

Western Gas Partners LP  
Form 424B1  
May 09, 2008

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Filed pursuant to Rule 424(b)(1)  
Registration No. 333-146700

PROSPECTUS

May 8, 2008

**18,750,000 Common Units**

**Representing Limited Partner Interests**

This is the initial public offering of our common units. Prior to this offering, there has been no public market for the common units. Our common units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol WES.

**Investing in our common units involves risks. Please read Risk factors beginning on page 17.**

These risks include the following:

- Ø We are dependent on a single natural gas producer, Anadarko Petroleum Corporation, for almost all of the natural gas that we gather and transport. A material reduction in Anadarko's production gathered or transported by our assets would result in a material decline in our revenues and cash available for distribution.
- Ø We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to pay the minimum quarterly distribution to holders of our common and subordinated units.
- Ø Because of the natural decline in production from existing wells, our success depends on our ability to obtain new sources of natural gas, which is dependent on certain factors beyond our control. Any decrease in the volumes of natural gas that we gather and transport could adversely affect our business and operating results.
- Ø Anadarko owns and controls our general partner, which has sole responsibility for conducting our business and managing our operations. Anadarko and our general partner have conflicts of interest and may favor Anadarko's interests to your detriment.
- Ø Cost reimbursements due to Anadarko and our general partner for services provided to us or on our behalf will be substantial and will reduce our cash available for distribution to you. The amount and timing of such reimbursements will be determined by our general partner.
- Ø You will have limited voting rights and are not entitled to elect our general partner or its directors.
- Ø Even if you are dissatisfied, you cannot initially remove our general partner without its consent.
- Ø If you are not an Eligible Holder, you may not receive distributions or allocations of income or loss on your common units and your common units will be subject to redemption.
- Ø Our general partner interest or the control of our general partner may be transferred to a third party without your consent.
- Ø You will experience immediate and substantial dilution in pro forma net tangible book value of \$5.05 per common unit.

Ø You will be required to pay taxes on your share of our income even if you do not receive any cash distributions from us.

	<b>Per common unit</b>	<b>Total</b>
Public offering price	\$ 16.50	\$ 309,375,000
Underwriting discounts and commissions <sup>(1)</sup>	\$ 0.99	\$ 18,562,500
Proceeds, before expenses, to Western Gas Partners, LP	\$ 15.51	\$ 290,812,500

*(1) Excludes a structuring fee payable to UBS Securities LLC that is equal to 0.50% of the gross proceeds of this offering, or approximately \$1.55 million.*

We have granted the underwriters a 30-day option to purchase up to an additional 2,812,500 common units from us on the same terms and conditions as set forth above if the underwriters sell more than 18,750,000 common units in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units on or about May 14, 2008.

*Joint Book-Running Managers*

**UBS Investment Bank**                      **Citi**                      **Credit Suisse**                      **Morgan Stanley**

**Banc of America Securities LLC**

**Goldman, Sachs & Co.**

**JPMorgan**

**Lehman Brothers**

**Wachovia Securities**

**Scotia Capital**

**Bear, Stearns & Co. Inc.**

**Friedman Billings Ramsey**

**Stifel Nicolaus**

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on our behalf. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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Through and including June 2, 2008 (the 25<sup>th</sup> day after the date of this prospectus), federal securities law may require all dealers that effect transactions in these securities, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Prospectus summary

*This summary provides a brief overview of information contained elsewhere in this prospectus. Because it is abbreviated, this summary 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 the historical and pro forma combined financial statements and the notes to those financial statements. The information presented in this prospectus assumes, unless otherwise indicated, that the underwriters' option to purchase additional common units is not exercised. You should read "Risk factors" beginning on page 17 for more information about important risks that you should consider carefully before investing in our common units. We include a glossary of some of the terms used in this prospectus as Appendix B.*

*Unless the context otherwise requires, references in this prospectus to (i) Western Gas Partners, LP, we, our, us or like terms, when used in a historical context, refer to our Predecessor, as defined in Summary historical and pro forma financial data, and when used in the present tense or prospectively, refer to Western Gas Partners, LP and its subsidiaries; (ii) Anadarko refers to Anadarko Petroleum Corporation and its subsidiaries and affiliates, other than Western Gas Partners, LP and Western Gas Holdings, LLC, our general partner, as of the closing date of this offering; (iii) Anadarko Petroleum Corporation refers to Anadarko Petroleum Corporation excluding its subsidiaries and affiliates; and (iv) MIGC refers to MIGC LLC.*

**OVERVIEW**

We are a growth-oriented Delaware limited partnership recently formed by Anadarko (NYSE: APC) to own, operate, acquire and develop midstream energy assets. We currently operate in East Texas, the Rocky Mountains, the Mid-Continent and West Texas and are engaged in the business of gathering, compressing, treating and transporting natural gas for our ultimate parent, Anadarko, and third-party producers and customers. We principally provide our midstream services under long-term contracts with fee-based rates extending for primary terms of up to 20 years. We generally do not take title to the natural gas that we gather and, therefore, are able to avoid significant direct commodity price exposure.

We believe that one of our principal strengths is our relationship with Anadarko. During the year ended December 31, 2007, approximately 91% of our total natural gas gathering and transportation volumes were comprised of natural gas production owned or controlled by Anadarko. Anadarko Petroleum Corporation has dedicated to us all of the natural gas production it owns or controls from (i) wells that are currently connected to our gathering systems, and (ii) additional wells that are drilled within one mile of connected wells or our gathering systems, as the systems currently exist and as they are expanded to connect additional wells in the future. As a result, this dedication will continue to expand as additional wells are connected to our gathering systems. Volumes associated with this dedication averaged approximately 725,450 MMBtu/d for the year ended December 31, 2007.

We expect to utilize the significant experience of Anadarko's management team to execute our growth strategy, which includes acquiring and constructing additional midstream assets. For the year ended December 31, 2007, as adjusted for divestitures prior to this offering and including the assets being contributed to us, Anadarko's total domestic midstream asset portfolio consisted of 25 gathering systems and one transportation system with an aggregate throughput of approximately 2.6 Bcf/d, approximately 11,300 miles of pipeline and 25 processing and/or treating facilities.

**Table of Contents****OUR ASSETS AND AREAS OF OPERATION**

Our assets consist of six gathering systems, five natural gas treating facilities and one interstate pipeline. Our assets are located in East Texas, the Rocky Mountains (Utah and Wyoming), the Mid-Continent (Kansas and Oklahoma) and West Texas. The following table provides information regarding our assets by operating area as of or for the year ended December 31, 2007:

<b>Area</b>	<b>Asset Type</b>	<b>Length (miles)</b>	<b>Approximate # of receipt points</b>	<b>Gas compression (horsepower)</b>	<b>Treating capacity (MMcf/d)</b>	<b>Average throughput (MMcf/d)</b>
East Texas	Gathering and Treating	584	798	44,573	510	296 <sup>(1)</sup>
Rocky Mountains	Gathering and Treating	114	162	20,385	92	53
	Transportation	264	19	29,696		146
Mid-Continent	Gathering	1,753	1,512	130,720		126
West Texas	Gathering	97	58			175
Total		2,812	2,549	225,374	602	796

(1) To avoid duplicating volumes, 211 MMcf/d that is gathered on our Dew gathering system and delivered into our Pinnacle gas treating system is included only once in the calculation of average throughput.

**STRATEGY**

Our primary business objective is to increase our cash distribution per unit over time. We intend to accomplish this objective by executing the following strategy:

- Ø *Pursuing accretive acquisitions.* We expect to pursue accretive acquisition opportunities within the midstream energy industry from Anadarko and third parties.
- Ø *Capitalizing on organic growth opportunities.* We expect to grow organically by meeting Anadarko's gathering needs, which we expect to increase as a result of its anticipated drilling activity in our areas of operation.
- Ø *Attracting additional third-party volumes to our systems.* We intend to actively market our midstream services to and pursue strategic relationships with third-party producers to attract additional volumes and/or expansion opportunities.
- Ø *Minimizing commodity price exposure.* Our midstream services are provided under fee-based arrangements which minimize our direct commodity price exposure. We expect to utilize hedging to manage any significant future commodity price risk that could result from contracts we may acquire or enter into in the future.

## COMPETITIVE STRENGTHS

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

- Ø *Affiliation with Anadarko.* We believe Anadarko, as the owner of our general partner interest, all of our incentive distribution rights and a 63.4% limited partner interest in us, is motivated to promote and support the successful execution of our business plan and to pursue projects that enhance the value of our business.
- Ø *Relatively stable and predictable cash flow.* Our cash flow is largely protected from fluctuations caused by commodity price volatility due to the fee-based, long-term nature of our midstream service agreements.
- Ø *Well-positioned, well-maintained and efficient assets.* We believe that our established positions in our areas of operation provide us with opportunities to expand and attract additional volumes to our systems. Moreover, our systems consist of high-quality, well-maintained assets for which we have implemented modern treating, measuring and operating technologies.



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Ø *Financial flexibility to pursue expansion and acquisition opportunities.* We have up to \$100 million of borrowing capacity available to us under Anadarko's \$1.3 billion credit facility and, concurrently with the closing of this offering, we expect to obtain a \$30 million working capital facility from Anadarko. In addition, we will have no indebtedness outstanding at the closing of this offering. We believe that our borrowing capacity and our ability to effectively access debt and equity capital markets provide us with the financial flexibility necessary to achieve our organic expansion and acquisition strategy.

Ø *Experienced management team.* Members of our general partner's management team have extensive experience in building, acquiring, integrating, financing and managing midstream assets. In addition, our relationship with Anadarko provides us with the services of experienced personnel who successfully managed our assets and operations while they were owned by Anadarko.

We believe that we will effectively leverage our competitive strengths to successfully implement our strategy; however, our business involves numerous risks and uncertainties which may prevent us from achieving our primary business objective. For a more complete description of the risks associated with an investment in us, please read "Risk factors."

## **OUR RELATIONSHIP WITH ANADARKO PETROLEUM CORPORATION**

One of our principal attributes is our relationship with Anadarko. It will own our general partner and a significant interest in us following this offering. Anadarko is one of the largest independent oil and gas exploration and production companies in the world. Anadarko's upstream oil and gas business finds and produces natural gas, crude oil, condensate and natural gas liquids, or NGLs, and Anadarko annually pursues one of the most active drilling programs in the industry. At December 31, 2007, including the assets being contributed to us but adjusted for divestitures prior to this offering, Anadarko's total domestic midstream asset portfolio consisted of 25 gathering systems and one transportation system with an aggregate throughput of approximately 2.6 Bcf/d, approximately 11,300 miles of pipeline and 25 processing and/or treating facilities.

Following this offering, Anadarko's remaining midstream business will consist of 19 gathering systems with an aggregate throughput of approximately 2.0 Bcf/d, 8,500 miles of pipeline and 20 processing and/or treating facilities. Anadarko has invested significant capital into its domestic midstream business, including the assets being contributed to us, with investments of approximately \$608 million in 2007 and planned investments of more than \$500 million in 2008. On December 27, 2007, Anadarko announced a \$2.2 billion financing of its midstream assets which may require partial repayment based on a debt to EBITDA leverage ratio that declines incrementally over time. The debt repayments that may be necessary to satisfy the terms of this financing may be made with internally generated cash flow, cash on hand, or cash received from midstream asset sales. Should Anadarko choose to pursue midstream asset sales, it is under no contractual obligation to offer assets or business opportunities to us. We are neither a guarantor nor an obligor for such financing.

Upon completion of this offering, Anadarko will own a 2.0% general partner interest in us, all of our incentive distribution rights and a 63.4% limited partner interest in us. We will enter into an omnibus agreement with Anadarko and our general partner that will govern our relationship with them regarding certain reimbursement and indemnification matters. Please read "Certain relationships and related party transactions" and "Agreements governing the transactions" under "Omnibus agreement." Although our relationship with Anadarko provides us with a significant advantage in the midstream natural gas market, it is also a source of potential conflicts. For example, Anadarko is not restricted from competing with us. Please read "Conflicts of interest and fiduciary duties." Given Anadarko's significant ownership of limited and general partner interests in us following this offering, we believe it will be in Anadarko's best interest for it to sell additional assets to us over time; however, Anadarko continually evaluates acquisitions and divestitures and may elect to acquire, construct or dispose of midstream assets in the future without offering us the opportunity to

acquire or construct those assets. Anadarko is under no contractual obligation to offer any such opportunities to us, nor are we obligated to participate in any such

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opportunities. We cannot state with any certainty which, if any, opportunities to acquire assets from Anadarko may be made available to us or if we will elect to pursue any such opportunities.

