, weed control, and as fuel for farm equipment and irrigation pumps. Crop drying accounts for the largest component of agricultural use of propane. Agricultural use of propane is primarily concentrated in the Midwest.

Commercial and Industrial. Commercial customers, such as restaurants, motels, laundries and commercial buildings, use propane in a variety of applications, including cooking, heating and drying. Industrial customers use propane primarily as engine fuel for forklifts and stationary engines, to fire furnaces, in mining operations and in other industrial applications. Propane usage by commercial and industrial customers is typically not seasonal.

Alternatives

Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. In locations served by natural gas, propane is generally more expensive on an equivalent BTU basis. Historically, the expansion of natural gas into traditional propane markets has been limited by the capital costs required to expand pipeline and distribution systems. Although propane distribution tends to be displaced in areas served by extensions of natural gas pipelines, new opportunities for propane sales arise as more remote rural homes and suburban neighborhoods are developed.

Propane is generally less expensive to use than electricity for space heating, water heating, clothes drying and cooking. Although propane is similar to fuel oil in certain heating 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. Propane is often favored over fuel oil because of its flexibility for use in the home for applications other than heating.

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BUSINESS

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. For the fiscal year ended March 31, 2010, on a combined pro forma basis:

we sold approximately 54 million gallons of propane to retail customers;

we sold approximately 356 million gallons of propane to third-party retailers, wholesalers and refiners, 248 million gallons of propane through ownership transfers of propane held in storage, 19 million gallons of propane to our retail propane business and 54 million gallons of other natural gas liquids (primarily butane and natural gasoline) to refiners; and

we transferred approximately 171 million gallons of propane to our midstream customers through our propane terminals.

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, also known as 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.

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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

We intend to pursue accretive acquisitions that will complement our existing vertically integrated propane business model as well as expand our operations into the natural gas midstream business. Because we are smaller than our publicly traded competitors, we believe that the acquisitions we make will be more accretive to us and have a greater impact on our cash available for distribution than would be the case for our competitors. Our acquisition strategy will focus on the following businesses and assets:

Retail propane. We intend to pursue acquisitions of retail propane operations on both coasts to mitigate weather risk and in the upper Midwest where we can integrate assets into our current operations. We will target retail propane businesses with high tank ownership, a high percentage of sales to residential customers and an excellent reputation for customer service and reliability. We anticipate maintaining the trade names of companies we acquire and a local presence to minimize customer loss and enhance our position as an attractive buyer.

Wholesale supply and marketing. We intend to pursue acquisitions of propane distribution assets, including propane terminals, that will complement our wholesale supply and marketing business. Geographically, we intend to focus on the Midwest but we will also seek to expand into the Northeast and other areas of the United States. Propane storage assets outside of the major propane hubs will also be of interest to us.

Midstream. We intend to pursue acquisitions of natural gas midstream businesses as we seek to expand beyond our existing propane terminal operations, which make up our midstream business today. We intend to acquire natural gas transportation pipelines and gathering and processing assets that have limited sensitivity to commodity prices. These assets could be located throughout the United States, and we are not limiting ourselves to the areas in which we currently operate.

Pursue Organic Growth

We intend to enhance the cash flows of our existing and acquired businesses by pursuing opportunities to grow volumes and margins as well as by investing in new assets that will enhance our operations with an attractive rate of return. Accretive organic growth opportunities often originate from acquisitions of midstream and, to a lesser extent, wholesale supply and marketing assets that are not optimally utilized or operated. We will also focus on expanding our supply and marketing of other natural gas liquids.

Focus on Consistent Annual Cash Flows

We will continue adding operations that generate fee-based, cost-plus or margin-based revenues. We believe that expanding our retail propane business with an emphasis on a high level of tank ownership, the majority of which are leased by residential customers, will result in high customer retention rates and consistent operating margins. In our wholesale supply and marketing business, we intend to focus on and increase the amount of pre-sale contracts. Pre-sale contracts improve cash flow by requiring customer deposits at the time of the sale, take advantage of our significant storage space and eliminate any commodity risk, while helping generate consistent cash flows. With respect to our midstream business, we intend to generate the majority of our revenues from fee-based services from terminals and acquired natural gas transportation pipelines and gathering and processing assets.

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Maintain a Disciplined Capital Structure

We intend to maintain a disciplined capital structure characterized by lower levels of financial leverage and a cash distribution policy that complements our acquisition and organic growth strategies. We intend to use internally generated cash flows to make distributions to our unitholders and excess internally generated cash flows plus proceeds from equity issuances to repay indebtedness, including amounts outstanding under our revolving credit facility. We intend to fund our acquisitions and organic growth strategies with indebtedness and issuances of additional partnership interests.

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

Our senior management team has, on average, approximately 27 years of experience in the propane and midstream energy industry, and our Chief Executive Officer, our Chief Financial Officer and our Vice President, Business Development have significant experience managing a publicly traded limited partnership and other publicly traded companies. While in previous senior management positions, our senior management team collectively acquired and successfully integrated more than 150 propane and midstream related businesses. In addition, our senior management team has developed strong business relationships with key industry participants throughout the United States. We believe that their knowledge of the industry, relationships within the industry and experience in identifying, evaluating and completing acquisitions will provide us with opportunities to grow through strategic and accretive acquisitions that complement or expand our existing operations. In addition, we believe we will benefit from our senior management team's experience in completing debt and equity financings and creating cash distribution policies that (i) are based on consistent, predictable annual cash flows and (ii) use excess cash to reduce debt with a prudent mix of additional equity issuances and debt to fund strategic acquisitions and organic growth.

Cash Flows from Our Vertically Integrated and Diversified Operations

Our vertically integrated and diversified operations help us generate more predictable cash flows on a year-to-year basis. Our retail propane business sources propane through our wholesale supply and marketing business, which allows us to take advantage of the expertise of our wholesale supply and marketing business to help improve our profitability and enhance our year-to-year cash flows. In addition, our high percentage of tank ownership, level payment billing, automatic delivery program and pre-sale program have resulted in a strong record of customer retention and help us better predict our cash flows. In our wholesale supply and marketing business we use cost-plus pricing, our significant storage space, our access to propane supply and marketing through seven common carrier pipelines, pre-sale arrangements with deposit requirements and back-to-back sales and supply contracts to help generate more stable year-to-year cash flows even in periods of fluctuating propane prices. Our midstream business generates consistent year-to-year cash flows from fee-based revenue and stable throughput volumes.

Our High Percentage of Retail Sales to Residential Customers

Our retail propane business concentrates on sales to residential customers. Residential customers are generally more stable purchasers of propane and generate higher margins than other customers. For the fiscal year ended March 31, 2010, sales to residential customers represented approximately 69% of our retail propane gallons sold. Although overall demand for propane is affected by weather and other factors, we believe that residential propane consumption is not materially affected by general economic conditions because the majority of residential customers consider home space heating to be an essential purchase. In addition, approximately 80% of our retail propane customers lease their propane tanks from us. Due to

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regulations in many states, a leased propane tank may only be refilled by the propane supplier that owns the tank. The inconvenience associated with switching tanks and suppliers reduce the likelihood that a customer will change suppliers and contributes to our high rate of retail customer retention.

Our Wholesale Supply and Marketing Business

Our wholesale supply and marketing business sold approximately 356 million gallons of propane to third-party retailers, wholesalers and refiners, 248 million gallons of propane through product transfers, 19 million gallons of propane to our retail propane business and 54 million gallons of other natural gas liquids (primarily butane and natural gasoline) to refiners on a combined pro forma basis for the fiscal year ended March 31, 2010. We have the reputation with our wholesale customers in the Midwest as a reliable supplier of competitively-priced propane for over 40 years. Our wholesale business provides us with a growing income stream as well as valuable market intelligence that helps identify potential acquisition opportunities. We currently purchase the majority of the propane sold in our retail propane business from our wholesale supply and marketing business, which provides our retail propane business with a stable and secure supply of propane. Our sales team markets propane out of terminals on seven common carrier pipeline systems, including site specific private terminals, rail and refinery keep-dry propane terminals throughout the Midwestern, Northeastern and Southeastern propane marketing regions.

Our Propane Terminals and Capacity on the Blue Line Pipeline

Our midstream business serves 120 customers through our three state-of-the-art propane terminals located in East St. Louis, Illinois; Jefferson City, Missouri; and St. Catharines, Ontario. We believe we are the primary terminal and wholesale supplier of propane to the retailer and consumer market in an area surrounding our terminals. Our propane terminals in Illinois and Missouri are connected to the Blue Line pipeline. We have the right to utilize ConocoPhillips' capacity as a shipper on the Blue Line pipeline during the typical heating season from September 15 through March 15. 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. When some common carrier pipelines allocate propane terminal deliveries among shippers during periods of extreme demand, our right to use ConocoPhillips' capacity as a shipper on the Blue Line pipeline is advantageous because we can handle demand from customers who are on allocation at our competitors' terminals. This provides us with additional margins for our wholesale supply and marketing business and throughput gains for our propane terminals in our midstream business during brief periods of propane supply interruption.

Our History

In October 2010, we acquired and combined the assets and operations of NGL Supply and Hicksgas to create a vertically-integrated propane and other natural gas liquids business, consisting of retail propane, wholesale supply and marketing and midstream.

NGL Supply was founded in 1967 as a wholesale propane supply and marketing company. In 2002, NGL Supply expanded into the midstream propane sector by purchasing ConocoPhillips's propane loading and storage assets at terminals located in Jefferson City, Missouri and East St. Louis, Illinois as part of an asset divestiture required by the U.S. Federal Trade Commission in connection with the merger of Conoco Inc. and Phillips Petroleum Company. NGL Supply also entered into a related lease agreement with ConocoPhillips for propane storage space in Borger, Texas. In 2003, NGL Supply completed construction of an additional propane terminal in St. Catharines, Ontario.

Between 2007 and 2010, NGL Supply expanded its business into the retail propane industry by completing nine retail propane acquisitions. As a result of these acquisitions, NGL Supply entered into the retail propane market in Georgia and Kansas and added approximately 16 million gallons annually of retail propane sales to its business.

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Hicksgas was founded in 1940 as a retail propane company. From its first location in east central Illinois, the company steadily expanded through organic growth and by making numerous acquisitions. Since 1992, Hicksgas has completed 25 retail propane acquisitions, which added approximately 14 million gallons annually of retail propane sales to its business. Hicksgas' market area covers most of the northern two-thirds of Illinois and the northwestern quarter of Indiana. Total annual retail propane volume for Hicksgas' 32 customer service centers is approximately 38 million gallons.

