MAGELLAN MIDSTREAM PARTNERS LP
Form 424B2
June 22, 2009
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-137166

A filing fee of $16,740, calculated in accordance with
Rule 457(r), has been transmitted to the SEC in connection
with the securities offered from the registration statement
(File No. 333-137166) by means of this prospectus supplement.

Prospectus supplement

(To prospectus dated September 7, 2006)

$300,000,000

6.55% Senior Notes due 2019

This is an offering by Magellan Midstream Partners, L.P. of $300.0 million 6.55% Senior Notes due 2019. Interest on the notes is payable on January 15 and July 15 of each year beginning January 15, 2010. Interest on the notes will accrue from June 26, 2009. The notes will mature on July 15, 2019.

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 our senior unsecured obligations and will rank equally with all of our existing and future senior debt and senior to any future subordinated debt that we may incur.

Investing in the notes involves risk. Please read Risk factors beginning on page S-9 of this prospectus supplement and on page 1 of the accompanying prospectus as well as the risk factors discussed in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009.

	Public offering price(1)	Underwriting discount	Proceeds to us (before expenses)(1)
Per note	99.653%	0.65%	99.003%
Total	$298,959,000	$1,950,000	$297,009,000

(1) Plus accrued interest from June 26, 2009, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying 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.

It is expected that delivery of the notes will be made to investors in registered book-entry form only through the facilities of The Depository Trust Company on or about June 26, 2009.

Joint Book-Running Managers

J.P. Morgan

Banc of America Securities LLC

SunTrust Robinson Humphrey

Co-Managers

Citi

Credit Suisse

Mitsubishi UFJ Securities

Morgan Stanley

Wachovia Securities

June 19, 2009

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Prospectus supplement

Prospectus dated September 7, 2006

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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.

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 or the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with different information. We and the underwriters are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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.

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Summary

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information 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-9 of this prospectus supplement and page 1 of the accompanying prospectus as well as the risk factors discussed in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009 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. As of March 31, 2009, our asset portfolio consisted of:

- an approximately 8,700-mile petroleum products pipeline system, including 49 terminals;
- seven marine petroleum products terminals and 27 inland petroleum products terminals; and
- an 1,100-mile ammonia pipeline and six company-owned terminals.

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

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Partnership structure and management

Our general partner has sole responsibility for conducting our business and managing our operations. Our general partner does not receive a management fee or other compensation in connection with its management of our business, but it is reimbursed for direct and indirect expenses incurred on our behalf.

The following chart depicts our current organizational and ownership structure. The percentages reflected in the organizational chart represent approximate ownership interests in us.

Ownership of Magellan Midstream Partners, L.P.	Approximate percentage interest
Public common units	98.02%
Magellan GP, LLC general partner interest	1.98%
Total	100.00%

(1) MGG GP is MGG s general partner but does not hold an economic interest; therefore, MGG GP does not receive distributions from MGG nor is MGG GP allocated any of MGG s net income.

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Recent developments

Longhorn Pipeline acquisition

We have been selected by the United States Bankruptcy Court in Delaware as the stalking horse bidder for the majority of the assets of Longhorn Partners Pipeline, L.P., which include a 700-mile common carrier pipeline system that transports refined petroleum products from Houston to El Paso, Texas and a terminal in El Paso comprised of a 5-bay truck loading rack and over 900,000 barrels of storage. This terminal serves local petroleum products demand and distributes product to connecting third-party pipelines for ultimate delivery to markets in Arizona, New Mexico and, in the future, Northern Mexico. We currently serve as the operator of the pipeline system. The seller of the pipeline system is currently in bankruptcy. Completion of the acquisition is subject to an auction process by the bankruptcy court and, if we remain the highest bidder following the auction process, customary closing conditions, including bankruptcy court approval and regulatory approval. The preliminary purchase price for the pipeline system is $250 million plus the fair market value of line fill, which is currently estimated at approximately $90 million. We expect to finance the acquisition with available capacity under our revolving credit facility. We expect the acquisition to be completed in the third quarter of 2009 if we remain the highest bidder, but we cannot assure you that it will be completed in that time frame or at all.