## **RISK FACTORS**

An investment in our common units involves risks associated with our business, regulatory and legal matters, our limited partnership structure and the tax characteristics of our common units. Please read **Risk factors** for a more thorough description of these and other risks.

## **FORMATION TRANSACTIONS AND PARTNERSHIP STRUCTURE**

### **General**

We are a growth-oriented Delaware limited partnership recently formed by Anadarko to own, operate, acquire and develop midstream energy assets. At the closing of this offering, assuming that the underwriters do not exercise their option to purchase additional common units, the following transactions, which we refer to as the formation transactions, will occur:

- Ø Anadarko will contribute certain midstream assets to us;
- Ø we will issue to Western Gas Holdings, LLC, our general partner and a subsidiary of Anadarko, 1,083,115 general partner units representing a 2.0% general partner interest in us as well as all of our incentive distribution rights;
- Ø we will issue to Anadarko 7,786,306 common units and 26,536,306 subordinated units, representing an aggregate 63.4% limited partner interest in us;<sup>(1)</sup>
- Ø we will issue 18,750,000 common units to the public, representing a 34.6% limited partner interest in us;<sup>(1)</sup>
- Ø we will receive gross proceeds of \$309.4 million from the issuance and sale of 18,750,000 common units at an initial offering price of \$16.50 per unit;
- Ø we will use the proceeds from this offering to pay underwriting discounts and a structuring fee totaling approximately \$20.1 million and other estimated offering expenses of \$5.0 million;
- Ø we will use the remaining \$284.3 million of aggregate net proceeds of this offering to (i) make a loan of \$260.0 million to Anadarko in exchange for a 30-year note bearing interest at a fixed annual rate of 6.5%, (ii) reimburse Anadarko for \$14.3 million of capital expenditures it incurred with respect to assets contributed to us and (iii) provide \$10.0 million for general partnership purposes;
- Ø we will have up to \$100 million of long-term borrowing capacity available to us under Anadarko's \$1.3 billion credit facility;
- Ø we will enter into a \$30 million working capital facility with Anadarko as the lender;
- Ø we will enter into an omnibus agreement with Anadarko and our general partner pursuant to which, among other things, (i) we will reimburse Anadarko and our general partner for certain expenses incurred on our behalf, including expenses for various general and administrative services rendered by Anadarko and our general partner to us, and (ii) the parties will agree to certain indemnification obligations;

- Ø our general partner will enter into a services and secondment agreement with Anadarko, pursuant to which certain employees of Anadarko will be under our control and render services to us or on our behalf; and
- Ø our general partner will enter into a tax sharing agreement with Anadarko, pursuant to which we will pay Anadarko for our share of state and local income and other taxes that are included in combined or consolidated tax returns filed by Anadarko.

*(1) If the underwriters exercise their option to purchase up to 2,812,500 additional common units within 30 days of this offering, the number of units purchased by the underwriters pursuant to such exercise will be issued to the public instead of Anadarko.*

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**Ownership of Western Gas Partners, LP**

The diagram below illustrates our organization and ownership after giving effect to the offering and the related formation transactions and assumes that the underwriters' option to purchase additional common units is not exercised.

Public Common Units	34.6%
Anadarko Common and Subordinated Units	63.4%
General Partner Units	2.0%
Total	100.0%

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**OUR MANAGEMENT**

Our general partner has sole responsibility for conducting our business and for managing our operations and will be controlled by our ultimate parent, Anadarko. Pursuant to the omnibus agreement and the services and secondment agreement that we will enter into concurrently with the closing of this offering, Anadarko and our general partner will be entitled to reimbursement for all direct and indirect expenses that they incur on our behalf. Under the omnibus agreement, our reimbursement to Anadarko for certain general and administrative expenses it allocates to us will be capped at \$6.0 million annually through December 31, 2009, subject to adjustments to reflect changes in the Consumer Price Index and, with the concurrence of the special committee of our general partner's board of directors, to reflect expansions of our operations through the acquisition or construction of new assets or businesses. Thereafter, our general partner will determine the general and administrative expenses to be reimbursed by us in accordance with our partnership agreement. The cap contained in the omnibus agreement does not apply to incremental general and administrative expenses we expect to incur or to be allocated to us as a result of becoming a publicly traded partnership. We currently expect those expenses to be approximately \$2.5 million per year. Please read "Certain relationships and related party transactions," "Agreements governing the transactions," "Omnibus agreement" and "Services and secondment agreement."

Neither our general partner nor its board of directors will be elected by our unitholders. Anadarko is the sole member of our general partner and will have the right to appoint our general partner's entire board of directors. Certain of our officers and directors are also officers of Anadarko.

As is common with publicly traded partnerships and in order to maximize operational flexibility, we will conduct our operations through subsidiaries. We will initially have one direct subsidiary, WGR Operating, LP, a Delaware limited partnership that will conduct business itself and through its subsidiaries.

**PRINCIPAL EXECUTIVE OFFICES AND INTERNET ADDRESS**

Our principal executive offices are located at 1201 Lake Robbins Drive, The Woodlands, Texas 77380, and our telephone number is (832) 636-6000. We expect our website to be located at [www.westerngas.com](http://www.westerngas.com). We expect to make available our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, which we refer to as 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 herein and does not constitute a part of this prospectus.

**OUR GENERAL PARTNER'S RIGHT TO RECEIVE DISTRIBUTIONS**

**2.0% general partner interest**

Our general partner initially will be entitled to receive 2.0% of our quarterly cash distributions. This 2.0% interest will initially be represented by 1,083,115 general partner units. General partner units are not deemed outstanding units for purposes of voting rights and such units represent a non-voting general partner interest. Our general partner's initial 2.0% interest in these distributions will be reduced if we issue additional units in the future and our general partner does not elect to contribute a proportionate amount of capital to us to maintain its initial 2.0% general partner interest. If and to the extent our general partner elects to contribute sufficient capital to maintain its 2.0% general partner interest, it will be issued the number of general partner units necessary to maintain its 2.0% interest. All references in this prospectus to our general partner's 2.0% general partner interest assume that our general partner will elect to make these additional capital contributions in order to maintain its right to receive 2.0% of our cash distributions.

**Incentive distributions**

In addition to its 2.0% general partner interest, our general partner holds the incentive distribution rights, which are non-voting limited partner interests that represent the right to receive an increasing

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percentage of quarterly distributions of available cash as higher target distribution levels of cash are achieved. The following table shows how our available cash will be distributed among our unitholders and our general partner as higher target distribution levels are met:

	Total quarterly distribution per unit	Marginal percentage interest in distributions <sup>(1)</sup>	
		Unitholders	General partner
Minimum Quarterly Distribution	\$0.300	98.0%	2.0%
First Target Distribution	up to \$0.345	98.0%	2.0%
Second Target Distribution	above \$0.345 up to \$0.375	85.0%	15.0%
Third Target Distribution	above \$0.375 up to \$0.450	75.0%	25.0%
Thereafter	above \$0.450	50.0%	50.0%

(1) Assumes that there are no arrearages on common units and that our general partner maintains its 2.0% general partner interest and continues to own the incentive distribution rights.

For a more detailed description of the incentive distribution rights, please read Provisions of our partnership agreement relating to cash distributions General partner interest and incentive distribution rights.

**Our 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%) for each of the prior four consecutive fiscal quarters, to reset the initial target distribution levels to 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 (we refer to such amount 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. As a result, following a reset, we would distribute all of our available cash for each quarter thereafter as follows (assuming our general partner maintains its 2.0% general partner interest and the ownership of the incentive distribution rights):

- Ø first, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until each unitholder receives a total amount equal to 115% of the reset minimum quarterly distribution for that quarter;
- Ø second, 85.0% to all unitholders, pro rata, and 15.0% to our general partner, until each unitholder receives a total amount per unit equal to 125% of the reset minimum quarterly distribution for the quarter;
- Ø third, 75.0% to all unitholders, pro rata, and 25.0% to our general partner, until each unitholder receives a total amount per unit equal to 150% of the reset minimum quarterly distribution for the quarter; and
- Ø thereafter, 50.0% to all unitholders, pro rata, and 50.0% to our general partner.

If our general partner elects to reset the target distribution levels, it will be entitled to receive a number of Class B units and general partner units. The Class B units will be entitled to the same cash distributions per unit as our common units and will be convertible into an equal number of common units. The number of Class B units to be



issued to our general partner will be equal to that number of common units which 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. Our general partner will be issued the number of general partner units necessary to maintain our general partner's interest in us immediately prior to the reset election.

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**SUMMARY OF CONFLICTS OF INTEREST AND FIDUCIARY DUTIES**

**General**

Our general partner has a legal duty to manage us in a manner beneficial to holders of our common and subordinated units. This legal duty originates in statutes and judicial decisions and is commonly referred to as a fiduciary duty. However, the officers and directors of our general partner also have fiduciary duties to manage our general partner in a manner beneficial to its owner, Anadarko. Certain of the officers and directors of our general partner are also officers of Anadarko. As a result, conflicts of interest will arise in the future between us and holders of our common and subordinated units, on the one hand, and Anadarko and our general partner, 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 units, which in turn has an effect on whether our general partner receives incentive cash distributions as discussed above.

**Partnership agreement modifications to fiduciary duties**

Our partnership agreement limits the liability of, and reduces the fiduciary duties owed by, our general partner to holders of our common and subordinated units. Our partnership agreement also restricts the remedies available to holders of our common and subordinated 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.

**Anadarko may engage in competition with us**

Neither our partnership agreement nor the omnibus agreement between us and Anadarko will prohibit Anadarko from owning assets or engaging in businesses that compete directly or indirectly with us. In addition, Anadarko may acquire, construct or dispose of additional midstream or other assets in the future, without any obligation to offer us the opportunity to acquire or construct any of those assets.

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.

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The offering

Common units offered to the public 18,750,000 common units  
 21,562,500 common units, if the underwriters exercise in full their option to purchase additional common units

Units outstanding after this offering 26,536,306 common units<sup>(1)</sup> and 26,536,306 subordinated units, each representing a 49.0% limited partner interest in us. Our general partner will own 1,083,115 general partner units, representing a 2.0% general partner interest in us.

Use of proceeds We expect to use the gross proceeds of \$309.4 million to (i) make a loan of \$260.0 million to Anadarko in exchange for a 30-year note bearing interest at a fixed annual rate of 6.5%, (ii) reimburse Anadarko for \$14.3 million of capital expenditures it incurred with respect to assets contributed to us, (iii) provide \$10.0 million for general partnership purposes and (iv) pay underwriting discounts and a structuring fee totaling approximately \$20.1 million and other estimated offering expenses of \$5.0 million.

The net proceeds from any exercise of the underwriters' option to purchase additional common units will be used to reimburse Anadarko for capital expenditures it incurred with respect to the assets contributed to us.

Cash distributions Our general partner will adopt a cash distribution policy that will require us to pay a minimum quarterly distribution of \$0.30 per unit (\$1.20 per unit on an annualized basis) to the extent we have sufficient cash from operations after establishment of cash reserves 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 and in the glossary included in this prospectus as Appendix B. Our ability to pay the minimum quarterly distribution is subject to various restrictions and other factors described in more detail under the caption Our cash distribution policy and restrictions on distributions. We will adjust the minimum quarterly distribution payable for the period from the completion of this offering through June 30, 2008, based on the actual length of that period.

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

Ø *first*, 98.0% to the holders of common units and 2.0% to our general partner, until each common unit has received the minimum quarterly distribution of \$0.30 plus any arrearages from prior quarters;

Ø second, 98.0% to the holders of subordinated units and 2.0% to our general partner, until each subordinated unit

*(1) Excludes common units subject to issuance under our Long-Term Incentive Plan. Please read Management Long-term incentive plan.*

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has received the minimum quarterly distribution of \$0.30; and

Ø *third*, 98.0% to all unitholders, pro rata, and 2.0% to our general partner, until each unit has received a distribution of \$0.345.

If cash distributions to our unitholders exceed \$0.345 per unit in any quarter, our general partner will receive, in addition to distributions on its 2.0% 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.

The amount of pro forma available cash generated during the year ended December 31, 2007 would have been sufficient to allow us to pay the full minimum quarterly distribution (\$0.30 per unit per quarter, or \$1.20 on an annualized basis) on all of our common and subordinated units for such period. Please read Our cash distribution policy and restrictions on distributions.

We believe that, based on the Statement of Estimated Adjusted EBITDA included under the caption Our cash distribution policy and restrictions on distributions, we will have sufficient cash available for distribution to pay the minimum quarterly distribution of \$0.30 per unit on all common and subordinated units and the corresponding distributions on our general partner's 2.0% interest for the four quarters ending March 31, 2009.

