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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)
September 28, 2010

TARGA RESOURCES PARTNERS LP

(Exact name of registrant as specified in its charter)

Delaware	**001-33303**	**65-1295427**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

1000 Louisiana, Suite 4300
Houston, TX 77002
(Address of principal executive office and Zip Code)

(713) 584-1000
(Registrants' telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry Into a Material Definitive Agreement.

Contribution, Conveyance and Assumption Agreement

Targa Resources Partners LP (the "Partnership") previously announced that it had entered into a Purchase and Sale Agreement (the "Purchase Agreement") with Targa Versado Holdings LP (the "Seller"), pursuant to which the Seller has agreed to sell to the Partnership all of the member interests in Targa Capital LLC, a Delaware limited liability company ("Targa Capital") (such member interests in Targa Capital being referred to as the "Purchased Interests").

Targa Capital owns a 76.7536% ownership interest in Venice Energy Services Company, L.L.C. ("VESCO"). VESCO owns and operates a natural gas gathering and processing business in Louisiana consisting of a coastal straddle plant and the business and operations of Venice Gathering System, L.L.C., a wholly owned subsidiary of VESCO that owns and operates an offshore gathering system and related assets (collectively, the "Business").

In accordance with the Purchase Agreement, on September 28, 2010, the Partnership, Targa North Texas GP LLC, an indirect, wholly-owned subsidiary of the Partnership ("TNT"), and the Seller entered into a Contribution, Conveyance and Assumption Agreement (the "Contribution Agreement") pursuant to which the Seller contributed the Purchased Interests to TNT in exchange for aggregate consideration of $175.6 million, subject to certain adjustments. The Partnership used cash, funded through borrowings under the Partnership's senior secured revolving credit facility to fund the aggregate consideration for the Purchased Interests. The description of the Contribution Agreement is qualified in its entirety by reference to the Contribution Agreement, a copy of which is filed as Exhibit 10.1 to this Form 8-K and is incorporated herein by reference.

The board of directors of Targa Resources GP LLC, a Delaware limited liability company and the general partner of the Partnership (the "General Partner"), approved the acquisition of the Purchased Interests based on a recommendation from its conflicts committee. The conflicts committee, which is comprised entirely of independent directors, retained independent legal and financial advisers to assist it in evaluating and negotiating the transaction.

Relationships

Each of the Seller, the Partnership, the General Partner and TNT are indirect subsidiaries of Targa Resources, Inc. ("Targa"). As a result, certain individuals, including officers and directors of Targa, serve as officers and/or directors of more than one of such entities. The General Partner, as the general partner of the Partnership, holds a 2% general partner interest and incentive distribution rights in the Partnership.

Item 2.01 Completion of Acquisition or Disposition of Assets.

The descriptions under the headings "Contribution, Conveyance and Assumption Agreement" and "Relationships" under Item 1.01 are incorporated in this Item 2.01 by reference. A copy of the Contribution Agreement is filed as Exhibit 10.1 to this Form 8-K and is incorporated in this Item 2.01 by reference.

The Partnership used cash, funded through borrowings under the Partnership's senior secured revolving credit facility, to fund the $175.6 million consideration for the Purchased Interests. Affiliates of the following lenders under the Partnership's senior secured revolving credit facility have performed from time to time and may be performing investment banking, advisory and other services for Targa and for the Partnership: Bank of America, N.A., The Royal Bank of Scotland PLC, Wells Fargo Bank, National Association, Barclays Bank PLC, Deutsche Bank Securities Inc., Deutsche Bank Trust Company Americas, Compass Bank, BNP Paribas, Citibank, N.A., JPMorgan Chase Bank, N.A., Royal Bank of Canada, ING Capital LLC, Sumitomo Mitsui Banking Corporation, Morgan Stanley Bank, N.A., UBS Loan Finance LLC, Comerica Bank, U.S. Bank National Association, Capital One, N.A., Raymond James Bank, FSB, Natixis, Credit Suisse AG, Cayman Islands Branch, Amegy Bank National Association, Caterpillar Financial Services Corporation and Goldman Sachs Bank USA.

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Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of Targa Versado.

(1) Financial statements of Targa Versado LP. The unaudited consolidated financial statements of Targa Versado LP as of June 30, 2010 and for the six months ended June 30, 2010 and 2009 are filed as Exhibit 99.1 to this report and incorporated herein by reference.

(2) Financial statements of Targa Versado LP. The audited consolidated financial statements of Targa Versado LP as of December 31, 2009 and for the years ended December 31, 2009, 2008 and 2007 is filed as Exhibit 99.2 to this report and incorporated herein by reference.

(b) Financial statements of Targa Venice (VESCO).

(1) Financial statements of Targa Venice Operations. The unaudited consolidated financial statements of Targa Venice Operations as of June 30, 2010 and for the six months ended June 30, 2010 and 2009 are filed as Exhibit 99.3 to this report and incorporated herein by reference.

(2) Financial statements of Targa Venice Operations. The audited consolidated financial statements of Targa Venice Operations as of December 31, 2009 and for the years ended December 31, 2009, 2008 and 2007 is filed as Exhibit 99.4 to this report and incorporated herein by reference.

(c) Pro forma financial information.

(1) The unaudited pro forma combined financial information of the Partnership, Targa Versado LP and Targa Venice Operations as of June 30, 2010 and for the six months ended June 30, 2010 and 2009, and for the years ended December 31, 2009, 2008 and 2007 is filed as Exhibit 99.5 to this report and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
10.1	Contribution, Conveyance and Assumption Agreement, dated September 28, 2010, by and among Targa Resources Partners LP, Targa Versado Holdings LP and Targa North Texas GP LLC.
23.1	Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers on Audited Consolidated Financial Statements of Targa Versado LP and Audited Consolidated Financial Statements of Targa Venice Operations.
99.1	Unaudited consolidated financial statements of Targa Versado LP as of June 30, 2010 and for the six months ended June 30, 2010 and 2009.
99.2	Audited consolidated financial statements of Targa Versado LP as of December 31, 2009 and for the years ended December 31, 2009, 2008 and 2007.
99.3	Unaudited consolidated financial statements of Targa Venice Operations as of June 30, 2010 and for the six months ended June 30, 2010 and 2009.
99.4	Audited consolidated financial statements of Targa Venice Operations as of December 31, 2009 and for the years ended December 31, 2009, 2008 and 2007.
99.5	Unaudited Pro Forma Combined Financial Information of Targa Resources Partners LP, Targa Versado LP and Targa Venice Operations as of June 30, 2010 and for the six months ended June 30, 2010 and 2009, and for the years ended December 31, 2009, 2008 and 2007.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC,
its general partner

Dated: October 4, 2010

By: /s/ John Robert Sparger
John Robert Sparger
Senior Vice President and Chief Accounting Officer

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EXHIBIT INDEX

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CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT
(VESCO Drop Down)

THIS CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of September 28, 2010, is entered into by and among TARGA VERSADO HOLDINGS LP, a Delaware limited partnership ("TVH LP"), TARGA RESOURCES PARTNERS LP, a Delaware limited partnership (the "Partnership"), and TARGA NORTH TEXAS GP LLC, a Delaware limited liability company ("TNT GP"). The parties to this Agreement are collectively referred to herein as the "Parties." Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Purchase Agreement (as defined below).

RECITALS

WHEREAS, TVH LP and the Partnership have heretofore entered into that certain Purchase and Sale Agreement dated as of September 13, 2010 (the "Purchase Agreement"), providing for the sale by TVH LP to the Partnership of 100% of the limited liability company interests (the "Purchased Interests") in Targa Capital LLC, a Delaware limited liability company ("Targa Capital"); and

WHEREAS, pursuant to the terms of the Purchase Agreement, TVH LP shall sell, convey, transfer and assign the Purchased Interests to TNT GP, a subsidiary of the Partnership;

NOW, THEREFORE, in consideration of their mutual undertakings and agreements hereunder, the Parties undertake and agree as follows:

ARTICLE 1
CONTRIBUTIONS, ACKNOWLEDGMENTS AND DISTRIBUTIONS
RELATING TO THE PURCHASED INTERESTS

Section 1.1 *Contribution by TVH LP of the Purchased Interests to TNT GP.* TVH LP hereby grants, contributes, bargains, conveys, assigns, transfers, sets over and delivers to TNT GP, its successors and assigns, for its and their own use forever, all right, title and interest in and to the Purchased Interests, and TNT GP hereby accepts the Purchased Interests and agrees to be the sole member of Targa Capital.

ARTICLE 2
FURTHER ASSURANCES

Section 2.1 From time to time after the date first above written, and without any further consideration, the Parties agree to execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to (a) more fully to assure that the applicable Parties own all of the properties, rights, titles, interests, estates, remedies, powers and privileges granted by this Agreement, or which are intended to be so granted, or (b) more fully and effectively to vest in the applicable Parties and their respective successors and assigns beneficial and record

title to the interests contributed and assigned by this Agreement or intended so to be and to more fully and effectively carry out the purposes and intent of this Agreement.

ARTICLE 3
MISCELLANEOUS

Section 3.1 *Headings*. All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof.

Section 3.2 *Successors and Assigns*. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

Section 3.3 *No Third Party Rights*. The provisions of this Agreement are intended to bind the Parties as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third-party beneficiary of any of the provisions of this Agreement.

Section 3.4 *Counterparts*. This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the Parties.

Section 3.5 *Governing Law*. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof.

Section 3.6 *Severability*. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the Parties as expressed in this Agreement at the time of execution of this Agreement.

Section 3.7 *Amendment or Modification*. This Agreement may be amended or modified from time to time only by the written agreement of all the Parties. Each such instrument shall be reduced to writing.

Section 3.8 *Conflicts*. Nothing in this Agreement shall be construed as an agreement to assign any asset, or any interest therein, that is subject to any agreement that, by its terms or pursuant to applicable law, is not capable of being sold, assigned, transferred, conveyed or delivered without the consent or waiver of a third party or a governmental authority unless and until such consent or waiver shall be given.

Section 3.9 *Integration*. This Agreement and the instruments referenced herein supersede all previous understandings or agreements among the Parties, whether oral or written, with respect to their subject matter. This document and such instruments contain the entire understanding of the Parties with respect to the subject matter hereof and thereof. No understanding, representation, promise or agreement, whether oral or written, is intended to be or

shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the Parties after the date of this Agreement.

Section 3.10 *Deed; Bill of Sale; Assignment*. To the extent required and permitted by applicable law, this Agreement shall also constitute a “deed,” “bill of sale” or “assignment” of the assets and interests referenced herein.

[*Signature page follows*]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties as of the date first above written.

TARGA VERSADO HOLDINGS LP

By: Targa Versado Holdings GP LLC,
its general partner

By: /s/ Rene R. Joyce
Rene R. Joyce
Chief Executive Officer

TARGA RESOURCES PARTNERS LP

By: Targa Resources GP LLC,
its general partner

By: /s/ Joe Bob Perkins
Joe Bob Perkins
President

TARGA NORTH TEXAS GP LLC

By: /s/ Joe Bob Perkins
Joe Bob Perkins
President

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-149200) and Form S-3 (No. 333-165959) of Targa Resources Partners LP of our reports dated August 19, 2010 and September 21, 2010, relating to the consolidated financial statements of Targa Versado LP and Targa Venice Operations which appear in this Current Report on Form 8-K of Targa Resources Partners LP dated October 4, 2010.

/s/PricewaterhouseCoopers LLP

Houston, Texas
October 4, 2010

Exhibit 99.1

TARGA VERSADO LP

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2010

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TARGA VERSADO LP
CONSOLIDATED BALANCE SHEETS

	June 30, 2010	December 31, 2009
	(Unaudited) (In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37.1	$ 24.9
Trade receivables	12.3	16.5
Receivables from affiliates	14.3	18.1
Assets from risk management activities allocated from Targa Resources, Inc.	7.7	4.7
Other current assets	0.7	—
Total current assets	72.1	64.2
Property, plant and equipment, at cost	446.3	440.9
Accumulated depreciation	(120.2)	(106.1)
Property, plant and equipment, net	326.1	334.8
Long-term assets from risk management activities allocated from Targa Resources, Inc.	5.7	3.1
Other long-term assets	1.1	1.1
Total assets	$ 405.0	$ 403.2
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4.8	$ 5.5
Accrued liabilities	21.7	26.1
Liabilities from risk management activities allocated from Targa Resources, Inc.	1.2	7.1
Total current liabilities	27.7	38.7
Long-term debt payable to Targa Resources, Inc.	450.5	435.0
Long-term liabilities from risk management activities allocated from Targa Resources, Inc.	1.0	8.4
Other long-term liabilities	3.3	3.2
Commitments and contingencies (see Note 5)		
Owners' equity:		
Parent deficit	(152.6)	(153.9)
Noncontrolling interest in Versado Gas Processors, L.L.C.	75.1	71.8
Total owners' equity	(77.5)	(82.1)
Total liabilities and owners' equity	$ 405.0	$ 403.2

See notes to consolidated financial statements

TARGA VERSADO LP
CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended June 30,	
	2010	2009
	(Unaudited) (In millions)	
Revenues from third parties	$ 69.6	$ 50.2
Revenues from affiliates	102.7	69.8
Total operating revenues	172.3	120.0
Costs and expenses:		
Product purchases	120.9	85.5
Operating expenses	15.9	13.4
Depreciation expenses	14.4	14.6
General and administrative and other operating expenses	3.1	4.4
Total costs and expenses	154.3	117.9
Income from operations	18.0	2.1
Other income (expense):		
Interest expense from Targa Resources, Inc.	(15.5)	(15.5)
Other interest income, net	—	0.1
Gain (loss) on allocated commodity derivative contracts (see Note 7)	16.7	(1.7)
Net income (loss)	19.2	(15.0)
Less: Net income attributable to noncontrolling interest in Versado Gas Processors, L.L.C.	9.2	4.4
Net income (loss) attributable to Targa Resources Inc.	$ 10.0	$ (19.4)

See notes to consolidated financial statements

TARGA VERSADO LP
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Parent Investment (Deficit)	Noncontrolling Interest in Versado Gas Processors, L.L.C.	Total
		(Unaudited) (In millions)	
Balance, December 31, 2009	$ (153.9)	$ 71.8	$ (82.1)
Distributions	(8.7)	(5.9)	(14.6)
Net income	10.0	9.2	19.2
Balance, June 30, 2010	$ (152.6)	$ 75.1	$ (77.5)

See notes to consolidated financial statements

TARGA VERSADO LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2010	2009
	(Unaudited) (In millions)	
Cash flows from operating activities:		
Net income (loss)	$ 19.2	$ (15.0)
Adjustments to reconcile net income (loss) to cash flows provided by operating activities:		
Depreciation expenses	14.4	14.7
Interest expense on affiliate indebtedness	15.5	15.5
Accretion of asset retirement obligations	0.1	0.1
Unrealized (gain) loss on allocated commodity derivative contracts	(18.9)	12.4
Gain on sale of assets	—	(0.1)
Change in operational assets and liabilities:		
Trade receivables and other current assets	7.3	(10.5)
Accounts payable and other accrued liabilities	(5.2)	1.6
Net cash provided by operating activities	32.4	18.7
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5.8)	(5.3)
Other	0.2	0.1
Net cash used in investing activities	(5.6)	(5.2)
Cash flows from financing activities:		
Parent distributions	(8.7)	(21.4)
Distributions to noncontrolling interest in Versado Gas Processors, L.L.C.	(5.9)	(9.3)
Net cash used in financing activities	(14.6)	(30.7)
Net increase in cash and cash equivalents	12.2	(17.2)
Cash and cash equivalents, beginning of period	24.9	26.2
Cash and cash equivalents, end of period	$ 37.1	$ 9.0

See notes to consolidated financial statements

TARGA VERSADO LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Except as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnotes are stated in millions of dollars.

Note 1—Organization and Operations

Organization

Targa Versado LP (“us”, “we” or “Company”), is a Delaware limited partnership formed on November 28, 2005 to hold Targa Resources, Inc.’s (“Targa” or “parent”) 63% investment in Versado Gas Processors, L.L.C. (“Versado Gas Processors”). Targa Versado LP is owned 50% by its general partner, Targa Versado GP LLC, a Delaware limited liability company and 50% by its sole limited partner, Targa LP, Inc., a Delaware corporation. The general and limited partners are indirect wholly-owned subsidiaries of Targa.

Basis of Presentation

Targa acquired its interests in Versado Gas Processors on October 31, 2005 as part of its acquisition of substantially all of Dynegy Inc.’s midstream natural gas business (the “Dynegy acquisition”). Targa employs our officers and personnel and receives a management fee for serving as the operator of Versado Gas Processors.

These consolidated financial statements include the accounts of Versado Gas Processors, which holds our operational assets and Targa Versado LP which includes certain transactions not chargeable to Versado Gas Processors. These transactions include the financial effects of pushdown accounting related to the Dynegy acquisition and Targa allocations of general and administrative expenses, interest expense and the financial effects of certain commodity derivative contracts. The accompanying consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The unaudited consolidated financial statements for the six months ended June 30, 2010 and 2009 include all adjustments, both normal and recurring, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. All significant intercompany balances and transactions have been eliminated in consolidation. All significant intercompany balances and transactions have been eliminated. Transactions between us and other Targa operations have been identified in the unaudited consolidated financial statements as transactions between affiliates. See Note 6.