Simplification agreement

On March 3, 2009, we and our general partner and MGG and its general partner entered into an Agreement Relating to Simplification of Capital Structure. The agreement provides for various transformation, distribution and contribution steps among us, MGG, our respective general partners and MGG s unitholders. Pursuant to the simplification agreement, among other things, we will transform the incentive distribution rights and general partnership interest in us owned by our general partner into approximately 39.6 million of our common units, and those common units will be distributed to MGG. Following the completion of the steps contemplated in the simplification agreement, MGG will liquidate and redistribute our common units that it receives to its unitholders. If the simplification is approved, each of MGG s unitholders will receive 0.6325 of our common units for each MGG common unit, our unitholders will continue to own their existing common units and MGG will cease to exist. We and MGG expect that the simplification will be completed in the third quarter of 2009. However, the completion of the simplification is subject to a number of conditions, including the approval of both our and MGG s unitholders, and there can therefore be no assurance that the simplification will be completed or that we will realize the expected benefits of the simplification. For additional details about the simplification agreement, please see our Current Report on Form 8-K as filed with the Securities and Exchange Commission (SEC) on March 4, 2009.

EPA issue

In June 2009, we received notice from the Department of Justice (the DOJ) that the DOJ, at the request of the Environmental Protection Agency, is prepared to initiate a lawsuit alleging violations of Sections 301 and 311 of the Clean Water Act (the Act) with respect to a discharge of gasoline that occurred on January 5, 2008 from our petroleum products pipeline near Oologah, Rogers County, Oklahoma. The DOJ stated that the maximum statutory penalty for the alleged violations of the Act, assuming only mere negligence, is approximately $1.2 million. The DOJ stated in its notice to us that it does not expect us to pay the maximum statutory penalty in a settlement although it will explore whether injunctive relief is necessary to prevent future violations of the Act. We have accrued an amount for this matter based on our best estimates that is less than the maximum statutory penalty.

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The notes offering

Issuer	Magellan Midstream Partners, L.P.
Securities	$300.0 million aggregate principal amount of 6.55% Senior Notes due 2019.
Maturity Date	July 15, 2019.
Interest Payment Dates	January 15 and July 15 of each year, beginning January 15, 2010.
Use of Proceeds	We intend to use a portion of the net proceeds from this offering to repay all borrowings outstanding under our revolving credit facility, and we will use the balance for general partnership purposes.
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 guarantees or becomes a co-obligor in respect of any of our funded debt to equally and ratably guarantee the 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 March 31, 2009, our subsidiaries had no debt for borrowed money owing to any unaffiliated third parties.
Certain Covenants	We will issue the notes under an indenture with U.S. Bank National Association, as trustee. The indenture does not limit the amount of unsecured debt we may incur. The indenture will contain limitations on, among other things, our ability to:
	incur debt secured by certain liens; engage in certain sale-leaseback transactions; and consolidate, merge or dispose of all or substantially all of our assets.

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Ratings	We have obtained the following ratings on the notes: Baa2 by Moody s Investors Service, Inc. and BBB by Standard & Poor s Ratings Services.
	A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold the notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if the rating agency decides that the circumstances warrant a revision.
Additional Issuances	We may, 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 these notes. Any additional notes having such similar terms, together with these notes, will constitute a single series under the indenture.
Risk Factors	Please read Risk factors beginning on page S-9 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as the risk factors discussed in our 2008 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2009, for a discussion of factors you should carefully consider before investing in the notes.
Governing Law	The notes and the indenture relating to the notes will be governed by New York law.

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Summary selected financial and operating data

The following table sets forth summary selected financial data as of and for the years ended December 31, 2006, 2007 and 2008 and as of and for the three months ended March 31, 2008 and 2009. This financial data was derived from our audited consolidated financial statements and related notes included in our Current Report on Form 8-K filed with the SEC on May 21, 2009 and from our unaudited consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the three months ended March 31, 2008 and 2009. 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 SEC. All other amounts have been prepared from our financial records.