**Subordinated units**

Anadarko will initially indirectly 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 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) \$1.20 (the minimum quarterly distribution on an annualized basis) on each outstanding common and subordinated unit and the corresponding distribution on our general partner's 2.0% interest for each of three consecutive, non-overlapping four quarter periods ending on or after June 30, 2011 or (ii) \$0.45 per quarter (150% of the minimum quarterly distribution, which is \$1.80 on an annualized basis) on each outstanding common and subordinated unit and the corresponding distributions on our general partner's 2.0% interest for each of four consecutive quarters.

In addition, the subordination period will end upon the removal of our general partner other than for cause if the units



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held by our general partner and its affiliates are not voted in favor of such removal.

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.

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%) for each of the prior four consecutive fiscal quarters, to reset the initial target distribution levels at higher levels based on our cash distributions at the time of the exercise of the reset election. Following a reset election by our general partner, the minimum quarterly distribution will be adjusted to equal the reset minimum quarterly distribution, and the target distribution levels will be reset to correspondingly higher levels based on the same percentage increases above the reset minimum quarterly distribution.

If our general partner elects to reset the target distribution levels, it will be entitled to receive Class B units and additional general partner units. The Class B units will be entitled to the same cash distributions per unit as our common units and will be convertible into an equal number of common units. The number of Class B units to be issued to our general partner will be equal to that number of common units which 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. Our general partner will be issued the number of general partner units necessary to maintain our general partner's interest in us 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 securities.

Limited voting rights

Our general partner will manage and operate us. Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business. You will have no right to elect our general partner or its directors on an annual or 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 limited partner units voting together as a single class, including any limited partner units owned by our general partner and its affiliates, including Anadarko. Upon consummation of this offering, Anadarko will own an aggregate of 64.7% of our common and subordinated units. This will give Anadarko the ability to prevent the involuntary





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	removal of our general partner. Please read The partnership agreement Voting rights.
Limited call right	If at any time our general partner and its affiliates own more than 80% of the outstanding common units, our general partner has the right, but not the obligation, to purchase all of the remaining common units at a price that is not less than the then-current market price of the common units.
Eligible Holders and redemption	<p>If our general partner determines that a holder of our common units is not an Eligible Holder, it may elect not to make distributions or allocate income or loss to such holder. Eligible Holders are:</p> <ul style="list-style-type: none"><li>Ø U.S. individuals or entities subject to U.S. federal income taxation on the income generated by us; or</li><li>Ø U.S. entities not subject to U.S. federal income taxation on the income generated by us, so long as all of the entity's owners are domestic individuals or entities subject to such taxation.</li></ul> <p>We have the right, which we may assign to any of our affiliates, but not the obligation, to redeem all of the common units of any holder that is not an Eligible Holder or that has failed to certify or has falsely certified that such holder is an Eligible Holder. The purchase price for such redemption would be equal to the lesser of the holder's purchase price and the then-current market price of the units. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner.</p> <p>Please read The partnership agreement Non-U.S. and non-taxpaying assignees; Redemption.</p>
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, 2010, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 30% or less of the cash distributed to you with respect to that period. For example, if you receive an annual distribution of \$1.20 per unit, we estimate that your average allocable federal taxable income per year will be no more than \$0.36 per unit. Please read Material tax consequences Tax consequences of unit ownership Ratio of taxable income to distributions and Material tax consequences Tax consequences of unit ownership Limitations on deductibility of losses.
Material tax consequences	For a discussion of other material federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, or the U.S., please read Material tax consequences.
Exchange listing	

Our common units have been approved for listing on the New York Stock Exchange, subject to notice of issuance, under the symbol WES.

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Summary historical and pro forma financial and operating data

The following table shows (i) the summary combined historical financial and operating data of our Predecessor, which is comprised of Anadarko Gathering Company LLC and Pinnacle Gas Treating LLC, with MIGC reported as an acquired business of our Predecessor, and (ii) the summary combined pro forma as adjusted financial and operating data of Western Gas Partners, LP (the Partnership), for the periods and as of the dates indicated. The information in the following table should be read together with Management's discussion and analysis of financial condition and results of operations.

Our Predecessor's summary combined historical balance sheet data as of December 31, 2007 and 2006 and summary combined historical statement of income and cash flow data for the years ended December 31, 2007, 2006 and 2005 are derived from the audited historical combined financial statements of our Predecessor included elsewhere in this prospectus. Our Predecessor's summary combined historical balance sheet data as of December 31, 2005 are derived from the audited historical combined financial statements of our Predecessor not included in this prospectus.

The Partnership's summary combined pro forma as adjusted statement of income data for the year ended December 31, 2007 and summary combined pro forma as adjusted balance sheet data as of December 31, 2007 are derived from the unaudited pro forma combined financial statements of the Partnership included elsewhere in this prospectus.

The pro forma adjustments have been prepared as if certain transactions to be effected at the closing of this offering had taken place on December 31, 2007, in the case of the pro forma balance sheet, and on January 1, 2007, in the case of the pro forma statement of operations for the year ended December 31, 2007. These transactions include:

- Ø the receipt by the Partnership of gross proceeds of \$309.4 million from the issuance and sale of 18,750,000 common units at an initial offering price of \$16.50 per unit;
- Ø the use of the proceeds from this offering to pay underwriting discounts and a structuring fee totaling approximately \$20.1 million and other estimated offering expenses of \$5.0 million; and
- Ø the use of the remaining \$284.3 million of aggregate net proceeds of this offering to (i) make a loan of \$260.0 million to Anadarko in exchange for a 30-year note bearing interest at a fixed annual rate of 6.5%, (ii) reimburse Anadarko for \$14.3 million of capital expenditures it incurred with respect to assets contributed to us and (iii) provide \$10.0 million for general partnership purposes.

The following table includes our Predecessor's historical and our pro forma Adjusted EBITDA, which have not been prepared in accordance with generally accepted accounting principles (GAAP). Adjusted EBITDA is presented because it is 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 a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please read Non-GAAP financial measure below.

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	<b>Predecessor combined</b>			<b>Partnership pro forma as adjusted</b>
	<b>Year ended December 31,</b>			<b>Year ended</b>
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>December 31, 2007</b>
<b>(in thousands, except per-unit data)</b>				
<b>Statement of Income Data:</b>				
Total revenues	\$ 116,122	\$ 81,152	\$ 71,650	\$ 116,122
Costs and expenses	47,497	39,960	35,720	47,497
Depreciation	23,380	18,009	15,447	23,380
Total operating expenses	70,877	57,969	51,167	70,877
Operating income	45,245	23,183	20,483	45,245
Other expense (income), net		26	(66)	
Interest expense (income), net	8,521	9,631	8,650	(16,757)
Income tax expense (benefit)	12,724	3,814	4,789	(521)
Net income	\$ 24,000	\$ 9,712	\$ 7,110	\$ 62,523
General partner interest in net income				1,250
Common unitholders' interest in net income				31,844
Subordinated unitholders' interest in net income				29,429
Net income per common unit (basic and diluted)				\$ 1.20
Net income per subordinated unit (basic and diluted)				\$ 1.11
<b>Balance Sheet Data (at period end):</b>				
Net, property, plant and equipment	\$ 363,619	\$ 310,871	\$ 200,451	\$ 363,619
Total assets	376,641	332,228	206,373	644,353
Total partners' capital/parent net equity	281,316	238,531	160,585	624,638
<b>Cash Flow Data:</b>				
Net cash provided by (used in):				
Operating activities	55,872	27,323	30,131	
Investing activities	(53,174)	(42,713)	(21,076)	
Financing activities	(3,156)	15,844	(9,067)	
Adjusted EBITDA <sup>(1)</sup>	68,625	41,192	35,930	68,625
Capital expenditures, net	52,664	42,299	20,841	
<b>Operating Data:</b>				
<i>Affiliate</i>				
Throughput, MMBtu/d	892	820	757	892
Average rate per MMBtu	\$ 0.28	\$ 0.22	\$ 0.21	\$ 0.28
<i>Third Party</i>				
Throughput, MMBtu/d	95	72	41	95
Average rate per MMBtu	\$ 0.30	\$ 0.19	\$ 0.16	\$ 0.30

***Total***

Throughput, MMBtu/d	987	892	798	987
Average rate per MMBtu	\$ 0.29	\$ 0.21	\$ 0.21	\$ 0.29

(1) *Adjusted EBITDA is defined in Non-GAAP financial measure below.*

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**NON-GAAP FINANCIAL MEASURE**

We define Adjusted EBITDA as net income (loss), plus interest expense, income tax expense and depreciation, less interest income, income tax benefit and other income (expense). We believe that the presentation of Adjusted EBITDA provides information useful to investors in assessing our financial condition and results of operations and that Adjusted EBITDA is a widely accepted financial indicator of a company's ability to incur and service debt, fund capital expenditures and make distributions. Adjusted EBITDA is a supplemental financial measure that management and external users of our combined financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

- Ø our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to financing methods, capital structure or historical cost basis;
- Ø the ability of our assets to generate sufficient cash flow to make distributions to our unitholders; and
- Ø the viability of acquisitions and capital expenditure projects and the returns on investment of various investment opportunities.

The GAAP measures most directly comparable to Adjusted EBITDA are net income and net cash provided by operating activities. Our non-GAAP financial measure of Adjusted EBITDA should not be considered as an alternative to GAAP net income or net cash provided by operating activities. Adjusted EBITDA has important limitations as an analytical tool because it excludes some but not all items that affect net income and net cash provided by operating activities. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between Adjusted EBITDA and net income and net cash provided by operating activities, and incorporating this knowledge into its decision-making processes. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results.



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Net cash provided by operating activities reported	\$	55,872
Adjustments:		
Reported interest expense		8,521
Pro forma interest income		16,900
Pro forma interest expense		(143)
Reported current income tax expense		313 <sup>(a)</sup>
Pro forma current income tax		(189)
Net cash provided by operating activities pro forma	\$	81,274
(a) Reported income tax expense	\$	12,724
Reported deferred tax expense		12,411
Reported current tax expense	\$	313



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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 carefully consider 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 not be able 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 are dependent on a single natural gas producer, Anadarko, for almost all of the natural gas that we gather and transport. A material reduction in Anadarko's production gathered or transported by our assets would result in a material decline in our revenues and cash available for distribution.**

We rely on Anadarko for virtually all of the natural gas that we gather and transport. For the year ended December 31, 2007, Anadarko accounted for approximately 91% of our natural gas gathering and transportation volumes. We may be unable to negotiate on favorable terms, if at all, extensions or replacements of our contracts to gather, compress, treat and transport Anadarko's production. Furthermore, Anadarko may suffer a decrease in production volumes in the areas serviced by us and is under no contractual obligation to maintain its production dedicated to us. The loss of a significant portion of the natural gas volumes supplied by Anadarko would result in a material decline in our revenues and our cash available for distribution. In addition, Anadarko may determine in the future that drilling activity in other areas of operation is strategically more attractive. A shift in Anadarko's focus away from our areas of operation could result in reduced throughput on our system and a material decline in our revenues.

**We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to pay the minimum quarterly distribution to holders of our common and subordinated units.**

In order to pay the minimum quarterly distribution of \$0.30 per unit per quarter, or \$1.20 per unit per year, we will require available cash of approximately \$16.2 million per quarter, or \$65.0 million per year, based on the number of common and subordinated units to be outstanding immediately after completion of this offering. We may not have sufficient available cash from operating surplus each quarter to enable us to pay the minimum quarterly distribution. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- Ø the prices of, level of production of and demand for natural gas;
- Ø the volume of natural gas we gather, compress, treat and transport;
- Ø the volumes and prices of condensate that we retain and sell;
- Ø demand charges and volumetric fees associated with our transportation services;
- Ø the level of competition from other midstream energy companies;

Ø the level of our operating and maintenance and general and administrative costs;

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**Risk factors**

- Ø regulatory action affecting the supply of or demand for natural gas, the rates we can charge, how we contract for services, our existing contracts, our operating costs or our operating flexibility; and
- Ø prevailing economic conditions.

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

- Ø the level of capital expenditures we make;
- Ø the cost of acquisitions;
- Ø our debt service requirements and other liabilities;
- Ø fluctuations in our working capital needs;
- Ø our ability to borrow funds and access capital markets;
- Ø restrictions contained in debt agreements to which we are a party; and
- Ø the amount of cash reserves established by our general partner.

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.

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

The amount of cash we have available for distribution depends primarily upon 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 losses for financial accounting purposes and may not make cash distributions during periods when we record net earnings for financial accounting purposes.

The amount of available cash we need to pay the minimum quarterly distribution on all of our units to be outstanding immediately after this offering and the corresponding distribution on our general partner's 2.0% interest for four quarters is approximately \$65.0 million. The amounts of pro forma available cash generated during the year ended December 31, 2007 would have been sufficient to allow us to pay the full minimum quarterly distribution on all of our common and subordinated units for such periods. For a calculation of our ability to make distributions to unitholders based on our pro forma results for 2007, please read Our cash distribution policy and restrictions on distributions.

