MAGELLAN MIDSTREAM PARTNERS LP
Form 424B5
August 17, 2011
Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated August 17, 2011

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-162929

PROSPECTUS SUPPLEMENT

(To prospectus dated November 5, 2009)

$

4.25% Senior Notes due 2021

This is an offering by Magellan Midstream Partners, L.P. of $ million aggregate principal amount of 4.25% Senior Notes due 2021. Interest on the notes is payable on February 1 and August 1 of each year beginning February 1, 2012. Interest on the notes will accrue from August 1, 2011. The notes will mature on February 1, 2021. The notes offered hereby will be additional notes issued under an indenture, as supplemented by a supplemental indenture, pursuant to which we previously issued $300 million in aggregate principal amount of 4.25% Senior Notes due 2021. The notes offered hereby, together with the previously issued notes, will be treated as a single series for purposes of notices, consents, waivers, amendments and any other action permitted under the indenture. We may redeem some or all of the notes at any time or from time to time at a redemption price that includes a make-whole premium, as described under the caption Description of Notes Optional Redemption.

The notes will be general unsecured senior obligations and rank equally with all of our existing and future senior debt and senior to any future subordinated debt that we may incur. The notes will be issued only in registered form in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying prospectus.

	Per Note	Total
Public offering price (1)	%	$
Underwriting discount	%	$
Proceeds, before expenses, to us (1)	%	$

(1) Plus accrued interest from August 1, 2011.

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

The notes will not be listed on any national securities exchange or quoted on any automated quotation system (currently, there is no public market for the notes).

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about August , 2011.

BofA Merrill Lynch

J.P. Morgan

SunTrust Robinson Humphrey

Wells Fargo Securities

The date of this prospectus supplement is August , 2011

TABLE OF CONTENTS

Prospectus Supplement

Prospectus dated November 5, 2009

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes. The second part is the accompanying prospectus, which gives more general information about the securities we may offer from time to time. Generally when we refer only to the prospectus, we are referring to both parts combined.

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

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized anyone to provide you with different or additional information. We and the underwriters are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and any free writing prospectus is accurate as of any date other than the dates shown in those documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

None of Magellan Midstream Partners, L.P., the underwriters or any of their respective representatives is making any representation to you regarding the legality of an investment in the notes by you under applicable laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the notes.

As used in this prospectus supplement and the accompanying prospectus, unless we indicate otherwise, the terms our, we, us and similar terms refer to Magellan Midstream Partners, L.P., together with our subsidiaries.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. Please read Risk Factors beginning on page S-8 of this prospectus supplement and page 3 of the accompanying prospectus as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2010 for more information about important factors that you should consider before buying notes in this offering.

Magellan Midstream Partners, L.P.

We were formed as a limited partnership under the laws of the State of Delaware in August 2000 to own, operate and acquire a diversified portfolio of complementary energy assets. We are principally engaged in the transportation, storage and distribution of refined petroleum products, such as gasoline and diesel fuel, and crude oil. As of June 30, 2011, our three operating segments included:

- our petroleum pipeline system segment, comprising 9,600 miles of pipeline and 51 terminals;
- our petroleum terminals segment, which includes storage terminal facilities (consisting of six marine terminals located along coastal waterways and crude oil storage in Cushing, Oklahoma) and 27 inland terminals; and
- our ammonia pipeline system segment, comprising our 1,100-mile ammonia pipeline and six associated terminals.

Our principal executive offices are located in One Williams Center, Tulsa, Oklahoma 74172 and our phone number is (918) 574-7000.

Partnership structure and management

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Our general partner, which is also a wholly owned subsidiary, has sole responsibility for conducting our business and managing our operations. Our general partner has a non-economic general partner interest in us and does not receive a management fee or other compensation in connection with its management of our business.

The following table describes our current ownership structure. The percentages reflected in the table, other than the general partner interest, represent approximate ownership interests in us.