Our financial results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 31, 2009. In preparing the accompanying consolidated financial statements, we have reviewed, as determined necessary, events that occurred after June 30, 2010, up until the issuance of the financial statements, which occurred on August 18, 2010. See Note 10.

Operations

We provide midstream energy services, including gathering, treating, and processing services, to producers of natural gas. Our operating assets are owned by Versado Gas Processors. Its gathering systems collect natural gas from designated points near producing wells and transport these volumes to its gas processing plants. Natural gas shipped to its plants is treated to remove contaminants and processed to yield residue natural gas and raw natural gas liquids (“NGLs”). Versado Gas Processors sells residue natural gas and NGLs directly to us and its noncontrolling interest owner under terms provided for in the Operating Agreement. Condensate sales are made to third-party customers. We sell our portion of natural gas and NGLs purchased from Versado Gas Processors to other Targa affiliates.

Our operating assets consist of the Saunders, Eunice and Monument gas processing plants and related gathering systems located in Southeastern New Mexico and West Texas. The gathering systems consist of approximately 3,200 miles of natural gas gathering pipelines. The Saunders, Eunice and Monument refrigerated cryogenic processing plants have aggregate processing capacity of 280 MMcf per day (176 MMcf per day, net to our ownership interest).

Note 2—Significant Accounting Policies

Accounting Policy Updates/Revisions

The accounting policies followed by the Company are set forth in Note 2 of the Notes to consolidated financial statements for the year ended December 31, 2009, and are supplemented by the notes to these consolidated financial statements. There have been no significant changes to these policies and it is suggested that these consolidated financial statements be read in conjunction with the above consolidated financial statements and notes.

Accounting Pronouncements Recently Adopted

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures About Fair Value Measurements," which provides amendments to fair value disclosures. ASU 2010-06 requires additional disclosures and clarifications of existing disclosures for recurring and nonrecurring fair value measurements. The revised guidance for transfers into and out of Level 1 and Level 2 categories, as well as increased disclosures around inputs to fair value measurement, was adopted January 1, 2010 and had no material impact on our financial statements. The amendments to Level 3 disclosures were delayed until periods beginning after December 15, 2010 and are not anticipated to have a material impact on our financial statements upon adoption.

Note 3—Property, Plant and Equipment

Property, plant and equipment, at cost, and the related estimated useful lives of the assets were as follows as of the dates indicated:

	June 30, 2010	December 31, 2009	Estimated useful lives (In years)
Natural gas gathering systems	$ 96.7	$ 94.7	5 to 20
Processing facilities	337.3	334.6	5 to 20
Other property, plant and equipment	5.9	5.6	3 to 25
Land	0.4	0.4	—
Construction in progress	6.0	5.6	—
Property, plant and equipment, at cost	$ 446.3	$ 440.9	

Note 4—Debt Obligations

Our debt obligations consisted of the following as of the dates indicated:

	June 30, 2010	December 31, 2009
Note payable to Targa, 10% fixed rate, due December 2011 (including accrued interest of $141.7 million and $126.2 million)	$ 450.5	$ 435.0

On January 1, 2007, Targa contributed to us affiliated indebtedness applicable to our business. We include the financial effects of this affiliated indebtedness in our consolidated financial statements. The following table summarizes the financial effects of this affiliated indebtedness:

Outstanding affiliate debt at December 31, 2009	$ 435.0
Interest accrued for six months ended June 30, 2010	15.5
Outstanding affiliate debt at June 30, 2010	$ 450.5

The carrying value of this note payable to Targa approximates its fair value as of June 30, 2010 as it will settle at its stated amount when the affected assets are acquired.

The stated 10% interest rate of the Acquisition Note is not indicative of prevailing external rates of interest including that incurred under Targa's credit facility which is secured by substantially all of our assets. If interest had been charged on the principal balance at the prevailing rates that Targa incurred under its outstanding borrowings of 5.8% and 4.9%, affiliated interest expense would have been reduced by $6.5 million and $7.9 million for six months ended June 30, 2010 and 2009.

Note 5—Commitments and Contingencies

Environmental

For environmental matters, we record liabilities when remedial efforts are probable and the costs can be reasonably estimated. Environmental reserves do not reflect management's assessment of the insurance coverage that may be applicable to the matters at issue. Management has assessed each of the matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought and the probability of success.

In May 2007, the New Mexico Environment Department ("NMED") alleged air emissions violations at the Eunice, Monument and Saunders gas processing plants, which were identified in the course of an inspection of the Eunice plant conducted by the NMED in August 2005. In January 2010, we settled the alleged violations with NMED for a penalty of approximately $1.5 million which was accrued for as of December 31, 2009. As part of the settlement, we agreed to install two acid gas injection wells, additional emission control equipment and monitoring equipment, the cost of which we estimate to be approximately $33.4 million.

Note 6—Related Party Transactions

Sales to and purchases from affiliates. We routinely conduct business with other subsidiaries of Targa. The related transactions result primarily from purchases and sales of natural gas and natural gas liquids.

Natural Gas Sale Agreements. We have various natural gas sale agreements with Targa at prices based on our sales price for such natural gas, less our costs and expenses associated therewith. These agreements have an initial term of 15 years and automatically extend for a term of five years, unless the agreements are otherwise terminated by either party. Furthermore, either party may elect to terminate the agreements if either party ceases to be an affiliate of Targa.

Allocation of costs. Employees supporting our operations are employees of Targa. Our financial statements include our share of salaries and related costs. Targa also charges Targa Versado LP for the costs of providing centralized general and administrative services. Versado Gas Processors pays a management fee to Targa Versado LP for operating the plants. Costs allocated to us by Targa were based on identification of our resources which directly benefit us and our proportionate share of costs based on our estimated usage of shared resources and functions. All of the allocations are based on assumptions that management believes are reasonable; however, these allocations are not necessarily indicative of the costs and expenses that would have resulted if we had operated as a stand-alone entity.

The following table summarizes the sales to affiliates of Targa, payments made or received by them on our behalf, and allocations of costs from Targa which are settled through an adjustment to parent investment.

	Six Months Ended June 30,	
	2010	2009
Cash		
Sales to affiliates	$ 102.7	$ 69.8
Payroll and related costs included in operating expenses	4.4	3.7
Allocation of general and administrative expenses	3.0	4.4
Distributions to Targa, net	8.7	21.4
Noncash		
Affiliate interest expense accrued	15.5	15.5

Note 7—Derivative Instruments and Hedging Activities

In an effort to reduce the variability of our portion of cash flows, Targa has hedged the commodity price associated with a significant portion of our proportion of the expected natural gas, NGL and condensate equity volumes for the remainder of 2010 through 2013 by entering into derivative financial instruments including swaps and purchased put (floors) from Versado Gas Processors.

These allocated hedges have been tailored to generally match the NGL product composition and the NGLs and natural gas delivery points to those of our portion of the physical equity volumes. The allocated NGL hedges cover baskets of ethane, propane, normal butane, isobutane and natural gasoline based upon our expected equity NGL composition. Targa believe this strategy avoids uncorrelated risks resulting from employing hedges on crude oil or other petroleum products as "proxy" hedges of NGL prices. Additionally, the allocated NGL hedges are based on published index prices for delivery at Mont Belvieu and our natural gas hedges are based on published index prices for delivery at Permian Basin and Waha, which closely approximate our actual NGL and natural gas delivery points. Targa hedged a portion of our condensate sales using crude oil hedges that are based on the NYMEX futures contracts for West Texas Intermediate light, sweet crude. At June 30, 2010, the notional volumes of commodity hedges allocated to Versado were:

Commodity	Instrument	Unit	2010	2011	2012	2013
Natural Gas	Swaps	MMBtu/d	12,078	9,570	6,270	2,640
NGL	Swaps	Bbl/d	1,781	1,176	700	—
NGL	Floors	Bbl/d	—	30	35	—
Condensate	Swaps	Bbl/d	161	184	92	92

The allocated derivative contracts are carried at their fair value on our balance sheet. The fair value of derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option valuation models with assumptions about commodity prices based on those observed in underlying markets.

The following table presents the estimated fair values of the derivative assets and liabilities allocated to us as of the dates indicated:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value as of		Balance Sheet Location	Fair Value as of	
		June 30, 2010	December 31, 2009		June 30, 2010	December 31, 2009
Commodity contracts	Current assets	$ 7.7	$ 4.7	Current liabilities	$ 1.2	$ 7.1
	Long-term assets	5.7	3.1	Long-term liabilities	1.0	8.4
Total commodity derivatives		$ 13.4	$ 7.8		$ 2.2	$ 15.5

Targa entered into these transactions on our behalf, but Targa was the legal party to the transactions; therefore, we do not apply cash flow hedge accounting to our current derivative contracts. We recognize all realized and unrealized changes in fair value in earnings. Cash settlements of our derivative contracts are included in cash flows from operating activities in our statements of cash flows.

The following table summarizes the realized and unrealized gains and losses from cash settlements and changes in fair value of our derivative contracts as presented in our accompanying financial statements:

Commodity Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized In Income on Derivatives Six Months Ended June 30, 2010	2009
Unrealized gain (loss) on commodity contracts	Other income (expense)	$ 18.9	$ (12.4)
Realized gain (loss) on commodity contracts	Other income (expense)	(2.1)	10.7
Total commodity derivatives		$ 16.7	$ (1.7)

See Note 8 and Note 9 for additional disclosures related to derivative instruments.

Note 8—Fair Value Measurements

We categorize the inputs to the fair value of our financial assets and liabilities using a three-tier fair value hierarchy that prioritizes the significant inputs used in measuring fair value:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 – unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The derivative instruments allocated to us consist of financially settled commodity swap and option contracts and fixed price commodity contracts with certain customers. We determine the value of these derivative contracts utilizing a discounted cash flow model for swaps and a standard option pricing model for options, based on inputs that are readily available in public markets. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold.

The following tables present the fair value of our financial assets and liabilities according to the fair value hierarchy. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value assets and liabilities and their placement within the fair value hierarchy levels.

	June 30, 2010			
	Total	Level 1	Level 2	Level 3
Assets from commodity derivative contracts	$ 13.4	$ —	$ 11.8	$ 1.6
Liabilities from commodity derivative contracts	$ 2.2	$ —	$ 2.0	$ 0.2

	December 31, 2009			
	Total	Level 1	Level 2	Level 3
Assets from commodity derivative contracts	$ 7.8	$ —	$ 7.8	$ —
Liabilities from commodity derivative contracts	$ 15.5	$ —	$ 13.5	$ 2.0

The following table sets forth a reconciliation of the changes in the fair value of our financial instruments classified as Level 3 in the fair value hierarchy:

	Commodity Derivatives
Balance, December 31, 2009	$ (2.0)
Unrealized gains included in earnings	3.6
Settlements	(0.2)
Balance, June 30, 2010	$ 1.4

Note 9—Significant Risks and Uncertainties

Nature of Operations in Midstream Energy Industry

We operate in the midstream energy industry. Our business activities include gathering, transporting, processing, fractionating and storage of natural gas, NGLs and crude oil. Our results of operations, cash flows and financial condition may be affected by (i) changes in the commodity prices of these hydrocarbon products and (ii) changes in the relative price levels among these hydrocarbon products. In general, the prices of natural gas, NGLs, condensate and other hydrocarbon products are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control.

Our profitability could be impacted by a decline in the volume of natural gas, NGLs and condensate transported, gathered or processed at our facilities. A material decrease in natural gas or condensate production or condensate refining, as a result of depressed commodity prices, a decrease in exploration and development activities or otherwise, could result in a decline in the volume of natural gas, NGLs and condensate handled by our facilities.

A reduction in demand for NGL products by the petrochemical, refining or heating industries, whether because of (i) general economic conditions, (ii) reduced demand by consumers for the end products made with NGL products, (iii) increased competition from petroleum-based products due to the pricing differences, (iv) adverse weather conditions, (v) government regulations affecting commodity prices and production levels of hydrocarbons or the content of motor gasoline or (vi) other reasons, could also adversely affect our results of operations, cash flows and financial position.

Commodity Price Risk. A majority of the revenues from our natural gas gathering and processing business are derived from percent-of-proceeds contracts under which we receive a portion of the natural gas and/or NGLs or equity volumes, as payment for services. The prices of natural gas and NGLs are subject to market fluctuations in response to changes in supply, demand, market uncertainty and a variety of additional factors beyond our control. Targa monitors these risks and enters into commodity derivative transactions designed to mitigate the impact of commodity price fluctuations on our business.

In an effort to reduce the variability of our cash flows Targa has hedged the commodity price associated with a significant portion of our proportion of the expected natural gas, NGL and condensate equity volumes for the remainder of 2010 through 2013 from Versado Gas Processors by entering into derivative financial instruments on our behalf including swaps and purchased puts (or floors). The percentages of our expected equity volumes that are hedged decrease over time. With swaps, we typically receive an agreed upon fixed price for a specified notional quantity of natural gas or NGL and we pay the hedge counterparty a floating price for that same quantity based upon published index prices. Since we receive from our customers substantially the same floating index price from the sale of the underlying physical commodity, these transactions are designed to effectively lock-in the agreed fixed price in advance for the volumes hedged. In order to avoid having a greater volume hedged than our actual equity volumes, Targa typically limits the use of swaps to hedge the prices of less than our expected natural gas and NGL equity volumes. Targa utilizes purchased puts (or floors) to hedge additional expected equity commodity volumes without creating volumetric risk. These commodity hedges may expose us to the risk of financial loss in certain circumstances. Our hedging arrangements provide us protection on the hedged volumes if market prices decline

below the prices at which these hedges are set. If market prices rise above the prices at which we have hedged, we will receive less revenue on the hedged volumes than we would receive in the absence of hedges.

Counterparty Risk – Credit and Concentration

Derivative Counterparty Risk. Where we are exposed to credit risk in our financial instrument transactions, management analyzes the counterparty's financial condition prior to entering into an agreement, establishes credit and/or margin limits and monitors the appropriateness of these limits on an ongoing basis. Generally, management does not require collateral and does not anticipate nonperformance by our counterparties.

We have master netting agreements with most of our hedge counterparties. These netting agreements allow us to net settle asset and liability positions with the same counterparties. As of June 30, 2010, we had $2.2 million in liabilities offset against counterparties with which we also had asset positions of $13.4 million as of that date.

Our credit exposure related to commodity derivative instruments is represented by the fair value of contracts with a net positive fair value to us at the reporting date. At such times, these outstanding instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements. Should the creditworthiness of one or more of our counterparties decline, our ability to mitigate nonperformance risk is limited to a counterparty agreeing to either a voluntary termination and subsequent cash settlement or a novation of the derivative contract to a third party. In the event of a counterparty default, we may sustain a loss and our cash receipts could be negatively impacted.

As of June 30, 2010, affiliates of Barclays and BP accounted for 95% and 5% of our counterparty credit exposure related to commodity derivative instruments. Barclays is a major financial institution and BP is a major corporation; each possesses an investment grade credit rating based upon minimum credit ratings assigned by Standard & Poor's Ratings Services.

Customer Credit Risk. We extend credit to customers and other parties in the normal course of business. We have established various procedures to manage our credit exposure, including initial credit approvals, credit limits and terms, letters of credit, and rights of offset. We also use prepayments and guarantees to limit credit risk to ensure that our established credit criteria are met.

Significant Commercial Relationships. We are exposed to concentration risk when a significant customer or supplier accounts for a significant portion of our business activity. We did not have a material change in the make-up of our customers or suppliers during 2010.

Our natural gas and NGLs sales are principally with other Targa affiliates. See Note 6. For the six months ended June 30, 2010 and 2009, Versado Gas Processors had sales of $62.9 million and $43.7 million to its noncontrolling interest partner. During those periods, there were no other non-affiliated counterparties that represented more than 10% of our revenues.

Casualty or Other Risks

Targa maintains coverage in various insurance programs on our behalf, which provides us with property damage, business interruption and other coverages which are customary for the nature and scope of our operations. A portion of the insurance costs described above is allocated to us by Targa.

Note 10—Subsequent Event

On August 9, 2010, Targa Resources LP (the "Partnership") entered into a Purchase and Sale Agreement (the "Purchase Agreement") with Targa, under which Targa has agreed to sell, assign, transfer and convey to the Partnership our operations for aggregate consideration of $230 million, subject to certain adjustments.

The closing of this Purchase Agreement is subject to the satisfaction of certain conditions. We anticipate the closing of this transaction will occur in the third quarter of 2010.