**The assumptions underlying the forecast of cash available for distribution that we include 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 that could cause actual results to differ materially from those forecasted.**

The forecast of cash available for distribution set forth in Our cash distribution policy and restrictions on distributions includes our forecasted results of operations, Adjusted EBITDA and cash available for distribution for the twelve months ending March 31, 2009. The financial forecast has been prepared by management, and we have not received an opinion or report on it 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 that could cause actual results to differ materially from those forecasted. If we do not achieve the forecasted results, we may not be able to pay the full minimum quarterly distribution or any amount on our common or subordinated units, in which event the market price of our common units may decline materially.

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**Risk factors**

**Because of the natural decline in production from existing wells, our success depends on our ability to obtain new sources of natural gas, which is dependent on certain factors beyond our control. Any decrease in the volumes of natural gas that we gather and transport could adversely affect our business and operating results.**

The volumes that support our business are dependent on the level of production from natural gas wells connected to our gathering systems, the production of which will naturally decline over time. As a result, our cash flows associated with these wells will also decline over time. In order to maintain or increase throughput levels on our gathering systems, we must obtain new sources of natural gas. The primary factors affecting our ability to obtain non-dedicated sources of natural gas include (i) the level of successful drilling activity near our systems and (ii) our ability to compete for volumes from successful new wells.

While Anadarko has dedicated production from certain of its properties to us, we have no control over the level of drilling activity in our areas of operation, the amount of reserves associated with wells connected to our gathering systems or the rate at which production from a well declines. In addition, we have no control over Anadarko or other producers or their drilling or production decisions, which are affected by, among other things, the availability and cost of capital, prevailing and projected energy prices, demand for hydrocarbons, levels of reserves, geological considerations, governmental regulations, the availability of drilling rigs and other production and development costs. Fluctuations in energy prices can also greatly affect investments by Anadarko and third parties in the development of new natural gas reserves. Declines in natural gas prices could have a negative impact on exploration, development and production activity, and if sustained, could lead to a material decrease in such activity. Sustained reductions in exploration or production activity in our areas of operation would lead to reduced utilization of our gathering and treating assets.

Because of these factors, even if new natural gas reserves are known to exist in areas served by our assets, producers may choose not to develop those reserves. Moreover, Anadarko may not develop the acreage it has dedicated to us. If competition or reductions in drilling activity result in our inability to maintain the current levels of throughput on our systems, it could reduce our revenue and impair our ability to make cash distributions to our unitholders.

**We typically do not obtain independent evaluations of natural gas reserves connected to our gathering and transportation systems; therefore, in the future, volumes of natural gas on our systems could be less than we anticipate.**

We typically do not obtain independent evaluations of natural gas reserves connected to our systems. Accordingly, we do not have independent estimates of total reserves dedicated to our systems or the anticipated life of such reserves. If the total reserves or estimated life of the reserves connected to our gathering systems are less than we anticipate and we are unable to secure additional sources of natural gas, it could have a material adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to you.

**Lower natural gas and oil prices could adversely affect our business.**

Lower natural gas and oil prices could impact natural gas and oil exploration and production activity levels and result in a decline in the production of natural gas and condensate, resulting in reduced throughput on our systems. Any such decline may cause our current or potential customers to delay drilling or shut in production. In addition, such a decline would reduce the amount of condensate we retain and sell. As a result, lower natural gas prices could have an adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to you.



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### **Risk factors**

In general terms, the prices of natural gas, oil, condensate, NGLs and other hydrocarbon products fluctuate in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. These factors include:

- Ø worldwide economic conditions;
- Ø weather conditions and seasonal trends;
- Ø the levels of domestic production and consumer demand;
- Ø the availability of imported liquified natural gas, or LNG;
- Ø the availability of transportation systems with adequate capacity;
- Ø the volatility and uncertainty of regional pricing differentials such as in the Mid-Continent;
- Ø the price and availability of alternative fuels;
- Ø the effect of energy conservation measures;
- Ø the nature and extent of governmental regulation and taxation; and
- Ø the anticipated future prices of natural gas, LNG and other commodities.

### **Our industry is highly competitive, and increased competitive pressure could adversely affect our business and operating results.**

We compete with similar enterprises in our areas of operation. Our competitors may expand or construct gathering, compression, treating or transportation systems that would create additional competition for the services we provide to our customers. In addition, our customers, including Anadarko, may develop their own gathering, compression, treating or transportation systems in lieu of using ours. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain current revenues and cash flow could be adversely affected by the activities of our competitors and our customers. All of these competitive pressures could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to you.

### **Our operating income could be affected by a change in oil prices relative to the price of natural gas.**

Under our gathering agreements, we retain and sell condensate, which falls out of the natural gas stream during the gathering process, and compensate shippers with a thermally equivalent volume of natural gas. Condensate sales comprised approximately 9% of our gathering system revenues for the year ended December 31, 2007. The price we receive for our condensate is generally tied to the market price of oil. The relationship between natural gas prices and oil prices therefore affects the margin on our condensate sales. When natural gas prices are high relative to oil prices, the profit margin we realize on our condensate sales is low due to the higher value of natural gas. Correspondingly, when natural gas prices are low relative to oil prices, the profit margin is high.

**If third-party pipelines or other facilities interconnected to our gathering or transportation systems become partially or fully unavailable, or if the volumes we gather or transport do not meet the natural gas quality requirements of such pipelines or facilities, our revenues and cash available for distribution could be adversely affected.**

Our natural gas gathering and transportation systems connect to other pipelines or facilities, the majority of which are owned by third parties. The continuing operation of such third-party pipelines or facilities is not within our control. If any of these pipelines or facilities becomes unable to transport natural gas, or if the volumes we gather or transport do not meet the natural gas quality requirements of such pipelines or facilities, our revenues and cash available for distribution could be adversely affected.



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**Our interstate natural gas transportation operations are subject to regulation by FERC, which could have an adverse impact on our ability to establish transportation rates that would allow us to earn a reasonable return on our investment, or even recover the full cost of operating our pipeline, thereby adversely impacting our ability to make distributions to you.**

MIGC, our interstate natural gas transportation system, is subject to regulation by the Federal Energy Regulatory Commission, or FERC, under the Natural Gas Act of 1938, or the NGA, and the Energy Policy Act of 2005, or the EPCRA 2005.

Under the NGA, FERC has the authority to regulate natural gas companies that provide natural gas pipeline transportation services in interstate commerce. Federal regulation extends to such matters as:

- Ø rates, services and terms and conditions of service;
- Ø the types of services MIGC may offer to its customers;
- Ø the certification and construction of new facilities;
- Ø the acquisition, extension, disposition or abandonment of facilities;
- Ø the maintenance of accounts and records;
- Ø relationships between affiliated companies involved in certain aspects of the natural gas business;
- Ø the initiation and discontinuation of services;
- Ø market manipulation in connection with interstate sales, purchases or transportation of natural gas; and
- Ø participation by interstate pipelines in cash management arrangements.

Natural gas companies are prohibited from charging rates that have been determined to be not just and reasonable by FERC. In addition, FERC prohibits natural gas companies from unduly preferring or unreasonably discriminating against any person with respect to pipeline rates or terms and conditions of service.

The rates and terms and conditions for our interstate pipeline services are set forth in a FERC-approved tariff. Pursuant to FERC's jurisdiction over rates, existing rates may be challenged by complaint and proposed rate increases may be challenged by protest. Any successful complaint or protest against our rates could have an adverse impact on our revenues associated with providing transportation service.

Should we fail to comply with all applicable FERC-administered statutes, rules, regulations and orders, we could be subject to substantial penalties and fines. Under the EPCRA 2005, FERC has civil penalty authority under the NGA to impose penalties for current violations of up to \$1,000,000 per day for each violation. FERC also has the power to order disgorgement of profits from transactions deemed to violate the NGA and EPCRA 2005.

**A change in the jurisdictional characterization of some of our assets by federal, state or local regulatory agencies or a change in policy by those agencies could result in increased regulation of our assets, which could cause our revenues to decline and operating expenses to increase.**

Section 1(b) of the NGA exempts natural gas gathering facilities from the jurisdiction of FERC. We believe that our natural gas pipelines, other than MIGC, meet the traditional tests FERC has used to determine if a pipeline is a gathering pipeline and is, therefore, not subject to FERC jurisdiction. The distinction between FERC-regulated transmission services and federally unregulated gathering services is the subject of substantial ongoing litigation and, over time, FERC policy concerning where to draw the line between activities it regulates and activities excluded from its regulation has changed. The classification and regulation of our gathering facilities are subject to change based on future determinations by FERC, the courts or Congress. State regulation of gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements

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and complaint-based rate regulation. In recent years, FERC has taken a more light-handed approach to regulation of the gathering activities of interstate pipeline transmission companies, which has resulted in a number of such companies transferring gathering facilities to unregulated affiliates. As a result of these activities, natural gas gathering may begin to receive greater regulatory scrutiny at both the state and federal levels.

**FERC regulation of MIGC, including the outcome of certain FERC proceedings on the appropriate treatment of tax allowances included in regulated rates and the appropriate return on equity, may reduce our transportation revenues, affect our ability to include certain costs in regulated rates and increase our costs of operations, and thus adversely affect our cash available for distribution.**

FERC has pending certain proceedings concerning the appropriate allowance for income taxes that may be included in cost-based rates for FERC regulated pipelines owned by publicly traded partnerships that do not directly pay federal income tax. FERC issued a policy permitting such tax allowances in 2005. FERC's policy and its initial application in a specific case were upheld on appeal by the D.C. Circuit in May of 2007 and the D.C. Circuit's decision is final. In December 2006, FERC issued another order addressing the income tax allowance in rates, in which it reaffirmed prior statements regarding its income tax allowance policy, but raised a new issue regarding the implication of the policy statement for publicly traded partnerships. FERC noted that the tax deferral features of a publicly traded partnership may cause some investors to receive, for some indeterminate duration, cash distributions in excess of their taxable income, creating an opportunity for those investors to earn an additional return, funded by ratepayers. Responding to this concern, FERC adjusted the equity rate of return of the pipeline at issue downward based on the percentage by which the publicly traded partnership's cash flow exceeded taxable income. Rehearing is currently pending before FERC.

FERC also has pending a proceeding on the appropriate composition of proxy groups for purposes of determining natural gas and oil pipeline equity returns to be included in cost-of-service based rates. In a policy statement issued July 19, 2007, FERC proposed to permit inclusion of publicly traded partnerships in the proxy group analysis relating to return on equity determinations in rate proceedings, provided that the analysis be limited to actual publicly traded partnership distributions capped at the level of the pipeline's earnings and that evidence be provided in the form of a multiyear analysis of past earnings demonstrating a publicly traded partnership's ability to provide stable earnings over time. In November 2007, the FERC requested additional comments and announced a technical conference regarding the method to be used for creating growth forecasts for publicly traded partnerships.

The ultimate outcome of these proceedings is not certain and may result in new policies being established at FERC that would limit the amount of income tax allowance permitted to be recovered in regulated rates or disallow the full use of distributions to unitholders by pipeline publicly traded partnerships in any proxy group comparisons used to determine return on equity in future rate proceedings. Any such policy developments may adversely affect the ability of MIGC to achieve a reasonable level of return or impose limits on its ability to include a full income tax allowance in cost of service, and therefore could adversely affect our cash available for distribution.

**We are subject to stringent environmental laws and regulations that may expose us to significant costs and liabilities.**

Our natural gas gathering, compression, treating and transportation operations are subject to stringent and complex federal, state and local environmental laws and regulations that govern the discharge of materials into the environment or otherwise relate to environmental protection. Examples of these laws include:

Ø the federal Clean Air Act and analogous state laws that impose obligations related to air emissions;

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- Ø the federal Comprehensive Environmental Response, Compensation and Liability Act, also known as CERCLA or the Superfund law, and analogous state laws that regulate the cleanup of hazardous substances that may be or have been released at properties currently or previously owned or operated by us or at locations to which our wastes are or have been transported for disposal;
- Ø the federal Water Pollution Control Act, also known as the Clean Water Act, and analogous state laws that regulate discharges from our facilities into state and federal waters, including wetlands;
- Ø the federal Resource Conservation and Recovery Act, also known as RCRA, and analogous state laws that impose requirements for the storage, treatment and disposal of solid and hazardous waste from our facilities; and
- Ø the Toxic Substances Control Act, also known as TSCA, and analogous state laws that impose requirements on the use, storage and disposal of various chemicals and chemical substances at our facilities.