Our Operating Segments***Retail Propane***

Overview. 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 purchase the majority of the propane sold in our retail propane business from our wholesale supply and marketing business, which provides our retail propane business with a stable and secure supply of propane.

Operations. We market retail propane in Georgia, Illinois, Indiana and Kansas through our customer service locations using the Hicksgas, Propane Central and Brantley Gas regional brand names. We sell propane primarily in rural areas, but we also have a number of customers in suburban areas where energy alternatives to propane such as natural gas are not generally available. 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. Our customer service locations are staffed and operated to service a defined geographic market area and typically include a business office, product showroom and secondary propane storage. Our bulk delivery trucks refill their propane supply at our satellite distribution locations, which are unmanned above-ground storage tanks, allowing our customer service centers to serve an extended market area.

Our customer service locations in Illinois and Indiana also rent approximately 16,000 water softeners and filters, primarily to residential customers in rural areas to treat well water or other problem water. We sell water conditioning equipment and treatment supplies as well. Although the water conditioning portion of our retail propane business is small, it generates steady year round revenues. The customer bases in Illinois and Indiana for retail propane and water conditioning have significant overlap, providing the opportunity to cross-sell both products between those customer bases.

The following table shows the number of our customer service locations and satellite distribution locations by state:

State	Number of Customer Service Locations	Number of Satellite Distribution Locations
Georgia	6	
Illinois	25	17
Indiana	7	2
Kansas	6	18
Total	44	37

Retail deliveries of propane are usually made to customers by means of our fleet of bulk delivery trucks. Propane is pumped from the bulk delivery truck, which generally holds 2,400 to 3,500 gallons, into an above-ground storage tank at the customer's premises. The capacity of these storage tanks ranges from approximately 100 to 350 gallons in milder climates and 500 to 1,000 gallons in colder climates. We also deliver propane to retail customers in portable cylinders, which typically have a capacity of five to 25 gallons. These cylinders are picked up on a delivery route, refilled at our customer

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service locations and then returned to the retail customer. Customers can also bring the cylinders to our customer service centers to be refilled.

Approximately 59% of our residential customers receive their propane supply via our automatic route delivery program, which allows us to maximize our delivery efficiency. Our delivery forecasting software system utilizes a customer's historical consumption patterns combined with current weather conditions to more accurately predict the optimal time to refill their tank. The delivery information is then uploaded to routing software to calculate the most cost effective delivery route. Our automatic delivery program eliminates the customer's need to make an affirmative purchase decision, promotes customer retention by ensuring an uninterrupted supply of propane and enables us to efficiently route deliveries on a regular basis. Some of our purchase plans, such as level payment billing, fixed price and price cap programs, further promote our automatic delivery program.

Customers. Our retail propane customers fall into three broad categories: residential; agricultural; and commercial and industrial. On a combined pro forma basis during the fiscal year ended March 31, 2010, our retail propane sales volumes were comprised of approximately:

69% to residential customers;

16% to agricultural customers; and

15% to commercial and industrial customers.

No single customer accounted for more than 0.5% of our combined pro forma retail propane volumes during the fiscal year ended March 31, 2010.

Seasonality. The retail propane business is largely seasonal due to the primary use of propane as a heating fuel. In particular, residential and agricultural customers who use propane to heat homes and livestock buildings generally only need to purchase propane during the typical fall and winter heating season. Propane sales to agricultural customers who use propane for crop drying are also seasonal, although the impact on our retail propane volumes sold varies from year to year depending on the moisture content of the crop and the ambient temperature at the time of harvest. Propane sales to commercial and industrial customers, while affected by economic patterns, are not as seasonal as are sales to residential and agricultural customers.

Wholesale Supply and Marketing

Overview. Our wholesale supply and marketing business provides propane procurement, storage, transportation and supply services to customers through assets owned by us and third parties. Our wholesale supply and marketing business also obtains the majority of the propane supply for our retail propane business. We also sell butanes and natural gasolines to refiners for use as blending stocks.

Operations. We procure propane from refiners, gas processing plants, producers and other resellers for delivery to leased storage space, common carrier pipelines, rail car terminals and direct to certain customers. Our customers take delivery by loading propane into transport vehicles from common carrier pipeline terminals, private terminals, our propane terminals, directly from refineries and rail terminals and by rail car.

Approximately 42% of our wholesale propane gallons are presold to third-party retailers and wholesalers at a fixed price under back-to-back contractual arrangements. Back-to-back arrangements, in which we balance our contractual portfolio by buying propane supply when we have a matching purchase commitment from our wholesale customers, protects our margins and eliminates commodity price risk. Pre-sales also reduce the impact of warm weather because the customer is required to take delivery of the propane regardless of the weather. We generally require cash deposits from these customers. In addition, on a daily basis we have the ability to balance our inventory by buying or selling propane, butanes and natural gasoline to refiners, resellers and propane producers through pipeline inventory transfers at major storage hubs.

In order to secure available supply during the heating season, we are often required to purchase volumes of propane during the off season. In order to mitigate storage costs, we sell those volumes in place through ownership transfers at a lesser margin than we earn in our wholesale truck and rail business. Historically, this activity consists of approximately 250 to 350 million gallons at a margin of less than \$0.01 per gallon.

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The following map shows certain assets owned by us and third parties that we utilize in our wholesale supply and marketing business, including seven common carrier pipelines, refinery terminals, railcar terminals, leased storage facilities, and our propane terminals:

We lease propane storage space to accommodate the supply requirements and contractual needs of our retail and wholesale customers. We have approximately 36 million gallons of leased propane storage space at the ConocoPhillips facility in Borger, Texas under an agreement that expires in March 2012. We are currently in discussions with ConocoPhillips regarding the renewal of this storage space lease agreement. In addition to our leased propane storage space at the Borger facility, we lease approximately 32 million gallons of storage space for propane and other natural gas liquids in various storage hubs in Kansas, Mississippi and Texas.

The following chart shows our leased storage space at propane storage facilities and interconnects to those facilities:

Storage Facility	Leased Storage Space (in gallons)	Storage Interconnects
Borger, Texas	35,700,000	Connected to ConocoPhillips Blue Line Pipeline
Conway, Kansas	19,120,000	Connected to Enterprise Mid-America and NuStar Pipelines
Bushton, Kansas	9,450,000	Connected to ONEOK North System Pipeline
Mont Belvieu, Texas	2,100,000	Connected to Enterprise Texas Eastern Products Pipeline
Hattiesburg, Mississippi	2,100,000	Connected to Enterprise Dixie Pipeline
Total	68,470,000	

During the typical heating season from September 15 through March 15 each year, we have the right to utilize ConocoPhillips' capacity as a shipper on the Blue Line pipeline to transport propane from

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our leased storage space to our terminals in Illinois and Missouri. During the remainder of the year, we have access to available capacity on the Blue Line pipeline on the same basis as other shippers.

Customers. Our wholesale supply and marketing business serves approximately 500 customers in 30 states concentrated in the Mid-Continent, Northeast and Southeast. Our wholesale supply and marketing business serves national, regional and independent retail, industrial, wholesale, petrochemical, refiner and propane production customers. Our wholesale supply and marketing business also supplies the majority of the propane for our retail propane business. We deliver the propane supply to our customer at terminals located on seven common carrier pipeline systems, five rail terminals, five refineries and major U.S. propane storage hubs. On a combined pro forma basis for the fiscal year ended March 31, 2010, our five largest wholesale customers represented only 19% of the total volumes sold in our wholesale supply and marketing business.

Seasonality. Our wholesale supply and marketing business is affected by the weather in a similar manner as our retail propane business. However, we are able to partially mitigate the effects of seasonality by pre-selling approximately 42% of our wholesale supply and marketing volumes to retailers and wholesalers and requiring the customer to take delivery regardless of the weather.

Midstream

Overview. 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. On a combined pro forma basis for the fiscal year ended March 31, 2010, our propane terminals had annual throughput in excess of 170 million gallons of propane.

Operations. Our midstream assets consist of our three propane terminals in East St. Louis, Illinois; Jefferson City, Missouri; and St. Catharines, Ontario. All three of our propane terminals have on-site staff and state-of-the-art technology, including environmental and safety systems, online information systems, automatic loading and unloading of propane, and security cameras. Our propane terminals also have automated truck loading and unloading facilities that operate 24 hours a day. These automated facilities provide for control of security, allocations, credit and carrier certification by remote input of data.

Our throughput volumes from our terminals increased from 130 million gallons in fiscal 2008 to 171 million gallons in fiscal 2010. We have the ability to expand our storage and loading and unloading capacity and the opportunity to increase annual throughputs at each of our propane terminals with relatively minimal additional operating costs.

The following chart shows the approximate maximum daily throughput capacity at each of our propane terminals:

Facility	Throughput Capacity (in gallons per day)
East St. Louis, Illinois	883,000
Jefferson City, Missouri	883,000
St. Catharines, Ontario	700,000
Total	2,466,000

We have operating agreements with third parties for each of our propane terminals. The terminals in Illinois and Missouri are operated for us by ConocoPhillips for a monthly fee under an operating and maintenance agreement that has a base term that expires in 2012 with a five-year extension to 2017 at our option. Our facility in Ontario is operated by a third party under a year-to-year agreement.

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We own the propane terminal assets and either have easements or lease the land on which the terminaling assets are located. The propane terminals in Missouri and Illinois have perpetual easements, and the propane terminal in Ontario has a long-term lease that expires in 2022.

Customers. We are the exclusive service provider at each of our propane terminals, serving approximately 120 customers in Illinois, Missouri and New York. During times of allocation and supply disruptions on competing common carrier pipeline terminals, our propane terminaling coverage area extends to customers located in Arkansas, Indiana, Iowa, Kansas, Kentucky, Ohio, Pennsylvania and Tennessee.

Seasonality. The volumes we transfer in our midstream business are based on retail and wholesale propane sales. As a result, our midstream business is affected by the weather in a manner similar to our retail propane and wholesale supply and marketing businesses.

Competition

Overview. Our retail propane, wholesale supply and marketing and midstream businesses all face significant competition. The primary factors on which we compete are:

price;

availability of supply;

level and quality of service;

available space on common carrier pipelines;

storage availability;

obtaining and retaining customers; and

the acquisition of businesses.