Exhibit 99.2

TARGA VERSADO LP

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Directors of Targa Resources, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in owners' equity and of cash flows present fairly, in all material respects, the financial position of Targa Versado LP at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of Targa Resources, Inc. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 5 and 7 to the financial statements, Targa Versado LP has engaged in significant transactions with its parent company, Targa Resources, Inc. and its subsidiaries, related parties.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
August 19, 2010

TARGA VERSADO LP
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2009	2008
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24.9	$ 26.2
Trade receivables	16.5	12.3
Receivables from affiliates	18.1	10.9
Assets from risk management activities allocated from Targa Resources, Inc.	4.7	12.6
Other current assets	—	0.7
Total current assets	64.2	62.7
Property, plant and equipment, at cost	440.9	431.7
Accumulated depreciation	(106.1)	(77.7)
Property, plant and equipment, net	334.8	354.0
Long-term assets from risk management activities allocated from Targa Resources, Inc.	3.1	12.6
Other long-term assets	1.1	1.2
Total assets	$ 403.2	$ 430.5
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5.5	$ 4.1
Accrued liabilities	26.1	29.7
Liabilities from risk management activities allocated from Targa Resources, Inc.	7.1	—
Total current liabilities	38.7	33.8
Long-term debt payable to Targa Resources, Inc.	435.0	404.1
Long-term liabilities from risk management activities allocated from Targa Resources, Inc.	8.4	—
Other long-term liabilities	3.2	3.5
Commitments and contingencies (see Note 6)		
Owners' equity:		
Parent deficit	(153.9)	(83.3)
Noncontrolling interest in Versado Gas Processors, L.L.C.	71.8	72.4
Total owners' equity	(82.1)	(10.9)
Total liabilities and owners' equity	$ 403.2	$ 430.5

See notes to consolidated financial statements

TARGA VERSADO LP
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2009	2008	2007
		(In millions)	
Revenues from third parties	$ 119.4	$ 239.2	$ 203.4
Revenues from affiliates	159.0	326.2	291.4
Total operating revenues	278.4	565.4	494.8
Costs and expenses:			
Product purchases	195.3	405.5	357.8
Operating expenses	29.3	42.0	37.7
Depreciation expenses	29.1	31.8	29.3
General and administrative and other operating expenses	8.6	8.0	4.0
Total costs and expenses	262.3	487.3	428.8
Income from operations	16.1	78.1	66.0
Other income (expense):			
Interest expense from Targa Resources, Inc.	(30.9)	(30.9)	(30.9)
Gain (loss) on allocated commodity derivative contracts (see Note 8)	(15.7)	45.8	(42.2)
Net income (loss)	(30.5)	93.0	(7.1)
Less: Net income attributable to noncontrolling interest in Versado Gas Processors, L.L.C.	12.7	34.5	28.6
Net income (loss) attributable to Targa Resources Inc.	$ (43.2)	$ 58.5	$ (35.7)

See notes to consolidated financial statements

TARGA VERSADO LP
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Parent Investment (Deficit)	Noncontrolling Interest in Versado Gas Processors, L.L.C.	Total
		(In millions)	
Balance, December 31, 2006	$ (35.9)	$ 88.1	$ 52.2
Distributions	(32.4)	(29.4)	(61.8)
Net income (loss)	(35.7)	28.6	(7.1)
Balance, December 31, 2007	(104.0)	87.3	(16.7)
Distributions	(37.8)	(49.4)	(87.2)
Net income	58.5	34.5	93.0
Balance, December 31, 2008	(83.3)	72.4	(10.9)
Distributions	(27.4)	(13.3)	(40.7)
Net income (loss)	(43.2)	12.7	(30.5)
Balance, December 31, 2009	$ (153.9)	$ 71.8	$ (82.1)

See notes to consolidated financial statements

TARGA VERSADO LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2009	2008	2007
		(In millions)	
Cash flows from operating activities:			
Net income (loss)	$ (30.5)	$ 93.0	$ (7.1)
Adjustments to reconcile net income (loss) to cash flows provided by operating activities:			
Depreciation expenses	29.1	31.8	29.3
Interest expense on affiliate indebtedness	30.9	30.9	30.9
Accretion of asset retirement obligations	0.2	0.2	0.1
Unrealized (gain) loss on allocated commodity derivative contracts	32.9	(64.5)	35.3
Gain on sale of assets	0.1	—	—
Change in operational assets and liabilities:			
Accounts receivable and other current assets	(10.6)	31.6	(10.8)
Accounts payable and other accrued liabilities	(2.2)	(29.7)	15.1
Net cash provided by operating activities	49.9	93.3	92.8
Cash flows from investing activities:			
Purchases of property, plant and equipment	(11.7)	(20.4)	(18.2)
Other	1.2	0.4	—
Net cash used in investing activities	(10.5)	(20.0)	(18.2)
Cash flows from financing activities:			
Parent distributions	(27.4)	(37.8)	(32.4)
Distributions to noncontrolling interest in Versado Gas Processors, L.L.C.	(13.3)	(34.6)	(29.4)
Net cash used in financing activities	(40.7)	(72.4)	(61.8)
Net increase in cash and cash equivalents	(1.3)	0.9	12.8
Cash and cash equivalents, beginning of period	26.2	25.3	12.5
Cash and cash equivalents, end of period	$ 24.9	$ 26.2	$ 25.3

See notes to consolidated financial statements

TARGA VERSADO LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Except as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnotes are stated in millions of dollars.

Note 1—Organization and Operations

Organization

Targa Versado LP ("us", "we" or the "Company"), is a Delaware limited partnership formed on November 28, 2005 to hold Targa Resources, Inc.'s ("Targa" or "parent") 63% investment in Versado Gas Processors, L.L.C. ("Versado Gas Processors"). Targa Versado LP is owned 50% by its general partner, Targa Versado GP LLC, a Delaware limited liability company and 50% by its sole limited partner, Targa LP, Inc., a Delaware corporation. The general and limited partners are indirect wholly-owned subsidiaries of Targa.

Basis of Presentation

Targa acquired its interests in Versado Gas Processors on October 31, 2005 as part of its acquisition of substantially all of Dynegy Inc.'s midstream natural gas business (the "Dynegy acquisition"). Targa employs our officers and personnel and receives a management fee for serving as the operator of Versado Gas Processors.

We have prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements include the accounts of Versado Gas Processors, which holds our operational assets, and Targa Versado LP, which includes certain transactions not chargeable to Versado Gas Processors. These transactions include the financial effects of pushdown accounting related to the Dynegy acquisition and Targa allocations of general and administrative expenses, interest expense and the financial effects of certain commodity derivative contracts. All significant intercompany balances and transactions have been eliminated. Transactions among us and other Targa operations have been identified in these consolidated financial statements as transactions among affiliates. See Note 7.

In preparing the accompanying consolidated financial statements, we have reviewed, as determined necessary, events that occurred after December 31, 2009, up until the issuance of the financial statements, which occurred on August 19, 2010. See Note 11.

Operations

We provide midstream energy services, including gathering, treating, and processing services, to producers of natural gas. Our operating assets are owned by Versado Gas Processors. Its gathering systems collect natural gas from designated points near producing wells and transport these volumes to its gas processing plants. Natural gas shipped to its plants is treated to remove contaminants and processed to yield residue natural gas and raw natural gas liquids ("NGLs"). Versado Gas Processors sells residue natural gas and NGLs directly to us and to its noncontrolling interest owner under terms provided for in the Operating Agreement. Condensate sales are made to third-party customers. We sell our portion of natural gas and NGLs purchased from Versado Gas Processors to other Targa affiliates.

Our operating assets consist of the Saunders, Eunice and Monument gas processing plants and related gathering systems located in Southeastern New Mexico and West Texas. The gathering systems consist of approximately 3,200 miles of natural gas gathering pipelines. The Saunders, Eunice and Monument refrigerated cryogenic processing plants have aggregate processing capacity of 280 MMcf per day (176 MMcf per day, net to our ownership interest).

Note 2—Significant Accounting Policies

Consolidation Policy. These consolidated financial statements include our accounts and those of our majority-owned subsidiary in which we have a controlling interest. Noncontrolling interest represents third party ownership in the

net assets of our consolidated subsidiary, Versado Gas Processors. For financial reporting purposes, the assets and liabilities of Versado Gas Processors are consolidated in whole with the third party investors' share of net assets reported as a component of owners' equity. In the statements of operations, noncontrolling interest reflects the third party investor's share of Versado Gas Processors' earnings. Distributions to the noncontrolling interest are reported as adjustments to the noncontrolling interest owners' equity. Distributions to noncontrolling interest for 2008 included a $14.8 million noncash distribution of property.

Allocation of costs. These statements include the direct costs of operations and employees dedicated to those operations, as well as an allocation of indirect and general and administrative costs. See Note 7.

Gas Processing Imbalances. Quantities of natural gas and/or NGLs over-delivered or under-delivered related to certain gas plant operational balancing agreements are recorded monthly as inventory or as a payable using weighted average prices as of the time the imbalance was created. Inventory imbalances receivable are valued at the lower of cost or market; inventory imbalances payable are valued at replacement cost. These imbalances are settled either by current cash-out settlements or by adjusting future receipts or deliveries of natural gas or NGLs.

Derivative Instruments. Targa has hedged a portion of our exposure (based on our proportional share of operating volumes) to fluctuations in commodity prices and the results of these hedging activities have been allocated to us by Targa. All of these derivatives are recorded on the balance sheets at fair value. As we are not a party to the hedge transaction, we do not apply hedge accounting; therefore, changes in the unrealized fair value are recognized currently in earnings as a component of other income and expense. The ultimate gain or loss on the derivative transaction upon settlement is also recognized as a component of other income and expense. See Note 8.

Property, Plant and Equipment. Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Expenditures for maintenance and repairs are expensed as incurred. Expenditures to refurbish assets that extend the useful lives or prevent environmental contamination are capitalized and depreciated over the remaining useful life of the asset. We capitalize certain costs directly related to the construction of assets including internal labor costs, interest, and engineering costs. Upon disposition or retirement of property, plant, and equipment, any gain or loss is charged to operations.

We evaluate the recoverability of our property, plant and equipment when events or circumstances such as economic obsolescence, the business climate, legal and other factors indicate we may not recover the carrying amount of the assets. Asset recoverability is measured by comparing the carrying value of the asset with the asset's expected future undiscounted cash flows. These cash flow estimates require us to make projections and assumptions for many years into the future for pricing, demand, competition, operating cost and other factors. If the carrying amount exceeds the expected future undiscounted cash flows we recognize an impairment loss to write down the carrying amount of the asset to its fair value as determined by quoted market prices in active markets or present value techniques if quotes are unavailable. The determination of the fair value using present value techniques requires us to make projections and assumptions regarding the probability of a range of outcomes and the rates of interest used in the present value calculations. Any changes we make to these projections and assumptions could result in significant revisions to our evaluation of recoverability of our property, plant and equipment and the recognition of an impairment loss in our combined statements of operations.

Asset retirement obligations ("AROs"). AROs are legal obligations associated with the retirement of tangible long-lived assets that result from the asset's acquisition, construction, development and/or normal operation. An ARO is initially measured at its estimated fair value. Upon initial recognition of an ARO, we record an increase to the carrying amount of the related long-lived asset and an offsetting ARO liability. We depreciate the capitalized ARO using the straight-line method over the period during which the related long-lived asset is expected to provide benefits. After the initial period of ARO recognition, we revise the ARO to reflect the passage of time or revisions to the amounts of estimated cash flows or their timing.

Changes due to the passage of time increase the carrying amount of the liability because there are fewer periods remaining from the initial measurement date until the settlement date; therefore, the present values of the discounted future settlement amount increases. We record these changes as a period cost called accretion expense. Changes

resulting from revisions to the timing or the amount of estimated future asset retirement costs increase or decrease the carrying amounts of the ARO asset and liability. Upon settlement, we will recognize a gain or loss to the extent that the settlement cost differs from the recorded ARO amount.

Revenue Recognition. Our primary types of sales and service activities reported as operating revenues include:

- sales of natural gas, NGLs and condensate;
- natural gas processing, from which we generate revenues through the compression, gathering, treating, and processing of natural gas;

We recognize revenue when all of the following criteria are met: (1) persuasive evidence of an exchange arrangement exists, if applicable, (2) delivery has occurred or services have been rendered, (3) the price is fixed or determinable and (4) collectability is reasonably assured.

For processing services, we receive either fees or a percentage of commodities as payment for these services, depending on the type of contract. Under percent-of-proceeds contracts, we are paid for our services by keeping a percentage of the NGLs extracted and the residue gas resulting from processing natural gas. In percent-of-proceeds arrangements, we remit either a percentage of the proceeds received from the sales of residue gas and NGLs or a percentage of the residue gas or NGLs at the tailgate of the plant to the producer. Under the terms of percent-of-proceeds and similar contracts, we may purchase the producer's share of the processed commodities for resale or deliver the commodities to the producer at the tailgate of the plant. Percent-of-value and percent-of-liquids contracts are variations on this arrangement. Under keep-whole contracts, we keep the NGLs extracted and return the processed natural gas or value of the natural gas to the producer. Natural gas or NGLs that we receive for services or purchase for resale are in turn sold and recognized in accordance with the criteria outlined above. Under fee based contracts, we receive a fee based on throughput volumes. Most of our contracts are percent-of-proceeds arrangements.

We report revenues gross in the statements of operations. Except for fee-based contracts, we act as the principal in the transactions where we receive commodities, take title to the natural gas and NGLs, and incur the risks and rewards of ownership.

Environmental Liabilities. Liabilities for loss contingencies, including environmental remediation costs arising from claims, assessments, litigation, fines, and penalties and other sources are charged to expense when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. See Note 6.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Adjustments made with respect to the use of these estimates and judgments often relate to information not previously available. Uncertainties with respect to such estimates and judgments are inherent in the preparation of financial statements. Estimates and judgments are used in, among other things, (1) estimating unbilled revenues and operating and general and administrative costs, (2) developing fair value assumptions, including estimates of future cash flows and discount rates, (3) analyzing long-lived assets for possible impairment, (4) estimating the useful lives of assets and (5) determining amounts to accrue for contingencies, guarantees and indemnifications. Actual results could differ materially from estimated amounts.

Accounting Pronouncements Recently Adopted

Financial Accounting Standards Board ("FASB") Codification

In June 2009, FASB issued the FASB Accounting Standards Codification (the "Codification" or "ASC") as the source of authoritative GAAP recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws

are also sources of authoritative GAAP for SEC registrants. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As of the effective date, the Codification supersedes all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative.

Following the Codification, FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASUs"). FASB will not consider ASUs as authoritative in their own right. They will serve only to update the Codification, provide background information about the guidance, and provide the basis for conclusions on changes in the Codification.

Fair Value Measurements

In September 2006, FASB issued guidance regarding fair value measurement that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance applies to previous accounting guidance that requires or permits fair value measurements, and accordingly, does not require any new fair value measurements. The guidance was initially effective as of January 1, 2008, but in February 2008, FASB delayed the effective date for applying the guidance to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, until periods beginning after November 15, 2008. We adopted the guidance as of January 1, 2008 with respect to financial assets and liabilities within its scope and the impact was not material to our financial statements. As of January 1, 2009, nonfinancial assets and nonfinancial liabilities were also required to be measured at fair value. The adoption of these additional provisions did not have a material impact on our financial statements. See Note 9.

In April 2009, FASB issued guidance for determining fair values when there is no active market or where the price inputs being used represent distressed sales. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. We adopted the guidance as of June 30, 2009. There have been no material financial statement implications relating to our adoption.

In January 2010, FASB issued guidance that requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements should be presented separately. This guidance is effective for annual and interim reporting periods beginning after December 15, 2009 for most of the new disclosures and for periods beginning after December 15, 2010 for the new Level 3 disclosures. Comparative disclosures are not required in the first year the disclosures are required. Our adoption did not have a material impact on our consolidated financial statements.

Other

In December 2007, FASB issued guidance that requires all entities to report noncontrolling interests in subsidiaries as a separate component of equity in the consolidated statement of financial position, to clearly identify consolidated net income attributable to the parent and to the noncontrolling interest on the face of the consolidated statement of income, and to provide sufficient disclosure that clearly identifies and distinguishes between the interest of the parent and the interests of noncontrolling owners. It also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. We adopted these amended provisions effective January 1, 2009, which required retrospective reclassification of our consolidated financial statements for all periods presented in this filing. As a result of adoption, we have reclassified our noncontrolling interest (formerly minority interest) on our consolidated balance sheets, from a component of liabilities to a component of equity and have also reclassified net income attributable to noncontrolling interest on our consolidated statements of operations, to below net income for all periods presented. Furthermore, we have displayed the portion of other comprehensive income that is attributable to the noncontrolling interest within our consolidated statements of comprehensive income.

In May 2009, FASB issued guidance that establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This

guidance sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. It is effective for interim and annual periods ended after June 15, 2009 and should be applied prospectively. Our adoption did not have a material impact on our financial statements.

In June 2009, the SEC Staff issued guidance that amends or rescinds portions of the SEC staff's interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with the ASC. Our adoption did not have a material impact on our consolidated financial statements.