These laws and regulations may impose numerous obligations that are applicable to our operations, including the acquisition of permits to conduct regulated activities, the incurrence of capital expenditures to limit or prevent releases of materials from our pipelines and facilities, and the imposition of substantial liabilities for pollution resulting 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 corrective 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 and the issuance of injunctions limiting or preventing some or all of our operations.

There is an inherent risk of incurring significant environmental costs and liabilities in connection with our operations due to historical industry operations and waste disposal practices, our handling of hydrocarbon wastes and potential emissions and discharges related to our operations. Joint and several, strict liability may be incurred, without regard to fault, under certain of these environmental laws and regulations in connection with discharges or releases of hydrocarbon wastes on, under or from our properties and facilities, many of which have been used for midstream activities for a number of years, oftentimes by third parties not under our control. Private parties, including the owners of the properties through which our gathering or transportation systems pass and facilities where our wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. In addition, changes in environmental laws and regulations occur frequently, and any such changes that result in more stringent and costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our operations or financial position. We may not be able to recover all or any of these costs from insurance. Please read **Business Environmental matters** for more information.

### **Our construction of new assets may not result in revenue increases and will be subject to regulatory, environmental, political, legal and economic risks, which could adversely affect our results of operations and financial condition.**

One of the ways we intend to grow our business is through the construction of new midstream assets. The construction of additions or modifications to our existing systems and the construction of new midstream assets involve numerous regulatory, environmental, political and legal uncertainties that are beyond our control. Such expansion projects may also require the expenditure of significant amounts of capital, and financing may not be available on economically

acceptable terms or at all. If we undertake these projects, they may not be completed on schedule, at the budgeted cost, or at all. Moreover, our revenues may not increase immediately upon the expenditure of funds on a particular project. For

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instance, if we expand a pipeline, the construction may occur over an extended period of time, yet we will not receive any material increases in revenues until the project is completed. Moreover, we could construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. Since we are not engaged in the exploration for and development of natural gas and oil reserves, we often do not have access to third-party estimates of potential reserves in an area prior to constructing facilities in that area. To the extent we rely on estimates of future production in our decision to construct additions to our systems, such estimates may prove to be inaccurate as a result of the numerous uncertainties inherent in estimating quantities of future production. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could adversely affect our results of operations and financial condition. In addition, the construction of additions to our existing gathering and transportation assets may require us to obtain new rights-of-way. We may be unable to obtain such rights-of-way and may, therefore, be unable to connect new natural gas volumes to our systems or capitalize on other attractive expansion opportunities. Additionally, it may become more expensive for us to obtain new rights-of-way or to renew existing rights-of-way. If the cost of renewing or obtaining new rights-of-way increases, our cash flows could be adversely affected.

**If Anadarko were to limit divestitures of midstream assets to us or if we were to be unable to make acquisitions on economically acceptable terms from Anadarko or third parties, our future growth would be limited, and the acquisitions we do make may reduce, rather than increase, our cash generated from operations on a per unit basis.**

Our ability to grow depends, in part, on our ability to make acquisitions that increase our cash generated from operations on a per unit basis. The acquisition component of our strategy is based, in large part, on our expectation of ongoing divestitures of midstream energy assets by industry participants, including, most notably, Anadarko. A material decrease in such divestitures would limit our opportunities for future acquisitions and could adversely affect our ability to grow our operations and increase our distributions to our unitholders.

On December 27, 2007, Anadarko announced a \$2.2 billion financing of its midstream assets, the proceeds of which were used to further reduce Anadarko's acquisition indebtedness. To facilitate the transaction, Anadarko formed a subsidiary, WGR Asset Holding Company LLC, or WGRAH, that owns or has rights to substantially all of Anadarko's midstream assets (including the assets to be contributed to us in connection with this offering). WGRAH received a \$2.2 billion loan from an entity owned by Anadarko and a group of third-party investors pursuant to a loan agreement that has an initial term of five years and contains various affirmative and negative covenants. One of the covenants requires WGRAH to reduce its debt to EBITDA ratio incrementally over the life of the loan. Although WGRAH may elect to satisfy its obligations under the financing by divesting its midstream assets over time, these divestitures may be made to third parties rather than to us. This financing could reduce the willingness of Anadarko to contribute assets to us for non-cash consideration.

If we are unable to make accretive acquisitions from Anadarko or third parties, either because we are (i) unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, (ii) unable to obtain financing for these acquisitions on economically acceptable terms or (iii) outbid by competitors, then our future growth and ability to increase distributions will be limited. Furthermore, even if we do make acquisitions that we believe will be accretive, these acquisitions may nevertheless result in a decrease in the cash generated from operations on a per unit basis.

Any acquisition involves potential risks, including, among other things:

- Ø mistaken assumptions about volumes, revenues and costs, including synergies;
- Ø an inability to successfully integrate the assets or businesses we acquire;
- Ø the assumption of unknown liabilities;

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- Ø limitations on rights to indemnity from the seller;
- Ø mistaken assumptions about the overall costs of equity or debt;
- Ø the diversion of management's and employees' attention from other business concerns;
- Ø unforeseen difficulties operating in new geographic areas; and
- Ø customer or key employee losses at the acquired businesses.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

**We do not own all of the land on which our pipelines and facilities are located, which could result in disruptions to our operations.**

We do not own all of the land on which our pipelines and facilities have been constructed, and we are, therefore, subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights-of-way or if such rights-of-way lapse or terminate. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew right-of-way contracts or otherwise, could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to you.

**Our business involves many hazards and operational risks, some of which may not be fully covered by insurance. If a significant accident or event occurs for which we are not fully insured, our operations and financial results could be adversely affected.**

Our operations are subject to all of the risks and hazards inherent in the gathering, compressing, treating and transportation of natural gas, including:

- Ø damage to pipelines and plants, related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters and acts of terrorism;
- Ø inadvertent damage from construction, farm and utility equipment;
- Ø leaks of natural gas and other hydrocarbons or losses of natural gas as a result of the malfunction of equipment or facilities;
- Ø leaks of natural gas containing hazardous quantities of hydrogen sulfide from our Pinnacle gathering system or Bethel treating facility;
- Ø fires and explosions; and
- Ø other hazards that could also result in personal injury and loss of life, pollution and suspension of operations.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage. These risks may also result in curtailment or suspension of our operations. A natural disaster or other hazard affecting the areas in which we operate could have a material adverse effect on our operations. We are not fully insured against all risks inherent in our business. For example, we do not have any property insurance on any of our underground pipeline systems that would cover damage to the pipelines. In addition, although we are insured for environmental pollution resulting from environmental accidents that occur on a sudden and accidental basis, we may not be insured against all environmental accidents that might incur, some of which may result in toxic tort claims. If a significant accident or event occurs for which we are not fully insured, it could adversely affect our operations and financial condition. Furthermore, we may not be able to maintain or obtain insurance of the type and amount we desire at

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reasonable rates. 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. Additionally, we may be unable to recover from prior owners of our assets, pursuant to our indemnification rights, for potential environmental liabilities.

**We are exposed to the credit risk of Anadarko, and any material non-payment or non-performance by Anadarko, including with respect to our gathering and transportation agreements and our \$260.0 million note receivable, could reduce our ability to make distributions to our unitholders.**

We are dependent on Anadarko for the majority of our revenues. In addition, we anticipate using the proceeds of this offering to make a loan to Anadarko. Consequently, we are subject to the risk of non-payment or non-performance by Anadarko, including with respect to our gathering and transportation agreements and our \$260.0 million note receivable. Any such non-payment or non-performance could reduce our ability to make distributions to our unitholders. Furthermore, Anadarko is subject to its own financial, operating and regulatory risks, which could increase the risk of default on its obligations to us. We cannot predict the extent to which Anadarko's business would be impacted if conditions in the energy industry were to deteriorate nor can we estimate the impact such conditions would have on Anadarko's ability to perform under our gathering and transportation agreements or note receivable. Further, unless and until we receive full repayment of the \$260.0 million note from Anadarko, we will be subject to the risk of non-payment or late payment of the interest payments and principal of the note. Interest income on the note receivable from Anadarko will be allocated in accordance with the general profit and loss allocation provisions included in our partnership agreement. Accordingly, any material non-payment or non-performance by Anadarko could reduce our ability to make distributions to our unitholders.

**Anadarko's credit facility and other debt instruments contain financial and operating restrictions that may limit our access to credit. In addition, our ability to obtain credit in the future may be affected by Anadarko's credit rating.**

We have the ability to incur up to \$100 million of indebtedness under Anadarko's \$1.3 billion credit facility. However, this \$100 million of borrowing capacity will be available to us only to the extent that sufficient amounts remain unborrowed by Anadarko. As a result, borrowings by Anadarko could restrict our access to credit. In addition, if we or Anadarko were to fail to comply with the terms of this credit facility, we could be unable to make any borrowings under Anadarko's credit facility, even if capacity were otherwise available. As a result, the restrictions in Anadarko's credit facility could adversely affect our ability to finance our future operations or capital needs or to engage in, expand or pursue our business activities, and could also prevent us from engaging in certain transactions that might otherwise be considered beneficial to us.

Anadarko's and our ability to comply with the terms of its and our respective debt instruments may be affected by events beyond its and our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, Anadarko's and our ability to comply with the terms of its and our respective debt instruments may be impaired. We and Anadarko are subject to covenants, and Anadarko is subject to a debt-to-capitalization ratio, under Anadarko's credit facility. Should we or Anadarko fail to comply with any covenants under Anadarko's credit facility, we could be unable to make any borrowings under Anadarko's credit facility. Additionally, a default by Anadarko under one of its debt instruments may cause a cross-default under Anadarko's other debt instruments, including the credit facility under which we are a co-borrower. Accordingly, a breach by Anadarko of certain of the covenants or ratios in another debt instrument could cause the acceleration of any

indebtedness we have outstanding under the credit facility. In the event of an acceleration, we

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might not have, or be able to obtain, sufficient funds to make the required repayments of debt, finance our operations and pay distributions to unitholders. For more information regarding our debt agreements, please read Management's discussion and analysis of financial condition and results of operations Liquidity and capital resources.

Due to our relationship with Anadarko, our ability to obtain credit will be affected by Anadarko's credit rating. Even if we obtain our own credit rating or separate financing arrangement, any future change in Anadarko's credit rating would likely also result in a change in our credit rating. Regardless of whether we have our own credit rating, a downgrading of Anadarko's credit rating could limit our ability to obtain financing in the future upon favorable terms or at all.

### **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:

- Ø 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;
- Ø 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 interest payments on our debt;
- Ø we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- Ø our flexibility in responding to changing business and economic conditions may be limited.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service any 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 not be able to effect any of these actions on satisfactory terms or at all.

### **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.**

Interest rates may increase in the future to counter possible inflation. As a result, interest rates on 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 is impacted by our level of our 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, 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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**RISKS INHERENT IN AN INVESTMENT IN US**

**Anadarko owns and controls our general partner, which has sole responsibility for conducting our business and managing our operations. Anadarko and our general partner have conflicts of interest and may favor Anadarko's interests to your detriment.**

Following this offering, Anadarko will own and control our general partner, as well as appoint all of the officers and directors of our general partner, some of whom will also be officers of Anadarko. Although our general partner has a fiduciary duty to manage us in a manner that is beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner that is beneficial to its owner, Anadarko. Conflicts of interest may arise between Anadarko and our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of Anadarko over our interests and the interests of our unitholders. These conflicts include the following situations, among others:

- Ø Neither our partnership agreement nor any other agreement requires Anadarko to pursue a business strategy that favors us.
- Ø Anadarko is not limited in its ability to compete with us and may offer business opportunities or sell midstream assets to parties other than us.
- Ø Our general partner is allowed to take into account the interests of parties other than us, such as Anadarko, in resolving conflicts of interest.
- Ø The officers of our general partner will also devote significant time to the business of Anadarko and will be compensated by Anadarko accordingly.
- Ø 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 the limitations, might constitute breaches of fiduciary duty.
- Ø Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval.
- Ø 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.
- Ø 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.

- Ø Our general partner determines which costs incurred by it are reimbursable by us.
- Ø Our general partner may cause us to borrow funds in order 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.
- Ø Our partnership agreement permits us to classify up to \$31.8 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.
- Ø 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.



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- Ø Our general partner intends to limit its liability regarding our contractual and other obligations.
- Ø 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.
- Ø Our general partner controls the enforcement of the obligations that it and its affiliates owe to us.
- Ø Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.
- Ø Our general partner may elect to cause us to issue Class B 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 special 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.

Please read Conflicts of interest and fiduciary duties.