Our competitors generally include other propane retailers and wholesalers, companies involved in the propane and other natural gas liquids midstream industry (such as terminal and refinery operations) and companies involved in the sale of natural gas, fuel oil and electricity, some of which have greater financial resources than we do.

Retail Propane. In our retail propane business, we compete with alternative energy sources and with other companies engaged in the retail propane distribution business. Competition with other retail propane distributors in the propane industry is highly fragmented and generally occurs on a local basis with other large full-service, multi-state propane marketers, smaller local independent marketers and farm cooperatives. Our customer service locations generally have one to five competitors in their market area. According to statistics in *LPGas* magazine:

the ten largest retailers account for less than 39% of the total retail sales of propane in the United States;

no single retail propane business has a greater than 10% share of the total retail propane market in the United States; and

there are approximately 6,000 retailers nationally, ranging in size from 300,000 to over 500 million gallons sold annually.

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The competitive landscape of the markets that we serve has been fairly stable. Each customer service location operates in its own competitive environment since retailers are located in close proximity to their customers because of delivery economics. Our customer service locations generally have an effective marketing radius of approximately 25 miles, although in certain areas the marketing radius may be extended by satellite distribution locations.

The ability to compete effectively depends on the ability to provide superior customer service, which includes reliability of supply, quality equipment, well-trained service staff, efficient delivery, 24-hours-a-day service for emergency repairs and deliveries, multiple payment and purchase options and

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the ability to maintain competitive prices. Additionally, we believe that our safety programs, policies and procedures are more comprehensive than many of our smaller, independent competitors, which ensures a higher level of service to our customers. We also believe that our overall service capabilities and customer responsiveness differentiate us from many of these smaller competitors.

Wholesale Supply and Marketing. The wholesale supply and marketing business is also highly competitive. Our competitors include producers and independent regional wholesalers. Propane sales to retail distributors and large-volume, direct-shipment industrial end users are more price sensitive and frequently involve a competitive bidding process. Although the wholesale supply and marketing business has lower margins than the retail propane business, we believe that our wholesale supply and marketing business provides us with a stronger regional presence and a stable and secure supply base for our retail propane business and positions us well for expansion through acquisitions or start-up operations in new markets.

We compete with integrated petroleum companies, independent terminal companies and distribution companies to purchase and lease propane storage. We believe the storage portion of our wholesale supply and marketing business is well-positioned in the markets we serve. All of our leased propane storage spaces are located at facilities connected to common carrier pipeline systems.

Midstream. We encounter competition in our midstream business, primarily from companies that own terminal facilities close to our terminals. However, due to the location of our terminals and our ability to move propane to and from such locations, we believe we are the primary terminal and wholesale supplier of propane in an area surrounding our terminals. We are the exclusive service provider at each of our propane terminals, which allows us to serve additional markets and increase our throughput during periods of propane supply disruption among our competitors. In addition, our third party operating agreements provide us with a relatively fixed operating cost at each of our three terminal locations.

Supply

On a combined pro forma basis for the fiscal year ended March 31, 2010, three suppliers accounted for approximately 51% of our volume of propane purchases. We believe that our diversification of suppliers will enable us to purchase all of our propane supply needs at market prices without a material disruption of our operations if supplies are interrupted from a particular source.

The supply of propane for our wholesale supply and marketing business is obtained through multiple sources, but primarily through natural gas processing plants, fractionators and refineries under long-term contractual purchase agreements. The purchase contracts are usually tied to the Oil Price Information Service, or OPIS, index on a daily or weekly basis.

We use pipelines and contract with common carriers, owner-operators and railroad tank cars to transport the propane from our sources of supply. Our customer service locations and satellite distribution locations typically have one or more 12,000 to 60,000 gallon storage tanks. Additionally, we lease underground propane storage space from third parties under annual lease agreements.

We purchased all of our propane supply from North American suppliers during the fiscal year ended March 31, 2010, on a combined pro forma basis. With the exception of our propane supply agreement with ConocoPhillips described below, all of our term propane purchase contracts are year-to-year. The percentage of our propane supply obtained from contract purchases varies from year to year, with the balance purchased on the spot market. Supply contracts generally provide for pricing in accordance with OPIS-based pricing at the time of delivery or the current spot market prices at major storage locations.

We have a propane supply agreement with ConocoPhillips pursuant to which ConocoPhillips is required to supply us with weekly volumes of propane. The primary term of this agreement expires in 2012, and the agreement is renewable for a five-year period at our option followed by a year-to-year continuation. We expect to exercise our option to extend this agreement through 2017.

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Pricing Policy

Retail Propane. Our pricing policy is an essential element in the successful marketing of retail propane. We protect our margin by adjusting our retail propane pricing based on, among other things, prevailing supply costs, local market conditions and input from management at our customer service locations. We rely on our regional management to set prices based on these factors. Our regional managers are advised regularly of any changes in the delivered cost of propane, potential supply disruptions, changes in industry inventory levels and possible trends in the future cost of propane. We believe the market intelligence provided by our wholesale supply and marketing business combined with our propane pricing methods allows us to respond to changes in supply costs in a manner that protects our customer base and our margins.

Wholesale Supply and Marketing. In our wholesale supply and marketing business, we offer our customers three categories of contracts for propane sourced from common carrier pipelines:

customer pre-buys, which typically require deposits based on market pricing conditions and have terms ranging from 60 to 365 days;

rack barrel, which is a posted price at time of delivery; and

load package, a firm price agreement for customers seeking to purchase specific volumes delivered during a specific time period.

We use back-to-back contractual agreements for a majority of our wholesale supply and marketing sales to limit exposure to commodity price risk and protect our margins. We are able to match our supply and sales commitments by offering our customers purchase contracts with flexible price, location, storage and ratable delivery. However, certain common carrier pipelines require us to keep minimum in-line inventory balances year round to conduct our daily business, and these volumes may not be matched with a purchase commitment.

We generally require deposits from our customers for fixed priced future delivery of propane if the delivery date is more than 30 days after the time of sale.

Midstream. In our midstream business, we primarily earn fees derived from a cents-per-gallon charge for the volumes transferred through our propane terminals. As a result, our midstream business is not directly impacted by fluctuations in the price of propane.

Billing and Collection Procedures

Retail Propane. In our retail propane business, our customer service locations are typically responsible for customer billing and account collection. We believe that this decentralized and more personal approach is beneficial because our local staff has more detailed knowledge of our customers, their needs and their history than would an employee at a remote billing center. Our local staff often develop relationships with our customers that are beneficial in reducing payment time for a number of reasons:

customers are billed on a timely basis;

customers tend to keep accounts receivable balances current when paying a local business and people they know;

many customers prefer the convenience of paying in person and feel paying locally helps support their community; and

billing issues may be handled more quickly because local personnel have current account information and detailed customer history available to them at all times to answer customer inquiries.

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Our retail propane customers must comply with our standards for extending credit, which includes submitting a credit application, supplying credit references and undergoing a credit check with an appropriate credit agency.

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Wholesale Supply and Marketing. Our wholesale supply and marketing customers consist of commercial accounts varying in size from local independent propane distributors to large regional and national propane retailers. These sales tend to be large volume transactions that can range from approximately 10,000 gallons to as much as 1,000,000 gallons, and deliveries can occur over time periods extending from days to as much as a year. We perform credit analysis, require credit approvals, establish credit limits and follow monitoring procedures on our wholesale customers. We believe the following procedures enhance our collection efforts with our wholesale customers:

we require certain customers to prepay or place deposits for their purchases;

we require certain customers to take delivery of their contracted volume ratably to help control the account balance rather than allowing them to take delivery of propane at their discretion;

we review receivable aging analyses regularly to identify issues or trends that may develop; and

we require our sales personnel to manage their wholesale customers' receivable position and tie a portion of our sales personnel's compensation to their ability to manage their accounts and minimize and collect past due balances.

Midstream. In our midstream business, we have a mix of customers similar to that of our wholesale supply and marketing business. We perform similar credit approval and receivable monitoring procedures as we do for our wholesale supply and marketing business. Our midstream customers include independent distributors, regional propane companies and large U.S. marketers. We utilize similar contracts at all of our terminals. Since we do not allow other companies to market propane through our propane terminals, we are able to monitor our customer mix, allowing us to better control our credit risk.

Properties

Overview. We believe that we have satisfactory title or valid rights to use all of our material properties. Although some of these properties are subject to liabilities and leases, liens for taxes not yet due and payable, encumbrances securing payment obligations under non-competition agreements entered into in connection with acquisitions and other encumbrances, easements and restrictions, we do not believe that any of these burdens will materially interfere with our continued use of these properties in our business, taken as a whole. Our obligations under our revolving credit facility are secured by liens and mortgages on substantially all of our real and personal property.

In addition, we believe that we have all required material approvals, authorizations, orders, licenses, permits, franchises and consents of, and have obtained or made all required material registrations, qualifications and filings with, the various state and local governmental and regulatory authorities that relate to ownership of our properties or the operations of our business.

Our corporate headquarters are in Tulsa, Oklahoma and are leased.

Retail Propane. We own 33 of our 44 customer service centers and 26 of our 37 satellite distribution locations and we lease the remainder. Tank ownership and control at customer locations are important components to our operations and customer retention. As of February 28, 2011, we owned the following propane storage tanks:

164 bulk storage tanks with capacities ranging from 6,000 to 30,000 gallons; and

approximately 58,000 stationary customer storage tanks with capacities ranging from 100 to 1,000 gallons.

We also leased an additional eight bulk storage tanks.

As of February 28, 2011, we owned a fleet of 94 bulk delivery trucks, nine semi-tractors, eight propane transport trailers and 183 other service trucks and we leased eight bulk delivery trucks and four service trucks. The average age of our company-owned trucks is eight years.

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Wholesale Supply and Marketing. We lease approximately 36 million gallons of propane storage space in Borger, Texas from ConocoPhillips. We also lease approximately 33 million gallons of propane storage space at five other storage facilities from other third parties under annual lease agreements.

Midstream. We own three propane terminals located in Jefferson City, Missouri; East St. Louis, Illinois; and St. Catharines, Ontario. We lease the land on which the terminaling assets are located.

Trademark and Tradenames

We use a variety of trademarks and tradenames that we own, including NGL, Hicksgas, Propane Central and Brantley Gas. We intend to retain and continue to use the names of the companies that we acquire and believe that this will help maintain the local identification of these companies and will contribute to their continued success though in certain transactions we may change or be required to change the names of such companies. We regard our trademarks, tradenames and other proprietary rights as valuable assets and believe that they have significant value in the marketing of our products.