Note 3—Property, Plant and Equipment

Property, plant and equipment, at cost, and the related estimated useful lives of the assets were as follows as of the dates indicated:

	December 31,		Estimated useful lives (In years)
	2009	2008	
Natural gas gathering systems	$ 94.7	$ 88.7	5 to 20
Processing facilities	334.6	333.0	5 to 20
Other property, plant and equipment	5.6	5.9	3 to 25
Land	0.4	0.4	—
Construction in progress	5.6	3.7	—
Property, plant and equipment, at cost	$ 440.9	$ 431.7	

Note 4—Asset Retirement Obligations

Our asset retirement obligations are included in our consolidated balance sheets as a component of other long-term liabilities. The changes in our asset retirement obligations are as follows:

	Year Ended December 31,		
	2009	2008	2007
Beginning of period	$ 2.0	$ 1.7	$ 1.6
Change in cash flow estimate	(0.3)	0.1	—
Accretion expense	0.2	0.2	0.1
End of period	$ 1.9	$ 2.0	$ 1.7

Note 5—Debt Obligations

Our debt obligations consisted of the following as of the dates indicated:

	December 31,	
	2009	2008
Note payable to Targa, 10% fixed rate, due December 2011 (including accrued interest of $126.2 million and $95.2 million)	$ 435.0	$ 404.1

On January 1, 2007, Targa contributed to us affiliated indebtedness applicable to our business. We include the financial effects of this affiliated indebtedness in our consolidated financial statements. The following table summarizes the financial effects of this affiliated indebtedness:

Original Principal December 31, 2005	$ 308.9
Interest accrued during 2005 and 2006	33.4
Parent debt contributed January 1, 2007	342.3
Interest accrued prior to Targa conveyance:	
For the year ended December 31, 2007	30.9
For the year ended December 31, 2008	30.9
For the year ended December 31, 2009	30.9
	92.7
Outstanding affiliate debt at December 31, 2009	$ 435.0

The carrying value of this note payable to Targa approximates its fair value as of December 31, 2009 as it will settle at its stated amount when the affected assets are acquired.

The stated 10% interest rate in the formal debt agreement is not indicative of prevailing external rates of interest including that incurred under Targa's credit facility which is secured by substantially all of our assets. Using the weighted average incurred under Targa's outstanding borrowings, pro forma affiliated interest expense would have been reduced by $15.8 million, $8.3 million and $5.2 million for 2009, 2008 and 2007. The pro forma interest expense adjustment for our affiliated debt has been calculated by applying the weighted average rates of 4.9%, 7.3% and 8.3% that Targa incurred under its outstanding borrowings for the periods indicated.

Note 6—Commitments and Contingencies

Surface and underground access for gathering, processing, and distribution assets that are located on property not owned by us is obtained through site leases and right-of-way agreements, which require annual rental payments and expire at various dates through 2099. Future non-cancelable commitments related to these obligations are less than $0.1 million per year and less than $0.8 million in aggregate. Total expenses related to land site lease and right-of-way agreements were $1.0 million, $1.5 million and $1.5 million in 2009, 2008 and 2007.

Environmental

For environmental matters, we record liabilities when remedial efforts are probable and the costs can be reasonably estimated. Environmental reserves do not reflect management's assessment of the insurance coverage that may be applicable to the matters at issue. Management has assessed each of the matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought and the probability of success.

In May 2007, the New Mexico Environment Department ("NMED") alleged air emissions violations at the Eunice, Monument and Saunders gas processing plants, which were identified in the course of an inspection of the Eunice plant conducted by the NMED in August 2005. In January 2010, we settled the alleged violations with NMED for a penalty of approximately $1.5 million, which is accrued for as of December 31, 2009. As part of the settlement, we agreed to install two acid gas injection wells, additional emission control equipment and monitoring equipment, the cost of which we estimate to be approximately $33.4 million.

Legal Proceeding

During 2009, we received a favorable court ruling related to a legal dispute for which we had previously accrued $3.1 million and as a result, we reversed the previously accrued amount through operating expenses.

Note 7—Related Party Transactions

Sales to and purchases from affiliates. We routinely conduct business with other subsidiaries of Targa. We sell natural gas and NGLS at prices tied to specific market indexes. The related transactions result primarily from purchases and sales of natural gas and natural gas liquids.

Natural Gas Sale Agreements. We have various natural gas sale agreements with Targa at prices based on our sales price for such natural gas, less our costs and expenses associated therewith. These agreements have an initial term of 15 years and automatically extend for a term of five years, unless the agreements are otherwise terminated by either party. Furthermore, either party may elect to terminate the agreements if either party ceases to be an affiliate of Targa.

Allocation of costs. Employees supporting our operations are employees of Targa. Our financial statements include salaries of directly dedicated operations personnel and related costs. Targa also charges Targa Versado LP for the costs of providing centralized general and administrative services. Versado Gas Processors pays a management fee to Targa Versado LP for operating the plants. Costs allocated to us by Targa were based on identification of our resources which directly benefit us and our proportionate share of costs based on our estimated usage of shared resources and functions. All of the allocations are based on assumptions that management believes are reasonable; however, these allocations are not necessarily indicative of the costs and expenses that would have resulted if we had operated as a stand-alone entity.

The following table summarizes the sales to affiliates of Targa, payments made or received by them on our behalf, and allocations of costs from Targa which are settled through an adjustment to parent investment.

	Year Ended December 31,		
	2009	2008	2007
Cash			
Sales to affiliates	$ 159.0	$ 326.2	$ 291.4
Payroll and related costs included in operating expenses	7.5	7.3	8.1
Allocation of general and administrative expenses	8.2	7.2	4.0
Distributions to Targa, net	27.4	37.8	32.4
Noncash			
Affiliate interest expense accrued	30.9	30.9	30.9

Note 8—Derivative Instruments and Hedging Activities

In an effort to reduce the variability of our portion of cash flows, Targa has hedged the commodity price associated with a significant portion of our proportion of the expected natural gas, NGL and condensate equity volumes for the years 2010 through 2013 by entering into derivative financial instruments including swaps and purchased put (floors) from Versado Gas Processors.

These allocated hedges have been tailored to generally match the NGL product composition and the NGLs and natural gas delivery points to those of our portion of the physical equity volumes. The allocated NGL hedges cover baskets of ethane, propane, normal butane, isobutane and natural gasoline based upon our expected equity NGL composition. Targa believe this strategy avoids uncorrelated risks resulting from employing hedges on crude oil or other petroleum products as “proxy” hedges of NGL prices. Additionally, the allocated NGL hedges are based on published index prices for delivery at Mont Belvieu and our natural gas hedges are based on published index prices for delivery at Permian Basin and Waha, which closely approximate our actual NGL and natural gas delivery points. Targa hedged a portion of our condensate sales using crude oil hedges that are based on the NYMEX futures contracts for West Texas Intermediate light, sweet crude. At December 31, 2009, the notional volumes of commodity hedges allocated to Versado were:

Commodity	Instrument	Unit	2010	2011	2012	2013
Natural Gas	Swaps	MMBtu/d	12,672	9,570	6,270	2,640
NGL	Swaps	Bbl/d	1,877	1,176	700	—
NGL	Floors	Bbl/d	—	30	35	—
Condensate	Swaps	Bbl/d	161	184	92	92

The allocated derivative contracts are carried at their fair value on our balance sheet. The fair value of derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option valuation models with assumptions about commodity prices based on those observed in underlying markets.

The following table presents the estimated fair values of the derivative assets and liabilities allocated to us as of December 31, 2009 and 2008:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value as of December 31,		Balance Sheet Location	Fair Value as of December 31,	
		2009	2008		2009	2008
Commodity contracts	Current assets	$ 4.7	$ 12.6	Current liabilities	$ 7.1	$ —
	Long-term assets	3.1	12.6	Long-term liabilities	8.4	—
Total commodity derivatives		$ 7.8	$ 25.2		$ 15.5	$ —

Targa entered into these transactions on our behalf, but Targa was the legal party to the transactions; therefore, we do not apply cash flow hedge accounting to our current derivative contracts. We recognize all realized and unrealized changes in fair value in earnings. Cash settlements of our derivative contracts are included in cash flows from operating activities in our statements of cash flows.

The following table summarizes the realized and unrealized gains and losses from cash settlements and changes in fair value of our derivative contracts as presented in our accompanying financial statements:

Commodity Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized In Income on Derivatives Year Ended December 31,		
		2009	2008	2007
Unrealized gain (loss) on commodity contracts	Other income (expense)	$ (32.9)	$ 64.5	$ (35.3)
Realized gain (loss) on commodity contracts	Other income (expense)	17.2	(18.7)	(6.9)
Total commodity derivatives		$ (15.7)	$ 45.8	$ (42.2)

See Note 9 and Note 10 for additional disclosures related to derivative instruments.

Note 9—Fair Value Measurements

We categorize the inputs to the fair value of our financial assets and liabilities using a three-tier fair value hierarchy that prioritizes the significant inputs used in measuring fair value:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 – unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The derivative instruments allocated to us consist of financially settled commodity swap and option contracts and fixed price commodity contracts with certain customers. We determine the value of these derivative contracts utilizing a discounted cash flow model for swaps and a standard option pricing model for options, based on inputs that are readily available in public markets. We have consistently applied these valuation techniques in all periods presented and believe we have obtained the most accurate information available for the types of derivative contracts we hold.

The following tables present the fair value of our allocated derivative contracts according to the fair value hierarchy. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of December 31, 2009	Total	Level 1	Level 2	Level 3
Assets from allocated commodity derivative contracts	$ 7.8	$ —	$ 7.8	$ —
Liabilities from allocated commodity derivative contracts	$ 15.5	$ —	$ 13.5	$ 2.0

As of December 31, 2008	Total	Level 1	Level 2	Level 3
Assets from allocatedcommodity derivative contracts	$ 25.2	$ —	$ 11.3	$ 13.9

The following table sets forth a reconciliation of the changes in the fair value of our financial instruments classified as Level 3 in the fair value hierarchy:

	Commodity Derivative Contracts
Balance, December 31, 2007	$ (29.6)
Unrealized gains (losses) included in earnings	58.5
Settlements	(15.0)
Balance, December 31, 2008	13.9
Unrealized gains (losses) included in earnings	(7.8)
Settlements	0.5
Transfers out of Level 3 (1)	(8.6)
Balance, December 31, 2009	$ (2.0)

(1) During 2009, we reclassified certain of our NGL derivative contracts from Level 3 (unobservable inputs in which little or no market data exists) to Level 2 as we were able to obtain directly observable inputs other than quoted prices in active markets.

Note 10—Significant Risks and Uncertainties

Nature of Operations in Midstream Energy Industry

We operate in the midstream energy industry. Our business activities include gathering, transporting, processing, fractionating and storage of natural gas, NGLs and crude oil. Our results of operations, cash flows and financial condition may be affected by (i) changes in the commodity prices of these hydrocarbon products and (ii) changes in the relative price levels among these hydrocarbon products. In general, the prices of natural gas, NGLs, condensate and other hydrocarbon products are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control.

Our profitability could be impacted by a decline in the volume of natural gas, NGLs and condensate transported, gathered or processed at our facilities. A material decrease in natural gas or condensate production or condensate refining, as a result of depressed commodity prices, a decrease in exploration and development activities or otherwise, could result in a decline in the volume of natural gas, NGLs and condensate handled by our facilities.

A reduction in demand for NGL products by the petrochemical, refining or heating industries, whether because of (i) general economic conditions, (ii) reduced demand by consumers for the end products made with NGL products, (iii) increased competition from petroleum-based products due to the pricing differences, (iv) adverse weather conditions, (v) government regulations affecting commodity prices and production levels of hydrocarbons or the content of motor gasoline or (vi) other reasons, could also adversely affect our results of operations, cash flows and financial position.

Commodity Price Risk. A majority of the revenues from our natural gas gathering and processing business are derived from percent-of-proceeds contracts under which we receive a portion of the natural gas and/or NGLs or equity volumes, as payment for services. The prices of natural gas and NGLs are subject to market fluctuations in response to changes in supply, demand, market uncertainty and a variety of additional factors beyond our control. Targa monitors these risks and enters into commodity derivative transactions designed to mitigate the impact of commodity price fluctuations on our business.

In an effort to reduce the variability of our cash flows Targa has hedged the commodity price associated with a significant portion of our proportion of the expected natural gas, NGL and condensate equity volumes for the years 2010 through 2013 from Versado Gas Processors by entering into derivative financial instruments on our behalf including swaps and purchased puts (or floors). The percentages of our expected equity volumes that are hedged decrease over time. With swaps, we typically receive an agreed upon fixed price for a specified notional quantity of natural gas or NGL and we pay the hedge counterparty a floating price for that same quantity based upon published index prices. Since we receive from our customers substantially the same floating index price from the sale of the underlying physical commodity, these transactions are designed to effectively lock-in the agreed fixed price in advance for the volumes hedged. In order to avoid having a greater volume hedged than our actual equity volumes, Targa typically limits the use of swaps to hedge the prices of less than our expected natural gas and NGL equity volumes. Targa utilizes purchased puts (or floors) to hedge additional expected equity commodity volumes without creating volumetric risk. These commodity hedges may expose us to the risk of financial loss in certain circumstances. Our hedging arrangements provide us protection on the hedged volumes if market prices decline below the prices at which these hedges are set. If market prices rise above the prices at which we have hedged, we will receive less revenue on the hedged volumes than we would receive in the absence of hedges.

Counterparty Risk – Credit and Concentration

Derivative Counterparty Risk. Where we are exposed to credit risk in our financial instrument transactions, Targa’s management analyzes the counterparty’s financial condition prior to entering into an agreement, establishes credit and/or margin limits and monitors the appropriateness of these limits on an ongoing basis. Generally, management does not require collateral and does not anticipate nonperformance by our counterparties.

We have master netting agreements with most of our hedge counterparties. These netting agreements allow us to net settle asset and liability positions with the same counterparties. As of December 31, 2009, we had $15.5 million in liabilities to offset the default risk of counterparties with which we also had asset positions of $7.8 million as of that date.

Our credit exposure related to commodity derivative instruments is represented by the fair value of contracts with a net positive fair value to us at the reporting date. At such times, these outstanding instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements. Should the creditworthiness of one or more of our counterparties decline, our ability to mitigate nonperformance risk is limited to a counterparty agreeing to either a voluntary termination and subsequent cash settlement or a novation of the derivative contract to a third party. In the event of a counterparty default, we may sustain a loss and our cash receipts could be negatively impacted.

As of December 31, 2009, affiliates of Barclays and BP accounted for 95% and 5% of our counterparty credit

exposure related to commodity derivative instruments. Barclays is a major financial institution and BP is a major corporation; each possesses an investment grade credit rating based upon minimum credit ratings assigned by Standard & Poor’s Ratings Services.

Customer Credit Risk. We extend credit to customers and other parties in the normal course of business. We have established various procedures to manage our credit exposure, including initial credit approvals, credit limits and terms, letters of credit, and rights of offset. We also use prepayments and guarantees to limit credit risk to ensure that our established credit criteria are met.

Significant Commercial Relationships. We are exposed to concentration risk when a significant customer or supplier accounts for a significant portion of our business activity. We did not have a material change in the make-up of our customers or suppliers during 2009.

Our natural gas and NGLs sales are principally with other Targa affiliates. See Note 7. For the years ended December 31, 2009, 2008 and 2007, Versado Gas Processors had sales of $96.8 million, $222.0 million and $172.1 million to its noncontrolling interest partner. During those three years, there were no other non-affiliated counterparties that represented more than 10% of our revenues.

Casualty or Other Risks

Targa maintains coverage in various insurance programs on our behalf, which provides us with property damage, business interruption and other coverages which are customary for the nature and scope of our operations. A portion of the insurance costs described above is allocated to us by Targa.

Note 11—Subsequent Event

On August 9, 2010, Targa Resources Partners LP entered into a Purchase and Sale Agreement (the “Purchase Agreement”) with Targa, under which Targa has agreed to sell, assign, transfer and convey to Targa Resources Partners LP its 63% interest in Versado Gas Processors for aggregate consideration of $230 million, subject to certain adjustments.

The closing of this Purchase Agreement is subject to the satisfaction of conditions of the Purchase Agreement; we anticipate the closing of this transaction will occur in the third quarter of 2010.