Ownership of Magellan Midstream Partners, L.P.	Percentage interest
Public common units	99.8%
Officer and director common units	0.2%
General partner interest	0.0%
Total	100.0%

Recent Developments

On August 15, 2011, we received a Notice of Preliminary Finding from the Texas Commission on Environmental Quality dated August 12, 2011 (the TCEQ Notice) for an emissions event compliance investigation relating to a February 2011 pipeline release from our refined products pipeline near Texas City, Texas. The TCEQ Notice refers to the same pipeline release previously disclosed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011. The TCEQ Notice does not specify any amount of potential monetary sanctions. Although potential monetary sanctions relating to the TCEQ Notice could exceed $100,000, we do not believe that such sanctions will have a material impact on our results of operations, financial position or cash flows.

S-1

THE NOTES OFFERING

Issuer	Magellan Midstream Partners, L.P.
Securities	$ million aggregate principal amount of 4.25% Senior Notes due 2021. The notes offered hereby are being offered as additional notes under the indenture, dated as of August 11, 2010, as supplemented by the first supplemental indenture dated as of August 11, 2010, with U.S. Bank National Association, as trustee, pursuant to which we issued $300 million aggregate principal amount of our 4.25% Senior Notes due 2021, which we refer to as the original notes, on August 11, 2010. The notes offered hereby and the original notes will be treated as a single series for purposes of notices, consents, waivers, amendments and any other action permitted under the indenture. Upon completion of this offering, the aggregate principal amount of outstanding notes under this series will be $ million.
Maturity Date	February 1, 2021.
Interest Payment Dates	February 1 and August 1 of each year, beginning February 1, 2012. Interest will accrue from August 1, 2011.
Use of Proceeds	We intend to use the net proceeds from this offering to repay all of the borrowings outstanding under our revolving credit facility, and we will use the balance, if any, for general partnership purposes, including investments in interest bearing securities or accounts.
Optional Redemption	We may redeem some or all of the notes at any time or from time to time at a redemption price, which includes a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date, as described under the caption Description of Notes Optional Redemption.
Subsidiary Guarantees	Our subsidiaries will not initially guarantee the notes. In the future, however, we will cause any of our subsidiaries that subsequently guarantee or become a co-obligor in respect of any of our funded debt to equally and ratably guarantee the notes offered hereby and the original notes.
Ranking	The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future senior debt, including borrowings under our revolving credit facility, and senior to any future subordinated debt.
	We conduct substantially all of our business through our subsidiaries. The notes will be structurally subordinated to all existing and future debt and other liabilities, including trade payables, of any of our non-guarantor subsidiaries. As of June 30, 2011, our subsidiaries had no debts for borrowed money owing to any unaffiliated third parties.

Table of Contents

Certain Covenants	We will issue the notes as additional notes under the indenture, dated as of August 11, 2010, as supplemented by the first supplemental indenture, dated as of August 11, 2010, with U.S. Bank National Association, as trustee. The indenture does not limit the amount of unsecured debt we may incur. The indenture contains limitations on, among other things, our ability to: incur debt secured by certain liens; engage in certain sale-leaseback transactions; and consolidate, merge or dispose of all or substantially all of our assets.
Additional Issuances	The notes offered hereby are additional notes (as defined in the indenture) that will constitute a single series with the original notes. We may again, at any time, without the consent of the holders of the notes, issue additional notes having the same interest rate, maturity and other terms as the original notes and the notes offered hereby. Any additional notes having such similar terms, together with the notes offered hereby and the original notes, will constitute a single series under the indenture.
Risk Factors	Please read Risk Factors beginning on page S-8 of this prospectus supplement and on page 3 of the accompanying prospectus, as well as the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2010, for a discussion of factors you should carefully consider before investing in the notes.
Governing Law	The notes offered hereby will be, and the indenture governing the notes is, governed by New York law.

Table of Contents

SUMMARY FINANCIAL AND OPERATING DATA

The following table sets forth summary financial and operating data as of and for the years ended December 31, 2008, 2009 and 2010 and as of and for the six months ended June 30, 2010 and 2011. This financial data was derived from our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2010 and from our unaudited consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the six months ended June 30, 2011. The financial data set forth below should be read in conjunction with those consolidated financial statements and the notes thereto, which are incorporated by reference into this prospectus supplement and the accompanying prospectus and have been filed with the Securities and Exchange Commission (SEC). All other data have been derived from our financial records.