Employees

As of February 28, 2011, we had 366 full-time employees, of which 354 were operational and 12 were general and administrative employees. Five of our employees at one of our locations are members of a labor union. We believe that our relations with our employees are satisfactory.

Government Regulation

Environmental

We are subject to various federal, state, and local environmental, health and safety laws and regulations governing the storage, distribution and transportation of propane and the operation of bulk storage LPG terminals. Generally, these laws regulate air and water quality and impose limitations on the discharge of pollutants and establish standards for the handling of solid and hazardous wastes. These laws include, among others, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the Clean Air Act, the Occupational Safety and Health Act, the Homeland Security Act of 2002, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes. CERCLA, also known as the "Superfund" law, and similar state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of potentially responsible persons that are considered to have contributed to the release of a "hazardous substance" into the environment. While propane is not a hazardous substance within the meaning of CERCLA, other chemicals used in our operations may be classified as hazardous. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We also are subject to a variety of federal, state and local permitting and registration requirements relating to protection of the environment.

Safety and Transportation

All states in which we operate have adopted fire safety codes that regulate the storage and distribution of propane. In some states, state agencies administer these laws. In others, municipalities administer them. We conduct training programs to help ensure that our operations comply with applicable governmental regulations. With respect to general operations, each state in which we operate adopts National Fire Protection Association, or NFPA, Pamphlets No. 54 and No. 58, or comparable regulations, which establish a set of rules and procedures governing the safe handling of propane. We believe that the policies and procedures currently in effect at all of our facilities for the handling, storage and

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distribution of propane are consistent with industry standards and are in compliance in all material respects with applicable environmental, health and safety laws.

With respect to the transportation of propane by truck, we are subject to regulations promulgated under federal legislation, including the Federal Motor Carrier Safety Act and the Homeland Security Act of 2002. Regulations under these statutes cover the security and transportation of hazardous materials and are administered by the United States Department of Transportation, or DOT. We maintain various permits necessary to ensure that our operations comply with applicable regulations. The Natural Gas Safety Act of 1968 required the DOT to develop and enforce minimum safety regulations for the transportation of gases by pipeline. The DOT's pipeline safety regulations apply to, among other things, a propane gas system which supplies 10 or more residential customers or 2 or more commercial customers from a single source, as well as a propane gas system, any portion of which is located in a public place. The code requires operators of all gas systems to provide training and written instructions for employees, establish written procedures to minimize the hazards resulting from gas pipeline emergencies, and conduct and keep records of inspections and testing. Operators are subject to the Pipeline Safety Improvement Act of 2002, which, among other things, protects employees from adverse employment actions if they provide information to their employers or to the federal government as to pipeline safety.

Greenhouse Gas Regulation

There is a growing concern, both nationally and internationally, about climate change and the contribution of greenhouse gas emissions, most notably carbon dioxide, to global warming. In June 2009, the U.S. House of Representatives passed the ACES Act, also known as the Waxman-Markey Bill. The ACES Act did not pass the Senate, however, and so was not enacted by the 111th Congress. The ACES Act would have established an economy-wide cap on emissions of greenhouse gases in the United States and would have required most sources of greenhouse gas emissions to obtain and hold "allowances" corresponding to their annual emissions of greenhouse gases. By steadily reducing the number of available allowances over time, the ACES Act would have required a 17% reduction in greenhouse gas emissions from 2005 levels by 2020 and just over an 80% reduction of such emissions by 2050. Under such a "cap and trade" system, certain sources of greenhouse gas emissions would be required to obtain greenhouse gas emission "allowances" corresponding to their annual emissions of greenhouse gases. The number of emission allowances issued each year would decline as necessary to meet overall emission reduction goals. As the number of greenhouse gas emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. The ultimate outcome of any possible future legislative initiatives is uncertain. In addition, 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.

On December 15, 2009, the EPA published its findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. These findings allowed the EPA to adopt and implement regulations to restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Accordingly, the EPA recently adopted two sets of regulations addressing greenhouse gas emissions under the Clean Air Act. The first, the "motor vehicle rule," limits emissions of greenhouse gases from motor vehicles beginning with the 2012 model year. EPA has asserted that these final motor vehicle greenhouse gas emission standards trigger Clean Air Act construction and operating permit requirements for stationary sources, commencing when the motor vehicle standards took effect on January 2, 2011. On June 3, 2010, the EPA published its final rule, the "stationary source rule," to address the permitting of greenhouse gas emissions from stationary sources under the Prevention of Significant Deterioration, or the PSD, and Title V permitting programs. This rule "tailors" these permitting programs to apply to certain stationary sources of greenhouse gas emissions in a multi-step process, with the largest sources

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first subject to permitting. It is widely expected that facilities required to obtain PSD permits for their greenhouse gas emissions will be required to also reduce those emissions according to "best available control technology" standards for greenhouse gases that have yet to be developed. Any regulatory or permitting obligation that limits emissions of greenhouse gases could require us to incur costs to reduce emissions of greenhouse gases associated with our operations and also could adversely affect demand for the propane and other natural gas liquids that we transport, store, process, or otherwise handle in connection with our services. The stationary source rule became effective January 2011, although it remains the subject of several pending lawsuits filed by industry groups.

In addition, on October 30, 2009, the EPA published a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas sources in the United States on an annual basis, beginning in 2011 for emissions occurring after January 1, 2010. In November 2010, the EPA finalized its greenhouse gas reporting rule to include onshore oil and natural gas production, processing, transmission, storage, and distribution facilities. If the proposed rule is finalized as proposed, reporting of greenhouse gas emissions from such facilities, including many of our facilities, would be required on an annual basis, with reporting beginning in 2012 for emissions occurring in 2011. The final rule, which is applicable to many of our facilities, would require greenhouse gas reporting on an annual basis, beginning in 2012 for emissions occurring in 2011.

Some scientists have suggested climate change from greenhouse gases could increase the severity of extreme weather, such as increased hurricanes and floods, which could damage our facilities. Another possible consequence of climate change is increased volatility in seasonal temperatures. The market for our propane is generally improved by periods of colder weather and impaired by periods of warmer weather, so any changes in climate could affect the market for our products and services. If there is an overall trend of warmer temperatures, it would be expected to have an adverse effect on our business.

Because propane is considered a clean alternative fuel under the federal Clean Air Act Amendments of 1990, new climate change regulations may provide us with a competitive advantage over other sources of energy, such as fuel oil and coal.

The trend of more expansive and stringent environmental legislation and regulations, including greenhouse gas regulation, could continue, resulting in increased costs of doing business and consequently affecting our profitability. To the extent laws are enacted or other governmental action is taken that restricts certain aspects of our business or imposes more stringent and costly operating, waste handling, disposal and cleanup requirements, our business and prospects could be adversely affected.

Litigation

Our operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time we are a defendant in various legal proceedings and litigation arising in the ordinary course of business. We maintain insurance policies with insurers in amounts and with coverages and deductibles that our general partner believes are reasonable and prudent. However, we cannot give any assurance that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will be available in the future at economical prices. In addition, the occurrence of a propane-related incident may have an adverse effect on the public's desire to use our products.

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MANAGEMENT

Partnership Management and Governance

NGL Energy Holdings LLC, our general partner, manages our operations and activities on our behalf through its directors and executive officers, which executive officers are also officers of our operating company. Our general partner is not elected by our unitholders and will not be subject to re-election on a regular basis in the future. Unitholders are not entitled to elect the directors of our general partner or directly or indirectly participate in our management or operations. Our general partner owes certain fiduciary duties to our unitholders, but our partnership agreement contains various provisions modifying and restricting such fiduciary duties. Our general partner is liable, as a general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically nonrecourse to it. Our general partner may cause us to incur indebtedness or other obligations that are nonrecourse to it, and we expect that it will do so.

Board of Directors of our General Partner

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 after the completion of this offering. The NGL Energy GP Investor Group will appoint all members to the board of directors of our general partner. We expect that, when the size of the board increases to six members, three of those directors will be independent as defined under the independence standards established by the NYSE and the SEC. The NYSE does not require a listed publicly traded limited partnership like us to have a majority of independent directors on the board of directors of our general partner.

In compliance with the requirements of the NYSE, the NGL Energy GP Investor Group will appoint one independent member to the board of directors of our general partner prior to the listing of our common units on the NYSE. The NGL Energy GP Investor Group will appoint a second independent director within 90 days of listing on the NYSE, and a third independent director within 12 months of listing on the NYSE.

In evaluating director candidates, the NGL Energy GP Investor Group will assess whether a candidate possesses the integrity, judgment, knowledge, experience, skill and expertise that are likely to enhance the ability of the board of directors of our general partner to manage and direct our affairs and business, including, when applicable, to enhance the ability of committees of the board to fulfill their duties. Our general partner has no minimum qualifications for director candidates. In general, however, the NGL Energy GP Investor Group will review and evaluate both incumbent and potential new directors in an effort to achieve diversity of skills and experience among the directors of our general partner and in light of the following criteria:

experience in business, government, education, technology or public interests;

high-level managerial experience in large organizations;

breadth of knowledge regarding our business or industry;

specific skills, experience or expertise related to an area of importance to us, such as energy production, consumption, distribution or transportation, government, policy, finance or law;

moral character and integrity;

commitment to our unitholders' interests;

ability to provide insights and practical wisdom based on experience and expertise;

ability to read and understand financial statements; and

ability to devote the time necessary to carry out the duties of a director, including attendance at meetings and consultation on partnership matters.

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Although our general partner does not have a policy in regard to the consideration of diversity in identifying director nominees, qualified candidates for nomination to the board are considered without regard to race, color, religion, gender, ancestry or national origin.

Board Committees

Audit Committee. In connection with the completion of this offering, the board of directors of our general partner will establish an audit committee. The audit committee will assist the board in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and partnership policies and controls. The audit committee will have the sole authority to, among other things:

retain and terminate our independent registered public accounting firm;

approve all auditing services and related fees and the terms thereof performed by our independent registered public accounting firm; and

establish policies and procedures for the pre-approval of all non-audit services and tax services to be rendered by our independent registered public accounting firm.

The audit committee will also be responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm will be given unrestricted access to the audit committee and our management, as necessary.

In compliance with the requirements of the NYSE, a majority of the members of the audit committee will be independent directors within 90 days of listing on the NYSE and all of the members of the audit committee will be independent directors within 12 months of listing on the NYSE.