TARGA VENICE OPERATIONS
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TARGA VENICE OPERATIONS
CONSOLIDATED BALANCE SHEETS

	June 30, 2010	December 31, 2009
	(Unaudited) (In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5.3	$ 5.6
Trade receivables	1.2	1.2
Receivables from affiliates	19.3	19.6
Inventory	—	0.2
Other current assets	—	0.3
Total current assets	25.8	26.9
Property, plant and equipment, at cost	228.0	226.1
Accumulated depreciation	(24.1)	(17.9)
Property, plant and equipment, net	203.9	208.2
Other long-term assets	1.5	1.5
Total assets	$ 231.2	$ 236.6
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12.0	$ 14.1
Accrued liabilities	21.7	18.0
Total current liabilities	33.7	32.1
Long-term debt allocated from Targa Resources, Inc.	156.0	151.8
Long-term debt payable to Targa Resources, Inc.	2.9	2.8
Other long-term liabilities	25.1	24.1
Commitments and contingencies (see Note 3)		
Parent deficit	(23.1)	(12.6)
Noncontrolling interest in VESCO	36.6	38.4
Total owners' equity	13.5	25.8
Total liabilities and owners' equity	$ 231.2	$ 236.6

See notes to consolidated financial statements

TARGA VENICE OPERATIONS
CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended June 30,	
	2010	2009
	(Unaudited) (In millions)	
Revenues from third parties	$ 2.9	$ 3.6
Revenues from affiliates	104.3	67.1
Total operating revenues	107.2	70.7
Costs and expenses:		
Product purchases from third parties	80.0	39.4
Product purchases from affiliates	—	12.4
Operating expenses	7.4	6.2
Depreciation and amortization expenses	6.2	6.3
General and administrative expenses	5.0	4.8
Casualty loss adjustment	—	(3.0)
Total costs and expenses	98.6	66.1
Income from operations	8.6	4.6
Other income (expense):		
Interest expense on allocated and affilitated debt from Targa	(4.3)	(4.8)
Net income (loss)	4.3	(0.2)
Less: Net income attributable to noncontrolling interest in VESCO	3.1	1.6
Net income (loss) attributable to Targa Resources Inc.	$ 1.2	$ (1.8)

See notes to consolidated financial statements

TARGA VENICE OPERATIONS
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Parent Investment (Deficit)	Noncontrolling Interest in Venice Energy Services Company, L.L.C.	Total
		(Unaudtied) (In millions)	
Balance, December 31, 2009	$ (12.6)	$ 38.4	$ 25.8
Distributions	(11.7)	(4.9)	(16.6)
Net income	1.2	3.1	4.3
Balance, June 30, 2010	$ (23.1)	$ 36.6	$ 13.5

See notes to consolidated financial statements

TARGA VENICE OPERATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2010	2009
	(Unaudited) (In millions)	
Cash flows from operating activities:		
Net income (loss)	$ 4.3	$ (0.2)
Adjustments to reconcile net income (loss) to cash flows provided by operating activities:		
Depreciation and amortization expenses	6.2	6.3
Interest expense on allocated and affiliate indebtedness	4.3	4.8
Accretion of asset retirement obligations	0.9	0.8
Change in operational assets and liabilities:		
Trade receivables and other current assets	0.8	(10.4)
Accounts payable and other accrued liabilities	0.7	(3.1)
Net cash provided by (used in) operating activities	17.2	(1.8)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2.3)	(1.0)
Enterprise zone rebates	1.4	—
Net cash used in investing activities	(0.9)	(1.0)
Cash flows from financing activities:		
Distributions to Targa	(11.7)	(11.9)
Distributions to noncontrolling interest in VESCO	(4.9)	(3.7)
Net cash used in financing activities	(16.6)	(15.6)
Net decrease in cash and cash equivalents	(0.3)	(18.4)
Cash and cash equivalents, beginning of period	5.6	21.7
Cash and cash equivalents, end of period	$ 5.3	$ 3.3

See notes to consolidated financial statements

TARGA VENICE OPERATIONS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Except as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnotes are stated in millions of dollars.

Note 1—Organization, Operations and Basis of Presentation

These consolidated carve out financial statements for the Targa Venice Operations include the following business operations and activities of Targa Resources, Inc. (“Targa” or “Parent”):

- The joint venture operations of Venice Energy Services Company, L.L.C. (“VESCO”), a Delaware Limited Liability Company, and its wholly-owned subsidiary Venice Gathering System (“VGS”), which are included herein as follows:
  - As an equity method investment prior to August 1, 2008 due to Targa’s 22.9% ownership interest in VESCO.
  - As a consolidated subsidiary subsequent to July 31, 2008 due to the purchase of an additional ownership interest which provided Targa a controlling 76.8% interest in VESCO. See Note 3.
- Targa management and commercial activities incidental to its role as operator of VESCO joint venture for which it receives a management fee from VESCO.
- The financial effects of pushdown accounting related to the Targa acquisitions of its VESCO interests.

VESCO provides midstream energy services, including gathering, treating, and processing services, to producers of natural gas in the Gulf of Mexico. VGS is an offshore gathering system that collects natural gas from producers and transports these volumes to the system’s gas processing plant. VGS is a regulated interstate pipeline under rules and regulation of the Federal Energy Regulatory Commission.

These consolidated financial statements include the accounts of VESCO, which holds our operational assets, and include the financial effects of pushdown accounting and Targa allocations of general and administrative expenses and interest expense. All significant intercompany balances and transactions have been eliminated. Transactions among us and other Targa operations have been identified in these consolidated financial statements as transactions among affiliates. Targa employs VESCO’s personnel and manages its operations. See Note 4.

The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The unaudited consolidated financial statements for the six months ended June 30, 2010 and 2009 include all adjustments, both normal and recurring, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

Our financial results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 31, 2009. In preparing the accompanying unaudited consolidated financial statements, we have reviewed, as determined necessary, events that occurred after June 30, 2010, up until the issuance of the financial statements, which occurred on September 30, 2010. See Note 6.

Note 2—Significant Accounting Policies

Accounting Policy Updates/Revisions

The accounting policies followed by the Company are set forth in Note 2 of the Notes to Consolidated Financial Statements for the year ended December 31, 2009, 2008 and 2007 and are supplemented by the notes to these unaudited consolidated financial statements. There have been no significant changes to these policies and it is suggested that these combined financial statements be read in conjunction with the above combined financial statements and notes.

Accounting Pronouncements Recently Adopted

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures About Fair Value Measurements," which provides amendments to fair value disclosures. ASU 2010-06 requires additional disclosures and clarifications of existing disclosures for recurring and nonrecurring fair value measurements. The revised guidance for transfers into and out of Level 1 and Level 2 categories, as well as increased disclosures around inputs to fair value measurement, was adopted January 1, 2010 and had no material impact on our financial statements. The amendments to Level 3 disclosures were delayed until periods beginning after December 15, 2010 and are not anticipated to have a material impact on our financial statements upon adoption.

Note 3—Commitments and Contingencies

Legal and Environmental

The Louisiana Department of Revenue has asserted claims against VESCO seeking payment of allegedly due Louisiana sales and use tax and interest for the years 2004 through 2009. Plaintiff asserts that sales and use tax was due on natural gas consumed at VESCO's processing plants when the gas consumed was provided to the plant operator at no cost pursuant to a processing contract between the producer and VESCO. VESCO disputes plaintiff's claims. Effective July 1, 2009, natural gas is exempt from sales and use tax in Louisiana. We do not believe that the outcome of this litigation will have a material effect on our financial statements over and above estimated settlement amounts already accrued.

We are a party to other various legal proceedings and/or regulatory proceedings and certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against us. We believe all such matters are without merit or involve amounts which, if resolved unfavorably, would not have a material effect on our financial position, results of operations, or cash flows.

Note 4—Related Party Transactions

Sales to affiliates. We routinely conduct business with other subsidiaries of Targa. The related transactions result primarily from sales of raw natural gas liquids.

Allocation of costs. Employees supporting our operations are employees of Targa. Our financial statements include the salaries and related costs of Targa operational personnel directly assigned to VESCO. These salary related costs are settled via monthly cash settlements. Targa also charges us for allocations of general and administrative costs related to management and support services. Costs allocated to us by Targa were based on identification of resources which directly support us and our proportionate share of costs based on our estimated usage of shared resources and functions. All of the allocations are based on assumptions that management believes are reasonable; however, these allocations are not necessarily indicative of the costs and expenses that would have resulted if we had operated as a stand-alone entity. Settlement of allocations other than salary related costs occur through adjustments to parent investment. VESCO pays us a management fee for operating the joint venture which we allocate as a reduction to operating expense and general and administrative expense.

The following table summarizes the sales to affiliates of Targa, payments made or received by them on our behalf, and allocations of costs from Targa which are settled through an adjustment to parent investment. Management believes these transactions were executed on terms that are fair and reasonable.

	Six Months Ended June 30,	
	2010	2009
Cash		
Sales to affiliates	$104.3	$67.1
Purchases from affiliates	—	12.4
Allocation of payroll and related costs included in operating expenses	2.0	1.9
Management fee	(0.6)	(0.4)
Allocation of general and administrative expenses	2.1	2.6
Distributions to Targa	11.7	11.9
Noncash		
Allocated and affiliate interest expense accrued	4.3	4.8

Note 5—Insurance Claims

Certain of our Louisiana facilities sustained damage and had disruptions to their operations during the 2008 hurricane season from two Gulf Coast hurricanes —Gustav and Ike. As of December 31, 2008, we recorded an $8.0 million loss provision (net of estimated insurance reimbursements) in the statements of operations related to the hurricanes. During the six months ended June 30, 2009, the estimate was reduced by $3.0 million. For the six months ended June 30, 2009 we incurred expenditures related to the hurricanes included $2.7 million for previously accrued repair costs and $0.3 million capitalized as improvements. Additionally, as disclosed on our cash flow statement for the six months ended June 30, 2010, $1.4 million in Enterprise Zone rebates that were received from the State of Louisiana related our total capital expenditures for rebuilding the physical plant at Venice.

Note 6—Subsequent Event

On September 28, 2010, Targa Resources Partners LP completed the purchase of our operations from Targa for aggregate consideration of $175.6 million.

Exhibit 99.4

TARGA VENICE OPERATIONS

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Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Directors of Targa Resources, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in owners' equity and of cash flows present fairly, in all material respects, the financial position of the Targa Venice Operations at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of Targa Resources, Inc. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 6 and 8 to the financial statements, Targa Venice Operations has engaged in significant transactions with its parent company, Targa Resources, Inc. and its subsidiaries, related parties.

/s/PricewaterhouseCoopers LLP

Houston, Texas
September 21, 2010

TARGA VENICE OPERATIONS
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2009	2008
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5.6	$ 21.7
Trade receivables	1.2	1.0
Receivables from affiliates	19.6	3.3
Inventory	0.2	—
Other current assets	0.3	0.1
Total current assets	26.9	26.1
Property, plant and equipment, at cost	226.1	225.0
Accumulated depreciation	(17.9)	(5.4)
Property, plant and equipment, net	208.2	219.6
Other long-term assets	1.5	1.4
Total assets	$ 236.6	$ 247.1
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14.1	$ 0.8
Accrued liabilities	18.0	21.0
Total current liabilities	32.1	21.8
Long-term debt allocated from Targa	151.8	141.8
Long-term debt payable to Targa	2.8	2.6
Other long-term liabilities	24.1	25.0
Commitments and contingencies (see Note 7)		
Owners' equity:		
Parent investment (deficit)	(12.6)	15.7
Noncontrolling interest in VESCO	38.4	40.2
Total owners' equity	25.8	55.9
Total liabilities and owners' equity	$ 236.6	$ 247.1

See notes to consolidated financial statements

TARGA VENICE OPERATIONS
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2009	2008	2007
		(In millions)	
Revenues from third parties	$ 9.2	$ 3.7	$ —
Revenues from affiliates	158.6	45.2	—
Total operating revenues	167.8	48.9	—
Costs and expenses:			
Product purchases from third parties	109.1	32.1	—
Product purchases from affiliates	12.1	3.8	—
Operating expenses	13.4	5.2	—
Depreciation and amortization expenses	12.6	5.4	—
General and administrative expenses	9.6	1.8	—
Casualty loss adjustment (see Note 9)	(3.1)	8.0	—
Total costs and expenses	153.7	56.3	—
Income (loss) from operations	14.1	(7.4)	—
Other income (expense):			
Equity in earnings of VESCO	—	8.9	3.5
Interest expense allocated from Targa	(10.2)	(4.9)	(0.2)
Other interest expense	(0.1)	—	—
Insurance gain (see Note 9)	—	6.6	—
Net income	3.8	3.2	3.3
Less: Net income (loss) attributable to noncontrolling interest in VESCO	4.6	(1.6)	—
Net income (loss) attributable to Targa Resources, Inc.	$ (0.8)	$ 4.8	$ 3.3

See notes to consolidated financial statements

TARGA VENICE OPERATIONS
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Parent Investment (Deficit)	Noncontrolling Interest in Venice Energy Services Company, L.L.C.	Total
		(In millions)	
Balance, December 31, 2006	$ 63.2	$ —	$ 63.2
Distributions	(11.1)	—	(11.1)
Net income	3.3	—	3.3
Balance, December 31, 2007	55.4	—	55.4
Distributions	(44.5)	—	(44.5)
Consolidation of non-controlling interest in VESCO	—	41.8	41.8
Net income (loss)	4.8	(1.6)	3.2
Balance, December 31, 2008	15.7	40.2	55.9
Distributions	(27.5)	(6.4)	(33.9)
Net income (loss)	(0.8)	4.6	3.8
Balance, December 31, 2009	$ (12.6)	$ 38.4	$ 25.8

See notes to consolidated financial statements

TARGA VENICE OPERATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2009	2008	2007
		(In millions)	
Cash flows from operating activities:			
Net income	$ 3.8	$ 3.2	$ 3.3
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation and amortization expense	12.6	5.4	—
Interest expense	10.3	4.9	0.2
Accretion of asset retirement obligations	1.6	0.8	—
Equity in earnings of VESCO, gross (see Note 3)	—	(10.2)	(7.0)
Change in operational assets and liabilities:			
Accounts receivable and other current assets	(17.0)	75.7	19.2
Accounts payable and other accrued liabilities	7.7	(22.1)	—
Net cash provided by operating activities	19.0	57.7	15.7
Cash flows from investing activities:			
Purchases of property, plant and equipment	(1.2)	(3.7)	—
Contribution to investment in VESCO	—	—	(4.6)
Acquisition of controlling interest of VESCO, net of cash acquired	—	(124.9)	—
Net cash used in investing activities	(1.2)	(128.6)	(4.6)
Cash flows from financing activities:			
Parent distributions	(27.5)	(44.5)	(11.1)
Allocation of debt from Targa	—	137.1	—
Distributions to noncontrolling interest in VESCO	(6.4)	—	—
Net cash provided by (used in) financing activities	(33.9)	92.6	(11.1)
Net increase (decrease) in cash and cash equivalents	(16.1)	21.7	—
Cash and cash equivalents, beginning of period	21.7	—	—
Cash and cash equivalents, end of period	$ 5.6	$ 21.7	$ —

See notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Except as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnotes are stated in millions of dollars.

Note 1—Organization, Operations and Basis of Presentation

These consolidated carve out financial statements for the Targa Venice Operations include the following business operations and activities of Targa Resources, Inc. (“Targa” or “Parent”):

- The joint venture operations of Venice Energy Services Company, L.L.C. (“VESCO”), a Delaware Limited Liability Company, and its wholly-owned subsidiary Venice Gathering System (“VGS”), which are included herein as follows:
  - As an equity method investment prior to August 1, 2008 due to Targa’s 22.9% ownership interest in VESCO.
  - As a consolidated subsidiary subsequent to July 31, 2008 due to the purchase of an additional ownership interest which provided Targa a controlling 76.8% interest in VESCO. See Note 3.
- Targa management and commercial activities incidental to its role as operator of VESCO joint venture for which it receives a management fee from VESCO.
- The financial effects of pushdown accounting related to the Targa acquisitions of its VESCO interests. See Note 3.

VESCO provides midstream energy services, including gathering, treating, and processing services, to producers of natural gas in the Gulf of Mexico. VGS is an offshore gathering system that collects natural gas from producers and transports these volumes to the system’s gas processing plant. VGS is a regulated interstate pipeline under rules and regulation of the Federal Energy Regulatory Commission.

We have prepared these carveout consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These consolidated financial statements include the accounts of VESCO, which holds our operational assets, and include the financial effects of pushdown accounting and Targa allocations of general and administrative expenses and interest expense. All significant intercompany balances and transactions have been eliminated. Transactions among us and other Targa operations have been identified in these consolidated financial statements as transactions among affiliates. Targa employs VESCO’s personnel and manages its operations. See Note 8.

In preparing the accompanying consolidated financial statements, we have reviewed, as determined necessary, events that occurred after December 31, 2009, up until the issuance of the financial statements, which occurred on September 21, 2010. See Note 11.

Note 2—Significant Accounting Policies

Consolidation Policy. These consolidated financial statements include our accounts and those of our majority-owned subsidiary in which we have a controlling interest. Noncontrolling interest represents third party ownership in the net assets of our consolidated subsidiary, VESCO, subsequent to August 1, 2008. For financial reporting purposes, the assets and liabilities of VESCO are consolidated in whole with the third party investors’ share of net assets reported as a component of owners’ equity. In the statements of operations, noncontrolling interest reflects the third party investor’s share of VESCO earnings. Distributions to the third party investors are reported as adjustments to the noncontrolling interest owners’ equity.