The financial measures of distributable cash flow and operating margin, which are not prepared in accordance with generally accepted accounting principles, or GAAP, are presented in the summary financial data. We have presented these financial measures because we believe that investors benefit from having access to the same financial measures utilized by management.

We define distributable cash flow, which is a non-GAAP measure, in the following table. Our partnership agreement requires that all of our available cash, less amounts reserved by our general partner s board of directors, be distributed to our limited partners. Management uses distributable cash flow to determine the amount of available cash that our operations generated that is available for distribution to our limited partners. A reconciliation of distributable cash flow to net income, the most directly comparable GAAP measure, is included in the following table.

In addition to distributable cash flow, the non-GAAP measure of operating margin (in the aggregate and by segment) is presented in the Income Statement Data and Other Data sections of the following table. We compute the components of operating margin by using amounts that are determined in accordance with GAAP. A reconciliation of total operating margin to operating profit, which is its nearest comparable GAAP financial measure, is included in the following table. A reconciliation of segment operating margin to segment operating profit is included in our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Report on Form 10-Q for the six months ended June 30, 2011. Operating margin is an important measure of the economic performance of our core operations. This measure forms the basis of our internal financial reporting and is used by our management in deciding how to allocate capital resources between segments. Operating profit, alternatively, includes expense items, such as depreciation and amortization and general and administrative expenses, which our management does not consider when evaluating the core profitability of an operation.

Table of Contents

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(in thousands, except per unit amounts and operating statistics)				
				(unaudited)	
Income Statement Data:					
Transportation and terminals revenues	$ 638,810	$ 678,945	$ 793,599	$ 366,342	$ 428,600
Product sales revenues	574,095	334,465	763,090	386,034	397,239
Affiliate management fee revenues	733	761	758	379	385
Total revenues	1,213,638	1,014,171	1,557,447	752,755	826,224
Operating expenses	264,871	257,635	282,212	132,396	143,684
Product purchases	436,567	280,291	668,585	316,523	330,066
Gain on assignment of supply agreement	(26,492)				
Equity earnings	(4,067)	(3,431)	(5,732)	(2,669)	(2,810)
Operating margin	542,759	479,676	612,382	306,505	355,284
Depreciation and amortization expense	86,501	97,216	108,668	52,057	60,027
General and administrative expense	73,302	84,049	95,316	43,420	49,871
Operating profit	382,956	298,411	408,398	211,028	245,386
Interest expense, net	50,479	69,187	93,296	42,633	50,602
Debt placement fee amortization	767	1,112	1,401	657	770
Other (income) expense, net	(380)	(24)	750		
Income before provision for income taxes	332,090	228,136	312,951	167,738	194,014
Provision for income taxes	1,987	1,661	1,371	752	950
Net income	$ 330,103	$ 226,475	$ 311,580	$ 166,986	$ 193,064
Basic and diluted net income per limited partner unit	$ 2.21	$ 2.22	$ 2.85	$ 1.56	$ 1.71
Balance Sheet Data:					
Working capital (deficit)	$ (29,644)	$ 94,571	$ 109,536	$ 133,257	$ 185,553
Total assets	2,600,708	3,163,148	3,717,900	3,276,958	3,849,160
Long-term debt	1,083,485	1,680,004	1,906,148	1,779,658	2,042,246
Owners equity	1,254,132	1,196,354	1,469,571	1,226,730	1,457,450
Cash Distribution Data:					
Cash distributions declared per unit[(a)]	$ 2.77	$ 2.84	$ 2.96	$ 1.45	$ 1.56
Cash distributions paid per unit[(a)]	$ 2.72	$ 2.84	$ 2.91	$ 1.43	$ 1.53

(Footnotes appear on following page)

S-5

Table of Contents

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(in thousands, except per unit amounts and operating statistics)				
				(unaudited)	
Other Data:					
Operating margin (loss):					
Petroleum pipeline system	$ 428,903	$			