Compensation Committee. The NYSE does not require the board of directors of our general partner to establish a compensation committee. However, in order to conform to best governance practices, the board of directors of our general partner will establish a compensation committee in connection with the completion of this offering. The compensation committee will, among other things:

administer our long-term incentive plan and other equity and executive compensation plans;

establish and review general policies related to our compensation and benefits; and

determine and approve, or make recommendations to the board with respect to, the compensation and benefits of the directors and executive officers of our general partner.

Conflicts Committee. At least two members of the board of directors of our general partner will serve on a conflicts committee to review specific matters that may involve a conflict of interest. The conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee may not be officers, directors or employees of our general partner or any of its affiliates and must meet the independence standards established by the NYSE and the SEC to serve on an audit committee of a board of directors and other requirements in our partnership agreement. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders.

Executive Officers

Our executive officers will devote substantially all of their time to managing and conducting our operations.

Table of Contents**Board Leadership Structure and Role in Risk Oversight**

The board of directors of our general partner believes that whether the offices of chairman of the board and chief executive officer are combined or separated should be decided by the board, from time to time, in its business judgment after considering relevant circumstances. The board currently does not have a chairman.

The management of enterprise-level risk may be defined as the process of identifying, managing and monitoring events that present opportunities and risks with respect to the creation of value for our unitholders. The board has delegated to management the primary responsibility for enterprise-level risk management, while the board has retained responsibility for oversight of management in that regard. Management will offer an enterprise-level risk assessment to the board at least once every year.

Directors and Executive Officers

Directors of our general partner are appointed by the NGL Energy GP Investor Group for a term of one year and hold office until their successors have been duly elected and qualified or until the earlier of their death, resignation, removal or disqualification. Executive officers are appointed by, and serve at the discretion of, the board of directors of our general partner. The following table shows information regarding the current directors of our general partner and our executive officers.

Name	Age	Position with NGL Energy Holdings LLC
H. Michael Krimbill	57	Chief Executive Officer and Director
Craig S. Jones	59	Chief Financial Officer, Treasurer and Secretary
Bradley K. Atkinson	56	Vice President, Business Development
Shawn W. Coady	49	Co-President and Chief Operating Officer, Retail Division and Director
Todd M. Coady	52	Co-President, Retail Division
Brian K. Pauling	60	Chief Operating Officer, Midstream Division
Stephen D. Tuttle	63	President, Midstream Division
Sharra Straight	47	Vice President and Comptroller
William A. Zartler	45	Director

H. Michael Krimbill. Mr. Krimbill has served as our Chief Executive Officer since October 2010 and as a member of the board of directors of our general partner since its formation in September 2010. From February 2007 through September 2010, Mr. Krimbill managed private investments. Mr. Krimbill was the President and Chief Financial Officer of Energy Transfer Partners, L.P. from 2004 until his resignation in January 2007. Mr. Krimbill joined Heritage Propane Partners, L.P., the predecessor of Energy Transfer Partners, as Vice President and Chief Financial Officer in 1990. Mr. Krimbill was President of Heritage from 1999 to 2000 and President and Chief Executive Officer of Heritage from 2000 to 2005. Mr. Krimbill also served as a director of Energy Transfer Equity, the general partner of Energy Transfer Partners, from 2000 to January 2007. Mr. Krimbill is also currently a member of the boards of directors of Williams Partners L.P., where he is on the audit committee and is chairman of the conflicts committee, and Pacific Commerce Bank.

Mr. Krimbill brings leadership, oversight and financial experience to the board. Mr. Krimbill provides expertise in managing and operating a publicly traded partnership, including substantial expertise in successfully acquiring and integrating propane and midstream businesses. Mr. Krimbill also brings financial expertise to the board, including through his prior service as a chief financial officer and as a member of the audit committee of Williams. As a director for other public companies, Mr. Krimbill also provides cross-board experience.

Craig S. Jones. Mr. Jones has served as our Chief Financial Officer since October 2010. Mr. Jones was the Chief Financial Officer of NGL Supply from October 2004 until the membership

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interests in NGL Supply were contributed to us as part of our formation transactions. Prior to joining NGL Supply, Mr. Jones served as the Vice President and Chief Financial Officer of Williams International Company from 1997 to 2002. Mr. Jones has a B.A. and an M.A. in Finance from Oklahoma State University.

Bradley K. Atkinson. Mr. Atkinson has served as our Vice President, Business Development since October 2010. From April 2007 through September 2010, Mr. Atkinson managed private investments. Mr. Atkinson was previously an officer of Energy Transfer Partners, L.P., serving as the Vice President – Corporate Development from August 2000 to March 2007 and as the Vice President of Administration from April 1998 to July 2000. Prior to joining Energy Transfer Partners, Mr. Atkinson held various positions at Mapco, Inc. from 1986 to 1998, where he managed the acquisitions and business development for Thermogas as the vice president of administration for the retail propane division for eight years. Mr. Atkinson has a B.S.B.A. in Accounting from Pittsburg State University and an M.B.A. from Oklahoma State University.

Shawn W. Coady. Dr. Coady has served as our Co-President and Chief Operating Officer, Retail Division since October 2010 and as a member of the board of directors of our general partner since its formation in September 2010. Dr. Coady has served as the Vice President of HOH since March 1989. HOH contributed its propane and propane-related assets to Hicks LLC, and the membership interests in Hicks LLC were contributed to us as part of our formation transactions. Dr. Coady was also the President of Gifford from March 1989 until the membership interests in Gifford were contributed to us as part of our formation transactions. Dr. Coady has served as a director and as a member of the executive committee of the Illinois Propane Gas Association since 2004. Dr. Coady has also served as the Illinois state director of the National Propane Gas Association since 2004. Dr. Coady has a B.A. in Chemistry from Emory University and an O.D. from the University of Houston. Dr. Coady is the brother of Mr. Coady.

Dr. Coady brings valuable management and operational experience to the board. Dr. Coady has over 20 years of experience in the retail propane industry, and provides expertise in both acquisition and organic growth strategies. Dr. Coady also provides insight into developments and trends in the propane industry through his leadership roles in national and state propane gas associations.

Todd M. Coady. Mr. Coady has served as our Co-President, Retail Division since October 2010. Mr. Coady has served as the President of HOH since March 1989. HOH contributed its propane and propane-related assets to Hicks LLC, and the membership interests in Hicks LLC were contributed to us as part of our formation transactions. Mr. Coady was also the Vice President of Gifford from March 1989 until the membership interests in Gifford were contributed to us as part of our formation transactions. Mr. Coady has a B.S. in Chemical Engineering from Cornell University and an M.B.A. from Rice University. Mr. Coady is the brother of Dr. Coady.

Brian K. Pauling. Mr. Pauling has served as our Chief Operating Officer, Midstream Division since October 2010. Mr. Pauling was the President and Chief Operating Officer of NGL Supply from 1997 until the membership interests in NGL Supply were contributed to us as part of our formation transactions. Mr. Pauling joined NGL Supply in 1988 as Vice President of Supply, Mid-Continent. Mr. Pauling previously served as Vice President of Mid-Continent Supply and Trading for Vanguard Petroleum Corporation from 1980 to 1988. Prior to joining Vanguard, he held various management positions in operations and marketing for Mapco, Inc. from 1971 to 1979, including serving as General Manager of Marketing and Business Development from 1978 to 1979.

Stephen D. Tuttle. Mr. Tuttle has served as our President, Midstream Division since October 2010. Mr. Tuttle was the Chief Executive Officer of NGL Supply from 1997 until the membership interests in NGL Supply were contributed to us as part of our formation transactions. Mr. Tuttle joined NGL Supply in 1979 as Manager of Mid-Continent Marketing and was promoted to Vice President of Mid-Continent Marketing in 1985. He was the President and Chief Operating Officer of NGL Supply

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from 1991 to 1997. Mr. Tuttle began his career at Mapco, Inc. in 1974 as a distribution representative. Mr. Tuttle has a B.A. in Marketing from Oklahoma State University. He is also a member of the LPG Charity Fund board of directors and a governor of the Oklahoma State University Foundation.

Sharra Straight. Ms. Straight has served as our Vice President and Comptroller since October 2010. Ms. Straight was the Vice President of Finance and Controller of NGL Supply from 2005 until the membership interests in NGL Supply were contributed to us as part of our formation transactions. Ms. Straight joined NGL Supply in 2002 as Controller and Director of Accounting. Ms. Straight began her career at Texaco Inc. in 1986. She was promoted to positions of increasing responsibility at Texaco during the 1990s, becoming the Manager of NGL Financial Reporting and Planning in 2000. Ms. Straight has a B.A. in Accounting and Computer Science from Northeastern State University and is a Certified Public Accountant.

William A. Zartler. Mr. Zartler has served as a member of the board of directors of our general partner since its formation in September 2010. Mr. Zartler was the Chairman of the Board of NGL Supply from 2004 until the membership interests in NGL Supply were contributed to us as part of our formation transactions. Mr. Zartler is a founder and managing partner of Denham Capital Management LP, an energy and commodities-focused private equity firm. He is a Founding Partner of Denham, having been with the firm since its inception in 2004, and heads the firm's Energy Infrastructure Group. Prior to joining Denham, Mr. Zartler was an entrepreneur and a founder of Solaris Energy Services. Mr. Zartler has a B.S. in Mechanical Engineering from the University of Texas and an M.B.A. from Texas A&M University.

Mr. Zartler brings extensive financial and acquisition experience in the energy industry to the board. Mr. Zartler provides expertise in developing acquisition strategies and evaluating acquisition opportunities.

Executive Compensation

We were formed in September 2010 and we expect to complete our initial public offering in 2011. We have incurred no cost or liability with respect to compensation, management incentive or retirement benefits for our executive officers for the fiscal year ended March 31, 2010 or for any prior periods.

Director Compensation

Our officers or employees who also serve as directors of our general partner will not receive additional compensation for their service as a director. Directors of our general partner who are not our officers or employees will receive compensation as "non-employee directors."

We anticipate that the board of directors of our general partner, upon recommendation from the compensation committee, will adopt a director compensation program under which non-employee directors will be compensated for their service as directors. We expect that each non-employee director will receive an annual retainer, an additional retainer for service as the chair of a standing committee and meeting attendance fees. We also expect to grant equity-based awards to non-employee directors upon appointment to the board or as of the completion of this offering and on an annual basis. Non-employee directors will be reimbursed for all out-of-pocket expenses incurred in connection with attending board or committee meetings. Each director will be indemnified for his actions associated with being a director to the fullest extent permitted under Delaware law.