Allocation of Costs. These statements include the direct costs of operations and employees dedicated to those operations, as well as an allocation of indirect and general and administrative costs and interest costs on allocated debt applicable to Targa’s share of its investment in VESCO. See Note 8.

Property, Plant and Equipment. Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Expenditures for maintenance and repairs are expensed as incurred. Expenditures to refurbish assets that extend the useful lives or prevent environmental contamination are capitalized and depreciated over the remaining useful life of the asset. We capitalize certain costs directly related to the construction of assets including internal labor costs, interest, and engineering costs. Upon disposition or retirement of property, plant, and equipment, any gain or loss is charged to operations.

We evaluate the recoverability of our property, plant and equipment when events or circumstances such as economic obsolescence, the business climate, legal and other factors indicate we may not recover the carrying amount of the assets. Asset recoverability is measured by comparing the carrying value of the asset with the asset's expected future undiscounted cash flows. These cash flow estimates require us to make projections and assumptions for many years into the future for pricing, demand, competition, operating cost and other factors. If the carrying amount exceeds the expected future undiscounted cash flows we recognize an impairment loss to write down the carrying amount of the asset to its fair value as determined by quoted market prices in active markets or present value techniques if quotes are unavailable. The determination of the fair value using present value techniques requires us to make projections and assumptions regarding the probability of a range of outcomes and the rates of interest used in the present value calculations. Any changes we make to these projections and assumptions could result in significant revisions to our evaluation of recoverability of our property, plant and equipment and the recognition of an impairment loss in our combined statements of operations.

Cash and Cash Equivalents. Cash and cash equivalents include all cash on hand, demand deposits and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change value.

Asset Retirement Obligations ("AROs"). AROs are legal obligations associated with the retirement of tangible long-lived assets that result from the asset's acquisition, construction, development and/or normal operation. An ARO is initially measured at its estimated fair value. Upon initial recognition of an ARO, we record an increase to the carrying amount of the related long-lived asset and an offsetting ARO liability. We depreciate the capitalized ARO using the straight-line method over the period during which the related long-lived asset is expected to provide benefits. After the initial period of ARO recognition, we revise the ARO to reflect the passage of time or revisions to the amounts of estimated cash flows or their timing.

Changes due to the passage of time increase the carrying amount of the liability because there are fewer periods remaining from the initial measurement date until the settlement date; therefore, the present values of the discounted future settlement amount increases. We record these changes as a period cost called accretion expense. Changes resulting from revisions to the timing or the amount of estimated future asset retirement costs increase or decrease the carrying amounts of the ARO asset and liability. Upon settlement, we will recognize a gain or loss to the extent that the settlement cost differs from the recorded ARO amount.

Revenue Recognition. Our primary types of sales and service activities reported as operating revenues include sales of natural gas liquids ("NGLs") and condensate; and natural gas processing, from which we generate revenues through the compression, gathering, treating, and processing of natural gas. We recognize revenue when all of the following criteria are met: (1) persuasive evidence of an exchange arrangement exists, if applicable, (2) delivery has occurred or services have been rendered, (3) the price is fixed or determinable and (4) collectability is reasonably assured.

The Venice Operations provide midstream energy services, including gathering, treating, and processing services, to producers of natural gas in the Gulf of Mexico. VGS is an offshore gathering system that collects natural gas from producers and transports these volumes to the system's gas processing plant. VGS is a regulated interstate pipeline under rules and regulation of the Federal Energy Regulatory Commission.

For processing services, we receive either fees or a percentage of commodities as payment for these services, depending on the type of contract. Under percent-of-proceeds contracts, we are paid for our services by keeping a percentage of the NGLs extracted. In percent-of-proceeds arrangements, we remit either a percentage of the proceeds received from the sales of NGLs or return NGLs to the producer at the tailgate of the plant. Under the terms of percent-of-proceeds and similar contracts, we may purchase the producer's share of the processed commodities for resale or deliver the commodities to the producer at the tailgate of the plant. Percent-of-value and percent-of-liquids contracts are variations on this arrangement. Under keep-whole contracts, we keep the NGLs extracted and return the processed natural gas and the value of the NGL plant thermal replacement to the producer. NGLs that we receive for services or purchase for resale are in turn sold and recognized in accordance with the criteria outlined above. Under fee-based contracts, we receive a fee based on inlet volumes.

A significant portion of our processing contracts are hybrid contracts under which settlements are made on a percent-of-liquids, fee or keep-whole basis, depending on market conditions. In periods of favorable processing economics, these contracts will settle on a percent-of-liquids basis in which we remit a negotiated percentage of NGLs extracted. In periods of unfavorable processing economics, we will receive a stipulated fee based on inlet volumes.

We report revenues gross in the statements of operations. Except for fee-based contracts, we act as the principal in the transactions where we receive commodities, take title to the natural gas and NGLs, and incur the risks and rewards of ownership.

Gas Processing Imbalances. Quantities of natural gas and/or NGLs over-delivered or under-delivered related to certain gas plant operational balancing agreements are recorded monthly as inventory or as a payable using weighted average prices as of the time the imbalance was created. Inventory imbalances receivable are valued at the lower of cost or market; inventory imbalances payable are valued at replacement cost. These imbalances are settled either by current cash-out settlements or by adjusting future receipts or deliveries of natural gas or NGLs.

Environmental Liabilities. Liabilities for loss contingencies, including environmental remediation costs arising from claims, assessments, litigation, fines, and penalties and other sources are charged to expense when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. See Note 7.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates and judgments are based on information available at the time such estimates and judgments are made. Adjustments made with respect to the use of these estimates and judgments often relate to information not previously available. Uncertainties with respect to such estimates and judgments are inherent in the preparation of financial statements. Estimates and judgments are used in, among other things, (1) estimating unbilled revenues and operating and general and administrative costs, (2) developing fair value assumptions, including estimates of future cash flows and discount rates, (3) analyzing long-lived assets for possible impairment, (4) estimating the useful lives of assets and (5) determining amounts to accrue for contingencies, guarantees and indemnifications. Actual results could differ materially from estimated amounts.

Accounting Pronouncements Recently Adopted

Financial Accounting Standards Board ("FASB") Codification

In June 2009, FASB issued the FASB Accounting Standards Codification (the "Codification" or "ASC") as the source of authoritative GAAP recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As of the effective date, the Codification supersedes all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative.

Following the Codification, FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASUs"). FASB will not consider ASUs as authoritative in their own right. They will serve only to update the Codification, provide background information about the guidance, and provide the basis for conclusions on changes in the Codification.

Other

In December 2007, FASB issued guidance that requires all entities to report noncontrolling interests in subsidiaries as a separate component of equity in the consolidated statement of financial position, to clearly identify consolidated net income attributable to the parent and to the noncontrolling interest on the face of the consolidated statement of income, and to provide sufficient disclosure that clearly identifies and distinguishes between the interest of the parent and the interests of noncontrolling owners. It also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. We adopted these amended provisions effective January 1, 2009, which required retrospective reclassification of our consolidated financial statements for all periods presented in this filing. As a result of adoption, we have reclassified our noncontrolling interest (formerly minority interest) on our consolidated balance sheets, from a component of liabilities to a component of equity and have also reclassified net income attributable to noncontrolling interest on our consolidated statements of operations, to below net income for all periods presented.

In May 2009, FASB issued guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. It is effective for interim and annual periods ended after June 15, 2009 and should be applied prospectively. Our adoption did not have a material impact on our financial statements.

In June 2009, the SEC Staff issued guidance that amends or rescinds portions of the SEC staff's interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with the ASC. Our adoption did not have a material impact on our consolidated financial statements.

Note 3—Investment in and Acquisition of Controlling Interest in VESCO

Prior to July 31, 2008 Targa's 22.9% ownership interest in the VESCO System was considered an equity method investment with our share of earnings recorded as equity earnings in our statement of operations. On July 31, 2008, Targa acquired an additional 53.9% interest, giving us effective control. We have consolidated the operations of the VESCO System in our financial results commencing August 1, 2008. Although the acquisition of the additional 53.9% interest is material to our ownership in the Venice Operations as reflected in these financial statements, the acquisition was not a material acquisition to our Parent.

The following table shows our equity earnings and cash contributions for the periods in which the investment was classified as an equity investment for the years indicated:

	December 31,	
	2008 (1)	2007
Equity in earnings, gross (2)	$ 10.2	$ 7.0
Management fees received (3)	1.7	3.6
Operating expenses (3)	(0.1)	(0.4)
General and administrative expenses (3)	(2.9)	(6.7)
Equity in earnings	$ 8.9	$ 3.5
Cash contributions	$ —	$ 4.6

(1) For 2008, our equity in earnings of VESCO includes only our share of its results for the seven months ended July 31, 2008.

(2) Our equity earnings for 2008 and 2007 include $4.1 million and $3.1 million for partially settled business interruption claims related to Hurricanes Katrina and Rita. See Note 9.

(3) For the periods that VESCO was considered an equity method investment, we have adjusted our equity earnings for management fees received, allocations of general and administrative expenses and operating expenses from Targa.

The following tables show summarized financial information for our unconsolidated investment in VESCO for the periods indicated:

	Seven Months Ended July 31, 2008	Year Ended December 31, 2007
		Unaudited
Revenues	$ 137.0	$ 157.5
Cost of sales and operations	117.1	139.4
Net income	19.9	18.1

	As of July 31, 2008	As of December 31, 2007
		Unaudited
Current assets	$ 51.1	$ 54.3
Property, pant and equipment, net	194.3	139.9
Other assets	1.6	0.3
Total assets	$ 247.0	$ 194.5
Curent liabilities	$ 44.0	$ 25.5
Long-term liabiliites	22.9	8.8
Owners' equity	180.1	160.2
Total liabilities and owners' equity	$ 247.0	$ 194.5

The $124.9 million purchase price for the additional 53.9% ownership interest, net of cash acquired, was allocated based upon the estimated fair value of the assets acquired as of the acquisition date as well as the net book value of Targa's previously recorded equity method investment. Under purchase accounting, the assets were recorded at their

fair value, which resulted in an increase to the book value of property, plant and equipment of $27.0 million to a total of $221.3 million.

Upon consolidation, we recorded a noncontrolling interest of $41.8 million representing the noncontrolling partner's percentage ownership in VESCO. We present this amount as noncontrolling interest as a component of owners' equity and the noncontrolling interest's share of income are stated separately in the consolidated statements of operations.

The following supplemental information for the results of operations is presented on a pro forma basis for the year of acquisition and the comparable prior year as if the acquisition of our controlling interest in VESCO had been completed at the beginning of each of these periods.

	Year Ended December 31,	
	2008	2007
	Unaudited	
Revenues from third parties	$ 18.8	$ 16.1
Revenues from affiliates	171.2	144.5
Total operating revenues	190.0	160.6
Costs and expenses:		
Product purchases from third parties	120.8	98.9
Product purchases from affiliates	8.5	3.1
Operating expenses	22.3	30.8
Depreciation and amortization expenses	12.6	8.2
General and administrative expenses	4.3	5.0
Other	8.1	(0.4)
Total costs and expenses	176.6	145.6
Income from operations	13.4	15.0
Other income (expense):		
Equity in earnings of VESCO	—	—
Interest expense	(10.0)	(8.9)
Other	6.7	—
Net income	10.1	6.1
Less: Net income attributable to noncontrolling interest in VESCO	3.0	4.2
Net income (loss) attributable to Targa Resources, Inc.	$ 7.1	$ 1.9

Note 4—Property, Plant and Equipment

Property, plant and equipment, at cost, and the related estimated useful lives of the assets were as follows as of the dates indicated:

	December 31, 2009	December 31, 2008	Estimated useful lives (In years)
Natural gas gathering systems	$ 20.3	$ 19.6	5 to 20
Processing and fractionation facilities	85.5	83.5	5 to 25
Transportation assets	106.1	105.4	10 to 25
Other property, plant and equipment	13.3	15.9	3 to 25
Land	0.5	0.1	—
Construction in progress	0.4	0.5	—
Property, plant and equipment	$ 226.1	$ 225.0	

Note 5—Asset Retirement Obligations

Our asset retirement obligations are included in our consolidated balance sheets as a component of other long-term liabilities. The changes in our asset retirement obligations are as follows:

	Year Ended December 31, 2009	Year Ended December 31, 2008
Beginning of period	$ 17.7	$ —
Change in cash flow estimate	(2.6)	—
Accretion	1.6	0.8
Acquisition of controlling interest in VESCO	—	16.9
End of period	$ 16.7	$ 17.7

Note 6—Debt Obligations

Our debt obligations consisted of the following as of the dates indicated:

	December 31, 2009	December 31, 2008
Allocated debt from Targa, variable rate (including accrued interest of $14.7 million and $4.7 million)	$ 151.8	$ 141.8
Note payable to Targa, 10% fixed rate, due December 2011 (including accrued interest of $0.8 million and $0.6 million)	2.8	2.6

On January 1, 2007, Targa contributed to us $2.2 million in affiliated indebtedness and accrued interest applicable to our business. We include the financial effects of this affiliated indebtedness in our consolidated financial statements. On July 31, 2008, Targa allocated to us an additional $137.1 million associated with our acquisition of the controlling interest in Venice Energy Services L.L.C.

The following table summarizes the financial effects of this affiliated and allocated indebtedness:

Original Principal December 31, 2005	$ 2.0
Interest accrued during 2005 and 2006	0.2
Parent debt contributed January 1, 2007	2.2
Interest accrued during 2007	0.2
Outstanding debt at December 31, 2007	2.4
Debt allocated from Targa, July 31, 2008	137.1
Interest accrued during 2008	4.9
Outstanding debt at December 31, 2008	144.4
Interest accrued during 2009	10.2
Outstanding debt at December 31, 2009	$ 154.6

Interest on note payable to Targa is reflective of the weighted average interest rate incurred by Targa under its outstanding borrowings. The carrying amount of the note payable to Targa approximates its fair value as of December 31, 2009.

Note 7—Commitments and Contingencies

Surface and underground access for gathering, processing, and distribution assets that are located on property not owned by us is obtained through site leases and right-of-way agreements, which require annual rental payments and expire at various dates through 2099. Future non-cancelable commitments related to these obligations are less than $0.1 million per year through 2014 and less than $0.9 million thereafter. Total expenses related to land site lease and right-of-way agreements were $0.5 million and $0.3 million in 2009 and 2008.

Legal and Environmental

The Louisiana Department of Revenue has asserted claims against VESCO seeking payment of allegedly due Louisiana sales and use tax and interest for the years 2004 through 2009. Plaintiff asserts that sales and use tax was due on natural gas consumed at VESCO's processing plants when the gas consumed was provided to the plant operator at no cost pursuant to a processing contract between the producer and VESCO. VESCO disputes plaintiff's claims. Effective July 1, 2009, natural gas is exempt from sales and use tax in Louisiana. We do not believe that the outcome of this litigation will have a material effect on our financial statements over and above estimated settlement amounts accrued.

We are a party to other various legal proceedings and/or regulatory proceedings and certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against us. We believe all such matters are without merit or involve amounts which, if resolved unfavorably, would not have a material effect on our financial position, results of operations, or cash flows.

Note 8—Related Party Transactions

Sales to affiliates. We routinely conduct business with other subsidiaries of Targa. The related transactions result primarily from sales of raw natural gas liquids.

Allocation of costs. Employees supporting our operations are employees of Targa. Our financial statements include the salaries and related costs of Targa operational personnel directly assigned to VESCO. These salary related costs are settled via monthly cash settlements. Targa also charges us for allocations of general and administrative costs related to management and support services. Costs allocated to us by Targa were based on identification of resources which directly support us and our proportionate share of costs based on our estimated usage of shared resources and functions. All of the allocations are based on assumptions that management believes are reasonable; however, these allocations are not necessarily indicative of the costs and expenses that would have resulted if we had operated as a stand-alone entity. Settlement of allocations other than salary related costs occur through adjustments to parent investment. VESCO pays us a management fee for operating the joint venture which we allocate as a reduction to operating expense and general and administrative expense. For the periods that VESCO was considered an equity method investment, we have adjusted our equity earnings for management fees received, allocations of general and administrative expenses and operating expenses from Targa.

The following table summarizes the sales to affiliates of Targa, payments made or received by them on our behalf, and allocations of costs from Targa which are settled through an adjustment to parent investment. Management believes these transactions were executed on terms that are fair and reasonable.

	For the Years Ended December 31,		
	2009	2008	2007
Cash			
Sales to affiliates	$ 158.6	$ 45.2	$ —
Purchases from affiliates	12.1	3.8	—
Payroll and related costs included in operating expenses	3.8	1.7	—
Management fee	(1.0)	(1.2)	(1.8)
Allocation of general and administrative expenses	3.7	2.9	4.9
Distributions to Targa, net	27.5	44.5	11.1
Contribution to Investment in VESCO	—	—	4.6
Noncash			
Allocation of acquisition indebtedness	$ —	$ 137.1	$ —
Allocated and affiliate interest expense accrued	10.2	4.9	0.2

Prior to August 1, 2008, the financial results with VESCO were recorded on our books as an equity investment. VESCO had revenues, costs and expenses from affiliates of Targa that are not consolidated into our financial results. The following table shows the affiliated transactions with Targa prior to consolidation:

	Year Ended December 31,	
	2008	2007
Included in revenues	$ 178.1	$ 145.8
Included in costs and expenses	0.7	4.8

Note 9—Insurance Claims

Under the VESCO operating agreement, each owner is responsible to insure its ownership percentage of their assets. Included in our general and administrative cost allocations is the cost of insuring our share of VESCO under Targa's corporate insurance program.