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

We define Adjusted EBITDA, which is a non-GAAP measure, in the following schedules as net income plus provision for income taxes, debt prepayment premium, debt placement fee amortization, interest expense (net of interest income and interest capitalized) and depreciation and amortization. Adjusted EBITDA should not be considered an alternative to net income, operating profit, cash flow from operations or any other measure of financial performance presented in accordance with GAAP. Because Adjusted EBITDA excludes some items that affect net income and these items may vary among other companies, the Adjusted EBITDA data presented may not be comparable to similarly titled measures of other companies. Our management uses Adjusted EBITDA as a performance measure to assess the viability of projects and to determine overall rates of return on alternative investment opportunities. A reconciliation of Adjusted EBITDA to net income, the nearest comparable GAAP measure, is included in the following schedules.

In addition to Adjusted EBITDA, the non-GAAP measure of operating margin (in the aggregate and by segment) is presented in the following tables. 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 tables. A reconciliation of segment operating margin to segment operating profit is included in our Form 8-K filed with the SEC on May 21, 2009 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2009. 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.

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	Year ended December 31, 2006	2007	2008	Three months ended March 31, 2008	2009
				(unaudited)	
	(in thousands, except per unit amounts and operating statistics)				
Income Statement Data:					
Transportation and terminals revenues	$ 558,301	$ 607,845	$ 637,958	$ 144,592	$ 154,888
Product sales revenues	664,569	709,564	574,095	201,718	57,716
Affiliate management fee revenues	690	712	733	183	190
Total revenues	1,223,560	1,318,121	1,212,786	346,493	212,794
Operating expenses	244,526	251,601	265,728	55,592	60,727
Product purchases	605,341	633,909	436,567	177,568	52,630
Gain on assignment of supply agreement			(26,492)	(26,492)	
Equity earnings	(3,324)	(4,027)	(4,067)	(405)	(519)
Operating margin	377,017	436,638	541,050	140,230	99,956
Depreciation and amortization expense	60,852	63,792	71,153	17,176	19,315
Affiliate G&A expense	67,112	72,587	70,435	17,780	20,525
Operating profit	249,053	300,259	399,462	105,274	60,116
Interest expense, net	53,010	51,045	50,470	11,341	14,390
Debt prepayment premium		1,984			
Debt placement fee amortization	2,681	2,144	767	168	220
Other (income) expense, net	634	728	(375)		(82)
Income before provision for income taxes	192,728	244,358	348,600	93,765	45,588
Provision for income taxes(a)		1,568	1,987	443	357
Net income	$ 192,728	$ 242,790	$ 346,613	$ 93,322	$ 45,231
Basic net income per limited partner unit	$ 2.21	$ 2.69	$ 3.77	$ 1.10	$ 0.34
Diluted net income per limited partner unit	$ 2.20	$ 2.69	$ 3.76	$ 1.10	$ 0.34
Balance Sheet Data:					
Working capital (deficit)(b)	$ (341,371)	$ (15,563)	$ (29,675)	$ (30,608)	$ (37,562)
Total assets	1,952,649	2,101,194	2,296,115	2,125,239	2,317,244
Long-term debt(b)	518,609	914,536	1,083,485	952,171	1,125,089
Partners capital	806,482	871,164	955,442	905,635	928,630
Cash Distribution Data:					
Cash distributions declared per unit(c)	$ 2.34	$ 2.55	$ 2.77	$ 0.67	$ 0.71
Cash distributions paid per unit(c)	$ 2.29	$ 2.49	$ 2.72	$ 0.66	$ 0.71
Other Data:					
Operating margin (loss):					
Petroleum products pipeline system	$ 284,190	$ 351,246	$ 424,957	$ 109,419	$ 74,167
Petroleum products terminals	86,703	85,368	103,967	26,816	24,717
Ammonia pipeline system	2,541	(3,008)	8,643	3,166	111
Allocated partnership depreciation costs(d)	3,583	3,032	3,483	829	961
Operating margin	$ 377,017	$ 436,638	$ 541,050	$ 140,230	$ 99,956
Adjusted EBITDA:					
Net income	$ 192,728	$ 242,790	$ 346,613	$ 93,322	$ 45,231
Provision for income taxes(a)		1,568	1,987	443	357
Debt prepayment premium		1,984			
Debt placement fee amortization	2,681	2,144	767	168	