Compensation Discussion and Analysis

We were formed in September 2010 and we have incurred no cost or liability with respect to compensation, management incentive or retirement benefits for our executive officers for the fiscal year ended March 31, 2010 or for any prior periods.

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The board of directors of our general partner will have responsibility and authority for compensation-related decisions for our executive officers. The board of directors of our general partner, or the compensation committee of the board, also has responsibility and authority to make awards to our executive and non-executive officers under our long-term incentive plan, which is described below.

Because NGL Supply and Hicksgas were privately held companies, neither company historically had formal compensation policies or practices. All compensation decisions were made at the discretion of the respective boards of directors of the companies.

We expect that the future compensation of our executive officers will include a significant component of incentive compensation based on our performance. We expect to employ a compensation philosophy that will emphasize pay-for-performance, focused primarily on the ability to increase sustainable quarterly distributions to our unitholders. Pay-for-performance will be based on a combination of our performance and the individual executive officer's impact on our performance. We believe this pay-for-performance approach will generally align the interests of our executive officers with the interests of our unitholders, and at the same time enable us to maintain a lower level of base overhead in the event our operating and financial performance do not meet our expectations.

We will design our executive compensation to attract and retain individuals with the background and skills necessary to successfully execute our business strategies, to motivate those individuals to reach short-term and long-term goals in a way that aligns their interests with the interests of our unitholders, and to reward success in reaching those goals. We expect to use three primary elements of compensation to implement our executive compensation policy: salary, cash bonus, and long-term equity incentive awards. The cash bonus and equity incentive elements will be performance-based, and can be tailored to meet our objectives. The determination of an executive officer's cash bonus will reflect his or her relative contribution to achieving or exceeding annual goals. The determination of long-term equity incentive awards will be based on an executive officer's expected contribution to long-term performance objectives. Long-term equity incentive awards will generally require the continued employment of the recipient during the vesting period, which provides a forfeitable long-term incentive to encourage executive retention.

We do not maintain a defined benefit or pension plan for our executive officers, because we believe such plans primarily reward longevity rather than performance. We provide a basic benefits package available to all full-time employees, which includes a 401(k) plan and medical, dental, disability and life insurance.

Employment Agreements

In connection with our formation, we entered into a letter agreement with Dr. Coady and Mr. Coady. The letter agreement provides that Dr. Coady may not be terminated as the Co-President and Chief Operating Officer, Retail Division of our general partner and Mr. Coady may not be terminated as Co-President, Retail Division of our general partner before October 14, 2011, unless such termination is for cause.

We do not intend to enter into employment agreements with any of our other executive officers.

Long Term Incentive Compensation Plan

Our general partner intends to adopt the NGL Energy Partners LP 2011 Long Term Incentive Plan for the employees, directors and consultants of our general partner and its affiliates who perform services for us. To date, no awards have been made under the Long Term Incentive Plan. The description of the Long Term Incentive Plan set forth below is a summary of the material features of the Long Term Incentive Plan. This summary, however, does not purport to be a complete description of all the provisions of the Long Term Incentive Plan. This summary is qualified in its entirety by reference to the Long Term Incentive Plan.

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The Long Term Incentive Plan will consist of restricted units, phantom units, unit options, unit appreciation rights and other unit-based awards. The Long Term Incentive Plan will limit the number of common units that may be delivered pursuant to awards under the plan to units. Units withheld to satisfy tax withholding obligations will not be considered to be delivered under the Long Term Incentive Plan. In addition, if an award is forfeited, canceled, exercised, paid or otherwise terminates or expires without the delivery of units, the units subject to such award will again be available for new awards under the Long Term Incentive Plan. Common units to be delivered pursuant to awards under the Long Term Incentive Plan may be newly issued common units, common units acquired by us in the open market, common units acquired by us from any other person, or any combination of the foregoing. If we issue new common units upon vesting of the phantom units, the total number of common units outstanding will increase.

Administration

The Long Term Incentive Plan will be administered by the board of directors and compensation committee of our general partner. The board of directors of our general partner may terminate or amend the Long Term Incentive Plan at any time with respect to any units for which a grant has not yet been made. Our board of directors also has the right to alter or amend the Long Term Incentive Plan or any part of the Long Term Incentive Plan from time to time, including increasing the number of units that may be granted, subject to unitholder approval as may be required by the exchange upon which the common units are listed at that time, if any. No change may be made in any outstanding grant that would materially reduce the benefits of the participant without the consent of the participant. The Long Term Incentive Plan will expire upon its termination by the board of directors or, if earlier, when no units remain available under the Long Term Incentive Plan for awards. Upon termination of the Long Term Incentive Plan, awards then outstanding will continue pursuant to the terms of their grants.

Restricted Units

A restricted unit is a common unit that vests over a period of time and that during such time is subject to forfeiture. In the future, the plan administrator may determine to make grants of restricted units under the Long Term Incentive Plan to employees, directors and consultants, containing such terms as the plan administrator determines. The plan administrator will determine the period over which restricted units will vest. The plan administrator, in its discretion, may base its determination upon the achievement of specified financial goals or other events. In addition, the restricted units may vest upon a change in control. Distributions made on restricted units may be subjected to vesting provisions. If a grantee's employment, consulting arrangement or membership on the board of directors terminates during the restricted period for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the plan administrator or the terms of the award agreement provide otherwise.

Phantom Units

A phantom unit entitles the grantee to receive a common unit upon the vesting of the phantom unit or, in the discretion of the plan administrator, cash equivalent to the fair market value of a common unit. In the future, the plan administrator may determine to make grants of phantom units under the Long Term Incentive Plan to employees, consultants and directors containing such terms as the plan administrator determines. The plan administrator will determine the period over which phantom units granted will vest. The plan administrator, in its discretion, may base its determination upon the achievement of specified financial goals or other events. In addition, the phantom units may vest upon a change in control. If a grantee's employment, consulting arrangement or membership on the board of directors terminates for any reason during the restricted period, the grantee's phantom units will be automatically forfeited unless, and to the extent, the plan administrator or the terms of the award agreement provide otherwise.

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The plan administrator, in its discretion, may grant distribution equivalent rights, or DERs, with respect to a phantom unit. DERs entitle the grantee to receive a cash payment equal to the cash distributions made on a common unit during the period the phantom unit is outstanding. The plan administrator will establish whether the DERs are paid currently, when the tandem phantom unit vests or on some other basis.

We intend the grant of restricted units and issuance of any common units upon vesting of the phantom units under the Long Term Incentive Plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of our common units. Therefore, plan participants will not pay any consideration for the common units they receive, and we will receive no remuneration for the units.

Unit Options and Unit Appreciation Rights

The Long Term Incentive Plan also permits the grant of options covering common units and unit appreciation rights. Unit options represent the right to purchase a number of common units at a specified exercise price. Unit appreciation rights represent the right to receive the appreciation in the value of a number of common units over a specified exercise price, either in cash or in common units as determined by the plan administrator. Unit options and unit appreciation rights may be granted to such eligible individuals and with such terms as the plan administrator may determine that are not inconsistent with the Long Term Incentive Plan. However, the exercise price of a unit option or unit appreciation right may not be less than the fair market value of a common unit on the date of grant.

In general, unit options and unit appreciation rights will become exercisable over a period determined by the plan administrator. The plan administrator, in its discretion, may provide that unit options and unit appreciation rights will become exercisable upon a change in control. If a grantee's employment, consulting arrangement or membership on the board of directors terminates for any reason during the restricted period, the grantee's unvested unit options and unit appreciation rights will be automatically forfeited unless, and to the extent, the award agreement or plan administrator provides otherwise. The plan administrator will determine the method or methods that may be used to pay the exercise price of unit options. The availability of unit options and unit appreciation rights is intended to furnish additional compensation to participants and to align their interests with those of our unit holders.

U.S. Federal Income Tax Consequences of Awards Under the Long Term Incentive Plan

Generally, when restricted units, phantom units, unit options or unit appreciation rights are granted, there are no income tax consequences for the participant or us. Upon the payment to the participant of common units and/or cash in respect of the award of phantom units or the release of restrictions on restricted units, including any distributions that have been made thereon, the participant recognizes compensation equal to the fair market value of the cash and/or units as of the date of delivery or release. A participant generally recognizes compensation income with respect to unit options and unit appreciation rights at the time the award is exercised in an amount equal to the excess of the fair market value of a unit on the date of exercise over the exercise price of the award, multiplied by the number of units subject to the award. Unit awards that are not subject to vesting restrictions or deferral typically represent taxable income on the date of grant. Unless other arrangements are made, the plan administrator is authorized to withhold from any payment due under any award or from any compensation or other amount owing to a participant, an amount (in cash, units, units that would otherwise be issued pursuant to the award, or other property) of any applicable taxes payable with respect to the grant of an award, its settlement, its exercise or the lapse of restrictions applicable to an award or in connection with any payment relating to an award or the transfer of an award and to take such other actions as may be necessary to satisfy the withholding obligations with respect to an award.

Relation of Compensation Policies and Practices to Risk Management

We expect our compensation arrangements to contain a number of design elements that serve to minimize the incentive for taking excessive or inappropriate risk to achieve short-term, unsustainable results. In combination with our risk-management practices, we do not believe that risks arising from our compensation policies and practices for our employees are reasonably likely to have a material adverse effect on us.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our units following the completion of this offering and assuming the underwriters do not exercise their option to purchase additional common units from us by:

each person or group of persons known by us to be a beneficial owner of more than 5% of our outstanding units;

each director of our general partner;

each executive officer of our general partner; and

all directors and executive officers of our general partner as a group.

Name and Address of Beneficial Owner(1)	Common Units to be Beneficially Owned	Percentage of Common Units to be Beneficially Owned(2)	Subordinated Units to be Beneficially Owned	Percentage of Subordinated Units to be Beneficially Owned(2)	Percentage of Total Common and Subordinated Units to be Beneficially Owned(2)
NGL Holdings, Inc.(3)		%		%	%
Hicks Oils & Hicksgas, Incorporated(4)		%		%	%
H. Michael Krimbill		%		%	%
Craig S. Jones		%		%	%
Bradley K. Atkinson		%		%	%
Shawn W. Coady		%		%	%
Todd M. Coady		%		%	%
Brian K. Pauling		%		%	%
Stephen D. Tuttle		%		%	%
Sharra Straight		%		%	%
William A. Zartler		%		%	%
All directors and executive officers as a group (nine persons)		%		%	%

*
Less than 1.0%

(1) Unless otherwise indicated, the address for all beneficial owners in this table is 6120 South Yale Avenue, Suite 805, Tulsa, Oklahoma 74136.