We recognize income from business interruption insurance in the period that a proof of loss is executed and submitted to the insurers for payment. Hurricanes Katrina and Rita affected certain of our gulf coast facilities in 2005. For 2009 and 2008, income from business interruption insurance included in revenues resulting from the effects of Hurricanes Katrina and Rita was $1.0 million and $0.6 million. For 2007, business interruption proceeds related to our unconsolidated investment in VESCO of $3.1 million, which is shown in the statement of operations as a component of equity income.

Our acquisition of these assets in October 2005 included a $29.1 million receivable for insurance claims related to property damage caused by Katrina and Rita. During 2008, our cumulative receipts exceeded such amount, and we recognized a gain of $6.6 million, which is shown in the statements of operations as other income. The insurance claim process is now complete with respect to Katrina and Rita for property damage and business interruption insurance.

Certain of our Louisiana facilities sustained damage and had disruptions to their operations during the 2008 hurricane season from two Gulf Coast hurricanes —Gustav and Ike. As of December 31, 2008, we recorded an $8.0 million loss provision (net of estimated insurance reimbursements) in the statements of operations related to the hurricanes. During 2009, the estimate was decreased by $3.1 million. During 2009 and 2008, expenditures related to the hurricanes included $2.8 million and $1.5 million for previously accrued repair costs.

Note 10—Significant Risks and Uncertainties

Nature of Operations in Midstream Energy Industry

We operate in the midstream energy industry. Our business activities include gathering, transporting, processing, fractionating and storage of natural gas, NGLs and crude oil. Our results of operations, cash flows and financial condition may be affected by (i) changes in the commodity prices of these hydrocarbon products and (ii) changes in the relative price levels among these hydrocarbon products. In general, the prices of natural gas, NGLs, condensate and other hydrocarbon products are subject to fluctuations in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control.

Our profitability could be impacted by a decline in the volume of natural gas, NGLs and condensate transported, gathered or processed at our facilities. A material decrease in natural gas or condensate production or condensate refining, as a result of depressed commodity prices, a decrease in exploration and development activities or otherwise, could result in a decline in the volume of natural gas, NGLs and condensate handled by our facilities.

A reduction in demand for NGL products by the petrochemical, refining or heating industries, whether because of (i) general economic conditions, (ii) reduced demand by consumers for the end products made with NGL products, (iii) increased competition from petroleum-based products due to the pricing differences, (iv) adverse weather conditions, (v) government regulations affecting commodity prices and production levels of hydrocarbons or the content of motor gasoline or (vi) other reasons, could also adversely affect our results of operations, cash flows and financial position.

Commodity Price Risk. A majority of the revenues from our natural gas gathering and processing business are derived from percent-of-proceeds contracts under which we receive a portion of the natural gas and/or NGLs or equity volumes, as payment for services. The prices of natural gas and NGLs are subject to market fluctuations in response to changes in supply, demand, market uncertainty and a variety of additional factors beyond our control.

Counterparty Risk — Credit and Concentration

Our NGL sales are principally with other Targa affiliates. See Note 8. During those years, there were no other non-affiliated counterparties that represented more than 10% of our revenues.

Casualty or Other Risks

Under the VESCO operating agreement, each owner is responsible to insure its ownership percentage of their assets. Targa maintains coverage in various insurance programs related to our share of VESCO, which provides us with property damage, business interruption and other coverages that are customary for the nature and scope of our operations.

Note 11—Subsequent Event

On September 13, 2010, Targa entered into a Purchase and Sale Agreement (the “Purchase Agreement”) with Targa Resources LP (the “Partnership”), under which Targa has agreed to sell, assign, transfer and convey to the Partnership our operations for aggregate consideration of $167.5 million, subject to certain adjustments.

The closing of this Purchase Agreement is subject to the satisfaction of certain conditions. We anticipate the closing of this transaction will occur in the third quarter of 2010.

Targa Resources Partners LP
Unaudited Pro Forma Condensed Combined Financial Statements

Except as noted within the context of each disclosure, the dollar amounts presented in the tabular data within these footnotes are stated in millions of dollars.

Introduction

The unaudited pro forma condensed combined financial statements of Targa Resources Partners LP ("the Partnership") as of June 30, 2010 and 2009, for the years ended December 31, 2009, 2008 and 2007, and for the six months ended June 30, 2010 and 2009 are based upon the historical audited and unaudited financial statements of the Partnership, Targa Versado LP, which holds Targa Resources, Inc.'s 63% investment in Versado Gas Processors, L.L.C. ("Versado") and Targa's Venice Operations, which holds Targa's 76.8% interest in Venice Energy Services Company, L.L.C. The Partnership, Versado and Targa's Venice Operations are controlled by a common parent entity, Targa Resources, Inc. ("Targa"). The Partnership's acquisitions of Versado and Targa's Venice Operations are accounted for and presented as transactions between entities under common control. Under common control accounting, the assets and liabilities of Versado and Targa's Venice Operations are recorded by the Partnership at their historical book values with an adjustment to owners' equity recorded for the difference between such historical value and the acquisition proceeds.

The unaudited pro forma condensed combined balance sheet as of June 30, 2010 has been prepared as if the Partnership's acquisitions of Versado and Targa's Venice Operations occurred on June 30, 2010. The unaudited pro forma condensed combined statements of operations for the years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 and 2009 have been prepared as if the Partnership's acquisitions of Versado and Targa's Venice Operations occurred on January 1, 2007, because during such periods the businesses were under the common controlling ownership of Targa Resources, Inc. The pro forma condensed combined statements of operations for the years ended December 31, 2008 and 2007 have also been prepared on the assumption that Targa's acquisition of its additional 53.9% ownership interest in VESCO, which occurred on July 31, 2008 and gave Targa effective control of VESCO, had occurred on January 1, 2007. The rates used in our presentations regarding debt financing represent historical weighted average interest rates paid on our existing variable rate senior secured revolving credit facility for the periods presented. The unaudited pro forma condensed combined financial statements should be read in conjunction with the notes accompanying the unaudited pro forma condensed combined financial statements.

The Partnership acquired Targa's interests in Versado for aggregate consideration of $247.2 million and Targa's Venice Operations for aggregate consideration of $175.6 million. Both transactions were subject to certain adjustments and closed in the third quarter of 2010.

The adjustments to the historical audited and unaudited financial statements are based upon currently available information and certain estimates and assumptions. Actual effect of these transactions will differ from the pro forma adjustments. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the transactions as contemplated and that the pro forma adjustments are factually supportable, give appropriate effect to the expected impact of events that are directly attributable to the transactions, and reflect those items expected to have a continuing impact on the Partnership.

The unaudited pro forma condensed combined financial statements of the Partnership have been derived from the historical financial statements of the Partnership, Targa Versado LP, and Targa's Venice Operations and are qualified in their entirety by reference to such historical financial statements and the related notes contained therein. The unaudited pro forma condensed combined financial statements are not necessarily indicative of the results that actually would have occurred if the Partnership had assumed the operations of Versado and Targa's Venice Operations on the dates indicated or which could be obtained in the future.

The pro forma financial statements reflect the following transactions:

- The “Partnership’s entry on July 19, 2010 into an amended and restated credit agreement that replaced its prior variable rate senior secured credit facility with a new variable rate senior secured credit facility due July 2015;
- the Partnership’s private placement of $250 million of 7 7/8% Senior Notes due August 2018, which was completed on August 13, 2010;
- the Partnership’s public offering of 7,475,000 common units, which was completed on August 13, 2010;
- the Partnership’s borrowing of $244.7 million under its senior secured revolving credit facility;
- the Partnership’s purchase of Versado from Targa for aggregate consideration consisting of $244.7 million in cash which included the repayment of $244.7 of affiliate indebtedness, the retirement of $222.8 million in affiliate indebtedness and the issuance of 89,813 common units and 1,833 general partner units, which closed on August 25, 2010; and
- the Partnership’s purchase of Targa’s Venice Operations from Targa for aggregate cash consideration to Targa of $175.6 million, which included the repayment affiliate indebtedness of $158.9 million to Targa; which closed on September 28, 2010.

TARGA RESOURCES PARTNERS LP
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
JUNE 30, 2010

	Targa Resources Partners LP	Targa Versado LP	Targa Venice Operations	Pro Forma Adjustments	Targa Resources Partners LP Pro Forma
			(In millions)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 43.7	$ 37.1	$ 5.3	$ 244.7 (b)	$ 320.6
				(15.0)(c)	
				(244.7)(d)	
				(0.3)(d)	
				244.0 (e)	
				177.6 (f)	
				3.8 (f)	
				(175.6)(g)	
Trade receivables	317.6	12.3	1.2		331.1
Receivables from affiliates	—	14.3	19.3	(33.6)(a)	—
Inventory	48.7	—	—	—	48.7
Assets from risk management activities	35.8	7.7	—	—	43.5
Other current assets	0.8	0.7	—	—	1.5
Total current assets	446.6	72.1	25.8	200.9	745.4
Property, plant and equipment, at cost	2,526.4	446.3	228.0	—	3,200.7
Accumulated depreciation	(569.1)	(120.2)	(24.1)	—	(713.4)
Property, plant and equipment, net	1,957.3	326.1	203.9	—	2,487.3
Long-term assets from risk management activities	20.7	5.7	—	—	26.4
Investment in unconsolidated affiliate	19.2	—	—	—	19.2
Other long term assets	18.7	1.1	1.5	15.0 (c)	42.3
				6.0 (e)	
Total assets	$ 2,462.5	$ 405.0	$ 231.2	$ 221.9	$ 3,320.6
LIABILITIES AND OWNERS' EQUITY					
Current liabilities:					
Accounts payable to third parties	$ 129.5	$ 4.8	$ 12.0	$ —	$ 146.3
Accounts payable to affiliates	33.7	—	—	(33.6)(a)	0.1
Accrued and other liabilities	230.3	21.7	21.7	—	273.7
Liabilities from risk management activities	12.0	1.2	—	—	13.2
Total current liabilities	405.5	27.7	33.7	(33.6)	433.3
Long-term debt payable to third parties	1,159.4	—	—	244.7 (b)	1,654.1
				250.0 (e)	
Long-term debt payable to Targa Resources, Inc.	—	450.5	2.9	(227.7)(d)	—
				(222.8)(d)	
				(2.9)(g)	
Long-term debt allocated from Targa Resources, Inc.	—	—	156.0	(156.0)(g)	—
Long-term liabilities from risk management activities	18.7	1.0	—	—	19.7
Deferred income taxes	4.8	—	—	—	4.8
Other long-term liabilities	18.2	3.3	25.1	—	46.6
Commitments and contingencies					
Owners' equity:					
Common unitholders (67,980,596 units issued and outstanding as of June 30, 2010)	821.0	—	—	(0.3)(d)	1,011.4
				2.4 (d)	
				49.7 (d)	
				(39.0)(g)	
				177.6 (f)	
General partner (1,387,360 units issued and outstanding as of June 30, 2010)	10.3	—	—	0.1 (d)	14.4
				1.0 (d)	
				3.8 (f)	
				(0.8)(g)	
Parent deficit	—	(152.6)	(23.1)	152.6 (d)	—
				23.1 (g)	
Accumulated other comprehensive income	10.5	—	—	—	10.5
	841.8	(152.6)	(23.1)	370.2	1,036.3

Noncontrolling interest in subsidiaries	14.1	75.1	36.6	—	125.8
Total owners’ equity	855.9	(77.5)	13.5	370.2	1,162.1
Total liabilities and owners’ equity	$ 2,462.5	$ 405.0	$ 231.2	$ 221.9	$ 3,320.6

See accompanying notes to unaudited pro forma combined financial statements

TARGA RESOURCES PARTNERS LP
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2010

	Targa Resources Partners LP	Targa Versado LP	Targa Venice Operations	Pro Forma Adjustments	Targa Resources Partners LP Pro Forma
			(In millions, except per unit data)		
Revenues from third parties	$ 2,648.9	$ 69.6	$ 2.9	$ —	$ 2,721.4
Revenues from affiliates	0.1	102.7	104.3	(207.1)(a)	—
Total operating revenues	2,649.0	172.3	107.2	(207.1)	2,721.4
Product purchases from third parties	2,154.8	120.9	80.0	(0.1)(a)	2,355.6
Product purchases from affiliates	207.0	—	—	(207.0)(a)	—
Operating expenses	100.4	15.9	7.4	—	123.7
Depreciation and amortization expenses	64.3	14.4	6.2	—	84.9
General and administrative expenses	45.3	3.1	5.0	—	53.4
Income from operations	77.2	18.0	8.6	—	103.8
Other income (expense):					
Interest expense from affiliate	(5.7)	(15.5)	(4.3)	19.8 (h)	(5.7)
Other interest expense, net	(33.1)	—	—	(0.3)(e)	(36.3)
				(2.9)(h)	
Equity in earnings of unconsolidated investment	2.7	—	—	—	2.7
Gain on mark-to-market derivative instruments	11.1	16.7	—	—	27.8
Other	—	—	—	—	—
	(25.0)	1.2	(4.3)	16.6	(11.5)
Income before income taxes	52.2	19.2	4.3	16.6	92.3
Income tax expense:					
Current	(1.8)	—	—	—	(1.8)
Deferred	(0.6)	—	—	—	(0.6)
	(2.4)	—	—	—	(2.4)
Net income	49.8	19.2	4.3	16.6	89.9
Less: Net income attributable to noncontrolling interest	1.2	9.2	3.1	—	13.5
Net income attributable to Targa Resources Partners LP	$ 48.6	$ 10.0	$ 1.2	$ 16.6	$ 76.4
Net income attributable to predecessor operations	16.3	—	—	—	16.3
Net income attributable to general partner	7.0	0.2	—	0.3 (i)	7.5
Net income allocable to limited partners	25.3	9.8	1.2	16.3 (i)	52.6
Net income attributable to Targa Resources Partners LP	$ 48.6	$ 10.0	$ 1.2	$ 16.6	$ 76.4
Net income per limited partner unit — basic and diluted	$ 0.37				$ 0.78
Weighted average limited partner units outstanding — basic and diluted	67.7				67.8

See accompanying notes to unaudited pro forma combined financial statements

TARGA RESOURCES PARTNERS LP
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2009

	Targa Resources Partners LP	Targa Versado LP	Targa Venice Operations	Pro Forma Adjustments	Targa Resources Partners LP Pro Forma
			(In millions, except per unit data)		
Revenues from third parties	$ 1,948.8	$ 50.2	$ 3.6	$ —	$ 2,002.6
Revenues from affiliates	15.9	69.8	67.1	(152.8)(a)	—
Total operating revenues	1,964.7	120.0	70.7	(152.8)	2,002.6
Product purchases from third parties	1,563.6	85.5	39.4	(0.1)(a)	1,688.4
Product purchases from affiliates	140.3	—	12.4	(152.7)(a)	—
Operating expenses	99.2	13.4	6.2	—	118.8
Depreciation and amortization expenses	60.8	14.6	6.3	0.3(e)	82.0
General and administrative expenses	50.0	4.4	4.8	—	59.2
Other	(0.7)	—	(3.0)	—	(3.7)
Income from operations	51.5	2.1	4.6	(0.3)	57.9
Other income (expense):					
Interest expense from affiliate	(41.3)	(15.5)	(4.8)	20.3(h)	(41.3)
Other interest income (expense), net	(19.2)	0.1	—	(0.3)(e)	(23.4)
				(4.0)(h)	
Equity in earnings of unconsolidated investment	1.8	—	—	—	1.8
Loss on mark-to-market derivative instruments	(3.8)	(1.7)	—	—	(5.5)
Other	0.7	—	—	—	0.7
	(61.8)	(17.1)	(4.8)	16.0	(67.7)
Loss before income taxes	(10.3)	(15.0)	(0.2)	15.7	(9.8)
Income tax expense:					
Current	(0.3)	—	—	—	(0.3)
Deferred	(0.8)	—	—	—	(0.8)
	(1.1)	—	—	—	(1.1)
Net loss	(11.4)	(15.0)	(0.2)	15.7	(10.9)
Less: Net income attributable to noncontrolling interest	0.3	4.4	1.6	—	6.3
Net loss attributable to Targa Resources Partners LP	$ (11.7)	$ (19.4)	$ (1.8)	$ 15.7	$ (17.2)
Net income (loss) attributable to predecessor operations	(16.1)	—	—	—	(16.1)
Net income (loss) attributable to general partner	3.9	(0.4)	—	0.3(i)	3.8
Net income (loss) allocable to limited partners	0.5	(19.0)	(1.8)	15.4(i)	(4.9)
Net loss attributable to Targa Resources Partners LP	$ (11.7)	$ (19.4)	$ (1.8)	$ 15.7	$ (17.2)
Net income (loss) per limited partner unit — basic and diluted	$ 0.01				$ (0.11)
Weighted average limited partner units outstanding — basic and diluted	46.2				46.2