**Anadarko is not limited in its ability to compete with us and is not obligated to offer us the opportunity to acquire additional assets or businesses, which could limit our ability to grow and could adversely affect our results of operations and cash available for distribution to our unitholders.**

Anadarko is not prohibited from owning assets or engaging in businesses that compete directly or indirectly with us. In addition, in the future, Anadarko may acquire, construct or dispose of additional midstream or other assets and may be presented with new business opportunities, without any obligation to offer us the opportunity to purchase or construct such assets or to engage in such business opportunities. Moreover, while Anadarko may offer us the opportunity to buy additional assets from it, it is under no contractual obligation to do so and we are unable to predict whether or when such acquisitions might be completed.

**Cost reimbursements due to Anadarko and our general partner for services provided to us or on our behalf will be substantial and will reduce our cash available for distribution to you. The amount and timing of such reimbursements will be determined by our general partner.**

Prior to making distributions on our common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf. These expenses will include all costs incurred by Anadarko and our general partner in managing and operating us. While our reimbursement of allocated general and administrative expenses is capped under the omnibus agreement, we are required to reimburse Anadarko and our general partner for all direct operating expenses incurred on our behalf. These direct operating expense reimbursements and the reimbursement of incremental general and administrative expenses we will incur as a result of becoming a publicly traded partnership are not capped. Our partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. The reimbursements to Anadarko and our general partner will reduce the amount of cash otherwise available for distribution to our unitholders.

**If you are not an Eligible Holder, you may not receive distributions or allocations of income or loss on your common units and your common units will be subject to redemption.**

We have adopted certain requirements regarding those investors who may own our common and subordinated units. Eligible Holders are U.S. individuals or entities subject to U.S. federal income taxation on the income generated by us or entities not subject to U.S. federal income taxation on the income generated by us, so long as all of the entity's owners are U.S. individuals or entities subject to such taxation. If you are not an Eligible Holder, our general partner may elect not to make distributions or allocate income or loss on your units and you run the risk of having your units redeemed by us at the lower of your purchase price cost and the then-current market price. The redemption price will be

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paid in cash or by delivery of a promissory note, as determined by our general partner. Please read The partnership agreement Non-U.S. and non-taxpaying assignees; Redemption.

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

Our general partner intends to limit its liability under contractual arrangements so that the counterparties to such arrangements have recourse only against our assets, and not against our general partner or its assets. Our general partner may therefore cause us to incur indebtedness or other obligations that are nonrecourse to our general partner. 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. In addition, we are obligated to reimburse or indemnify our general partner to the extent that it incurs obligations on our behalf. Any such reimbursement or indemnification payments would reduce the amount of cash otherwise 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 upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, 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. Furthermore, we anticipate using substantially all of the net proceeds of this offering to make a loan to Anadarko, and therefore, the net proceeds of this offering will not be directly used to grow our business.

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 in Anadarko's credit facility, under which we are a co-borrower, 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.

#### **Our partnership agreement limits our general partner's fiduciary duties to holders of our common and subordinated units.**

Our partnership agreement contains provisions that modify and 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 opposed to in its capacity as our general partner, or otherwise free of fiduciary duties to us and our unitholders. This entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our general partner may make in its individual capacity include:

Ø how to allocate corporate opportunities among us and its affiliates;

- Ø whether to exercise its limited call right;
- Ø how to exercise its voting rights with respect to the units it owns;
- Ø whether to exercise its registration rights;

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Ø whether to elect to reset target distribution levels; and

Ø whether or not to consent to any merger or consolidation of the partnership or amendment to the partnership agreement.

By purchasing a common unit, a common unitholder agrees to become bound by the provisions in the partnership agreement, including the provisions discussed above. Please read **Conflicts of interest and fiduciary duties** **Fiduciary duties**.

**Our partnership agreement restricts the remedies available to holders of our common and subordinated units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.**

Our partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement:

Ø provides that whenever our general partner makes a determination or takes, or declines to take, any other action in its capacity as our general partner, our general partner is required to make such determination, or take or decline to take such other action, in good faith, and will not be subject to any other or different standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;

Ø 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 that it believed that the decision was in the best interest of our partnership;

Ø provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or their assignees 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 and 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 the conduct was criminal; and

Ø provides that our general partner will not be in breach of its obligations under the partnership agreement or its fiduciary duties to us or our unitholders if a transaction with an affiliate or the resolution of a conflict of interest is:

- (a) approved by the special committee of the board of directors of our general partner, although our general partner is not obligated to seek such approval;
- (b) approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner and its affiliates;
- (c) on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
- (d) 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.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by our general partner must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the special committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in subclauses (c) and (d) 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

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the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

**Our general partner may elect to cause us to issue Class B and general partner units to it in connection with a resetting of the target distribution levels related to its incentive distribution rights, without the approval of the special committee of its board of directors or the holders of our common units. This could result in lower distributions to holders of our common units.**

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%) 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 Class B units and general partner units. The Class B units will be entitled to the same cash distributions per unit as our common units and will be convertible into an equal number of common units. The number of Class B units to be issued to our general partner will be equal to that number of common units which 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. Our general partner will be issued the number of general partner units necessary to maintain our general partner's interest in us that existed immediately prior to the reset election. We anticipate that our general partner would exercise this reset right in order 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 Class B units, which are entitled to distributions on the same priority as our common units, rather than retain the right to receive incentive distributions 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 Class B units and general partner units to our general partner in connection with resetting the target distribution levels. Please read Provisions of our partnership agreement relating to cash distributions General partner's right to reset target distribution levels.

**Holders of our common units 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 will be chosen by Anadarko. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the

unitholders ability to influence the manner or direction of management.

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**Even if holders of our common units are dissatisfied, they cannot initially remove our general partner without its consent.**

The unitholders initially will be unable to remove our general partner without its consent because our general partner and its affiliates will own sufficient units upon completion of this offering to be able to prevent its removal. The vote of the holders of at least 66 $\frac{2}{3}$ % of all outstanding limited partner units voting together as a single class is required to remove our general partner. Following the closing of this offering, Anadarko will own 64.7% of our outstanding common and subordinated units. Also, if our general partner is removed without cause during the subordination period and units held by our general partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units and any existing arrearages on our common units will be extinguished. A removal of our general partner under these circumstances would adversely affect our common units by prematurely eliminating their distribution and liquidation preference over our subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business, so the removal of our general partner because of the unitholder's dissatisfaction with our general partner's performance in managing our partnership will most likely result in the termination of the subordination period and conversion of all subordinated units to common units.

**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 transferees and persons who acquired such units with the prior approval of the board of directors 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 unitholder consent.**

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 Anadarko 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.

**You will experience immediate and substantial dilution in pro forma net tangible book value of \$5.05 per common unit.**

The initial public offering price of \$16.50 per common unit exceeds our pro forma net tangible book value of \$11.45 per unit. Based on the initial public offering price of \$16.50 per common unit, you will incur immediate and substantial dilution of \$5.05 per common unit. This dilution results primarily because the assets contributed by our general partner and its affiliates are recorded in accordance with GAAP at their historical cost, and not their fair value.

Please read Dilution.

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**We may issue additional units without your approval, which would dilute your existing ownership interests.**

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. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- Ø our existing unitholders' proportionate ownership interest in us will decrease;
- Ø the amount of cash available for distribution on each unit may decrease;
- Ø 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 will be borne by our common unitholders will increase;
- Ø the ratio of taxable income to distributions may increase;
- Ø the relative voting strength of each previously outstanding unit may be diminished; and
- Ø the market price of the common units may decline.

**Anadarko may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common units.**

After the sale of the common units offered by this prospectus, assuming that the underwriters do not exercise their option to purchase additional common units, Anadarko will hold an aggregate of 7,786,306 common units and 26,536,306 subordinated units. All of the subordinated units will convert into common units at the end of the subordination period and may convert earlier under certain circumstances. The sale of these units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

**Our general partner has a limited call right that may require you to sell your 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 a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units. At the completion of this offering, and assuming no exercise of the underwriters' option to purchase additional common units, Anadarko will own approximately 29.3% of our outstanding common units. At the end of the subordination period, assuming no additional issuances of common units (other than upon the conversion of the subordinated units), Anadarko will own approximately 64.7% of our outstanding common units. For additional information about this right, please read "The partnership agreement - Limited call right."

**Your 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

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### **Risk factors**

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:

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

### **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 Revised Uniform Limited Partnership 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 interest nor liabilities that are non-recourse to the partnership are counted for purposes of determining whether a distribution is permitted.

### **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 you could lose all or part of your investment.**

Prior to this offering, there has been no public market for our common units. After this offering, there will be only 18,750,000 publicly traded common units, assuming no exercise of the underwriters' option to purchase additional common units. In addition, Anadarko will own 7,786,306 common and 26,536,306 subordinated units, representing an aggregate 63.4% 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. You may not be able to resell your 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 will be 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:

- Ø our quarterly distributions;

- Ø our quarterly or annual earnings or those of other companies in our industry;
- Ø the loss of a large customer;
- Ø announcements by us or our competitors of significant contracts or acquisitions;
- Ø changes in accounting standards, policies, guidance, interpretations or principles;

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- Ø general economic conditions;
- Ø the failure of securities analysts to cover our common units after this offering or changes in financial estimates by analysts;
- Ø future sales of our common units; and
- Ø 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 New York Stock Exchange, or 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 \$2.5 million of estimated incremental costs per year associated with 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. These costs are not subject to the \$6.0 million cap in the omnibus agreement applicable to general and administrative expenses allocable to us by Anadarko.

**If we are deemed to be an investment company under the Investment Company Act of 1940, it would adversely affect the price of our common units and could have a material adverse effect on our business.**

Our initial assets will consist of our ownership interests in our operating subsidiaries as well as a \$260.0 million note receivable from Anadarko. If this note receivable together with a sufficient amount of our other assets are deemed to be investment securities, within the meaning of the Investment Company Act of 1940, or the Investment Company Act, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify our organizational structure or contract rights so as to fall outside of the definition of investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property from or to our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us or our affiliates. The occurrence of some or all of these events would adversely affect the price of our common units and could have a material adverse effect on our business.

Moreover, treatment of us as an investment company would prevent our qualification as a partnership for federal income tax purposes, in which case we would be treated as a corporation for federal income tax purposes. As a result, we would pay federal income tax on our taxable income at the corporate tax rate, distributions to you would generally be taxed again as corporate distributions and none of our income, gains, losses or deductions would flow through to you. If we were taxed as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as an



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investment company would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units. For a discussion of the federal income tax implications that would result from our treatment as a corporation in any taxable year, please read **Material tax consequences** Partnership status.

**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, as well as our not being subject to a material amount of entity-level taxation by individual states. If the IRS were to treat us as a corporation for federal income tax purposes or we were to become subject to additional amounts of entity-level taxation for state tax purposes, then our cash available for distribution to you could 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 the IRS, on this or any other tax matter affecting us.

Despite the fact that we are classified as a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. Although we do not believe, based upon our current operations, that we 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 distributions, and no income, gains, losses, deductions or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you 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 the unitholders, likely causing a substantial reduction in the value of our common units.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. In addition, if we are deemed to be an investment company, as described above, we would be subject to such taxation. Moreover, at the federal level, legislation has been proposed that would eliminate partnership tax treatment for certain publicly traded partnerships. Although such legislation would not apply to us as currently proposed, it could be amended prior to enactment such that it would apply to us. 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.

At the state level, were we to be subject to federal income tax, we would also be subject to the income tax provisions of many states. Moreover, because of widespread state budget deficits and other reasons, several states are evaluating ways to independently subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are required to pay Texas margin tax at a maximum effective rate of

0.7% of our gross income apportioned to Texas. Imposition of such a tax on us by Texas and, if applicable, by any other state will reduce the cash available for distribution to you.

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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, state or local 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.

**We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon 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 prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon 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, and, accordingly, our counsel is unable to opine as to the validity of this method. If the IRS were to challenge this 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. Please read [Material tax consequences](#) [Disposition of common units](#) [Allocations between transferors and transferees](#).

**If the IRS contests the federal income tax positions we take or the pricing of our related party agreements with Anadarko, 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 you.**

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, including the pricing of our related party agreements with Anadarko. 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. A court may not agree with some or all of our counsel's conclusions or positions we take. For example, the IRS may reallocate items of income, deductions, credits or allowances between related parties if the IRS determines that such reallocation is necessary to prevent evasion of taxes or clearly to reflect the income of any such related parties. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. If the IRS were successful in any such challenge, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders and our general partner. Such a reallocation may require us and our unitholders to file amended tax returns. 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.

**You will be required to pay taxes on your share of our income even if you 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 whether or not you receive 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.



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**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, 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 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 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 our 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, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. Our counsel is unable to opine on the validity of such filing positions. 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 adopt.