(2) Based on common units and subordinated units outstanding.

(3) The address for NGL Holdings, Inc. is c/o Denham Capital Management LP, 200 Clarendon St., 25th Floor, Boston, MA 02116.

(4) The address for Hicks Oils & Hicksgas, Incorporated is 204 N. Route 54, Roberts, Illinois 60962.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

After this offering, and assuming the underwriters do not exercise their option to purchase additional common units from us, our general partner and its affiliates will own an aggregate of _____ common units and _____ subordinated units, representing an aggregate _____ % limited partner interest in us. In addition, our general partner will own a 0.1% general partner interest in us and all of our incentive distribution rights.

Distributions and Payments to Our General Partner and Its Affiliates

Our general partner and its affiliates do not receive any management fee or other compensation for the management of our business and affairs, but they are reimbursed for all expenses that they incur on our behalf, including general and administrative expenses. Our general partner determines the amount of these expenses. In addition, our general partner owns the 0.1% general partner interest and all of the incentive distribution rights. Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement.

The following table summarizes the distributions and payments to be made by us to our general partner and its affiliates in connection with our ongoing operation and any liquidation of NGL Energy Partners LP. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's length negotiations.

Pre-IPO Stage

The consideration received by our general partner and its affiliates prior to or in connection with this offering	common units; subordinated units; a 0.1% general partner interest; and the incentive distribution rights.
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Post-IPO Stage

Distributions of available cash to our general partner and its affiliates	We will generally make cash distributions 99.9% to our unitholders pro rata, including the NGL Energy LP Investor Group as the holders of an aggregate _____ common units and _____ subordinated units, and 0.1% to our general partner, assuming it makes any capital contributions necessary to maintain its 0.1% general partner interest in us. In addition, if distributions exceed the minimum quarterly distribution and other higher target distribution levels, our general partner will be entitled to increasing percentages of the distributions, up to 48.1% of the distributions above the highest target distribution level.
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Assuming we have sufficient available cash to pay the full minimum quarterly distribution on all of our outstanding units for four quarters, our general partner would receive an annual distribution of approximately \$ million on its general partner interest and the NGL Energy LP Investor Group would receive an aggregate annual distribution of approximately \$ million on their common and subordinated units.

If our general partner elects to reset the target distribution levels, it will be entitled to receive common units and to maintain its general partner interest. Please read "Provisions of our Partnership Agreement Relating to Cash Distributions General Partner's Right to Reset Incentive Distribution Levels."

Payments to our general partner and its affiliates

Our general partner and its affiliates will not receive any management fee or other compensation for the management of our business and affairs, but they will be reimbursed for all expenses that they incur on our behalf, including general and administrative expenses. As the sole purpose of the general partner is to act as our general partner, we expect that substantially all of the expenses of our general partner will be incurred on our behalf and reimbursed by us or our subsidiaries. Our general partner will determine the amount of these expenses. We estimate that we will reimburse our general partner for approximately \$250,000 annually for 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.

Withdrawal or removal of our general partner

If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests. Please read "The Partnership Agreement Withdrawal or Removal of Our General Partner."

Liquidation Stage

Liquidation

Upon our liquidation, our partners, including our general partner, will be entitled to receive liquidating distributions according to their respective capital account balances.

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Agreements with Affiliates

We intend to enter into a shared services agreement with HOH to provide management, accounting and office services.

Review, Approval or Ratification of Transactions with Related Persons

We expect to adopt a Code of Business Conduct and Ethics that will set forth our policies for the review, approval and ratification of transactions with related persons prior to the completion of this offering. Under the Code of Business Conduct and Ethics, a director would be expected to bring to the attention of the chief executive officer or the board of directors of our general partner any conflict or potential conflict of interest that may arise between the director or any affiliate of the director, on the one hand, and us or our general partner on the other. The resolution of any such conflict or potential conflict will be addressed in accordance with our general partner's organizational documents and the provisions of our partnership agreement. The resolution may be determined by disinterested directors, the board and/or a "conflicts committee" meeting the definitional requirements for such a committee under our partnership agreement.

Upon our adoption of the Code of Business Conduct and Ethics, any executive officer of our general partner will be required to avoid conflicts of interest unless approved by the board of directors.

In the case of any sale of equity by us to an owner or affiliate of an owner of our general partner, we anticipate that our practice will be to obtain general approval of the board of directors for the transaction. Our general partner's board may delegate authority to set the specific terms of such a sale of equity to a pricing committee.

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CONFLICTS OF INTEREST AND FIDUCIARY DUTIES

Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our general partner and its affiliates on the one hand, and our partnership and our limited partners, on the other hand. The directors and officers of our general partner have fiduciary duties to manage our general partner in a manner beneficial to its owners. At the same time, our general partner has a fiduciary duty to manage our partnership in a manner beneficial to us and our unitholders.

Whenever a conflict arises between our general partner or its affiliates, on the one hand, and us and our limited partners, on the other hand, our general partner will resolve that conflict. Our partnership agreement contains provisions that modify and limit our general partner's fiduciary duties to our unitholders. Our partnership agreement also restricts the remedies available to our unitholders for actions taken by our general partner that, without those limitations, might constitute breaches of its fiduciary duty.

Our general partner will not be in breach of its obligations under our partnership agreement or its fiduciary duties to us or our unitholders if the resolution of the conflict is:

approved by the conflicts committee, although our general partner is not obligated to seek such approval;

approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates;

on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or

fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

Our general partner may, but is not required under our partnership agreement to, seek the approval of such resolution from the conflicts committee. In connection with a situation involving a conflict of interest, any determination by our general partner involving the resolution of the conflict of interest must be made in good faith, provided that, if our general partner does not seek approval from the conflicts committee and its board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that, in making its decision, the board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our general partner or the conflicts committee may consider any factors that it determines in good faith to be appropriate when resolving a conflict. When our partnership agreement provides that someone act in good faith, our partnership agreement requires that the person subjectively believe he is acting in the best interests of the partnership or, with respect to matters involving the relative rights and privileges of the holders of partnership interests, consistently with the intent of the provisions of our partnership agreement.

Conflicts of interest could arise in the situations described below, among others.

Our general partner and its affiliates are allowed to take into account the interests of parties other than us in resolving conflicts of interest.

Our partnership agreement contains provisions that reduce the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as

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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 our limited partners. Examples include our general partner's 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.

Affiliates of our general partner are not restricted from competing with us.

Our partnership agreement provides that our general partner will be restricted from engaging in any business activities other than acting as our general partner (or as general partner of another company of which we are a partner or member) or those activities incidental to its ownership of interests in us. However, our partnership agreement does not restrict the ability of affiliates of our general partner to engage in any activities, including propane related activities, such as the retail sale of propane or trading, transportation, storage and wholesale distribution of propane.

Pursuant to the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, will not apply to our general partner or any of its affiliates, including its executive officers and directors. 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. Therefore, affiliates of our general partner may compete with us for investment opportunities and may own an interest in entities that compete with us.

Our partnership agreement limits the liability of and reduces the fiduciary duties owed by our general partner, and also restricts the remedies available to our unitholders for actions that, without those limitations, might constitute breaches of its fiduciary duty.

In addition to the provisions described above, our partnership agreement contains provisions that restrict the remedies available to our unitholders for actions that might otherwise constitute breaches of our general partner's fiduciary duty. For example, our partnership agreement:

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

provides generally that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee and not involving a vote of the common unitholders must either be (i) on terms no less favorable to us than those generally provided to or available from unrelated third parties or (ii) "fair and reasonable" to us, as determined by our general partner in good faith, provided 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 resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers or directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that their conduct was criminal.

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

Under our partnership agreement, our general partner has full power and authority to do all things, other than those items that require unitholder approval or with respect to which our general partner has sought conflicts committee approval, on such terms as it determines to be necessary or appropriate to conduct our business including, but not limited to, the following:

the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into our securities, and the incurring of any other obligations;

the purchase, sale or other acquisition or disposition of our securities, or the issuance of additional options, rights, warrants and appreciation rights relating to our securities;

the mortgage, pledge, encumbrance, hypothecation or exchange of any or all of our assets;

the negotiation, execution and performance of any contracts, conveyances or other instruments;

the distribution of our cash;

the selection and dismissal of employees and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

the maintenance of insurance for our benefit and the benefit of, among others, our subsidiaries and partners;

the formation of, or acquisition of an interest in, the contribution of property to, and the making of loans to, any limited or general partnership, joint venture, corporation, limited liability company or other entity;

the control of any matters affecting our rights and obligations, including the bringing and defending of actions at law or in equity, otherwise engaging in the conduct of litigation, arbitration or mediation and the incurring of legal expense, the settlement of claims and litigation;

the indemnification of any person against liabilities and contingencies to the extent permitted by law;

the making of tax, regulatory and other filings, or the rendering of periodic or other reports to governmental or other agencies having jurisdiction over our business or assets; and

the entering into of agreements with any of its affiliates to render services to us or to itself in the discharge of its duties as our general partner.

Our partnership agreement provides that our general partner must act in "good faith" when making decisions on our behalf, and our partnership agreement further provides that in order for a determination to be made in "good faith," our general partner must subjectively believe that the determination is in, or not opposed to, our best interests. Please read "The Partnership Agreement - Voting Rights" for information regarding matters that require unitholder approval.

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Our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances 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.

The amount of cash that is available for distribution to our unitholders is affected by the decisions of our general partner regarding such matters as:

the amount and timing of asset purchases and sales;

cash expenditures and the amount of maintenance capital expenditures;

borrowings;

the issuance of additional units; and

the creation, reduction or increase of reserves in any quarter.

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 into common units.

In addition, our general partner may use an amount, initially equal to \$ _____ million, which would not otherwise constitute available cash from operating surplus, to permit the payment of cash distributions on its subordinated units and incentive distribution rights. All of these actions may affect the amount of cash distributed to our unitholders and our general partner and may facilitate the conversion of subordinated units into common units. Please read "Provisions of Our Partnership Agreement Relating to Cash Distributions."

In addition, borrowings by us and our affiliates do not constitute a breach of any duty owed by our general partner to our unitholders, including borrowings that have the purpose or effect of:

enabling our general partner or its affiliates to receive distributions on any subordinated units held by them or the incentive distribution rights; or

accelerating the expiration of the subordination period.