See accompanying notes to unaudited pro forma combined financial statements

TARGA RESOURCES PARTNERS LP
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2009

	Targa Resources Partners LP	Targa Versado LP	Targa Venice Operations	Pro Forma Adjustments	Targa Resources Partners LP Pro Forma
			(In millions, except per unit data)		
Revenues from third parties	$ 4,375.2	$ 119.4	$ 9.2	$ —	$ 4,503.8
Revenues from affiliates	16.0	159.0	158.6	(333.6)(a)	—
Total operating revenues	4,391.2	278.4	167.8	(333.6)	4,503.8
Product purchases from third parties	3,488.3	195.3	109.1	(0.2)(a)	3,792.5
Product purchases from affiliates	321.3	—	12.1	(333.4)(a)	—
Operating expenses	191.1	29.3	13.4	—	233.8
Depreciation and amortization expenses	125.1	29.1	12.6	—	166.8
General and administrative expenses	100.6	8.5	9.6	—	118.7
Other	(0.7)	0.1	(3.1)	—	(3.7)
Income from operations	165.5	16.1	14.1	—	195.7
Other income (expense):					
Interest expense from affiliate	(66.6)	(30.9)	(10.2)	41.1 (h)	(66.6)
Other interest expense, net	(52.0)	—	(0.1)	(0.6)(e)	(59.8)
				(7.1)(h)	
Equity in earnings of unconsolidated investment	5.0	—	—	—	5.0
Loss on debt repurchases	(1.5)	—	—	—	(1.5)
Loss on mark-to-market derivative instruments	(15.2)	(15.7)	—	—	(30.9)
Other	0.7	—	—	—	0.7
	(129.6)	(46.6)	(10.3)	33.4	(153.1)
Income (loss) before income taxes	35.9	(30.5)	3.8	33.4	42.6
Income tax expense:					
Current	(0.3)	—	—	—	(0.3)
Deferred	(0.9)	—	—	—	(0.9)
	(1.2)	—	—	—	(1.2)
Net income (loss)	34.7	(30.5)	3.8	33.4	41.4
Less: Net income attributable to noncontrolling interest	2.2	12.7	4.6	—	19.5
Net income (loss) attributable to Targa Resources Partners LP	$ 32.5	$ (43.2)	$ (0.8)	$ 33.4	$ 21.9
Net income (loss) attributable to predecessor operations	(21.9)	—	—	—	(21.9)
Net income (loss) attributable to general partner	10.4	(0.9)	—	0.7 (i)	10.2
Net income (loss) allocable to limited partners	44.0	(42.3)	(0.8)	32.7 (i)	33.6
Net income (loss) attributable to Targa Resources Partners LP	$ 32.5	$ (43.2)	$ (0.8)	$ 33.4	$ 21.9
Net income per limited partner unit — basic and diluted	$ 0.86				$ 0.66
Weighted average limited partner units outstanding — basic and diluted	51.2				51.2

See accompanying notes to unaudited pro forma combined financial statements

TARGA RESOURCES PARTNERS LP
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2008

	Targa Resources Partners LP	Targa Versado LP	Targa Venice Operations	Pro Forma Adjustments	Targa Resources Partners LP Pro Forma
			(In millions, except per unit data)		
Revenues from third parties	$ 7,787.2	$ 239.2	$ 18.8	$ —	$ 8,045.2
Revenues from affiliates	50.7	326.2	171.2	(548.1)(a)	—
Total operating revenues	7,837.9	565.4	190.0	(548.1)	8,045.2
Product purchases from third parties	6,779.6	405.5	120.8	(121.5)(a)	7,184.4
Product purchases from affiliates	418.1	—	8.5	(426.6)(a)	—
Operating expenses	227.0	42.0	22.3	—	291.3
Depreciation and amortization expenses	119.5	31.8	12.6	—	163.9
General and administrative expenses	85.4	8.0	4.3	—	97.7
Other	5.4	—	8.1	—	13.5
Income from operations	202.9	78.1	13.4	—	294.4
Other income (expense):					
Interest expense from affiliate	(82.4)	(30.9)	(10.0)	40.9 (h)	(82.4)
Other interest expense, net	(37.9)	—	—	(0.6)(e)	(57.0)
				(18.5)(h)	
Equity in earnings of unconsolidated investment	3.9	—	—	—	3.9
Gain on debt repurchases	13.1	—	—	—	13.1
Gain on mark-to-market derivative instruments	30.6	45.8	—	—	76.4
Other	12.9	—	6.7	—	19.6
	(59.8)	14.9	(3.3)	21.8	(26.4)
Income before income taxes	143.1	93.0	10.1	21.8	268.0
Income tax expense:					
Current	(0.8)	—	—	—	(0.8)
Deferred	(2.1)	—	—	—	(2.1)
	(2.9)	—	—	—	(2.9)
Net income	140.2	93.0	10.1	21.8	265.1
Less: Net income attributable to noncontrolling interest	0.3	34.5	3.0	—	37.8
Net income attributable to Targa Resources Partners LP	$ 139.9	$ 58.5	$ 7.1	$ 21.8	$ 227.3
Net income attributable to predecessor operations	48.4	—	—	—	48.4
Net income attributable to general partner	7.0	1.2	0.1	0.4 (i)	8.7
Net income allocable to limited partners	84.5	57.3	7.0	21.4 (i)	170.2
Net income attributable to Targa Resources Partners LP	$ 139.9	$ 58.5	$ 7.1	$ 21.8	$ 227.3
Net income per limited partner unit — basic and diluted	$ 1.83				$ 3.68
Weighted average limited partner units outstanding — basic and diluted	46.2				46.2

See accompanying notes to unaudited pro forma combined financial statements

TARGA RESOURCES PARTNERS LP
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2007

	Targa Resources Partners LP	Targa Versado LP	Targa Venice Operations	Pro Forma Adjustments	Targa Resources Partners LP Pro Forma
			(In millions, except per unit data)		
Revenues from third parties	$ 7,081.9	$ 203.4	$ 16.1	$ —	$ 7,301.4
Revenues from affiliates	21.7	291.4	144.5	(457.6)(a)	—
Total operating revenues	7,103.6	494.8	160.6	(457.6)	7,301.4
Product purchases from third parties	6,158.6	357.8	98.9	(141.6)(a)	6,473.7
Product purchases from affiliates	312.9	—	3.1	(316.0)(a)	—
Operating expenses	209.0	37.7	30.8	—	277.5
Depreciation and amortization expenses	114.3	29.3	8.2	—	151.8
General and administrative expenses	89.8	4.0	5.0	—	98.8
Other	(0.1)	—	(0.4)	—	(0.5)
Income from operations	219.1	66.0	15.0	—	300.1
Other income (expense):					
Interest expense from affiliate	(101.1)	(30.9)	(8.9)	39.8 (h)	(101.1)
Other interest expense, net	(21.5)	—	—	(0.6)(e)	(50.3)
				(28.2)(h)	
Equity in earnings of unconsolidated investment	3.5	—	—	—	3.5
Gain on debt repurchases	—	—	—	—	—
Loss on mark-to-market derivative instruments	(61.9)	(42.2)	—	—	(104.1)
Other	(0.8)	—	—	—	(0.8)
	(181.8)	(73.1)	(8.9)	11.0	(252.8)
Income (loss) before income taxes	37.3	(7.1)	6.1	11.0	47.3
Income tax expense:					
Current	(0.8)	—	—	—	(0.8)
Deferred	(2.1)	—	—	—	(2.1)
	(2.9)	—	—	—	(2.9)
Net income (loss)	34.4	(7.1)	6.1	11.0	44.4
Less: Net income attributable to noncontrolling interest	0.1	28.6	4.2	—	32.9
Net income (loss) attributable to Targa Resources Partners LP	$ 34.3	$ (35.7)	$ 1.9	$ 11.0	$ 11.5
Net income attributable to predecessor operations	6.2	—	—	—	6.2
Net income (loss) attributable to general partner	0.6	(0.7)	—	0.2 (i)	0.1
Net income (loss) allocable to limited partners	27.5	(35.0)	1.9	10.8 (i)	5.2
Net income (loss) attributable to Targa Resources Partners LP	$ 34.3	$ (35.7)	$ 1.9	$ 11.0	$ 11.5
Net income per limited partner unit — basic and diluted	$ 0.81				$ 0.15
Weighted average limited partner units outstanding — basic and diluted	34.0				34.0

See accompanying notes to unaudited pro forma combined financial statements

TARGA RESOURCES PARTNERS LP
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Note 1—Basis of Presentation

The unaudited pro forma condensed combined financial statements of Targa Resources Partners LP ("the Partnership") as of June 30, 2010 and 2009, for the years ended December 31, 2009, 2008 and 2007, and for the six months ended June 30, 2010 and 2009 are based upon the historical audited and unaudited financial statements of the Partnership, Targa Versado LP, which holds Targa Resources, Inc.'s 63% investment in Versado Gas Processors, L.L.C. ("Versado") and Targa's Venice Operations, which holds Targa's 76.8% interest in Venice Energy Services Company, L.L.C. ("VESCO"). The Partnership, Versado and Targa's Venice Operations are controlled by a common parent entity, Targa Resources, Inc. ("Targa"). The Partnership's acquisitions of Versado and Targa's Venice Operations are accounted for and presented as transactions between entities under common control. Under common control accounting, the assets and liabilities of Versado and Targa's Venice Operations are recorded by the Partnership at their historical book values with an adjustment to owners' equity recorded for the difference between such historical value and the acquisition proceeds.

The unaudited pro forma condensed combined balance sheet as of June 30, 2010 has been prepared as if the Partnership's acquisitions of Versado and Targa's Venice Operations occurred on June 30, 2010. The unaudited pro forma condensed combined statements of operations for the years ended December 31, 2009, 2008 and 2007 and the six months ended June 30, 2010 and 2009 have been prepared as if the Partnership's acquisitions of Versado and Targa's Venice Operations occurred on January 1, 2007, because during such periods the businesses were under the common controlling ownership of Targa Resources, Inc. The pro forma condensed combined statements of operations for the years ended December 31, 2008 and 2007 have also been prepared on the assumption that Targa's acquisition of its additional 53.9% ownership interest in VESCO, which occurred on July 31, 2008 and gave Targa effective control of VESCO, had occurred on January 1, 2007. The rates used in our presentations regarding debt financing represent historical weighted average interest rates paid on our existing variable rate senior secured revolving credit facility for the periods presented. The unaudited pro forma condensed combined financial statements should be read in conjunction with the notes accompanying the unaudited pro forma condensed combined financial statements.

The Partnership acquired Targa's interest in Versado for aggregate consideration of $247.2 million and Targa's Venice Operations for aggregate consideration of $175.6 million. Both transactions were subject to certain adjustments and closed in the third quarter of 2010.

The adjustments to the historical audited and unaudited financial statements are based upon currently available information and certain estimates and assumptions. Actual effect of these transactions will differ from the pro forma adjustments. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the transactions as contemplated and that the pro forma adjustments are factually supportable, give appropriate effect to the expected impact of events that are directly attributable to the transactions, and reflect those items expected to have a continuing impact on the Partnership.

The unaudited pro forma condensed combined financial statements of the Partnership have been derived from the historical financial statements of the Partnership, Targa Versado LP and Targa's Venice Operations and are qualified in their entirety by reference to such historical financial statements and the related notes contained therein. The unaudited pro forma condensed combined financial statements are not necessarily indicative of the results that actually would have occurred if the Partnership had assumed the operations of Versado and Targa's Venice Operations on the dates indicated or which could be obtained in the future.

The Partnership financed these acquisitions through borrowings under its senior secured revolving credit facility.

The pro forma financial statements reflect the following transactions which occurred subsequent to June 30, 2010:

- the Partnership's entry on July 19, 2010 into an amended and restated credit agreement that replaced its prior variable rate senior secured credit facility with a new variable rate senior secured credit facility due July 2015;

- the Partnership's private placement of $250 million of 7 7/8% Senior Notes due August 2018, which was completed on August 13, 2010;
- the Partnership's public offering of 7,475,000 common units, which was completed on August 13, 2010;
- the Partnership's purchase of Targa's equity interests in Versado, which closed on August 25, 2010, together with related financing; and
- the Partnership's purchase of Targa's Venice Operations from Targa, which closed on September 28, 2010.

Note 2—Pro Forma Adjustments and Assumptions

(a) Reflects the elimination of affiliate receivables and payables and affiliate revenues and expenses between Targa Resources Partners LP and both Targa Versado LP and Targa's Venice Operations. For 2007 and prior to Targa's purchase of a controlling interest in 2008, certain transactions between the Partnership and Targa's Venice Operations were presented as third party purchases in the Partnership's statement of operations.

(b) Reflects borrowings of $244.7 million under our new variable rate senior secured credit facility.

(c) Reflects $15.0 million of debt issue costs associated with the new variable rate senior secured credit facility.

(d) Reflects payment to Targa of $244.7 million to acquire Targa's equity interests in Versado, consisting of the repayment of $222.8 million of affiliated indebtedness with Targa including purchase price adjustments. Additionally, $227.7 million of Targa Versado LP's affiliate indebtedness payable to Targa was retired and this was treated as a contribution by Targa to Versado. There was also $0.3 million of estimated expenses associated with this transaction. These expenses were allocated to the Partnership's common units. The aggregate consideration was as indicated below (in millions):

Cash consideration	$ 244.7
Common units	2.4
General partner units	0.1
Total consideration	247.2
Repayment of affiliated indebtedness payable to Targa	(222.8)
Retirement of affiliated indebtedness payable to Targa	(227.7)
Historical parent deficit of Targa in Versado	152.6
Total equity adjustment for purchase of assets under common control	$ (50.7)

Adjustments for purchase of assets under common control:	
Common and subordinated unitholders	(49.7)
General partner	(1.0)
	$ (50.7)

(e) Reflects the Partnership's private placement of $250 million of 7 7/8% Senior Notes due August 2018, together with fees and expenses of $6.0 million associated with that placement. The amortization of debt issue costs related to the Partnership's 7 7/8% Senior Notes increased interest expense by $0.6 million for the years ended December 31, 2009, 2008 and 2007 and $0.3 million for the six months ended June 30, 2010 and 2009 due to the increased debt issue costs.

(f) Reflects net proceeds to the Partnership of $181.4 million from the issuance and sale of 7,475,000 common units at a price of $23.82 per unit. Net proceeds reflect the underwriters' discounts of $7.3 million, other expenses of $0.4 million and the general partner's proportionate capital contribution of $3.8 million.

(g) Reflects the $175.6 million payment to Targa for Targa's Venice Operations. This consisted of the repayment of affiliated indebtedness of $158.9 million and an additional $39.8 million adjustment to equity for the purchase under common control accounting. The $39.8 million excess over the affiliated indebtedness and the retirement of parent investment in Targa's Venice Operations were allocated between the general and limited partners as indicated below (in millions):

Cash consideration	$	175.6
Repayment of affiliated indebtedness payable to Targa		(158.9)
Historical parent deficit of Targa in Targa's Venice Operations		23.1
Total equity adjustment for purchase of assets under common control	$	39.8
Adjustments for purchase of assets under common control:		
Common and subordinated unitholders	$	39.0
General partner		0.8
	$	39.8

(h) Reflects the reversal of interest expense associated with the affiliated indebtedness and interest expense on the borrowings under our senior secured credit facility incurred in connection with the acquisition as though such transactions had occurred January 1, 2007. For the Versado acquisition, we borrowed $244.7 million and for the purchase of Targa's Venice Operations, we borrowed an additional $167.5 million. Interest is calculated at an estimated annual rate of 1.4% for the six months ended June 30, 2010, and 1.7%, 4.4% and 6.7% for the years ended December 31, 2009, 2008 and 2007. These rates represent historical weighted average interest rates paid on our existing variable rate senior secured revolving credit facility for the periods presented. A one-eighth percentage point change in the interest rate would change pro forma interest expense by $0.3 million for the six months ended June 30, 2010, and $0.5 million for the years ended December 31, 2009, 2008 and 2007.

(i) The allocation of net income between the general and the limited partners is in accordance with their respective ownership percentages.

Note 3—Pro Forma Net Income Per Unit

Pro forma net income per unit is determined by dividing the pro forma net income that would have been allocated to the common unitholders, which is 98% of the pro forma net income less incentive distributions reflected in our historical financial statements, by the weighted average number of common units expected to be outstanding. All units issued pursuant to Targa's sale to us of its equity interest in Versado were assumed to have been outstanding since January 1, 2007. No units were issued for the purchased of Targa's Venice Operations. Basic and diluted pro forma net income per limited partner unit is equivalent as there are no dilutive units for all periods presented.