**We will adopt certain valuation methodologies that may result in a shift of income, gain, loss and deduction between our general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of the 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 our general partner, which may be unfavorable to such unitholders. Moreover, under our 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 assets, and allocations of income, gain, loss and deduction between our general partner and certain of our unitholders.

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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 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.

**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 terminated our partnership 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. Our termination would, among other things, result in the closing of our taxable year for all unitholders and could result in a 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. Our termination currently 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 termination occurred. 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.

**You will likely be subject to state and local taxes and return filing requirements in states where you do not live as a result of investing in our common units.**

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 property, 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 initially own assets and conduct business in the states of Kansas, Oklahoma, Texas, Utah and Wyoming. Each of these states, other than Texas and Wyoming, currently imposes a personal income tax, and all of these states also impose income taxes on corporations and other entities. As we make acquisitions or expand our business, we may own 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. Our counsel has not rendered an opinion on the foreign, state or local tax consequences of an investment in our common units.

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Use of proceeds

We will receive gross proceeds of approximately \$309.4 million from the issuance and sale of 18,750,000 common units offered by this prospectus. We expect to use these proceeds to (i) make a loan of \$260.0 million to Anadarko in exchange for a 30-year note bearing interest at a fixed annual rate of 6.5%, (ii) reimburse Anadarko for \$14.3 million of capital expenditures it incurred with respect to assets contributed to us, (iii) provide \$10.0 million for general partnership purposes and (iv) pay underwriting discounts and a structuring fee totaling approximately \$20.1 million and other estimated offering expenses of \$5.0 million.

The proceeds from any exercise of the underwriters' option to purchase additional common units will be used to reimburse Anadarko for capital expenditures it incurred with respect to the assets contributed to us.

Anadarko has informed us that the \$260.0 million of proceeds that we loan to it, and other proceeds that it receives from this offering, will be used to repay a portion of the amount outstanding under the recently completed \$2.2 billion financing entered into by WGRAH, and a portion of such proceeds will ultimately be paid to affiliates of UBS Securities LLC, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc., Lehman Brothers Inc., Banc of America Securities LLC, Goldman, Sachs & Co., Scotia Capital (USA) Inc. and Wachovia Capital Markets, LLC. Please read "Underwriting Affiliations."



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## Capitalization

The following table shows:

- Ø the historical capitalization of our Predecessor as of December 31, 2007; and
- Ø our pro forma as adjusted capitalization as of December 31, 2007, reflecting this offering, the other formation transactions described under "Prospectus summary Formation transactions and partnership structure General" and the application of the net proceeds from this offering as described under "Use of proceeds."

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 combined financial statements and the accompanying notes included elsewhere in this prospectus. You should also read this table in conjunction with "Management's discussion and analysis of financial condition and results of operations."

	<b>As of December 31, 2007</b>	<b>Pro forma as adjusted<sup>(1)</sup></b>
	<b>Historical</b>	
	<b>(in millions)</b>	
Debt	\$	\$
Total partners' equity/parent net equity:		
Parent net equity	281.3	
Common units - public		284.2
Common units - Anadarko		74.9
Subordinated units - Anadarko		255.1
General partner units		10.4
Total partners' equity/parent net equity	281.3	624.6
Total capitalization	\$ 281.3	\$ 624.6

*(1) On a pro forma as adjusted basis, as of December 31, 2007, the public and Anadarko would have held 18,750,000 and 7,786,306 common units, respectively, Anadarko would have held 26,536,306 subordinated units and our general partner would have held 1,083,115 general partner units representing a 2.0% general partner interest in us.*

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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. On a pro forma basis as of December 31, 2007, after giving effect to the offering of common units and the application of the related net proceeds, and assuming the underwriters' option to purchase additional common units is not exercised, our net tangible book value was \$619.9 million, or \$11.45 per unit. Net tangible book value excludes \$4.8 million of net intangible assets. 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:

Initial public offering price per common unit		\$ 16.50
Net tangible book value per unit before the offering <sup>(1)</sup>	7.81	
Increase in net tangible book value per unit attributable to purchasers in the offering	3.64	
Less: Pro forma net tangible book value per unit after the offering <sup>(2)</sup>		11.45
Immediate dilution in tangible net book value per common unit to purchasers in the offering		\$ 5.05

(1) Determined by dividing the number of units (7,786,306 common units, 26,536,306 subordinated units and 1,083,115 general partner units) to be issued to our general partner and its affiliates, including Anadarko, for the contribution of assets and liabilities to Western Gas Partners, LP into the net tangible book value of the contributed assets and liabilities.

(2) Determined by dividing the total number of units to be outstanding after the offering (26,536,306 common units, 26,536,306 subordinated units and 1,083,115 general partner units) into our pro forma net tangible book value, after giving effect to the application of the expected net proceeds of the offering.

The following table sets forth the number of units that we will issue and the total consideration contributed to us by our general partner and its affiliates and by the purchasers of common units in this offering upon consummation of the transactions contemplated by this prospectus:

	Units acquired		Total consideration	
	Number	Percent	Amount	Percent
	(in thousands)			
General partner and affiliates <sup>(1)(2)(3)</sup>	35,405,727	65.4%	\$ 267,050	46.3%
Purchasers in the offering	18,750,000	34.6%	309,375	53.7%
Total	54,155,727	100.0%	\$ 576,425	100.0%

(1)

*The units acquired by our general partner and its affiliates, including Anadarko, consist of 7,786,306 common units, 26,536,306 subordinated units and 1,083,115 general partner units.*

- (2) *The assets contributed by our general partner and its affiliates were recorded at historical cost in accordance with GAAP. Book value of the consideration provided by our general partner and its affiliates, as of December 31, 2007, equals parent net investment, which was \$281.3 million, reduced by \$14.3 million for reimbursement to Anadarko of capital expenditures it incurred with respect to assets contributed to us.*
- (3) *Assumes the underwriters' option to purchase additional common units is not exercised.*

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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 upon which our cash distribution policy is based, which are included under the heading Assumptions and considerations. 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 and pro forma combined financial statements, and the notes thereto, 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 basic judgment that our unitholders will be better served by our distributing rather than retaining our available cash. Generally, our available cash is our cash on hand at the end of a quarter after the payment of our expenses and the establishment of cash reserves and cash on hand resulting from working capital borrowings made after the end of the quarter.

### **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:

- Ø 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 distribution policy. Any determination to establish cash reserves made by our general partner in good faith will be binding on our unitholders. 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 our best interests.
- Ø While 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. However, our partnership agreement can 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 Anadarko) and the Class B units issued upon the reset of incentive distribution rights, if any, voting as a single class after the subordination period has ended. At the closing of this offering, Anadarko will own our general partner and approximately 64.7% of our outstanding common and subordinated units.
- Ø 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.
- Ø Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets.



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**Our cash distribution policy and restrictions on distributions**

Ø We may lack sufficient cash to pay distributions to our unitholders due to 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 ability to grow is dependent on our ability to access external expansion capital**

We will distribute all of our available cash to our unitholders. 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, 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, Anadarko's credit facility, under which we are a co-borrower, or our working capital 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.

**OUR MINIMUM QUARTERLY DISTRIBUTION**

Upon completion of this offering, the board of directors of our general partner will adopt a policy pursuant to which we will declare a minimum quarterly distribution of \$0.30 per unit per complete quarter, or \$1.20 per unit per year, to be paid no later than 45 days after the end of each fiscal quarter through the quarter ending March 31, 2009. This equates to an aggregate cash distribution of \$16.2 million per quarter, or \$65.0 million per year, based on the number of common, subordinated and general partner units to be outstanding immediately after the completion of this offering.

If the underwriters do not exercise their option to purchase additional common units within the 30-day option period, we will issue 2,812,500 common units to Anadarko at the expiration of this period. If and to the extent the underwriters exercise their option to purchase additional common units, the number of units purchased by the underwriters pursuant to such exercise will be issued to the public and the remainder, if any, will be issued to Anadarko. Accordingly, the exercise of the underwriters' option will not affect the total number of units outstanding or the amount of cash needed to pay the minimum quarterly distribution on all units. Please read Underwriting.

Initially, our general partner will be entitled to 2.0% of all distributions that we make prior to our liquidation. In the future, our general partner's initial 2.0% 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 2.0% general partner interest. The table below sets forth the assumed number of outstanding common, subordinated and general partner units upon the closing of this offering, assuming the underwriters do not exercise their option to purchase additional common units, and the aggregate distribution amounts payable on such units during the year following the closing of this offering at our minimum quarterly distribution rate of \$0.30 per unit per quarter (\$1.20 per unit on an annualized basis).



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	Minimum quarterly distributions		
	Number of units	One quarter	Annualized
Publicly held common units	18,750,000	\$ 5,625,000	\$ 22,500,000
Common units held by Anadarko <sup>(1)</sup>	7,786,306	2,335,892	9,343,568
Subordinated units held by Anadarko	26,536,306	7,960,892	31,843,568
General partner units held by our general partner	1,083,115	324,935	1,299,740
Total	54,155,727	\$ 16,246,719	\$ 64,986,876

*(1) Assumes the underwriters do not exercise their option to purchase 2,812,500 common units and that the 2,812,500 common units will be issued to Anadarko upon the expiration of the underwriters' 30-day option period. Accordingly, irrespective of whether the underwriters exercise their option to purchase additional common units, the total number of common units we have outstanding upon the completion of this offering and the expiration of the option period will not be impacted.*

The subordination period generally will end if we have earned and paid at least \$1.20 on each outstanding common and subordinated unit and the corresponding distribution on our general partner's 2.0% interest for each of three consecutive, non-overlapping four-quarter periods ending on or after June 30, 2011. If we have earned and paid at least \$0.45 (150% of the minimum quarterly distribution, which is \$1.80 on an annualized basis) on each outstanding common and subordinated unit and the corresponding distribution on our general partner's 2.0% interest for each quarter in any four-quarter period, the subordination period will terminate automatically and all of the subordinated units will convert into an equal number of common units. Please read the Provisions of our partnership agreement relating to cash distributions Subordination period.

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. Please read Provisions of our partnership agreement relating to cash distributions Subordination period.

Our cash distribution policy, as expressed in our partnership agreement, may not be modified or repealed without amending our partnership agreement. 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. We will adjust the quarterly distribution for the period from the closing of this offering through June 30, 2008 based on the actual length of the period.



In the sections that follow, we present in detail the basis for our belief that we will be able to fully fund our minimum quarterly distribution of \$0.30 per unit each quarter through the quarter ending March 31, 2009. In those sections, we present two tables, consisting of:

- Ø Unaudited Pro Forma Available Cash, in which we present the amount of cash we would have had available for distribution on a pro forma basis for our fiscal year ended December 31, 2007, derived from our unaudited pro forma combined financial statements that are included in this prospectus, as adjusted to give pro forma effect to the offering and the formation transactions; and

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**Our cash distribution policy and restrictions on distributions**

Ø Statement of 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 each quarter in the twelve months ending March 31, 2009.

**UNAUDITED PRO FORMA AVAILABLE CASH FOR THE YEAR ENDED DECEMBER 31, 2007**

If we had completed the transactions contemplated in this prospectus on January 1, 2007, our pro forma available cash generated for the year ended December 31, 2007 would have been approximately \$70.8 million. This amount would have been sufficient to pay the minimum quarterly distribution on all of our common and subordinated units for such period.

Unaudited pro forma available cash includes incremental revenue we expect to receive pursuant to the new gas gathering agreements we have entered into with Anadarko. These new gathering agreements include fees for gathering and treating that are higher than those reflected in our historical financial results.

Unaudited pro forma available cash also includes general and administrative expenses, which were calculated on a different basis as compared to historical periods. These general and administrative expenses are expected to total \$8.5 million annually and consist of \$6.0 million of general and administrative expenses allocated to us by Anadarko as well as \$2.5 million of general and administrative expenses we expect to incur as a result of becoming a publicly traded partnership. Under the omnibus agreement, our reimbursement to Anadarko for certain general and administrative expenses it allocates to us will be capped at \$6.0 million annually through December 31, 2009, subject to adjustments to reflect changes in the Consumer Price Index and, with the concurrence of the special committee of our general partner's board of directors, to reflect expansions of our operations through the acquisition or construction of new assets or businesses. Thereafter, our general partner will determine the general and administrative expenses to be reimbursed by us in accordance with our partnership agreement. The cap contained in the omnibus agreement does not apply to incremental general and administrative expenses we expect to incur or to be allocated to us as a result of becoming a publicly traded partnership. We currently expect those expenses to be approximately \$2.5 million per year. Please read "Certain relationships and related party transactions" "Agreements governing the transactions" "Omnibus agreement." General and administrative 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 New York Stock Exchange; independent auditor fees; legal fees; investor relations expenses; and registrar and transfer agent fees. These expenses are not reflected in the historical combined financial statements of our Predecessor or our pro forma combined financial statements.