For example, if we have not generated sufficient cash from our operations to pay the minimum quarterly distribution on our common and subordinated units, our partnership agreement permits us to borrow funds, which would enable us to make this distribution on all of our outstanding units. Please read "Provisions of Our Partnership Agreement Relating to Cash Distributions – Subordination Period."

Our partnership agreement provides that we and our subsidiaries may borrow funds from our general partner and its affiliates. Our general partner and its affiliates may borrow funds from us, or our operating company and its operating subsidiaries.

Our general partner determines which of the costs it incurs on our behalf are reimbursable by us.

We will reimburse our general partner and its affiliates for the costs incurred in managing and operating us, including costs incurred in rendering corporate staff and support services to us. Our partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us.

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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 from entering into additional contractual arrangements with any of these entities on our behalf.

Our partnership agreement allows our general partner to determine, in good faith, any amounts to pay itself or its affiliates for any services rendered to us. Our general partner may also enter into additional contractual arrangements with any of its affiliates on our behalf. Neither our partnership agreement nor any of the other agreements, contracts or arrangements between us, on the one hand, and our general partner and its affiliates, on the other hand, that will be in effect as of the completion of this offering, will be the result of arm's-length negotiations. Similarly, agreements, contracts or arrangements between us and our general partner and its affiliates that are entered into following the closing of this offering may not be negotiated on an arm's-length basis, although, in some circumstances, our general partner may determine that the conflicts committee should make a determination on our behalf with respect to such arrangements.

Our general partner will determine, in good faith, the terms of any of these transactions entered into after the completion of this offering.

Our general partner intends to limit its liability regarding our obligations.

Our general partner intends to limit its liability under contractual arrangements so that counterparties to such agreements have recourse only against our assets, and not against our general partner or its assets. Our partnership agreement provides that any action taken by our general partner to limit its liability is not a breach of our general partner's fiduciary duties, even if we could have obtained more favorable terms without the limitation on liability.

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 our common units.

Our general partner may exercise its right to call and purchase common units, as provided in our partnership agreement, or may assign this right to one of its affiliates or to us. Our general partner is not bound by fiduciary duty restrictions in determining whether to exercise this right. As a result, a common unitholder may be required to sell his common units at an undesirable time or price. Please read "The Partnership Agreement Limited Call Right."

Our general partner controls the enforcement of its and its affiliates' obligations to us.

Any agreements between us, on the one hand, and our general partner and its affiliates, on the other hand, will not grant to the unitholders, separate and apart from us, the right to enforce the obligations of our general partner and its affiliates in our favor.

Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

The attorneys, independent accountants and others who have performed services for us regarding this offering have been retained by our general partner. Attorneys, independent accountants and others who perform services for us are selected by our general partner or the conflicts committee and may perform services for our general partner and its affiliates. We may retain separate counsel for ourselves or the holders of common units in the event of a conflict of interest between our general partner and its affiliates, on the one hand, and us or the holders of common units, on the other hand, depending on the nature of the conflict. We do not intend to do so in most cases.

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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 or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.

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 reset to an amount equal to the average cash distribution per common unit for the two fiscal quarters immediately preceding the reset election (such amount is referred to as 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.

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 we are experiencing declines in our aggregate cash distributions or at a time when our general partner expects that we will experience declines in our aggregate cash distributions in the foreseeable future. In such situations, our general partner may be experiencing, or may expect to experience, declines in the cash distributions it receives related to its incentive distribution rights and may therefore desire to be issued our common units, which are entitled to specified priorities with respect to our distributions and which therefore may be more advantageous for the general partner to own in lieu of the right to receive incentive distribution payments based on target distribution levels that are less certain to be achieved in the then current business environment. As a result, a reset election may cause our common unitholders to experience dilution in the amount of cash distributions that they would have otherwise received had we not issued new common units to our general partner in connection with resetting the target distribution levels related to our general partner's incentive distribution rights. Please read "Provisions of Our Partnership Agreement Relating to Cash Distributions General Partner Interest and Incentive Distribution Rights."

Fiduciary Duties

Our general partner is accountable to us and our unitholders as a fiduciary. Fiduciary duties owed to unitholders by our general partner are prescribed by law and our partnership agreement. The Delaware LP Act provides that Delaware limited partnerships may, in their partnership agreements, expand, restrict or eliminate, except for the contractual covenant of good faith and fair dealing, the fiduciary duties otherwise owed by a general partner to limited partners and the partnership.

Our partnership agreement contains various provisions modifying and restricting the fiduciary duties that might otherwise be owed by our general partner. We have adopted these restrictions to allow our general partner or its affiliates to engage in transactions with us that would otherwise be prohibited by state-law fiduciary duty standards and to take into account the interests of other parties in addition to our interests when resolving conflicts of interest. Without such modifications, such transactions could result in violations of our general partner's state law fiduciary duty standards. We believe this is appropriate and necessary because our general partner's board of directors will have fiduciary duties to manage our general partner in a manner that is beneficial to its owners, as well as to our unitholders. Without these modifications, our general partner's ability to make decisions involving conflicts of interest would be restricted. The modifications to the fiduciary standards enable our general partner to take into consideration the interests of all parties involved in the proposed action, so long as the resolution is fair and reasonable to us. These modifications also enable our general partner to attract and retain experienced and capable directors. These modifications are detrimental to our unitholders because they restrict the rights and remedies that would otherwise be available to unitholders for actions that, without

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those limitations, might constitute breaches of fiduciary duty, as described below, and permit our general partner to take into account the interests of third parties in addition to our interests when resolving conflicts of interest. The following is a summary of the material restrictions of the fiduciary duties owed by our general partner to the limited partners:

State-law fiduciary duty standards	Fiduciary duties are generally considered to include an obligation to act in good faith and with due care and loyalty. The duty of care, in the absence of a provision in a partnership agreement providing otherwise, would generally require a general partner to act for the partnership in the same manner as a prudent person would act on his own behalf. The duty of loyalty, in the absence of a provision in a partnership agreement providing otherwise, would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction where a conflict of interest is present.
Partnership agreement modified standards	<p>Our partnership agreement contains provisions that waive or consent to conduct by our general partner and its affiliates that might otherwise raise issues relating to compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner is acting in its capacity as our general partner, as opposed to in its individual capacity, it must act in "good faith" and will not be subject to any other standard under applicable law. In addition, when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligation to us or the unitholders whatsoever. These standards reduce the obligations to which our general partner would otherwise be held.</p> <p>Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest that are not approved by a vote of common unitholders and that are not approved by the conflicts committee must be</p> <p>on terms no less favorable to us than those generally being provided to, or available from, unrelated third parties; or</p> <p>"fair and reasonable" to us, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to us).</p>

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If our general partner does not seek approval from the conflicts committee and the board of directors determines that the resolution or course of action taken with respect to the conflict of interest satisfies either of the standards set forth in the bullet points above, then it will be presumed that, in making its decision, the board of directors, which may include board members affected by the conflict of interest, acted in good faith. In any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. These standards reduce the obligations to which our general partner would otherwise be held.

In addition to the other more specific provisions limiting the obligations of our general partner, our partnership agreement further provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful.

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Rights and remedies of unitholders

The Delaware LP Act generally provides that a limited partner may institute legal action on behalf of the partnership to recover damages from a third party where a general partner has refused to institute the action or where an effort to cause a general partner to do so is not likely to succeed. These actions include actions against a general partner for breach of its fiduciary duties or of the partnership agreement. In addition, the statutory or case law of some jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited partners to recover damages from a general partner for violations of its fiduciary duties to the limited partners. The Delaware LP Act provides that, unless otherwise provided in a partnership agreement, a partner or other person shall not be liable to a limited partnership or to another partner or to another person that is a party to or is otherwise bound by a partnership agreement for breach of fiduciary duty for the partner's or other person's good faith reliance on the provisions of the partnership agreement. Under our partnership agreement, to the extent that, at law or in equity, an indemnitee has duties (including fiduciary duties) and liabilities relating thereto to us or to our partners, our general partner and any other indemnitee acting in connection with our business or affairs shall not be liable to us or to any partner for its good faith reliance on the provisions of our partnership agreement. To the fullest extent permitted by law, it shall be presumed that our general partner or any other indemnitee acted in a manner that satisfied the contractual standards set forth in our partnership agreement. In any proceeding brought by or on behalf of any limited partner, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

By purchasing our common units, each common unitholder automatically agrees to be bound by the provisions in our partnership agreement, including the provisions discussed above. This is in accordance with the policy of the Delaware LP Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a limited partner to sign a partnership agreement does not render the partnership agreement unenforceable against that person.

Under our partnership agreement, we must indemnify our general partner and its officers, directors, managers and certain other specified persons, to the fullest extent permitted by law, against liabilities, costs and expenses incurred by our general partner or these other persons. We must provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We must also provide this indemnification for criminal proceedings unless our general partner or these other persons acted with knowledge that their conduct was unlawful. Thus, our general partner could be indemnified for its negligent acts if it meets the requirements set forth above. To the extent these provisions purport to include indemnification for liabilities arising under the Securities Act, in the opinion of the SEC, such indemnification is contrary to public policy and, therefore, unenforceable. Please read "The Partnership Agreement - Indemnification."

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DESCRIPTION OF THE COMMON UNITS

The Units

The common units and the subordinated units represent limited partner interests in us. The common units and the subordinated units are separate classes of limited partner interests in us. The holders of common units and subordinated units are entitled to participate in partnership distributions and exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of common units and subordinated units and our general partner in and to partnership distributions, please read this section and "Our Cash Distribution Policy and Restrictions on Distributions." For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, please read "The Partnership Agreement."

Transfer Agent and Registrar

Duties. will serve as the registrar and transfer agent for the common units. We will pay all fees charged by the transfer agent for transfers of common units except the following that must be paid by unitholders:

surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges in connection therewith;

special charges for services requested by a common unitholder; and

other similar fees or charges.

There will be no charge to our unitholders for disbursements of our cash distributions. We will indemnify the transfer agent, its agents and each of their stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Resignation or Removal. The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor is appointed, our general partner may act as the transfer agent and registrar until a successor is appointed.

Transfer of Common Units

By transfer of common units in accordance with our partnership agreement, each transferee of common units shall be admitted as a limited partner with respect to the common units transferred when such transfer and admission are reflected in our books and records. Each transfe