We based the pro forma adjustments upon currently available information and specific estimates and assumptions. The pro forma amounts below do not purport to present our results of operations had the transactions contemplated in this prospectus actually been completed as of the dates indicated. In addition, cash available to pay distributions is primarily a cash accounting concept, while our pro forma combined financial statements have been prepared on an accrual basis. As a result, you should view the amount of pro forma available cash only as a general indication of the amount of cash available to pay distributions that we might have generated had we been formed in earlier periods.

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The following table illustrates, on a pro forma basis, for the year ended December 31, 2007, the amount of cash that would have been available for distribution to our unitholders, assuming that this offering had been consummated at the beginning of such period. Each of the pro forma adjustments presented below is explained in the footnotes to such adjustments.

**PARTNERSHIP UNAUDITED PRO FORMA AVAILABLE CASH**

	<b>Year ended December 31, 2007</b>
	<b>(in millions, except per-unit data)</b>
<b>Net income:</b>	\$ 24.0
Add:	
Other income (expense), net	
Depreciation <sup>(1)</sup>	23.4
Income taxes <sup>(1)</sup>	12.7
Interest expense <sup>(1)</sup>	8.5
<b>Adjusted EBITDA<sup>(2)</sup>:</b>	<b>68.6</b>
Less:	
General and administrative expenses of being a publicly traded partnership <sup>(3)</sup>	2.5
Current Texas margin tax	0.2
Pro forma net cash interest expense <sup>(4)</sup>	0.1
Estimated maintenance capital expenditures <sup>(5)</sup>	10.5
Estimated expansion capital expenditures <sup>(5)</sup>	42.1
Interest on borrowings to fund expansion capital expenditures <sup>(5)</sup>	1.4
Add:	
Pro forma net cash interest income <sup>(6)</sup>	16.9
Borrowings to fund expansion capital expenditures <sup>(5)</sup>	42.1
<b>Pro forma available cash</b>	<b>\$ 70.8</b>
<b>Pro forma cash distributions</b>	
Distributions per unit <sup>(7)</sup>	\$ 1.20
Distributions to public common unitholders <sup>(7)</sup>	\$ 22.5
Distributions to Anadarko and our general partner <sup>(7)</sup>	42.5
Total distributions	\$ 65.0

<b>Excess</b>	\$	5.8
Percent of minimum quarterly distributions payable to common unitholders		100%
Percent of minimum quarterly distributions payable to subordinated unitholders		100%

- (1) *Reflects an adjustment to reconcile net income to Adjusted EBITDA.*
- (2) *We define Adjusted EBITDA as net income (loss), plus interest expense, income tax expense and depreciation, less interest income, income tax benefit and other income (expense). For a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please read Summary historical and pro forma financial and operating data Non-GAAP financial measure.*
- (3) *Reflects an adjustment to our Adjusted EBITDA for estimated cash expenses associated with being a publicly traded partnership, such as 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 New York Stock*

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*Exchange; independent auditor fees; legal fees; investor relations expenses; and registrar and transfer agent fees. We expect these expenses to total approximately \$2.5 million per year.*

- (4) *Represents estimated cash interest expense related to an annual commitment fee of 0.11% on our working capital facility and the reimbursement by us to Anadarko of our allocable portion of commitment fees (0.11% of our committed and available borrowing capacity) that Anadarko incurs on its credit facility pursuant to the Omnibus Agreement. Please read *Certain relationships and related party transactions* Agreements governing the transactions Omnibus agreement.*
- (5) *For the year ended December 31, 2007, our capital expenditures were \$52.7 million. The capital expenditures are assumed to have occurred ratably throughout the year. For this period, capital expenditures included maintenance capital expenditures and expansion capital expenditures because we did not segregate these costs in historic periods. We estimate that 20% of our reported capital expenditures, or \$10.5 million, were maintenance capital expenditures and that 80% of our reported capital expenditures, or \$42.1 million, were expansion capital expenditures. Because we expect that in the future, expansion capital expenditures will primarily be funded through borrowings or the sale of debt or equity securities, we have included borrowings to offset our estimated expansion capital expenditures as well as incremental interest expense on these borrowings at an assumed interest rate of 6.56%.*
- (6) *Represents interest income we expect to receive annually with respect to the \$260.0 million 30-year note bearing interest at a fixed annual rate of 6.50% that we will receive from Anadarko concurrently with the closing of this offering.*
- (7) *The table above is based on the assumption that the underwriters' option has not been exercised and the 30-day option period for such exercise has expired. Set forth below is the assumed number of outstanding common, subordinated and general partner units upon the closing of this offering and expiration of the underwriters' option period, and the aggregate distribution amounts payable on such units during the year following the closing of this offering at our minimum quarterly distribution rate of \$0.30 per unit per quarter (\$1.20 per unit on an annualized basis).*

		<b>Minimum quarterly distributions</b>	
	<b>Number of units</b>	<b>One quarter</b>	<b>Annualized</b>
Publicly held common units	18,750,000	\$ 5,625,000	\$ 22,500,000
Common units held by Anadarko <sup>(a)</sup>	7,786,306	2,335,892	9,343,568
Subordinated units held by Anadarko	26,536,306	7,960,892	31,843,568
General partner units held by our general partner	1,083,115	324,935	1,299,740
Total	54,155,727	\$ 16,246,719	\$ 64,986,876

- (a) *The number of common units held by Anadarko includes 2,812,500 common units subject to the underwriters' option to purchase additional common units. If and to the extent this option is exercised, the remainder of these common units, if any, will be issued to Anadarko at the expiration of the underwriters' option period.*

#### **ESTIMATED ADJUSTED EBITDA FOR THE TWELVE MONTHS ENDING MARCH 31, 2009**

Set forth below is a Statement of Estimated Adjusted EBITDA that reflects our ability to generate sufficient cash flow to pay the minimum quarterly distribution on all of our outstanding units for each quarter in the twelve months ending March 31, 2009. The financial forecast presents, to the best of our knowledge and belief, the expected results of operations, Adjusted EBITDA and cash available for distribution for the forecast period. We define Adjusted EBITDA as net income (loss), plus interest expense, income tax expense, and depreciation, less interest income, income tax benefit and other income (expense).

For a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please read "Summary historical and pro forma financial and operating data" Non-GAAP financial measure.

Our minimum estimated Adjusted EBITDA reflects our judgment, as of the date of this prospectus, of conditions we expect to exist and the course of action we expect to take in order to pay the minimum quarterly distribution on all of our outstanding units and the corresponding distributions on our general partner's 2.0% interest for each quarter in the twelve months ending March 31, 2009. The assumptions

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**Our cash distribution policy and restrictions on distributions**

discussed below under Assumptions and considerations are those that we believe are significant to our ability to generate our minimum estimated Adjusted EBITDA. We believe our actual results of operations and cash flows will be sufficient to generate the minimum estimated Adjusted EBITDA; however, we can give you no assurance that we will generate the minimum estimated Adjusted EBITDA. There will likely be differences between our minimum estimated Adjusted EBITDA and our actual results and those differences could be material. If we fail to generate the minimum estimated Adjusted EBITDA, we may not be able to pay the minimum quarterly distribution on our common units. In order to fund distributions to our unitholders at our initial rate of \$1.20 per unit for the twelve months ending March 31, 2009, our minimum estimated Adjusted EBITDA for the twelve months ending March 31, 2009 must be at least \$72.1 million.

We do not as a matter of course make public projections as to future operations, earnings or other results. However, management has prepared the minimum estimated Adjusted EBITDA and related assumptions set forth below to substantiate our belief that we will have sufficient available cash to pay the minimum quarterly distribution to all our unitholders for each quarter in the twelve months ending March 31, 2009. This forecast is a forward-looking statement and should be read together with the historical and pro forma combined financial statements and the accompanying 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 guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of our management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the assumptions on which we base our belief that we can generate the minimum estimated Adjusted EBITDA necessary for us to have sufficient cash available for distribution to pay the minimum quarterly distribution to all unitholders for each quarter in the twelve months ending March 31, 2009. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this prospectus are cautioned not to place undue reliance on the prospective financial information.

Neither our independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the prospective financial 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 pro forma and historical combined financial statements in support of our belief that we will have sufficient available cash to pay the minimum quarterly distribution on all of our outstanding common and subordinated units for each quarter in the twelve months ending March 31, 2009. Please read below under Assumptions and considerations for further information as to the assumptions we have made for the financial forecast.

We do not undertake any obligation to release publicly the results of any future revisions we may make to the financial forecast or to update this financial forecast to reflect events or circumstances after the date of this prospectus. Therefore, you are cautioned not to place undue reliance on this information.





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	<b>Twelve months ending March 31, 2009</b>	
	<b>(in millions)</b>	
<b>Revenues</b>		
Gathering, treating and transportation of natural gas	\$	130.5
Condensate		10.8
Natural gas and other		0.0
<b>Total revenues</b>	<b>\$</b>	<b>141.3</b>
<b>Costs and expenses</b>		
Cost of product		4.8
Operating and maintenance expense		49.2
General and administrative expense		8.5
Depreciation and amortization expense		24.0
<b>Total costs and expenses</b>		<b>86.5</b>
<b>Operating income</b>		<b>54.8</b>
Interest expense		(0.3)
Interest income Anadarko note		16.9
Texas margin tax expense		(0.3)
<b>Net income</b>	<b>\$</b>	<b>71.1</b>
Adjustments to reconcile net income to estimated Adjusted EBITDA:		
Add:		
Depreciation and amortization expense		24.0
Interest expense		0.3
Texas margin tax expense		0.3
Less:		
Interest income Anadarko note		(16.9)
<b>Estimated Adjusted EBITDA<sup>(1)</sup></b>	<b>\$</b>	<b>78.8</b>
Adjustments to reconcile estimated Adjusted EBITDA to estimated cash available for distribution:		
Less:		
Cash interest expense		0.3
Estimated expansion capital expenditures		20.6
Estimated maintenance capital expenditures		23.4
Texas margin tax		0.3

Add:		
Interest income Anadarko note		16.9
Cash on hand and borrowings to fund expansion capital expenditures		20.6
<b>Estimated cash available for distribution</b>	\$	71.7
Aggregate annualized minimum quarterly distributions		65.0
Excess of cash available for distribution over aggregate annualized minimum annual cash distributions		6.7
Calculation of minimum estimated Adjusted EBITDA necessary to pay aggregate annualized minimum annual cash distributions:		
Estimated Adjusted EBITDA		78.8
Excess of cash available for distribution over minimum annual cash distributions		(6.7)
Minimum estimated Adjusted EBITDA necessary to pay aggregate annualized minimum quarterly distributions	\$	72.1

(1) We define Adjusted EBITDA as net income (loss), plus interest expense, income tax expense and depreciation, less interest income, income tax benefit and other income (expenses). For a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please read Summary historical and pro forma financial and operating data Non-GAAP financial measure.

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**Our cash distribution policy and restrictions on distributions**

**ASSUMPTIONS AND CONSIDERATIONS**

We believe the assumptions and estimates we have made to demonstrate our ability to generate the minimum estimated Adjusted EBITDA, which are set forth below, are reasonable. We define Adjusted EBITDA as net income (loss), plus interest expense, income tax expense and depreciation, less interest income, income tax benefit and other income (expenses). For a reconciliation of Adjusted EBITDA to its most directly comparable financial measures calculated and presented in accordance with GAAP, please read Summary historical and pro forma financial and operating data Non-GAAP financial measure.

**General considerations**

- Ø Revenues and operating expenses are net of intercompany transactions.
- Ø Realized gathering throughput volume is the primary factor that will influence whether the amount of cash available for distribution for the twelve months ending March 31, 2009 is above or below our forecast. For example, if all other assumptions are held constant, a 5.0% decline in volumes below forecasted levels would result in a \$6.5 million decline in revenues. Additionally, a 5.0% decline in the trading margin between condensate and natural gas would result in a \$0.3 million decline in cash available for distribution. A decline in forecasted cash flow of greater than \$7.1 million would result in our generating less than the minimum cash required to pay distributions.
- Ø Transportation volumes are provided pursuant to firm and interruptible transportation arrangements.

**Total operating revenue**

We estimated total operating revenue for the twelve months ending March 31, 2009 based on the following significant assumptions:

- Ø *Gathering and treating volumes.* We estimate that we will gather and/or treat an average of 870 MMcf/d of natural gas for the twelve months ending March 31, 2009 as compared to 833 MMcf/d for the year ended December 31, 2007. The increased volumes estimated for the twelve months ending March 31, 2009 are primarily due to increased